

DIAMOND HILL INVESTMENT GROUP, INC.

COMPENSATION COMMITTEE CHARTER

Amended March 2009

Preamble

The Board of Directors of Diamond Hill (the “Company”) recognizes its oversight and guidance role within the Company. The Compensation Committee is a committee utilized by the Board of Directors in the fulfillment of this oversight and guidance role.

Purpose of the Committee

The Compensation Committee shall assist the Board of Directors of the Company in the discharge of its responsibilities relating to compensation programs of the Company concerning the Company’s executive officers and directors, including executive compensation, compensation deferral plans, stock incentive and option plans, performance incentive award programs, fringe benefit plans of the principal corporate officers, other employee plans and executive employment contracts. The Compensation Committee will fulfill these responsibilities and duties primarily by carrying out the activities enumerated in this Charter.

Composition and Organization

The Compensation Committee shall be comprised of at least three directors as determined by the Board of Directors of the Company, each of whom shall be: (i) a “non-employee director” within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”); (ii) an “outside director” within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended; (iii) “independent” under prevailing applicable rules and free from any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment as a Committee member; and (iv) selected and retained in compliance with all applicable rules, regulations and statutes. The Compensation Committee members shall be appointed for one-year terms at the annual meeting of the Board of Directors and shall serve until a replacement for each such member is duly elected and qualified or until such member’s resignation or removal from the Board of Directors or the Compensation Committee. Vacancies occurring between annual meetings may be filled temporarily by a majority vote of the independent members of the board of directors.

Meetings

The Compensation Committee shall meet as needed, but no less than once per year. The Compensation Committee shall be chaired by one of its members, appointed by the Board of Directors. If the Board of Directors does not appoint a Chairperson or if the Chairperson is not present at the meeting, the members of the Compensation Committee may designate a Chairperson by majority vote of the full Compensation Committee membership, or those members present, as

the case may be. The Compensation Committee shall hold executive sessions as necessary and/or as convened by the Chairman of the Compensation Committee. A majority of the Compensation Committee members shall constitute a quorum for the transaction of business.

The Compensation Committee may act by a majority of its members at a meeting. The Compensation Committee may also take action by unanimous written consent or by conference communication by means of telephone. The Compensation Committee shall keep a record of its actions and proceedings, and the Chairman of the Compensation Committee shall make a report thereof from time to time to the Board of Directors.

The compensation of the Chief Executive Officer (“CEO”) and all other officers (as that term is defined by Rule 16a-1(f) under the Exchange Act) must be determined by the Compensation Committee voting in executive session. The CEO may not be present during the Compensation Committee’s decisions regarding his compensation, but may be present during the Compensation Committee’s deliberations regarding the compensation of all other officers of the Company. In any event, the CEO may not be present during voting on the compensation of any of the officers of the Company.

Responsibilities and Duties

To fulfill its responsibilities and duties, as described in Section II above, the Compensation Committee shall:

- With respect to the determination of executive compensation:
 1. Recommend to the Board of Directors the salaries, bonuses, ownership incentives and other significant benefits and arrangements provided for the principal corporate officers of the Company.
 2. Specifically with respect to the CEO, review and approve corporate goals and objectives relevant to the compensation of the CEO, evaluate his performance in light thereof, and consider identified and other factors related to the performance of the Company in determining a recommendation to the Board of Directors on the compensation level of such executive;
 3. Review and recommend to the Board of Directors the overall compensation of each newly elected principal corporate officer including but not limited to executives as defined by IRS section 162.
 4. Evaluate on a periodic basis the competitiveness of the compensation of principal corporate officers and senior management of the Company; and
 5. Establish, administer and maintain performance-based compensation programs under Section 162(m) of the Internal Revenue Code.

- With respect to incentive compensation plans, fringe benefits plans, deferred compensation plans, supplemental savings plans, and other equity compensation plans in which the CEO, other principal corporate officers, and the non-employee directors of the Company participate (the “Plans”), to the extent permitted by law and subject to the terms of the Plans:
 1. Review, approve and make recommendations to the Board of Directors regarding functional improvements or changes to the Plans or adoption of new plans when appropriate;
 2. Evaluate on a periodic basis the competitiveness of the Plans;
 3. Specifically with respect to the CEO, review and approve corporate goals and objectives relevant to the CEO and evaluate his and the Company’s performance taking into account prior awards and consider identified and other factors related to the performance of the Company in determining recommendations to the Board of Directors on the grants and awards to such executive under the Plans.

- With respect to employee retirement plans and employee welfare benefit plans (i.e., medical, life insurance, etc. (the “Benefit Plans”), evaluate on a periodic basis the competitiveness of the Benefit Plans and recommend to the Board of Directors adoption of amendments to the Benefit Plans involving significant changes or improvements to the extent permitted by law and subject to the terms of the Benefit Plans.

- Periodically review and approve stock ownership guidelines for, and review the stock ownership of, principal corporate officers and senior management of the Company.

- Produce a summary report on executive compensation annually, as needed, for inclusion in the proxy statement of the Company in accordance with applicable law, rules and regulations.

- If appropriate, select, retain and, if warranted, replace or terminate compensation and benefits consultants to provide independent advice to the Compensation Committee. The Compensation Committee shall have sole authority to engage any such consultants, if deemed desirable or beneficial, and shall approve, in its sole discretion, the consultant’s fees and other terms of any such engagement. The Compensation Committee may, in its discretion, consult with management of the Company prior to the engagement of any such consultant.

- From time to time, the Compensation Committee, as it deems appropriate, shall make recommendations to the Board of Directors regarding other issues related to the principal corporate officers, senior management, key employees and directors of the Company, including without limitation management succession recommendations.

- Perform such other duties and responsibilities as may be assigned to the Compensation Committee, from time to time, by the Board of Directors of the Company, the Chairman of the Board of Directors and/or the CEO of the Company.

- Review and recommend to the Board of Directors the compensation for directors, including committee and committee chair fees and other compensation as appropriate.

- Conduct a review and evaluation annually of the functioning of the Compensation Committee in such manner as the Compensation Committee deems appropriate.
- Review and reassess, at least annually, the adequacy of this Charter and recommend to the Board of Directors for consideration by the Board of Directors any improvements to this Charter that the Compensation Committee deems necessary or appropriate.