

Compensation Committee Charter

**CHARTER OF THE
COMPENSATION COMMITTEE
OF THE BOARD OF DIRECTORS OF
CARDO MEDICAL, INC.
(ADOPTED OCTOBER 14, 2008)**

PURPOSE

The Compensation Committee (the "Committee") is a standing committee of the Board of Directors of Cardo Medical, Inc. (the "Company"). The purpose of the Committee is to discharge the responsibilities of the Board of Directors, relating to compensation of members of the Board of Directors and the executive officers of the Company.

MEMBERSHIP

The members of the Committee shall be appointed by the Board of Directors and may be replaced by the Board of Directors, in each case, upon the recommendation of the Nominating Committee. The Committee shall be comprised of three members, each of whom shall meet the independence requirements of applicable law and the listing standards of The American Stock Exchange, the requirements of an "outside director" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), and the requirements of a "non-employee director" for purposes of Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Board of Directors, with the assistance of the Nominating Committee, shall make a determination on the independence of each member and shall also designate a chairperson for the Committee.

MEETINGS

- 1 The Committee's chairperson (or in his or her absence, a member designated by the Committee's chairperson) shall preside at each meeting of the Committee and set the agendas for Committee meetings. The Committee shall have the authority to establish its own rules and procedures for notice and conduct of its meetings so long as they are not inconsistent with the provisions of the Company's bylaws that are applicable to a committee of the Board of Directors.
- 2 In order to discharge its duties and responsibilities, the Committee shall meet on a regularly scheduled basis at least once a year and more frequently as the Committee deems necessary or desirable. Any member of the Committee may call a special meeting of the Committee. Meetings of the Committee may be held in-person or via telephonic conference.
- 3 Except as otherwise provided by statute or this Compensation Committee Charter (the "Charter"), a majority of the members of the Committee shall be required to constitute a quorum for the transaction of business at any meeting and the act of a majority of the Committee members present and voting at any meeting at which a quorum is present shall be the act of the Committee. Action may be taken by the Committee without a meeting if all of the members of the Committee indicate their approval in writing.
- 4 The Committee may, in its discretion, invite other directors of the Company, members of the Company's management or any other person whose presence the Committee believes to be desirable and appropriate to attend and observe meetings of the Committee. Individuals who are invited to attend meetings of the Committee shall (a) not participate in any discussion or deliberation of the Committee unless invited to do so by the Committee and (b) not be entitled to vote on any matter brought before the Committee. The Committee may exclude from its meetings any person it deems appropriate.
- 5 All action taken by the Committee (or any sub-committee thereof) shall be reported to the Board of Directors at the next meeting of the Board of Directors following such action. In addition, compensation matters may be discussed in executive session with the full Board during the course of the year.

COMPENSATION PHILOSOPHY

The Company's compensation policies with respect to the members of the Board Directors and the executive officers of the Company are based on the principles that compensation should, to a significant extent, be reflective

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of the financial performance of the Company, and that a significant portion of executive officers' compensation should provide long-term incentives. The Committee seeks to have compensation of the Company's directors and executive officers set at levels that are sufficiently competitive so that the Company may attract, retain and motivate highly qualified directors and executive officers to contribute to the Company's success. In assessing the overall compensation for directors and executive officers, the Committee will consider the Company's performance, relative stockholder return and industry position, general industry data, awards given to the Company's executive officers in past years and the recommendations of third-party consultants.

DUTIES AND RESPONSIBILITIES

The following functions are the common recurring activities of the Committee in carrying out its responsibilities. These functions are set forth as a guide with the understanding that the Committee may diverge from this guide as appropriate given the circumstances.

