



PLC SYSTEMS INC.

COMPENSATION COMMITTEE CHARTER

A. Purpose

The purpose of the Compensation Committee is to assist the Board of Directors in the discharge of its responsibilities relating to compensation of the Company's executive officers.

B. Structure and Membership

1. Number. The Compensation Committee shall consist of at least three members of the Board of Directors.
2. Independence. Except as otherwise permitted by the applicable American Stock Exchange ("AMEX") rules, each member of the Compensation Committee shall be an "independent director" as defined by the applicable AMEX rules.
3. Chair. Unless the Board of Directors elects a Chair of the Compensation Committee, the Compensation Committee shall elect a Chair by majority vote.
4. Compensation. The compensation of Compensation Committee members shall be as determined by the Board of Directors.
5. Selection and Removal. Members of the Compensation Committee shall be appointed by the Board of Directors, upon the recommendation of the Nominating and Corporate Governance Committee. The Board of Directors may remove members of the Compensation Committee from such committee, with or without cause.

C. Authority and Responsibilities

General

The Compensation Committee shall discharge its responsibilities, and shall assess the information provided by the Company's management, in accordance with its business judgment.

Compensation Matters

1. Executive Officer Compensation. The Compensation Committee, or a majority of the independent directors of the Board of Directors, shall review and approve, or recommend for approval by the Board of Directors, the compensation of the Company's Chief Executive Officer (the "CEO") and the Company's other executive officers, including salary, bonus and incentive compensation levels; deferred compensation; executive perquisites; equity compensation (including awards to induce employment); severance arrangements; change-in-control benefits and other forms of executive officer compensation. The Compensation Committee or the independent directors of the Board of Directors, as the case may be, shall meet without the presence of executive officers when approving or deliberating on CEO compensation but may, in its or their discretion, invite the CEO to be present during the approval of, or deliberations with respect to, other executive officer compensation.
2. Plan Recommendations and Approvals. The Compensation Committee shall periodically review and make recommendations to the Board of Directors with respect to incentive-compensation plans and equity-based plans. In addition to any recommendation provided by the Compensation Committee to the full Board of Directors, the Compensation Committee, or a majority of the independent directors of the Board of Directors, shall approve any issuances to an individual, not previously an employee or director of the Company, or following a bona fide period of non-employment, as an inducement material to entering into employment with the Company, and any tax-qualified, non-discriminatory employee benefit plans (and any parallel nonqualified plans) for which stockholder approval is not sought and pursuant to which options or stock may be acquired by officers, directors, employees or consultants of the Company.
3. Incentive Plan Administration. The Compensation Committee shall exercise all rights, authority and functions of the Board of Directors under all of the Company's stock option, stock incentive, employee stock purchase and other equity-based plans, including without limitation, the authority to interpret the terms thereof, to grant options thereunder and to make stock awards thereunder; provided, however, that, except as otherwise expressly authorized to do so by a plan or resolution of the Board of Directors, the Compensation Committee shall not be authorized to amend any such plan. To the extent permitted by applicable law and the provisions of a given equity-based plan, and consistent with the requirements of applicable law and such equity-based plan, the Compensation Committee may delegate to one or more executive officers of the Company the power to grant options or other stock awards pursuant to such equity-based plan to employees of the Company or any subsidiary of the Company who are not directors or executive officers of the Company.
4. Director Compensation. The Compensation Committee shall periodically review and make recommendations to the Board of Directors with respect to director compensation.

5. Compensation Committee Report on Executive Compensation. The Compensation Committee shall prepare for inclusion where necessary in a proxy or information statement of the Company relating to an annual meeting of security holders at which directors are to be elected (or special meeting or written consents in lieu of such meeting), the report described in Item 402(k) of Regulation S-K.
6. Compensation Committee Report on Repricing of Options/SARs. If during the last fiscal year of the Company (while the Company was a reporting company pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (the “Exchange Act”)) any adjustment or amendment was made to the exercise price of any stock option or stock appreciation right previously awarded to a “named executive officer” (as such term is defined from time to time in Item 402(a)(3) of Regulation S-K), the Compensation Committee shall furnish the report required by Item 402(i) of Regulation S-K.
7. Additional Powers. The Compensation Committee shall have such other duties as may be delegated from time to time by the Board of Directors.

