

**CHARTER OF THE COMPENSATION COMMITTEE  
OF THE BOARD OF DIRECTORS  
OF ORTHOVITA, INC.**

**I. Purpose**

The Compensation Committee (the “Committee”) of the Board of Directors (“Board”) of Orthovita, Inc. (the “Company”) is appointed by, and generally acts on behalf of, the Board. The Committee’s purposes shall be:

- A. To periodically review the Company’s compensation philosophy and the adequacy of compensation plans and programs for directors, executive officers and other Company employees;
- B. To review compensation arrangements and incentive goals for executive officers and to oversee the administration of the Company’s compensation plans;
- C. To review the performance of the executive officers and award incentive compensation and adjust compensation arrangements as appropriate based upon performance;
- D. To review and discuss with management the compensation discussion and analysis required by the rules and regulations of the Securities and Exchange Commission for inclusion in the Company's annual proxy statement, and review and approve the report of the Committee to be included in the annual proxy statement; and
- E. To ensure the executive officers are accountable to the Board through the effective application of compensation policies, performance goals and objectives, and cash and equity-based incentive programs.

**II. Compensation Philosophy**

- A. With respect to executive officers, the Committee’s compensation philosophy is to promote the achievement of the Company’s annual and long-term performance objectives as set by the CEO and approved by the Board, to ensure that the executive officers’ financial interests are aligned with the success of the Company, and provide compensation opportunities that will attract, retain, and motivate superior executive personnel. This philosophy contemplates that the compensation of each executive officer should be influenced significantly by the executive officer’s performance, measured by financial, non-financial, and market performance, as well as the compensation levels of an appropriate peer group.

- B. With respect to employees, the Committee's philosophy is to provide pay and benefit programs that attract and retain qualified employees, encourage employee development and performance to achieve short- and long-term business goals and strategies and reinforce the Company's culture and values.

### **III. Membership**

- A. The Committee shall be composed of at least two directors, each of whom must be independent. A director shall qualify as independent if the Board has affirmatively determined that the member has met the independent director requirements set forth in the Nasdaq Marketplace Rules. In addition, for purposes of meeting the requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), or any successor Code section, the Committee shall consist of at least two "outside" directors, as defined in Treasury Regulation 1.162-27(e)(3) promulgated under the Code.
- B. The members of the Committee shall be nominated by the Nominating and Corporate Governance Committee of the Board and appointed by the Board for one-year terms or until their successors shall be appointed, subject to their earlier resignation, retirement, or removal. The Nominating and Corporate Governance Committee of the Board shall recommend, and the Board shall designate, one member of the Committee to serve as Chairperson. No member of the Committee shall be removed except by majority vote of the independent directors of the full Board then in office.

### **IV. Meetings and Procedures**

- A. The Committee shall meet as often as it may deem necessary and appropriate in its judgment, but in no event less than two times per year. A majority of the members of the Committee, but in no event less than two members, shall constitute a quorum. The Committee may meet by phone conference call and may act by or unanimous written consent in lieu of a meeting in carrying out its duties and responsibilities.
- B. The agenda for the Committee meeting will be prepared in consultation with the Committee Chairperson (with input from other committee members) and the appropriate members of the Company's management.
- C. The Chairperson of the Committee or a majority of the members of the Committee may call a special meeting of the Committee.
- D. The Committee may delegate authority to one or more members of the Committee when appropriate, but no such delegation shall be permitted if

the authority is required by a law, regulation, or listing standard to be exercised by the Committee as a whole.

