

NEOWARE SYSTEMS, INC.

GOVERNANCE AND NOMINATING COMMITTEE CHARTER

I. COMMITTEE PURPOSES

The Governance and Nominating Committee (the “Committee”) shall be appointed by the Board of Directors to (1) assist the Board in identifying individuals qualified to become Board members and to recommend to the Board the director nominees; (2) recommend to the Board the Corporate Governance Guidelines, Code of Ethics and other policies, principles and guidelines relating to corporate governance applicable to the Company; and (3) oversee the Board’s annual review of its performance.

II. COMMITTEE MEMBERSHIP AND PROCEDURE

The Committee shall consist of no fewer than three members. Each member of the Committee shall meet the independence requirements of The Nasdaq Stock Market and any other applicable regulatory requirements. The Board shall appoint the members of the Committee. The members of the Committee shall serve until their successors are appointed and qualified or until their earlier death, resignation or removal, and no member shall be removed except by a vote of a majority of the independent directors then in office. The Board shall designate the Chairman of the Committee or, if it fails to do so, the members of the Committee shall elect a Chairman by majority vote. The Board shall have the power at any time to change the size and membership of the Committee and to fill vacancies in it, provided that any new member satisfies the independence requirements established by The Nasdaq Stock Market and any other applicable regulatory requirements. Except as expressly provided in this Charter, the bylaws of the Company or any applicable corporate governance guidelines of the Company, the Committee shall fix its own rules of procedure.

III. COMMITTEE AUTHORITY AND RESPONSIBILITIES

A. Nominating

The Committee shall have the following authority and responsibilities:

1. To develop policies on the size and composition of the Board and qualification criteria for Board members;
2. To interview and screen individuals qualified to become Board members for recommendation to the Board;
3. To have the authority to retain and terminate any search firm to be used to identify director candidates and have the authority to approve the search firm's fees and other retention terms;

4. To develop procedures for reviewing nominations from stockholders;
5. To receive suggestions concerning possible candidates for election to the Board, including self-nominations, nominations from stockholders and other third-party nominations;
6. To recommend to the Board individuals for vacancies occurring from time to time on the Board, including vacancies resulting from an increase in the size of the Board; and
7. To recommend the slate of nominees to be proposed for election at each annual meeting of stockholders.

Notwithstanding the foregoing provisions of this Article III, Section A, if the Company is legally required by contract or otherwise to establish the size and composition of the board or to provide third parties with the ability to designate directors for nomination, such responsibilities of the Committee need not be subject to the policies and procedures established by the Committee for those purposes.

B. Corporate Governance

The Committee shall have the following authority and responsibilities:

1. To develop and recommend to the Board a set of corporate governance, conflicts of interest and business ethics policies, principles, codes of conduct and guidelines for the Company and its directors, officers and employees;
2. To assist the Board in reviewing and reassessing at least annually the adequacy of the Company's Corporate Governance Guidelines, Code of Ethics and other policies relating to corporate governance in light of emerging issues and developments related to corporate governance and other factors and formulate and recommend any proposed changes to the Board for approval;
3. To generally advise the Board as a whole on corporate governance matters;
4. To review and reassess at least annually the adequacy of this Charter and recommend any proposed changes to the Board for approval;
5. To annually review its own performance; and
6. To assist the Board in conducting an annual review of the effectiveness of the Board and its committees.

C. Other

The Committee shall have the following general authority and responsibilities:

1. To form and delegate authority to subcommittees in its sole discretion;
2. To make regular reports and recommendations to the Board;
3. To request reports from internal or external sources on matters related to its authority, its duties as described in this Charter and on any subject that it deems related to its responsibilities;
4. To retain outside accountants, legal counsel and other advisors as it may deem appropriate in its sole discretion and approve related fees and retention terms; and
5. To develop procedures for security holders to communicate with the Board.