

U.S. ENERGY SYSTEMS, INC.
CHARTER FOR THE
AMENDED AND RESTATED
COMPENSATION COMMITTEE
OF THE BOARD OF DIRECTORS

I. PURPOSE

The primary function of the Compensation Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing the Corporation's general compensation strategy and approving the Corporation's executive compensation. Consistent with this function, the Compensation Committee should encourage continuous improvement of, and should foster adherence to, the Corporation's policies, procedures and practices at all levels. The Compensation Committee's primary duties and responsibilities are to:

- review the Corporation's general compensation strategy and approve the Corporation's executive's compensation.
- review the terms of employment agreements for executives earning over a specified amount (including executive officers if their compensation is, or may become, subject to Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"))
- administer the Corporation's bonus plans, long-term compensation plans, deferred compensation plans and benefit plans.
- review and make recommendations to the Board regarding the form and amounts of Board compensation
- administer the Corporation's option plans and approve individual stock option grants and restricted stock grants

The Compensation Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section IV of this Charter. However, the Compensation Committee will have no responsibility with respect to any of the Corporation's plans that expressly provide that they will be administered by persons or a committee other than the Compensation Committee.

II. COMPOSITION; DELEGATION

The Compensation Committee shall be comprised of three or more directors as determined by the Board, all of whom shall be independent directors, and free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Compensation Committee or which could disqualify such member as being “independent” under the applicable rules and regulations of the primary trading market for the Corporation’s common stock (including NASDAQ).

The members of the Compensation Committee shall be elected by the Board at the annual organizational meeting of the Board or until their successors shall be duly elected and qualified. Unless a Chair is elected by the full Board, the members of the Compensation Committee may designate a Chair by majority vote of the full Compensation Committee membership.

The Compensation Committee may delegate to a committee of the Compensation Committee or to an officer or officers such authority as it may determine, provided, however, that no such delegation shall be permissible if it is inconsistent with the Delaware General Corporate Law, the federal or state securities laws, the Code and the rules and regulations promulgated thereunder or the applicable rules and regulations of the primary trading market for the Corporation’s common stock

III. MEETINGS

The Compensation Committee shall meet at least four times annually, or more frequently as circumstances dictate.

IV. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties the Compensation Committee shall:

Documents/Reports Review/Consultation

1. Consult with the Corporation’s management regularly, including prior to the Compensation Committee’s meetings and solicit suggestions from management.
 2. Review and update this Charter periodically, at least annually, as conditions dictate.
 3. Evaluate the competitiveness of its executive compensation packages based on information from a variety of sources, including information supplied by consultants and information obtained from the media or from the Corporation's own experience.
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4. Evaluate compensation relative to a broader range of companies, whether or not included in such peer groups, that have particular lines of business comparable to those of the Corporation.

Review of Compensation Strategy and Executive Compensation

5. Set levels of annual salary and bonus compensation that will attract and retain superior executives in the highly competitive environment of energy companies.
6. Provide annual bonus compensation for executive officers that varies with the Corporation's financial performance and reflects the executive officer's individual contribution to that performance.
7. Provide long-term compensation that is tied to the Corporation's stock price so as to focus the attention of the executive officers on managing the Corporation from the perspective of an owner with an equity stake.
8. Emphasize performance-based compensation, through annual bonus compensation and long-term compensation, over fixed compensation.

Reports to the Board of Directors and the Stockholders.

9. Report regularly to the Board of Directors
10. Provide an annual report to the stockholders of the Corporation

Ethical and Legal Compliance

11. The Compensation Committee may establish, review and update periodically a Code of Ethical Conduct and ensure that management has established a system to enforce this Code.
12. Review management's monitoring of the Corporation's compliance with the Corporation's Ethical Code.
13. Review, with the Corporation's counsel, legal compliance matters including corporate securities trading policies, when applicable.
14. Perform any other activities consistent with this Charter, the Corporation's By-laws and governing law, as the Compensation Committee or the Board deems necessary or appropriate.

Dated: October, 2004