



## MECHANICAL TECHNOLOGY INCORPORATED

### COMPENSATION COMMITTEE CHARTER

#### **I. Purpose**

The Compensation Committee shall assist the Board of Directors of Mechanical Technology Incorporated (the "Company") in fulfilling its responsibilities regarding the compensation practices of the Company, particularly as it relates to the attraction, development and retention of its officers, key employees and directors. In this regard, the Committee is charged with ensuring that the Company's compensation programs are aligned with Company goals and are adequately designed to attract, motivate and retain executives and key employees.

#### **II. Structure and Operations**

##### *Composition and Qualifications*

The Committee shall consist of at least two directors as determined by the Board, each of whom is to be free of any relationship that, in the opinion of the Board, would interfere with his or her exercise of independent judgment. Committee members shall meet the independence requirements of the NASDAQ Stock Market, as well as all applicable laws and regulations.

All members of the Committee shall be generally acquainted with both the MTI and peer group corporate compensation practices and issues, and have experience in the areas of the Committee's responsibilities.

The Committee is authorized and empowered to adopt its own rules of procedure not inconsistent with (a) any provision of this Charter, (b) any provision of the Bylaws of the Corporation, or (c) the laws of the state of New York.

##### *Appointment and Removal*

The members of the Committee shall be appointed by the Board. Members may be replaced by the Board at any time, but shall otherwise serve until their successor has been named. The chairperson of the Committee shall be elected by the committee on a three year basis.

##### *Delegation to Subcommittees*

In fulfilling its responsibilities, the Compensation Committee shall be entitled to delegate any or all of its responsibilities to a subcommittee of the Compensation Committee, including a subcommittee consisting of those members who qualify as an "outside director" under Section 162(m) of the Internal Revenue Code and/or as a "non-employee director" as defined in Rule 16b-3 under the Securities Exchange Act of 1934, and, to the extent not expressly reserved to the Compensation Committee by the Board or by applicable law, rule or regulation, to any other

committee of directors of the Company appointed by it, which may or may not be composed of members of the Compensation Committee.

### **III. Meetings**

The Committee shall meet at least once a year in February or March at the call of the Chair. Additional meetings may occur as any member of the Committee requests or its Chair deems advisable.

Any director of the Company who is not a member of the Compensation Committee may attend meetings of the Compensation Committee; provided, however, that any director who is not a member of the Compensation Committee may not vote on any matter coming before the Compensation Committee for a vote. The Compensation Committee also may invite to its meetings any member of management of the Company and such other persons as it deems appropriate in order to carry out its responsibilities. The Compensation Committee may meet in executive session, as the Compensation Committee deems necessary or appropriate

The Committee shall be governed by the same rules regarding meetings (including meetings by conference telephone or similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board.

### **IV. Responsibilities and Duties**

The following functions shall be common recurring activities of the Compensation Committee in carrying out its purpose set forth in Section I of this Charter. These functions should serve as a guide with the understanding that the Compensation Committee may carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal or other conditions.

The Compensation Committee shall have the following duties and responsibilities, in addition to any others that may be assigned by the Board from time to time:

1. Establish, review, discuss with management and modify from time to time as appropriate the overall compensation philosophy of the Company.
2. At least annually, make recommendations to the Board with respect to the Company's overall compensation program including any recommended revisions thereto or the adoption of new incentive and other compensation programs.
3. Review and evaluate Company objectives relevant to the Chief Executive Officer's ("CEO") compensation, evaluate CEO performance relative to established goals, and set CEO compensation.
4. Review, evaluate and determine, in consultation with the Governance and Nominating Committee, the compensation program for the members of the Board.
5. Review, evaluate and recommend to the full Board the terms of employment and severance agreements/arrangements for executive officers, as well as other compensatory arrangements for executive management.
6. In consultation and collaboration with the CEO, develop and oversee the CEO's implementation of an annual process for evaluating the performance of the other executive officers that includes measurable performance objectives (including corporate and personal goals and objectives) and a performance assessment based upon such objectives, and approve the compensation of the Company's other executive officers after

review of the CEO's recommendation and the results of such officer's performance review.

7. Administer the Company's equity compensation plans.
8. Periodically evaluate and report to the Board on the performance and effectiveness of the Committee to assist the directors in fulfilling their responsibilities in a manner that serves the interests of the Company's shareholders.
9. Review, evaluate and recommend succession planning and management development for the CEO and other executive officers.
10. Periodically review this Charter and recommend changes to the Board as needed.

The Compensation Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern within the purpose of the Compensation Committee that the Compensation Committee deems appropriate or necessary. The Committee shall have the sole authority to retain and terminate any compensation consultant, outside counsel or other advisers as it deems appropriate to perform its duties and responsibilities, including the authority to approve the fees payable to such counsel or advisers and any other terms of retention.

The Compensation Committee shall annually review an assessment of any potential conflicts of interest raised by the work of any compensation consultant, whether retained by the Committee or Company management, who is involved in determining or recommending the amount or form of executive or director compensation (other than any consultant whose role is limited to consulting on any broad-based plan that does not discriminate in favor of the Company's executive officers or directors and that is available generally to all salaried employees, or is providing information that either is not customized for the Company or that is customized based on parameters that are not developed by the compensation consultant and about which the consultant does not provide advice).

#### *Documents/Reports*

The Compensation Committee will report regularly to the Board (i) following meetings of the Compensation Committee, (ii) with respect to such other matters as are relevant to the Compensation Committee's discharge of its responsibilities, (iii) with respect to such recommendations as the Compensation Committee may deem appropriate. The report to the Board may take the form of an oral report by the Chair or any other member of the Compensation Committee designated by the Compensation Committee to make such report.

To the extent required, the Committee will prepare an annual report of the Compensation Committee to be included in the Company's Proxy Statement.

The Committee will maintain minutes and other records of meetings and activities of the Compensation Committee, as appropriate under applicable law.

#### *General*

The Committee will perform any other activities consistent with this Charter, the By-Laws of the Company and any other applicable law, rules or regulations as the Compensation Committee or the Board deems necessary or appropriate.

### **V. Performance Evaluation**

The Compensation Committee shall periodically perform a review and evaluation of the performance of the Compensation Committee and its members, including a review of adherence

of the Compensation Committee to this Charter. The Compensation Committee shall conduct such evaluation and review in such manner as it deems appropriate.