



Interphase Corporation Compensation Committee Charter

Purposes

The Compensation Committee of the Board of Directors establishes and administers the Company's policies, programs and procedures for compensating its senior management and Board of Directors. Among other things, the Committee discharges the Board's responsibilities relating to compensation of the Company's executive officers and produces a report on executive compensation for inclusion in the Company's proxy statement for its annual meeting of shareholders in accordance with applicable rules and regulations.

Composition

Size. The Board shall determine the size of the Compensation Committee, but it must always have at least three members.

Qualifications. Each Committee member must satisfy the applicable independence requirements set forth in the rules of the Nasdaq National Market, and possess experience in business management, exercising sound business judgment.

Appointment and Removal. The Board shall select all Compensation Committee members and the Committee Chairman from among its members. Each Committee member will serve at the discretion of the Board for such term as the Board may decide or until such Committee member is no longer a Board member.

Duties and Responsibilities

The duties and responsibilities of the Committee shall include the following:

1. Establish Executive Compensation Policies and Programs. The Committee will develop and recommend to the Board the Company's compensation policies and programs for executive officers and Board members.
2. Review and Approve Executive Officer Compensation. The Committee will review and approve, at least annually, corporate goals and objectives relevant to the compensation of the President and CEO and the other executive officers of the Company. The Committee will evaluate the performance of the executive officers in the light of those corporate goals and objectives and set compensation levels for these executive officers based on those evaluations and any other factors as it deems appropriate.



3. Recommend Incentive Compensation Plans. The Committee will make recommendations to the Board with respect to the approval, adoption and amendment of all cash- and equity-based incentive compensation plans in which any executive officer of the Company participates.
4. Recommend Equity-Based Plans. The Committee will also make recommendations to the Board with respect to the approval, adoption and amendment of all other equity-based plans.
5. Administer Compensation Plans. The Committee will administer the Company's equity-based incentive compensation plans and other plans adopted by the Board that contemplate administration by the Committee. The Committee, or a subcommittee, shall approve all grants of stock options and other equity-based awards, subject to the terms and conditions of applicable plans." The Committee's administrative authority shall include the authority to approve the acquisition by the Company of shares of the Company's stock from any plan participant.
6. Oversee Regulatory Compliance. The Committee will, in consultation with appropriate officers of the Company, oversee regulatory compliance with respect to compensation matters, including overseeing any compensation programs intended to preserve tax deductibility, and, as may be required, establishing performance goals and determining whether performance goals have been attained for purposes of Section 162(m) of the Internal Revenue Code.
7. Review Employment Agreements and Severance Arrangements. The Committee will review and approve any proposed employment agreement with, and any proposed severance or retention plans or agreements applicable to, any executive officer of the Company. The Committee shall review and approve any severance or other termination payments proposed to be made to any executive officer of the Company.
8. Review Director Compensation. The Committee will periodically review director compensation in relation to other comparable companies and in the light of such other factors as the Committee may deem appropriate. The Committee shall discuss this review with the Board.
9. Board Reports. The Committee will report its activities to the Board at least annually in such manner and at such times as the Committee or the Board deems appropriate.



10. General. The Committee shall have the authority to engage outside advisors, including counsel, as it deems necessary to carry out its duties. The Committee shall have the sole authority to retain, amend the engagement with, and terminate any compensation consultant to be used to assist in the evaluation of the CEO or executive officer compensation. The Company shall provide the appropriate funding, as determined by the Committee, for payment of compensation to such advisors.

The Committee shall regularly report to the Board on its activities and decisions.

The Committee shall annually review and evaluate its own performance to ensure that all of its responsibilities are being met.

The Committee shall review and reassess its charter periodically and obtain the Board's approval of any amendments or modifications of the charter.

11. Other Delegated Duties or Responsibilities. The Committee will perform any other duties or responsibilities delegated to the Committee by the Board from time to time.

Meetings

The Committee will meet as frequently as necessary to carry out its responsibilities under this Charter. The Committee Chairman will, in consultation with the other members of the Committee and appropriate officers of the Company, establish the agenda for each Committee meeting. Any Committee member may submit items to be included on the agenda. Committee members may also raise subjects that are not on the agenda at any meeting. The Committee Chairman or a majority of the Committee members may call a meeting of the Committee at any time. A majority of the number of Committee members selected by the Board will constitute a quorum for conducting business at a meeting of the Committee. The act of a majority of Committee members present at a Committee meeting at which a quorum is in attendance will be the act of the Committee, unless a greater number is required by law, the Company's certificate of incorporation or its by-laws. The Committee Chairman will supervise the conduct of the meetings and will have other responsibilities as the Committee may specify from time to time.

The Committee may request any officer or other employee of the Company, or any representative of the Company's legal counsel or other advisors, to attend a meeting or to meet with any members or representatives of the Committee. Any individual whose performance



or compensation is to be discussed at a Committee meeting should not attend such meeting unless specifically invited by the Committee. Any Committee member may be excused from a meeting to permit the remaining members of the Committee to act on any matter in which such member's participation is not appropriate, and such member's absence shall not destroy the quorum for the meeting.

Delegation

The Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee or, to the extent permitted by applicable law, to any other body or individual. In particular, the Committee may delegate the approval of certain transactions to a subcommittee consisting solely of members of the Committee who are (a) "non-employee directors" within the meaning under Rule 16b-3 of the Securities Exchange Act of 1934, and (b) "outside directors" for the purposes of Section 162(m) of the Internal Revenue Code.

Resources and Authority

The Committee shall have appropriate resources and authority to discharge its responsibilities, including, without limitation, appropriate funding, in such amounts as the Committee deems necessary, to compensate any consultants or any other advisors retained by the Committee. The Committee will have the sole authority to retain and terminate compensation consultants to assist in the evaluation of director or executive officer compensation and the sole authority to approve the fees and other retention terms of such compensation consultants. The Committee may also retain independent counsel and other independent advisors to assist it in carrying out its responsibilities.

Compensation Committee Report

The Committee, with the assistance of management and any outside advisors the Committee deems appropriate, shall prepare a report for inclusion in the Company's proxy statement relating to the Company's annual meeting of shareholders.

Annual Review

At least annually, the Committee will (a) review this Charter with the Board and recommend any changes to the Board and (b) evaluate its own performance against the requirements of this Charter and report the results of this evaluation to the Board. The evaluation will include establishment of the goals and objectives of the Committee for



the upcoming year. The Committee will conduct its review and evaluation in such manner as it deems appropriate.

Consistent with Nasdaq National Market listing requirements, this Charter will be included on the Company's website.