

**December 2003**

**Dynamics Research Corporation  
Board of Directors  
Compensation Committee Charter**

**Purpose**

The Compensation Committee shall discharge the Board's responsibilities in determining the compensation of the Company's Chief Executive Officer and all other officers and directors. The Committee shall have overall responsibility for approving and evaluating the compensation plans, policies and programs of the Company. To that end, the Committee shall have the responsibility, power and authority to set the compensation and benefits for the Chief Executive Officer and the Company's other executive officers, determine distributions and grant awards under and administer the Company's various stock option and other incentive plans, and assume responsibility for all matters related to all of the foregoing. The Committee is also responsible for producing an annual report on executive compensation for inclusion in the Company's proxy statement.

**Committee Membership**

The Committee shall consist of no fewer than three members, each of whom shall meet the independence requirements of the Nasdaq Stock Market. The members of the Committee shall be appointed by the Board and may be replaced by the Board.

**Compensation Policy**

The Board of Directors believes that compensation of executive and directors should be fair to both executives, directors and shareholders, externally competitive, and designed to align very closely the interests of the executives and directors with those of the shareholders. The Company's executive's and director's compensation policy is designed to attract, motivate, reward and retain superior management talent. The Compensation Committee places heavy emphasis on pay for performance. Increases in compensation should be based upon the performance level of the individual.

**Committee Authority and Responsibilities**

1. **Chief Executive Officer Compensation.** The Committee shall annually review and approve corporate goals and objectives relevant to CEO compensation, evaluate the CEO's performance in light of those goals and objectives, and approve the CEO's compensation level based on this evaluation. In determining the long-term incentive component of CEO compensation, the Committee should consider the Company's performance and relative shareholder return, the value of similar incentive awards to CEO's at comparable companies, the awards given to the CEO in past years, and such other factors as the Committee may consider relevant. The CEO may not be present during voting or deliberations with respect to his or her own compensation.

2. **Compensation of Executive Officers.** The CEO shall recommend and the Committee shall annually review and approve the following with respect to the executive officers of the Company (a) the annual base salary, (b) the annual incentive bonus, (c) the long-term incentive awards, (d) special employment agreements, special severance arrangements, and change in control agreements or provisions, and (e) any supplemental or special benefits, in each case as, when and if appropriate. The structure of executive compensation should link the interests of management, both individually and as a team, to the interests of shareholders. Executive compensation packages should be designed to create a commensurate level of risk and opportunity based on business and individual performance. The CEO will participate in deliberations in connection with the compensation of executive officers.
3. **Compensation of Directors.** The Committee shall periodically review and make recommendations to the Board with respect to the compensation of directors, including Board and committee retainers, meeting fees, equity-based compensation, and such other forms of compensation as the Committee may consider appropriate.
4. **Overall Compensation Structure.** In addition to reviewing and setting compensation for the CEO and other executive officers, the Committee should, from time to time, review broadly the overall compensation policies for employees. In doing so, the Committee should bear in mind that incentives are industry dependent and are different for different categories of employees. The Committee shall make recommendations to the Board concerning incentive compensation plans and equity-compensation plans, as well as material revisions to the terms of such plans, whenever a shareholder vote is required under the listing standards of the Nasdaq Stock Market.
5. **Reporting to the Board.** The Committee shall make regular reports to the Board.
6. **Consultants.** The Committee shall at all times have the authority to retain and terminate any compensation consultants or other advisors to assist it in any aspect of the evaluation of CEO, executive officer or director compensation or on any other subject relevant to the Committee's responsibilities herein, including the authority to approve such consultant's or advisor's fees and other retention terms.
7. **Annual Evaluation.** The Committee shall conduct an annual evaluation of the Committee's performance as compared to the requirements of its Charter. The Committee shall also review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

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