

COMPENSATION COMMITTEE CHARTER OTTER TAIL CORPORATION

Approved 12/18/09

I. Purpose

The Compensation Committee of the Board of Directors (“Board”) of Otter Tail Corporation (“Corporation”) has been formed to assist the Board in discharging its responsibilities relating to compensation of the Corporation’s executive officers and directors. The Compensation Committee has responsibility for reviewing, recommending and reporting to the Board on all compensation plans, policies and programs of the Corporation as they affect the Corporation’s executive officers and directors and for developing, evaluating and recommending for approval all equity-based compensation plans of the Corporation.

II. Membership

The Compensation Committee shall be comprised of a minimum of three directors of the Board, each of whom shall (a) meet the independence requirements established by the applicable rules and regulations of The Nasdaq Stock Market, LLC, (b) be a “Non-Employee Director” within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and (c) be an “Outside Director” within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended. Terms of members shall continue until a successor is appointed by the Board. The Board may remove, replace or add new members to the Compensation Committee at any time in its sole discretion.

III. Duties and Responsibilities

The Compensation Committee shall:

- Oversee the administration of the Corporation’s stock option plans, employee stock purchase plans, and other equity-based compensation plans. The Compensation Committee shall make recommendations to the Board with respect to amendments to equity-based compensation plans and changes in the number of shares reserved for issuance thereunder. To the extent it deems necessary or is so directed by the Board, the Compensation Committee shall also review and advise the Board regarding other compensation plans.
- Produce a report for inclusion in the Corporation’s proxy statement for its annual meeting of shareholders in accordance with applicable rules and regulations of the Securities and Exchange Commission (“SEC”).
- Retain compensation consultants, legal counsel or other advisors, as it deems necessary, to advise and assist the Compensation Committee with respect to the Corporation’s compensation practices and policies for executive officers and directors, or any other matters within the charter of the Compensation Committee.

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- With input from the Corporation's management, develop and recommend to the Board the goals and objectives of the Corporation's compensation policies and practices for executive officers and directors.
- Review trends in executive compensation and periodically assess the competitiveness of the Corporation's compensation programs for executive officers and directors and ensure that total compensation paid to the Corporation's executive officers and directors is fair, reasonable and consistent with the goals and objectives of the Corporation's compensation policies and practices.
- Recommend to the Board for approval by a majority of the independent directors the appropriate compensation for the Corporation's executive officers, including salaries, bonuses, long-term incentives, benefits and other compensation arrangements for each executive officer. The final recommendation by the Compensation Committee shall be done in executive session. The Corporation's chief executive officer may not be present during the Compensation Committee's or Board's deliberations or voting concerning his or her compensation arrangements.
- Review and recommend to the Board the appropriate compensation for the Corporation's directors, including fees, long-term incentives, benefits and other compensation arrangements.
- Review with the Corporation's management the Compensation Discussion and Analysis ("CD&A") required to be included in the Corporation's proxy statement and annual report on Form 10-K by the rules and regulations of the SEC and, based on such review and discussion, determine whether or not to recommend to the Board that the CD&A be so included.

IV. Agenda

The Chair of the Committee, in consultation with appropriate members of the Corporation's management, will develop the Compensation Committee's agenda for each meeting. The agenda shall be included with the written notice of the meeting.

V. Meetings and Actions

The Compensation Committee will normally meet at least two (2) times each year. Meetings of the Compensation Committee shall be called at the request of the Chair with not less than 10 calendar days prior written notice to members. Any action by the Compensation Committee can be taken at a meeting or, in lieu of a meeting, by written action signed by not less than a majority of the members of the Compensation Committee. A meeting of the Compensation Committee may be conducted by conference call, video conference, or other similar electronic arrangement allowing for verbal discussion of the matters being considered. Any action taken by the Compensation Committee shall require the approval of a majority of the members of the Compensation Committee. A majority of the members of the Compensation Committee shall constitute a quorum for the transaction of the business of the Compensation Committee. Attendance

at a meeting of the Compensation Committee shall constitute a waiver of notice of the meeting.

The Compensation Committee shall meet as appropriate in executive session to provide an opportunity for private discussion of matters independent of any members of management.

VI. Standard of Conduct

The standard of conduct for the members of the Compensation Committee shall be the same as the standard of conduct for directors of the Board under Section 302A.251 of Minnesota Statutes.

VII. Review of Charter; Amendment

The Compensation Committee shall review and reassess the adequacy of this charter annually and recommend any proposed changes to the Board for approval. This charter is subject to amendment at any time and for any reason by the Board.