- 1 *Executive Officer Compensation.*
 - a. The Committee shall review and approve the Company's goals and objectives relating to the compensation of the Company's executive officers, evaluate the performance of the Company's executive officers in light of such goals and objectives and set the compensation level, perquisites and other benefits for the Company's executive officers based on this evaluation, all in keeping with the Committee's compensation philosophy set forth in this Charter. The Company's Chief Executive Officer (the "CEO") may not be present during the Committee's deliberations or voting of matters concerning the CEO's performance and compensation. The Committee shall consult with and take into account the recommendations of, the CEO with respect to any matters concerning the performance and compensation of other executive officers of the Company.
 - b. The Committee shall review and recommend to the Board of Directors new executive compensation programs, conduct an annual review of the operation of the Company's executive compensation programs to determine whether they are properly coordinated and achieving their intended purpose(s) and establish and periodically review policies for the administration of executive compensation programs.
- 2 *Director Compensation and Perquisites.* The Committee shall advise the Board of Directors with respect to proposed changes in the compensation of members of the Board of Directors or any committee thereof, as well as retirement policies and programs and perquisites for directors. In considering director compensation and perquisites, the Committee may take into consideration the relative responsibilities of directors in serving on the Board of Directors and its various committees. The Committee may request that management report to the Committee periodically on the status of the Board's compensation and perquisites in relation to other similarly situated companies. Directors who are Company employees shall not be compensated for their services as a director of the Company.
- 3 *Benefit and Incentive Plans.* The Committee shall review and approve material changes in the Company's employee benefit plans. The Committee also shall review and make recommendations to the Board of Directors with respect to the Company's incentive-compensation plans, equity-based plans and deferred compensation plans; establish criteria for the granting of options and other stock-based awards to eligible participants under such plans, including, without limitation, the Company's executive officers and other employees; review and approve the granting of options and other stock-based awards to eligible participants under such plans; and administer such plans.
- 4 *Employment Agreements.* The Committee shall review and recommend to the Board of Directors the terms of any employment agreement to be executed by the Company with an executive officer of the Company.
- 5 *Disclosure.*
 - a. The Committee shall review and discuss with management the Company's disclosures under "Compensation Discussion and Analysis" (the "CD&A"), and based on such review and discussion, make a recommendation to the Board of Directors as to whether the CD&A should be included in the Company's Annual Report on Form 10-K and, as applicable, the Company's proxy statement.
 - b. The Committee shall produce an Annual Report of the Compensation Committee for the Company's Annual Report on Form 10-K and, as applicable, the Company's proxy statement, in compliance with applicable rules and regulations.
- 6 *Charter Review.* The Committee shall review and reassess the adequacy of this Charter on an annual basis annually and recommend any proposed changes to the Board for approval.

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7 *Investigation of Other Matters.* In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention.

ACCESS TO RECORDS AND RESOURCES

The Committee will have the resources and authority necessary to discharge its duties and responsibilities. In carrying out its duties and responsibilities, the Committee shall have full access to any relevant records of the Company and may retain experts and outside consultants to advise the Committee. The Committee shall also have authority to obtain advice and assistance from internal or external legal, accounting or other advisors. The Committee shall have sole authority to engage, terminate and determine the compensation and terms of engagement of any experts, outside consultants, external legal, accounting or other advisors. The Committee may also request that any officer or other employee of the Company, the Company's outside counsel or any other person meet with any members of, or consultants to, the Committee. The fees, expenses or compensation owed any person retained by the Committee and any ordinary administrative expenses of the Committee incurred in carrying out its duties and responsibilities shall be borne by the Company.

Any communications between the Committee and legal counsel in the course of obtaining legal advice will be considered privileged communications of the Company and the Committee will take all necessary steps to preserve the privileged nature of those communications.

DELEGATION OF DUTIES

The Committee shall be entitled to delegate any or all of its duties or responsibilities to a subcommittee of the Committee, to the extent consistent with the Company's certificate of incorporation, bylaws, and applicable law and rules of markets in which the Company's securities then trade.

Without limiting the foregoing, the Committee may establish a subcommittee of the Compensation Committee (the "Subcommittee") that is intended to qualify (a) as a committee consisting solely of two or more non-employee directors within the meaning of Rule 16b-3 ("Rule 16b-3") under the Exchange Act and (b) as a committee consisting solely of two or more outside directors within the meaning of Section 162(m) of the Code. The Subcommittee shall have two primary responsibilities: (i) to approve grants under the Company's equity incentive compensation plans that are intended to be exempt from the short-swing profit recovery rules of Section 16(b) of the Exchange Act by operation of Rule 16b-3 ("16b-3 Matters") and (ii) to approve any compensation matters where such compensation is intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code by virtue of being approved by a committee of "outside directors" ("162(m) Matters"). If the Subcommittee shall have less than two members, or is not otherwise qualified as set forth in clauses (a) and (b), 16b-3 Matters and 162(m) Matters shall be referred to the full Committee or the Board of Directors for its consideration.

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