

**SOCKET MOBILE, INC.**  
**CHARTER FOR THE COMPENSATION COMMITTEE**  
**OF THE BOARD OF DIRECTORS**

**MEMBERSHIP AND ORGANIZATION**

The Committee shall consist of no fewer than two members. The members of the Committee shall be independent of the Company and its affiliates, and shall otherwise be deemed “Independent Directors” under the following requirements or definitions:

- Independence requirements of the listing standards of The Nasdaq National Market
- “Non-employee director” definition of Rule 16b-3 under Section 16 of the Securities Exchange Act of 1934
- “Outside director” definition of Section 162(m) of the Internal Revenue Code of 1986

**RESPONSIBILITIES AND AUTHORITY**

The Board of Directors has delegated to the Committee the following authority:

- At least annually review and approve the executive officer compensation programs in accordance with the guidelines provided below, and, when considered appropriate by the Committee, other key employees and consultants.
- Approve all special prerequisites, special cash payments and other special compensation and benefit arrangements for the executive officers.
- Review trends in management compensation, oversee the development of new compensation plans, and, when necessary, approve the revision of executive plans.
- Set specific corporate objectives relevant to executive compensation, and review executive officer performance in light of these objectives.
- Review and approve employment agreements, severance arrangements, and applicable change in control agreements/provisions for the executive officers.
- Interpret the Company’s equity incentive plans and benefits programs, provided that such plans may be amended only with the consent of the Board of Directors.
- Produce a report on executive compensation for inclusion in the Company’s annual proxy statement.
- Annually review the performance of the Committee.
- Assess the adequacy of this Charter annually and recommend changes to the Board of Directors.

**EXECUTIVE OFFICER COMPENSATION PROGRAMS**

The three major components of the executive officer compensation are: (i) base salary, (ii) variable incentive awards, and (iii) long-term equity-based incentive awards.

*Base Salary.* The Committee establishes base salaries for executive officers, normally within ten percent of the average paid for comparable positions at other similarly sized companies as set forth

in national and local compensation surveys. Base pay increases vary according to individual contributions to the Company's success and comparisons to similar positions within the Company and at other comparable companies.

*Variable Incentive Awards.* To reinforce the importance of Company goals, the Committee believes that a substantial portion of the quarterly compensation of each executive officer should be in the form of variable incentive pay. The variable incentive award set aside for each executive officer is determined in part on the basis of the Company's achievement of the quarterly financial performance targets established at the beginning of the fiscal year and also on individual quarterly objective. The incentive plan requires a threshold level of Company performance that must be attained before any financial performance incentives are awarded. Once the threshold is reached, specific formulas are in place to calculate the actual incentive payment for each officer. A target is set for each executive officer based on targets for similar positions at comparable companies.

*Long-Term, Equity-Based Incentive Awards.* The goal of the Company's long-term, equity-based incentive awards is to align the interests of executive officers with stockholders and to provide each executive officer with a significant incentive to manage the Company from the perspective of an owner with an equity stake in the business. The Committee determines the size of long-term, equity-based incentives according to each executive's position within the Company and sets a level it considers appropriate to create a meaningful opportunity for stock ownership. In addition, the Committee takes into account an individual's recent performance, his or her potential for future responsibility and promotion, comparable awards made to individuals in similar positions with comparable companies, and the number of unvested options held by each individual at the time of the new grant. The relative weight given to each of these factors varies among individuals at the Committee's discretion.

Generally, each option granted under the 1995 Stock Plan vests in periodic installments over a four-year period, contingent upon the executive officer's continued employment with the Company. Accordingly, the option will provide a return only if the officer remains with the Company and only if the market price appreciates over the option term.

## **COMPENSATION OF CHIEF EXECUTIVE OFFICER**

The factors considered by the Committee in determining the compensation of the Chief Executive Officer, in addition to survey data, include the Company's operating and financial performance, as well as his or her leadership and establishment and implementation of strategic direction for the Company.

The Committee considers stock options to be an important component of the Chief Executive Officer's compensation as a way to reward performance and motivate leadership for long term growth and profitability.

## **SUBCOMMITTEES AND ADVISORS**

The Committee may delegate the above responsibilities to subcommittees when appropriate. The Committee has the authority to retain consultants on behalf of the Company to assist in its evaluation

of compensation. The Committee shall also have authority to obtain advice and assistance from legal counsel, accountants or other advisors, as required.

## **MEETINGS**

The Committee shall elect its own chair and establish its own procedures. The Committee will meet regularly. Special meetings may be convened as required. The Committee will maintain written minutes of its meetings, which will be filed with the minutes of the meeting the Board of Directors. The Committee, or its Chair, shall report to the Board of Directors on the results of these meetings.