

**PAUL MUELLER COMPANY  
NOMINATING AND COMPENSATION COMMITTEE CHARTER  
AS OF FEBRUARY 9, 2012**

**NOMINATION RESPONSIBILITIES**

***Purpose***

A principal purpose of the Nominating and Compensation Committee (the "Committee"), in its capacity as a committee of the Board of Directors (the "Board"), is to (i) identify individuals qualified to become members of the Board of Directors and (ii) recommend the persons to be nominated by the Board of Directors for election as directors at the annual meeting of shareholders

***Structure and Membership***

The Committee shall consist of three independent members of the Board. The Committee members shall be appointed for one-year terms at the annual meeting of the Board. In selecting members of the Committee, the Board will determine that each member has the appropriate experience, independence, and interest to carry out his/her duties and responsibilities. Each member of the Committee shall meet the standards to qualify as an independent director within the meaning of NASDAQ Rule 4200(a)(15), and "outside director" with the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), and as a "Non-Employee Director" within the meaning of Rule 16b-3(b)(3)(i) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Board of Directors may remove any member of the Committee from the Committee with or without cause.

***Authority and Responsibilities***

1. Selection of Director Nominees. The Committee shall be responsible for (i) identifying individuals qualified to become members of the Board of Directors and (ii) recommending to the Board of Directors the persons to be nominated by the Board or election as directors at the annual meeting of shareholders and the persons to be elected by the Board of Directors to fill any vacancies on the Board.
2. Criteria for Selecting Directors. The Committee shall use the criteria set forth on Annex A attached hereto to guide its selection process. The Committee shall be responsible for reviewing with the Board of Directors, on an annual basis, the requisite skills and criteria for new Board members as well as the composition of the Board as a whole.
3. Shareholder Nominees. The Committee shall consider nominees for the Board of Directors recommended by shareholders. Nominations by shareholders must be in writing, must include the full name of the proposed nominee and a brief description of the proposed nominee's business experience for at least the previous five years. Any such submission must also be accompanied by the written consent of the proposed

nominee to be named as a nominee and to serve as director if elected. Nominations should be delivered to the Nominating Committee at the following address:

Nominating Committee  
Paul Mueller Company  
c/o Corporate Secretary  
P O Box 828  
Springfield, MO 65801-0828

4. Selection Process. The Committee shall review the qualifications and backgrounds of all directors and nominees (without regard to whether a nominee has been recommended by shareholders), as well as the overall composition of the Board of Directors. Current members of the Board may be polled for suggestions as to individuals meeting the criteria of the Committee. Research may be performed to identify qualified individuals. In connection with its evaluation of candidates, the Committee shall determine which, if any candidates shall be interviewed, and if warranted, one or more members of the Committee, and others as appropriate, shall interview prospective candidates in person or by telephone. After completing this evaluation and interview process, the Committee shall recommend, to the full Board, directors to be nominated for election at the annual meeting of shareholders, or, in the case of a vacancy on the Board of Directors, recommend a director to be elected by the Board to fill such vacancy.
5. Search Firms. The Committee shall have the sole authority to retain and terminate any search firm to be used to identify director nominees, including sole authority to approve the search firm's fees and other retention terms. The Committee is empowered, without further action by the Board of Directors, to cause the Company to pay the compensation of any search firm engaged by the Committee.

### ***Procedures and Administration***

1. Meetings. The Committee shall meet as often as it deems necessary in order to perform its responsibilities. The Committee shall keep such records of its meetings as it shall deem appropriate.
2. Subcommittees. The Committee may form and delegate authority to one or more subcommittees (including a subcommittee consisting of a single member), as it deems appropriate from time to time under the circumstances.
3. Reports to the Board. The Committee shall report regularly to the Board.
4. Charter. The Committee shall, from time to time as it deems appropriate, review and reassess the adequacy of this Charter and recommend any proposed changes to the Board of Directors for approval.
5. Annual Self-Evaluation. At least annually, the Committee shall evaluate its own performance.

## **COMPENSATION RESPONSIBILITIES**

### ***Purpose***

The Nominating and Compensation Committee of the Board of Directors is also responsible for implementing and reviewing executive compensation plans, policies, and programs in an effort to ensure the attraction and retention of elected executive officers in a reasonable and cost-effective manner, to motivate their performance in the achievement of the Company's business objectives, and to align the interest of elected executive officers with the long-term interests of the Company's shareholders.