- E. The Committee may request that any directors, officers, or employees of the Company, or other persons whose advice and counsel are sought by the Committee, attend any meeting to provide such information as the Committee requests.
- F. The Committee shall fix its own rules of procedure, which shall be consistent with the By-laws of the Company and this Charter.
- G. The Committee shall keep written minutes of its meetings, which minutes shall be maintained with the books and records of the Company. The Committee may request the Company's in-house or outside legal counsel to act as secretary to the Committee for purposes of preparing the minutes which shall be submitted to the Committee for approval in a reasonably expeditious manner following each meeting.
- H. The Committee shall report to the Board on the matters discussed at each meeting of the Committee, including describing all actions taken by the Committee at the meeting.
- I. The Committee shall have access to internal advisors and such other resources within the Company as it may request to assist it in carrying out its duties and responsibilities.
- J. The Committee shall have the authority to obtain advice and assistance from internal and external legal, compensation and other advisors, and the Company shall provide appropriate funding, as determined by the Committee, for the Committee to retain any such advisors without requiring the Committee to seek Board approval. The Committee shall have sole authority, and necessary funding, to retain, set compensation and retention terms for, and terminate any consultants, legal counsel, or other advisors that the Committee determines to employ to assist it in the performance of its duties.

## **V. Duties and Responsibilities**

The Committee shall have the following duties and responsibilities:

- A. Compensation Philosophy, Plans, and Programs
  - 1. Periodically review, consider, and approve the philosophy for compensation of the Company's directors, executive officers and other employees.

2. Review, evaluate, consider, and, subject to paragraph V.A.3, below, approve compensation plans and programs for executive officers and other employees, including incentive plans and programs, any appropriate employment contracts, special retirement benefits, and severance arrangements.
3. Review, evaluate and recommend to the Board for approval any equity-based compensation plans and programs, and any significant changes to non-equity- and equity-based incentive plans and programs, for executive officers and other employees
4. Review, evaluate, consider and make recommendations to the Board regarding change in control arrangements.
5. Annually review executive compensation plans and programs, comparing such plans and programs to those of the Company's peer groups, and ensuring appropriate levels of incentive to executive officers, and report the results of such review to the Board.
6. Oversee the administration of and review the Company's incentive and equity-based plans and programs.
7. Monitor the requirements of Section 162(m) of the Code and determine the extent to which the Company should comply with its provisions and any steps that the Committee must take in order to comply with such provisions.

B. Specific Compensation Amounts and Incentives

1. Following discussions with the CEO in advance of the commencement of the fiscal year or as promptly thereafter as reasonably practicable, review, evaluate, consider and recommend to the Board for approval the goals proposed to be met in order to earn any annual and long-term incentive awards.
2. Review and evaluate, at least annually and taking into account the views of the other members of the Board, the performance and leadership of the CEO and recommend to the Board for approval by the independent members of the Board the compensation plans and programs for the CEO, including the amounts of annual and any long-term incentive awards and any adjustments to the annual salary amounts based upon such performance and consistent with the achievement of the corporate goals and objectives as previously approved by the Board.

3. Review with the CEO his evaluation of the performance of the executive officers at the end of each fiscal year and determine with the CEO the compensation plans and programs for the executive officers other than the CEO, including the amounts of annual and any long-term incentive awards and any adjustments to the annual salary amounts based upon such performance and consistent with the achievement of the corporate goals and objectives as previously set by the Board.
4. Review and evaluate with the CEO in advance of an offer of employment to a candidate for an executive officer position the annual base salary amounts for such candidate, together with the annual incentive opportunity levels for the financial and any other goals proposed to be set by the CEO and to be met in order to earn any annual and long-term incentive awards.
5. Review annually management's summary report on all other officer and key management compensation actions.

C. Other Responsibilities

1. Review and reassess on an annual basis the adequacy of this Charter and recommend any proposed changes to the Nominating and Corporate Governance Committee of the Board for its approval.
2. Periodically review and assess the performance of the Committee and deliver a report to the Nominating and Corporate Governance Committee setting forth the results of the evaluation. In conducting the evaluation, the Committee shall address matters that it considers relevant to its performance.
3. Perform any other activities consistent with this Charter, the Company's Articles of Incorporation, the Company's By-laws, and governing law as the Committee or the Board deems necessary or appropriate.

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