D. Procedures and Administration

1. Meetings. The Compensation Committee shall meet as often as it deems necessary in order to perform its responsibilities. The Compensation Committee may also act by unanimous written consent in lieu of a meeting. The Compensation Committee shall keep such records of its meetings as it shall deem appropriate.
2. Subcommittees. The Compensation Committee may form and delegate authority to one or more subcommittees as it deems appropriate from time to time under the circumstances (including (a) a subcommittee consisting of a single member and (b) a subcommittee consisting of at least two members, each of whom qualifies as a “non-employee director,” as such term is defined from time to time in Rule 16b-3 promulgated under the Exchange Act, and an “outside director,” as such term is defined from time to time in Section 162(m) of the Internal Revenue Code of 1986, as amended, and the rules and regulations thereunder).
3. Reports to Board. The Compensation Committee shall report regularly to the Board of Directors.
4. Charter. The Compensation Committee shall periodically review and reassess the adequacy of this Charter and recommend any proposed changes to the Board of Directors for approval.
5. Consulting Arrangements. The Compensation Committee shall have the authority to retain and terminate any compensation consultant to be used to assist in the evaluation of executive officer compensation and shall have authority to approve the consultant’s fees and other retention terms. The Compensation Committee

shall also have authority to commission compensation surveys or studies as the need arises. The Compensation Committee is empowered, without further action by the Board of Directors, to cause the Company to pay the compensation of such consultants as established by the Compensation Committee.

6. Independent Advisors. The Compensation Committee shall have the authority, without further action by the Board of Directors, to engage such independent legal, accounting and other advisors as it deems necessary or appropriate to carry out its responsibilities. Such independent advisors may be the regular advisors to the Company. The Compensation Committee is empowered, without further action by the Board of Directors, to cause the Company to pay the compensation of such advisors as established by the Compensation Committee.
7. Investigations. The Compensation Committee shall have the authority to conduct or authorize investigations into any matters within the scope of its responsibilities as it shall deem appropriate, including the authority to request any officer, employee or advisor of the Company to meet with the Compensation Committee or any advisors engaged by the Compensation Committee.
8. Annual Self-Evaluation. At least annually, the Compensation Committee shall evaluate its own performance.

Appendix A

[not part of Compensation Committee Charter]

Rule 16b-3 of the Securities Exchange Act of 1934

Rule 16b-3(b)(3)(i) under the Securities Exchange Act of 1934 defines “Non-Employee Director” (except in the case of closed-end investment companies) as follows:

A Non-Employee Director shall mean a director who:

- (A) Is not currently an officer (as defined in Rule 16a-1(f)) of the issuer or a parent or subsidiary of the issuer, or otherwise currently employed by the issuer or a parent or subsidiary of the issuer;
- (B) Does not receive compensation, either directly or indirectly, from the issuer or a parent or subsidiary of the issuer, for services rendered as a consultant or in any capacity other than as a director, except for an amount that does not exceed the dollar amount for which disclosure would be required pursuant to Item 404(a) of Regulation S-K;
- (C) Does not possess an interest in any other transaction for which disclosure would be required pursuant to Item 404(a) of Regulation S-K; and
- (D) Is not engaged in a business relationship for which disclosure would be required pursuant to Item 404(b) of Regulation S-K.

Section 162(m) of the Internal Revenue Code of 1986

For purposes of Section 162(m) of the Internal Revenue Code of 1986, a director is an “Outside Director” only if he or she:

1. is not a current employee of the public company;
2. is not a former employee of the public company who receives compensation for prior services (other than benefits under a tax-qualified retirement plan) during the taxable year;
3. has never been an officer of the public company; and
4. does not receive remuneration from the public company, either directly or indirectly, in any capacity other than as a director.

A director will no longer be considered a valid outside director if he or she received “remuneration” under each of the following circumstances:

1. remuneration is paid, directly or indirectly, to the director personally or to an entity in which the director has a beneficial ownership interest of greater than 50%. Remuneration is considered paid when actually paid and, if earlier, throughout the period when a contract or agreement to pay remuneration is outstanding.
2. remuneration, other than *de minimis* remuneration,¹ was paid by the public company in its preceding taxable year to an entity in which the director has a beneficial ownership interest of at least 5% but not more than 50%. Remuneration is considered paid when actually paid or, if earlier, when the public company becomes liable to pay for it.
3. remuneration, other than *de minimis* remuneration, was paid by the public company in its preceding taxable year to an entity by which the director is employed or self-employed other than as a director. Remuneration is considered paid when actually paid or, if earlier, when the public company becomes liable to pay it.

¹ Defined as 5% of the gross revenue of the entity receiving the payment for the entity's taxable year ending with or within that preceding taxable year of the public company. When the remuneration is for personal services, amounts paid for such services that exceed \$60,000 will not be considered *de minimis*.