

**Aware, Inc.**

**Compensation Committee Charter**

**as Approved by the Board of Directors**

**March 4, 2004**

***I. Organization***

*Charter.* At least annually, this charter shall be reviewed and reassessed by the Compensation Committee (the “Committee”) and any proposed changes shall be submitted to the Board of Directors (the “Board”) for approval. This charter supersedes all prior charters of the Committee.

*Members.* The members of the Committee shall be appointed by the Board and shall meet the independence and other requirements of applicable law and the listing standards of The Nasdaq Stock Market, Inc., the requirements of an “outside director” for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended, and the requirements of a “non-employee director” for purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The Committee shall consist of at least two members. Committee members will be subject to annual reconfirmation and may be removed by the Board at any time.

*Meetings.* In order to discharge its responsibilities, the Committee shall each year establish a schedule of meetings; additional meetings may be scheduled as required.

*Quorum; Action by Committee.* A quorum of any Committee meeting shall be at least two members. All determinations of the Committee shall be made by a majority of its members present at a meeting duly called and held, except as specifically provided herein (or where only two members are present, by unanimous vote). Any decision or determination of the Committee reduced to writing and signed by all of the members of the Committee shall be fully as effective as if it had been made at a meeting duly called and held.

*Agenda, Minutes and Reports.* An agenda, together with materials relating to the subject matter of each meeting, shall be sent to members of the Committee prior to each meeting. Minutes for all meetings of the Committee shall be prepared to document the Committee’s discharge of its responsibilities. The minutes shall be circulated in draft form to all Committee members to ensure an accurate final record, shall be approved at a subsequent meeting of the Committee and shall be distributed periodically to the full Board. The Committee shall make regular reports to the Board.

***II. Purpose***

The Committee’s basic responsibility is to review the performance and development of Company management in achieving corporate goals and objectives and to assure that senior executives of the Company are compensated effectively in a manner consistent with the strategy of the Company, competitive practice, and the requirements of the appropriate regulatory bodies.

Toward that end, the Committee will oversee, review and administer all compensation, equity and employee benefit plans and programs.

### ***III. Responsibilities and Duties***

In carrying out its purpose, the Committee will have the following responsibilities and duties:

- Review annually and approve the Company's compensation strategy to ensure that employees of the Company are rewarded appropriately for their contributions to the Company's financial performance and corresponding increases in stockholder value.
- Review annually and approve corporate goals and objectives relevant to executive compensation and evaluate performance in light of those goals.
- Review annually and determine the individual elements of total compensation for the Chief Executive Officer and all other corporate officers, and communicate in the annual Board Compensation Committee Report to stockholders the factors and criteria on which the Chief Executive Officer and all other corporate officers' compensation for the last year was based.
- Review and approve compensation for non-employee members of the Board, including stock compensation.
- Review and make recommendations with respect to stockholder proposals relating to compensation matters.
- Make and approve stock option grants and other discretionary awards under the Company's stock option or other equity incentive plans to all persons who are Board members or executive officers.
- Grant stock options and other discretionary awards under the Company's stock option or other equity incentive plans to all other eligible individuals in the Company's service.
- Amend the provisions of the Company's stock option or other equity incentive plans, to the extent authorized by the Board, and make recommendations to the Board with respect to incentive compensation and equity-based plans.
- Approve for submission to the stockholders stock option or other equity incentive plans or amendments thereto.
- Perform an evaluation of its performance at least annually to determine whether it is functioning effectively.
- Carry out such other duties as may be delegated to it by the Board from time to time.

Notwithstanding the foregoing, any action of the Committee may be subject to Board review and may be revised, modified or rescinded by the Board.

### ***IV. Other***

*Access to Records, Advisers and Others.* In discharging its responsibilities, the Committee shall have full access to any relevant records of the Company and may retain, at Company expense, independent advisers (including legal counsel, accountants and consultants) as it determines necessary to carry out its duties. The Committee shall have the ultimate authority and responsibility to engage or terminate any such independent advisers and to approve the terms of any such engagement and the fees to be paid to any such adviser. The Committee may also request that any officer or other employee of the Company, the Company's outside counsel or any other person meet with any members of, or independent advisers to, the Committee.

*Delegation.* The Committee may delegate any of its responsibilities to a subcommittee comprised of one or more members of the Committee, except that the Committee shall not delegate its responsibilities with respect to the grant of stock options under the Company's stock option plans to any person who is an "officer" of the Company for purposes of Section 16 of the Exchange Act.

### **Committee Members**

Frederick D. D'Alessio

G. David Forney

John K. Kerr (Chair)