

## **NAVARRE CORPORATION**

### **Compensation Committee of the Board of Directors**

#### **I. PURPOSE**

The primary function of the Compensation Committee (the “Committee”) is to assist the Board of Directors (the “Board”) of Navarre Corporation (the “Corporation”) in fulfilling its responsibility to shareholders with regard to oversight and determination of executive compensation and the Corporation’s compensation, philosophy, objectives and policies. The Committee shall also oversee compensation and benefits policies, strategies, and pay levels necessary to support the Corporation’s objectives and make recommendations regarding major compensation plans, policies and programs of the Corporation. The Committee may be assisted on projects by members of the Corporation’s staff and will consult with the Chief Executive Officer of the Corporation (the “CEO”) and other members of executive management, as necessary.

#### **II. COMPOSITION**

The Committee shall be composed of at least three members of the Board, one of whom shall serve as chairperson. Except as otherwise permitted by the applicable NASDAQ Stock Market Rules and any other regulatory requirements, each member of the Committee shall be an “independent director” as that term is defined by the applicable Securities and Exchange Commission and NASDAQ Stock Market Rules (as such rules may be modified or supplemented from time to time). Each member shall also meet the independent and outside director requirements of applicable tax and securities laws and regulations. The Committee’s chairperson shall be designated by the Board or, if it does not do so, the Committee members shall elect a chairperson by vote of a majority of the full Committee.

#### **III. MEETINGS**

The Committee shall meet as frequently as necessary, but not less than three (3) times a year. Minutes of all Committee meetings shall be properly recorded. An agenda for each meeting shall be prepared and whenever reasonably practicable, the meeting agenda as well as the minutes of the previous Committee meeting shall be distributed to the Committee members prior to each meeting.

#### **IV. RESPONSIBILITIES AND DUTIES**

The Committee shall:

1. On an annual basis without the participation of the Chief Executive Officer, (i) review and approve the corporate goals and objectives with respect to compensation for the Chief Executive Officer, (ii) evaluate the Chief Executive Officer’s performance in light of the established goals and objectives, and (iii) set the Chief Executive Officer’s annual compensation, including but not necessarily limited to salary, bonus, incentive and equity compensation and special or supplemental benefits.

2. On an annual basis, oversee (i) the evaluation process and compensation structure for the Corporation's other senior executives that report directly to the Chief Executive Officer, and (ii) the Chief Executive Officer's evaluation of the performance and his recommendations concerning the annual compensation, including but not necessarily limited to salary, bonus, incentive and equity compensation and special or supplemental benefits, of other Corporation officers.
3. On an annual basis, and more frequently as matters are brought to the attention of the Committee, review and oversee the Corporation's policies relating to the compensation of its employees generally.
4. Administer the stock plans of the Corporation (other than with respect to stock option grants to members of the Board of Directors, which shall be considered by the entire Board or granted in accordance with any previously determined automatic formula grants) in accordance with the terms of such plans and to grant and issue, or recommend the grant and issuance of, awards thereunder, including stock options, stock units, restricted stock and stock appreciation rights, to executive officers of the Corporation.
5. Review the Corporation's incentive compensation and other benefit plans and practices and recommend changes in such plans and practices to the Board.
6. Administer the other compensation plans that may be adopted from time to time as authorized by the Board, including any Corporation employee stock purchase plan and 401(k) plan(s).
7. As appropriate, approve the grants of stock options and other equity or long-term incentives to employees (under the Corporation's option plans or otherwise), make recommendations to the Board with respect to incentive-compensation plans and equity-based plans.
8. Assist the Board in evaluating potential candidates for executive positions, including the Chief Executive Officer, and oversee the development of executive succession plans.
9. In connection with the Corporation's proxy statement for the annual meeting of shareholders,
  - (a) Review and discuss with management the Compensation Discussion and Analysis ("CD&A") required by SEC Regulation S-K, Item 402 ("Item 402"). Based on such review and discussion, determine whether to recommend to the Board that the CD&A in the form prepared by management be included in the proxy statement.
  - (b) Prepare the Compensation Committee report required by Item 402 for inclusion above the names of the members of the Committee in the proxy statement. This report shall state whether (i) the Committee reviewed and discussed with management the CD&A and (ii) based on such review and

discussion, the Committee recommended to the Board that the CD&A be included in the proxy statement.

10. Evaluate the Committee's performance annually.
11. Maintain minutes of Committee meetings and periodically report to the Board on significant results of the foregoing activities.
12. Perform such other activities and functions related to executive compensation as may be assigned from time to time by the Board.

#### V. POLICIES AND PROCEDURES

1. Action. A majority of the members of the Committee shall constitute a quorum. The Committee shall act on the affirmative vote of a majority of members present at a meeting at which a quorum is present. The Committee may also meet by telephone or video conference. The Chairperson will preside, when present, at all meetings of the Committee.
2. Investigations. The 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 Corporation to meet with the Committee or any advisors engaged by the Committee.
3. Independent Advisors. The Committee shall have the authority to engage such independent legal and other advisors and consultants as it deems necessary or appropriate to carry out its responsibilities. Such independent advisors and consultants may be the regular advisors and consultants to the Corporation. The Committee is empowered, without further action by the Board, to cause the Corporation to pay the compensation of such advisors and consultants as established by the Committee.
4. Charter. The Committee shall review and reassess the adequacy of this Charter at least annually, and more frequently as conditions dictate, and propose any amendments to the Charter as it deems necessary or appropriate.

This Charter will be made available on the Corporation's website at [www.navarre.com](http://www.navarre.com).

Adopted by the Navarre Corporation Board of Directors on September 13, 2007