

CSP INC.

COMPENSATION COMMITTEE CHARTER

As Approved by the Board of Directors on
January 27, 2004

I. Purpose

The Compensation Committee (the “Committee”) is a standing committee of the Board of Directors. The purpose of the Committee is to discharge the responsibility of the Board of Directors relating to compensation of the Company’s directors and executive officers and related matters, to review and make recommendations to the Board regarding employee compensation and benefit plans and programs generally, to administer the Company’s stock option plans, restricted stock plans, and employee stock purchase plans, and to review and make recommendations to the Board regarding succession plans for executive officers.

II. Organization

A. **Periodic Charter Review.** At least annually, this charter shall be reviewed and reassessed by the Committee and any proposed changes shall be submitted to the Board of Directors for approval.

B. **Members.** The members of the Committee shall be appointed by the Board of Directors 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 may be removed by the Board of Directors. The Board of Directors shall also designate a Committee Chair; other officers of the Committee, if any, shall be elected by members of the Committee.

C. **Meetings.** In order to discharge its responsibilities, the Committee shall each year establish a schedule of meetings; additional meetings may be scheduled as required. The Committee shall meet periodically in executive session as it deems appropriate and shall have the opportunity to meet in executive session at each of its meetings.

D. **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.

E. **Agenda, Minutes and Reports.** The Chair of the Committee shall be responsible for establishing the agendas for meetings of the Committee. To the extent practicable, 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 of Directors. The Committee shall make regular reports to the Board of Directors.

- F. **Annual Evaluation.** The Committee shall evaluate its performance on an annual basis.

III. Responsibilities

The Committee:

- A. Administers the Company's stock option plans, restricted stock plans, and employee stock purchase plans, including the grant of stock options and awards of restricted and unrestricted stock to all eligible employees under the Company's existing stock option and restricted stock plans.
- B. Reviews and approves salaries, bonuses and other matters relating to compensation of the executive officers of the Company.
- C. Reviews and makes recommendations from time to time on the status of Board compensation in relation to other comparable US companies.
- D. Reviews and makes recommendations with respect to stockholder proposals related to compensation matters.
- E. Reviews and makes recommendations to the Board regarding employee compensation and benefit plans and programs generally, including employee bonus and retirement plans and programs.
- F. Prepares the report of the Committee required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement.
- G. Oversees an annual evaluation of the Chief Executive Officer and, in consultation with the Chief Executive Officer, the other executive officers of the Company. In discharging its responsibility, the Committee shall elicit comments from all Directors and report annually to the Board of Directors on the results of the evaluation.
- H. Periodically reviews with the Chief Executive Officer the succession plans relating to positions held by executive officers of the Company and, in consultation with the Chief Executive Officer, makes recommendations to the Board of Directors with respect to the selection of individuals to occupy these positions.
- I. Carries out such other duties as may be delegated to it by the Board of Directors from time to time.

IV. Other

A. **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 adviser to, the Committee.

B. **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.

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