

**CHARTER OF THE
ENERGY FOCUS, INC.
COMPENSATION COMMITTEE¹**

ARTICLE I

PURPOSE

1.1 The purpose of the Compensation Committee (the “Committee”) of the Board of Directors of Energy Focus, Inc., a Delaware corporation (the “Company”) shall be to discharge the responsibilities of the Board of Directors relating to compensation of the Company’s executive officers, to produce an annual report on executive compensation for inclusion in the Company’s annual proxy statement and to perform such other duties and responsibilities enumerated in and consistent with this Charter.

ARTICLE II

DUTIES AND RESPONSIBILITIES

2.1 Duties and Responsibilities. The duties and responsibilities of the Committee shall be as follows:

(a) To review and recommend to the Board corporate goals and objectives relevant to the compensation of the chief executive officer, evaluate the chief executive officer’s performance in light of such goals and objectives and set the chief executive officer’s compensation level based on this evaluation. In determining the long-term incentive component of the chief executive officer compensation, the Committee shall consider among other items, the Company’s performance and relative stockholder return, the value of similar incentive awards to chief executive officers at comparable companies and the compensation provided to the Company’s chief executive officers in the past.

(b) To develop and monitor compensation arrangements for the executive officers of the Company, including the review and approval of the individual compensation of each executive officer. The Committee’s analysis in determining compensation for each executive officer, other than the chief executive officer, shall include but not be limited to the following factors: the company’s performance and relative stockholder return, compensation packages for similar executive officer positions at comparable companies and past compensation packages for similar executive officers of the Company.

¹ The current NYSE proposal requires all corporations to adopt and publish a written charter of its key committees, which includes the compensation committee. Without further guidance from the SEC, we believe that the publication requirement is satisfied by a corporation when it posts its charter on its website. It is possible that the SEC may mandate that compensation committee charters be attached to future proxy statements in order to satisfy this publication requirement.

(c) To recommend to the Board of Directors guidelines for the review of the performance and the establishment of compensation and benefit policies for all other employees.

(d) To make recommendations to the Board of Directors with respect to incentive-compensation plans and policies and equity-based plans and policies.

(e) To administer the stock option plans of the Company 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 Company and to other individuals.

(f) To administer other compensation plans that may be adopted from time to time as authorized by the Board of Directors, including the Company's Employee Stock Purchase Plan and 401(k) Plan(s).

(g) To make recommendations to the full Board of Directors regarding the compensation for members of the Company's Board of Directors.

(h) To conduct those reviews, investigations and surveys the Committee considers appropriate and necessary in the exercise of its duties. In so doing, the Committee shall have the sole authority and shall be granted the resources to retain independent executive compensation and legal advisers, which shall include the sole authority to approve any such adviser's fees and other retention terms.

(i) To establish and modify the terms and conditions of employment of executive officers of the Company, by contract or otherwise, including compensation of whatever nature, whether such compensation be present or deferred and however paid.

(j) To establish and periodically review the Company's policies with respect to management perquisites.

(k) To finally determine, within parameters that may be established by the disinterested members of the full Board of Directors, the provisions of contracts for the executive officers of the Company that will govern the situation in which severance payments will be due upon change in control situations.

(l) To evaluate the chief executive officer of the Company annually, with results communicated to the chief executive officer and discussed with the full Board of Directors in an executive session.

(m) To consider and plan for executive officer succession as well as review management development and succession programs.

(n) To perform such other activities and functions related to executive compensation as may be assigned from time to time by the Board, including, but not limited to preparing or causing to be prepared any reports or other disclosure required with respect to the Committee by any applicable proxy or other rules of the Securities and Exchange Commission and the rules and regulations of Nasdaq.

2.2 Delegation. The Committee may, by resolution passed by a majority of the Committee, designate one or more subcommittees, each subcommittee to consist of one or more directors of the Company (who may or may not be members of this Committee). Any such subcommittee to the extent provided in the resolutions of this Committee, shall have and may exercise all the powers and authority of this Committee and may authorize the seal of the Company to be affixed to all papers which may require it. Each subcommittee shall have such name as may be determined from time to time by resolution adopted by this Committee. Each subcommittee shall keep regular minutes of its meetings and report the same to this Committee or the Board of Directors when required.

