

LIFE PARTNERS HOLDINGS, INC.

**CHARTER OF THE COMPENSATION COMMITTEE
OF THE BOARD OF DIRECTORS**

Adopted On July 31, 2003

I. PURPOSE

1.1 The purpose of the Compensation Committee (the "Committee") of LIFE PARTNERS HOLDINGS, INC. (the "Company") shall to evaluate and approve the compensation of each of the Company's executive officers.

1.2 The goals of the Compensation Committee are to ensure that the Company's compensation programs are:

- (a) fair and appropriate to enable the Company to attract, retain and motivate superior individuals as executives;
- (b) reasonable in view of the Company's overall economic situation;
- (c) support and reinforce the Company's long-term strategic goals; and
- (d) align the compensation of executives of the Company with stockholder interests.

II. COMPOSITION

2.1 Number. The Committee shall consist of at least three directors. The members of the Committee shall be appointed by resolution of the Board of Directors of the Company (the "Board"), and each member of the Committee shall serve at the discretion of the Board.

2.2 Qualifications. All directors on the Committee shall satisfy the following requirements, as from time to time in effect:

- (a) Section 162(m) of the Internal Revenue Code of 1986, as amended, for "outside directors";
- (b) Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), for "nonemployee directors"; and
- (c) the requirements of Section 10A(m)(3) of the Exchange Act and SEC rules thereunder and the rules of The Nasdaq Stock Market, Inc. pertaining to the independence of an audit committee member.

III. FUNCTIONS AND AUTHORITY

3.1 General Limitation. The operation of the Committee will be subject to the provisions of the Articles of Incorporation and Bylaws of the Company, as in effect from time to time, and to applicable provisions of the Texas corporation law.

3.2 General Responsibilities. The Committee will have the full power and authority to carry on the following responsibilities:

- (a) Periodically review and approve the Company's overall philosophy regarding executive compensation;
- (b) Review and approve the compensation of Senior Officers of the Company *as* more fully described in Section 3.3 hereof;
- (c) Propose, or review and make recommendations to management and the Board of Directors with respect to, and adopt or amend executive compensation plans, subject to the approval of stockholders to the extent required by law or the listing requirements of any market on which its securities are traded;
- (d) Administer the Company's equity-based compensation plans as more fully described in Section 3.3 hereof;
- (e) Annually issue a report on executive compensation in accordance with applicable rules and regulations of the Securities and Exchange Commission for inclusion in the Company's proxy statement;
- (f) Recommend compensation for the Company's Board of Directors and each committee thereof for review and approval by the full Board of Directors; and
- (g) Provide continuous oversight over all matters of executive compensation.

3.3 Compensation of Senior Officers.

- (a) The Committee shall:
 - (i) evaluate the performance of the Chief Executive Officer and other Senior Officers;
 - (ii) obtain, review and approve or disapprove evaluations by the Company's Chief Executive Officer of the other Senior Officers; and
 - (iii) obtain, review and approve or disapprove the recommendations of the Chief Executive Officer for the compensation of the other Senior Officers.

- (b) Without limiting the generality of the foregoing, the Committee shall review and approve the compensation of each Senior Officer, including:
- (i) the annual base salary level;
 - (ii) bonus and other annual incentives;
 - (iii) any grants of equity compensation or any other long-term incentives;
 - (iv) employment agreements, severance arrangements, and change in control provisions/agreements, in each case to the extent applicable;
 - (v) any arrangements between the Senior Officer and any subsidiary, affiliate or special purpose entity which might provide to the Senior Officer any economic benefit; and
 - (vi) any other perquisites or supplemental benefits, other than those benefits available generally to salaried employees.
- (c) For purposes of this Charter, the term Senior Officer shall mean each individual who (i) is subject to the reporting requirements of Section 16 of the Exchange Act; (ii) is a direct report to the Chief Executive Officer; or (iii) has an annual base salary in excess of **\$200,000**.

3.4 Equity Compensation Plans.

- (a) The Committee shall administer all the Company's equity-based compensation plans, including without limitation stock restriction, stock option, stock bonus plans. Subject to the express provisions of any particular plan, this shall include determining the rules and regulations related to the plan, determining eligibility to participate, establishing guidelines for the grant of awards, granting of awards, modifying or canceling existing grants, and establishing the terms, conditions, limitations and restrictions of awards.
- (b) The Committee may delegate authority to one or more of its members as a subcommittee, or to the Company's Chief Executive Officer, to grant equity awards to persons other than Senior Officers within such general parameters as may be established under any equity compensation plan or by resolution of the Committee.

3.5 Other.

- (a) The Committee shall have the authority to hire at Company expense independent compensation consultants to advise it with respect to matters related to executive compensation.
- (b) The Committee shall, at such times as it determines appropriate, review market data from third party consultants, trade associations and others to assess the Company's

competitive position for the various components of compensation (base compensation, annual incentives, long term incentives).

IV. ADMINISTRATION

4.1 The Committee's chairperson shall be designated by the full Board of Directors or, if it does not do so, the Committee members shall elect a chairperson by vote of a majority of the full Committee.

4.2 The Committee will hold meetings whenever and for whatever purposes the Committee deems appropriate. The Committee may meet by telephone or video conference and may take action by written consent. A majority of the members of the Committee shall constitute a quorum. The Committee shall meet in executive session when appropriate (such as when considering the executive compensation of the Chief Executive Officer).

4.3 Minutes of each Committee meeting will be kept and distributed to each member of the Committee, members of the Board who are not members of the Committee and the Secretary of the Company. The Committee will report to the Board whenever so requested by the Board.

4.4 The Committee shall annually review and assess the performance of the Committee and, if appropriate, make recommendations to the Board for any changes in its role or this Charter.