### ***Functions***

The Committee shall:

- Periodically develop and submit to the Board of Directors for approval a general compensation policy and salary structure for elected executive officers of the Company which considers business and financial objectives, industry, and market pay practices and/or such other information as may be deemed appropriate.
- Review and submit to the Board of Directors for approval the compensation (salary, bonus, incentive, and other compensation) of the elected executive officers of the Company. The executive officers of the Company shall not be present during voting or deliberations of the Committee regarding their own compensation.
- Review and submit to the Board of Directors for approval the annual compensation, including base salary and short- and long-term incentives, of the CEO.
- Review and submit to the Board of Directors for approval corporate goals and objectives relevant to the compensation of elected executive officers of the Company, evaluate their performance in light of the goals and objectives, and make recommendations to the Board of Directors with respect to their salary, bonus, and incentive compensation based on this evaluation.
- Review and submit to the Board of Directors for approval all employment, retention, and severance agreements for any elected executive officer of the Company.
- Act on behalf of the Board in administering compensation plans, approved by the Board and/or the shareholders of the Company, in a manner consistent with the terms of such plans, including, as applicable:
  - The granting of stock options, restricted stock, stock units, and other awards; and
  - Review of performance target goals established before start of the relevant plan year and determination of when performance goals have been achieved at the end of the plan year.
- Review and make recommendations to the Board with respect to new compensation incentive plans and equity-based plans.

- Review and make recommendations to the Board on changes in major benefit programs of elected executive officers of the Company.
- Review the management succession program for the Chief Executive Officer and selected executive officers of the Company.
- Prepare a Compensation Committee Report for inclusion in the Company's annual meeting proxy statement as required by the Securities and Exchange Commission regulations.
- Review and obtain confirmation that compensation and incentives are administered in compliance with applicable law and are appropriately disclosed in the Company's annual meeting proxy statement.
- Perform such other functions as may be assigned to the Committee, from time to time, by the Board.
- Provide necessary approval to qualify for exemptions as may be established by the Securities and Exchange Commission under Section 16 of the Securities Exchange Act of 1934.

### ***Director Compensation***

The Committee shall review and make recommendations to the Board with respect to compensation for nonemployee directors.

### ***Procedures***

- The Committee shall meet regularly, with such additional meetings as the Chair of the Committee deems necessary, and shall report to the Board following regular meetings.
- The Chief Executive Officer of the Company shall not be present during voting or deliberations of the Committee regarding the compensation of the Chief Executive Officer.
- The Committee shall have the authority to retain, establish the compensation for, and terminate outside counsel and other experts and advisors, including compensation consultants, as it determines appropriate to assist in the full performance of its functions.

**PAUL MUELLER COMPANY**  
**CRITERIA FOR NOMINATION AS DIRECTOR**

*General Criteria and Factors to be Considered*

1. Nominees shall have a reputation of integrity, honesty, and adherence to high ethical standards.
2. Nominees should have demonstrated business acumen, experience, and ability to exercise sound judgments in matters that relate to the current and long-term objectives of the Company and should be willing and able to contribute positively to the decision-making process of the Company.
3. Nominees should have a commitment to understand the Company and its industry and to regularly attend and participate in meetings of the Board of Directors and its committees.
4. Nominees should have the interest and ability to understand the sometimes conflicting interests of the various constituencies of the Company, which include shareholders, employees, customers, governmental units, creditors, and the general public, and to act in the interests of all shareholders.
5. Nominees should not have, or appear to have, a conflict of interest that would impair the nominee's ability to represent the interests of all the Company's shareholders and to fulfill the responsibilities of a director.
6. Nominees shall not be discriminated against on the basis of race, religion, national origin, sex, disability, or any other basis proscribed by law. The value of diversity on the Board of Directors should be considered.
7. The Committee shall consider such other relevant factors as it deems appropriate, including the candidate's experience with accounting rules and practices, experience in the Company's industry, business, finance, administration or public service, and familiarity with national and international business matters.

*Application of Criteria to Existing Directors*

The renomination of existing directors should not be viewed as automatic, but should be based on continuing qualification under the criteria set forth above. In addition, the Nominating Committee shall consider the existing directors' performance on the Board and any committee, which shall include consideration of the extent to which the directors undertook continuing director education.

### ***Criteria for Composition of the Board***

The backgrounds and qualifications of the directors considered as a group should provide a significant breadth of experience, knowledge, and abilities that shall assist the Board of Directors in fulfilling its responsibilities. In evaluating candidates, the Committee shall consider the current composition of the Board, the desire to balance the considerable benefit of continuity with the periodic injection of the fresh perspective provided by new members, the need for independent directors, the need for Audit Committee expertise and the evaluations of other candidates.