ARTICLE III

COMMITTEE MEMBERS

3.1 Number and Qualification of Committee Members.

The authorized number of members of the Committee shall be three members of the Board of the Directors, each of whom shall meet the independence and outside director requirements of applicable tax and securities laws and regulations and the rules and regulations of Nasdaq.²

3.2 Appointment and Term of Office of Committee Members.

Committee members shall be appointed by the Board of Directors to hold office until replaced by a resolution of the Board. Each Committee member, including a member elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified, except in the case of the death, resignation, or removal of such a member.

3.3 Removal.

The entire Committee or any individual Committee member may be removed from office without cause by the affirmative vote of a majority of the Board of Directors of the Company.

3.4 Resignation and Vacancies.

Any Committee member may resign effective upon giving oral or written notice to the Chairman of the Board, the Secretary or the Board of Directors, unless the notice specifies a later time for the effectiveness of such resignation. If the resignation of a Committee member is

² Currently, the NYSE has no rules governing the composition of compensation committees (nor does Nasdaq). However, Section 162(m) of the Internal Revenue Code, as amended (the "Code") and Section 16 of the Exchange Act do contain certain independence requirements. Specifically, Section 162(m) requires approval by outside directors of Section 162(m) performance-based compensation, including stock option grants, such that the company may retain its ability to deduct such compensation as expense items. Section 16 provides for exemption from Section 16 short-swing liability for equity transactions between a company and its Section 16 persons if the transactions are approved by the board or a committee consisting solely of two or more non-employee directors. The current NYSE proposal requires that the compensation committee consist solely of independent directors.

effective at a future time, the Board of Directors may elect a successor to take office when the resignation becomes effective.

Vacancies on the Committee may be filled by the Board of Directors. Each Committee member so elected shall hold office until a successor has been elected and qualified by the Board of Directors, or until his or her death, resignation or removal.

A vacancy or vacancies in the Committee shall be deemed to exist (i) in the event of the death, resignation or removal of any Committee member, (ii) if the Board of Directors by resolution declares vacant the office of a Committee member who has been declared of unsound mind by an order of court or convicted of a felony or (iii) if the authorized number of Committee members is increased.

ARTICLE IV

COMMITTEE MEETINGS

4.1 Place of Meetings; Meetings by Telephone.

Regular meetings of the Committee may be held at any place within or outside the State of California that has been designated from time to time by the Chairman of the Committee. In the absence of such a designation, regular meetings shall be held at the principal executive office of the Company. Special meetings of the Committee may be held at any place within or outside the State of California that has been designated in the notice of the meeting or, if not stated in the notice or if there is no notice, at the principal executive office of the Company.

Members of the Committee may participate in a meeting through the use of conference telephone or similar communications equipment, so long as all Committee members participating in such meeting can hear one another. Participation in a meeting pursuant to this paragraph constitutes presence in person at such meeting.

4.2 Regular Meetings.

Regular meetings of the Committee may be held without notice if the time and place of such meetings are fixed by resolution of the Board of Directors or by resolution of the Committee.

4.3 Special Meetings; Notice.

Subject to the provisions of the following paragraph, special meetings of the Committee for any purpose or purposes may be called at any time by the Chairman of the Committee, by the Board of Directors, or by two (2) Committee members.

Notice of the time and place of special meetings shall be delivered personally or by telephone to each director or sent by first-class mail, telegram, charges prepaid, or by facsimile or electronic mail, addressed to each Committee member at that member's address as it is shown on the records of the Company. If the notice is mailed, it shall be deposited in the United States mail at least four (4) days before the time of the holding of the meeting. If the notice is delivered

personally or by telephone or by facsimile, telegram or electronic mail, it shall be delivered personally or by telephone or by facsimile or to the telegraph company at least forty-eight (48) hours before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the Committee member or to a person at the office of the member who the person giving the notice has reason to believe will promptly communicate it to the member. The notice need not specify the purpose of the meeting.

