

SOURCE INTERLINK COMPANIES, INC.

Compensation Committee of the Board

CHARTER

Adopted February 28, 2005

I. Purpose

The Board of Directors (the "**Board**") of Source Interlink Companies, Inc., a Delaware corporation (the "**Company**") has, by resolution duly made and adopted, established and constituted a committee of its members to be designated the Compensation Committee (the "**Committee**"). The Committee shall: (a) establish the Company's goals and objectives relevant to compensation of the Company's chief executive officer (the "**Chief Executive Officer**"), the other officers of the Company subject to the reporting requirements of Section 16 promulgated under the Securities Exchange Act of 1934, as amended (together with the Chief Executive Officer, the "**Executive Officers**") and the members of the Board (the "**Directors**"); (b) ensure that the compensation of the Chief Executive Officer, other Executive Officers and Directors enables it to attract and retain high-quality leadership and is consistent with such policy; (c) discharge the Board's responsibilities relating to compensation of the Chief Executive Officer, other Executive Officers and Directors; and (d) produce an annual report on executive compensation for inclusion in the Company's annual proxy statement. The Committee has overall responsibility for evaluating and approving Executive Officer and Director compensation, benefit and perquisite plans, policies and programs of the Company.

II. Structure

2.1 *Number of Members.* The number of Directors constituting the Committee shall be not less than three as fixed from time to time by vote of the entire Board.

2.2 *Appointment; Qualifications.* Each member of the Committee shall be appointed by vote of the Board from those of its number who are recommended by the Company's Nominating and Corporate Governance Committee. Each member of the Committee will be a person other than an officer or employee of the Company or its subsidiaries or any other individual having a relationship which, in the opinion of the Board, would interfere with the exercise of his or her independent judgment in carrying out the responsibilities of a Director. All members of the Committee shall be independent, including being free of disallowed compensation agreements, under all applicable laws, rules and regulations, including those promulgated by the U.S. Securities and Exchange Commission ("**SEC**") and by the principal national securities exchange or national securities association on which the Company's securities are listed. In addition, all members of the Committee must qualify as "outside directors" as such term is defined under Section 162(m) of the Internal Revenue Code of 1986, as amended, and as "non-employee directors" as such term is defined under Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended.

Committee members shall hold office until the next Annual Meeting of the Board, or until their successors shall have been duly appointed and qualified. Notwithstanding any other provision herein, any member of the Committee may be removed at any time upon the vote of the Board.

2.3 *Meetings.* The Committee shall hold meetings in accordance with the Company's Bylaws. The Committee shall meet at such times as it determines to be necessary or appropriate, but not

less than two times each year, and shall report to the Board at the next Board meeting following each such Committee meeting. The Committee may invite the Chairman of the Board, the Chief Executive Officer or others to attend all or a portion of the committee meetings. Management should, however, be absent from any discussion or review where compensation of such persons is determined. The Committee shall have the opportunity at each regularly scheduled meeting to meet in executive session without the presence of management.

III. Authority and Responsibility

3.1 Compensation Review.

(a) Not less frequently than annually, the Committee shall review and approve corporate goals and objectives relevant to the Company's Chief Executive Officer and other officer compensation, evaluate the Chief Executive Officer's performance in light of those goals and objectives and determine and approve the Chief Executive Officer's compensation levels based on this evaluation. In determining the base salary, annual incentive and long-term incentive components of Chief Executive Officer compensation, the Committee will consider multiple factors including the Company's performance and relative stockholder return, the value of similar incentive awards to Chief Executive Officers at comparable companies, and the awards given to the Chief Executive Officer in past years.

(b) Not less frequently than annually, the Committee shall review and reassess the compensation of all other Executive Officers, including annual or multi-year incentive-compensation plans and equity-based incentive plans.

(c) In connection with subsection (a) and (b) above, the Committee shall review and approve, for the Chief Executive Officer and the other Executive Officers:

- (i) the annual base salary level;
- (ii) the annual incentive opportunity level;
- (iii) the long-term incentive opportunity level;
- (iv) employment agreements, severance arrangements, and change in control agreements/provisions, in each case as, when and if appropriate; and
- (v) any special, supplemental or nonqualified benefits or other perquisites relating to the Chief Executive Officer and other Executive Officers.

(d) Not less frequently than annually, the Committee shall review and approve the compensation and benefits offered to non-employee Directors and recommend changes to the Board, as appropriate.

(e) The Committee shall report to the Board, as appropriate, on matters relevant to the Board's considerations in the areas of executive and director compensation.

3.2 Administration of Equity-Based and Incentive Compensation Plans.

(a) The Committee shall review and adopt the Company's employee equity-based and incentive compensation plans and approve changes to such plans or, where necessary, recommend

changes to such plans for approval by the Board or the Company's stockholders. The Committee shall have and shall exercise all the authority of the Board with respect to the administration of such plans.

(b) The Committee shall interpret and administer the Company's equity-based plans as may be in effect from time to time and undertake such actions and make such determinations and decisions as it deems necessary and appropriate to carry out such plans' intent, including:

- (i) selecting officers and non-employee Directors to receive awards;
- (ii) determining the number of shares to be covered by each award;
- (iii) deciding the type of award or awards to be made to each participant and the terms and conditions applicable to each such award;
- (iv) entering into agreements evidencing awards made under the Plans and their respective terms and conditions; and
- (v) establishing, maintaining and rescinding rules and regulations relating to the Company's equity-based plans.

(c) The Committee shall administer the incentive plans in which associates of the Company may participate and which comply with Section 162(m) of the Internal Revenue Code, if applicable, including:

- (i) determining performance measures and goals;
- (ii) setting thresholds, targets and maximum awards;
- (iii) reviewing periodically performance compared to goals;
- (iv) evaluating past performance compared to goals; and
- (v) certifying goal attainment and approving incentive payments.

3.3 Charter Review, Performance Evaluation and Annual Report.

(a) Not less frequently than annually, the Committee shall review and reassess the adequacy of this Charter, and, if necessary, revise this Charter periodically as conditions dictate and, upon any revision, submit the revised Charter to the Nominating and Corporate Governance Committee and the Board for approval.

(b) The Committee shall work with the Board of Directors and the Nominating and Corporate Governance Committee to establish and maintain a process for the annual evaluation of the performance of the Committee and, pursuant to such process, conduct an annual evaluation of the Committee.

(c) The Committee shall produce an annual report on executive compensation for inclusion in the Company's annual proxy statement. This annual report shall contain the information required by, and be made in compliance with, all applicable law, rules and regulations including those promulgated by the SEC and by the principal national securities exchange or national securities association on which the Company's securities are listed, including without limitation Item 402(k) of

Regulation S-K or any succeeding law, rule or regulation.

3.4 Authority to Engage Advisors. The Committee is hereby vested with the authority to engage its own outside legal, compensation, labor, employment and other advisors, as it determines necessary to carry out its duties and responsibilities, including the sole authority to approve such advisors' fees and other retention terms.

3.5 Funding. The Company shall provide for appropriate funding, as determined by the Committee, for costs related to any study conducted in connection with the Committee review of the Company's compensation structure, payment of any compensation to any advisor or expert engaged by the Committee and payment of ordinary administrative expenses of the Committee.

3.6 Miscellaneous.

(a) The Committee may perform any other activities consistent with this Charter, the Company's Certificate of Incorporation and Bylaws, and applicable law, as the Committee deems appropriate or as requested by the Board.

(b) The Committee may delegate any of its authority, duties or responsibilities to one or more subcommittees as the Committee may deem appropriate, consistent with the Company's Certificate of Incorporation and Bylaws, and applicable law.