4.4 Quorum.

A majority of the authorized number of Committee members shall constitute a quorum for the transaction of business, except to adjourn as provided in Section 4.6 of this Charter. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present is the act of the Committee, subject to certain provisions of the Delaware Code, the Articles of Incorporation, and other applicable law.

A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Committee members, if any action taken is approved by at least a majority of the required quorum for such meeting.

4.5 Waiver of Notice.

Notice of a meeting need not be given to any Committee member who signs a waiver of notice or a consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such member. All such waivers, consents, and approvals shall be filed with the corporate records or made a part of the minutes of the meeting. A waiver of notice need not specify the purpose of any regular or special meeting of the Committee.

4.6 Adjournment.

A majority of the Committee members present, whether or not a quorum is present, may adjourn any meeting to another time and place.

4.7 Notice of Adjournment.

If the meeting is adjourned for more than twenty-four (24) hours, notice of any adjournment to another time and place shall be given prior to the time of the adjourned meeting to the Committee members who were not present at the time of the adjournment.

4.8 Committee Action by Written Consent Without A Meeting.

Any action required or permitted to be taken by the Committee may be taken without a meeting, if all Committee members individually or collectively consent in writing or by electronic transmission to such action. Such written consent or consents or electronic transmission or transmissions shall be filed with the minutes of the proceedings of the Committee. Such action by written consent or electronic transmission shall have the same force and effect as a unanimous vote of the Committee.

ARTICLE V

COMMITTEE MEMBERS

5.1 Chairman of the Committee.

The Chairman of the Committee, if such an officer be elected, shall, if present, preside at meetings of the Committee and exercise and perform such other powers and duties as may from time to time be assigned by the Board of Director or as may be prescribed by this Charter. The Chairman of the Committee shall be elected by resolution of the Board of Directors. In the absence or disability of the Chairman of the Committee, the Board of Directors shall appoint an alternative Chairman to preside at the Committee meetings.

5.2 Secretary.

The Secretary shall keep or cause to be kept, at the principal executive office of the Company or such other place as the Board of Directors may direct, a book of minutes of all meetings and actions of the Committee. The minutes shall show the time and place of each meeting, whether regular or special (and, if special, how authorized and the notice given), the names of those present and the proceedings thereof. If no Secretary of the Committee is appointed by the Board of Directors, the Chairman shall also serve as the Secretary.

The Secretary shall give, or cause to be given, notice of all meetings of the Committee required to be given by law, this Charter or by the Company's Bylaws.

ARTICLE VI

RECORDS AND REPORTS

6.1 Maintenance and Inspection of Charter.

The Company shall keep at its principal executive office the original or a copy of this Charter as amended to date, which shall be open to inspection by the stockholders at all reasonable times during office hours.

6.2 Publication of Charter.

The Company shall publish and maintain a copy of this Charter on its website at all times.

6.3 Minutes and Reports.

The Committee shall keep regular minutes of its proceedings, which shall be filed with the Secretary of the Company. All action by the Committee shall be reported to the Board of Directors at the next meeting thereof, and, insofar as rights of third parties shall not be affected thereby, shall be subject to revision and alteration by the Board of Directors.

6.4 Maintenance and Inspection of Minutes.

The records and the minutes of proceedings of the Committee shall be kept at such place or places as are designated by the Board of Directors or, in absence of such designation, at the principal executive office of the Company. The minutes shall be kept in written form, and the accounting books and records shall be kept either in written form or in any other form capable of being converted into written form.

ARTICLE VII

GENERAL MATTERS

7.1 Construction; Definitions.

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the Delaware Code shall govern the construction of this Charter. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

ARTICLE VIII

AMENDMENTS

8.1 Amendment by Board of Directors.

This Charter and any provision contained herein may be amended or repealed by the Board of Directors.

8.2 Record of Amendments.

Whenever an amendment or a new Charter is adopted, it shall be copied in the book of minutes with the original Charter. If any provision of this Charter is repealed, the fact of repeal, with the date of the meeting at which the repeal was enacted or written consent was filed, shall be stated in said book.

ARTICLE IX

INTERPRETATION

Reference in this Charter to any provision of Delaware Code shall be deemed to include all amendments thereof.