

DATAWATCH CORPORATION

Amended and Restated Charter of the Compensation and Stock Committee of the Board of Directors

A. PURPOSE AND SCOPE

The primary function of the Compensation and Stock Committee (the “Committee”) of the Board of Directors (the “Board”) of Datawatch Corporation (the “Corporation”) is to exercise the responsibilities and duties set forth below, including but not limited to (1) discharging the Board’s responsibilities relating to the compensation of the Corporation’s officers and key employees, (2) being responsible for the administration of the Corporation’s incentive compensation and stock plans, and (3) being responsible for the production of an annual report on executive compensation for inclusion in the Corporation’s proxy statement in accordance with applicable rules and regulations.

B. COMPOSITION

The Committee shall be comprised of three or more members as determined by the Board, each of whom shall meet the independence and compensation committee composition requirements promulgated by the Securities and Exchange Commission, the National Association of Securities Dealers, Inc., any exchange upon which securities of the Corporation are traded, or any governmental or regulatory body exercising authority over the Corporation (each a “Regulatory Body” and collectively, the “Regulatory Bodies”), and any other requirements as determined by the Board, as in effect from time to time.

The members of the Committee shall be elected by the Board of Directors annually at the first Board of Directors Meeting held after the annual shareholders meeting and shall serve until their successors shall have been duly elected and qualified, or until the earlier of their resignation or removal. The Chair of the Committee shall be appointed by the Board of Directors.

C. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties the Committee shall:

1. Make regular reports to the Board regarding the activities of the Committee;
2. Establish a compensation policy for officers and key employees designed to (i) enhance the profitability of the Corporation and increase shareholder value, (ii) reward officers and key employees for their contribution to the Corporation’s growth and profitability, and (iii) provide competitive compensation that will attract and retain qualified officers and key employees. Review competitive practices and trends to determine the adequacy of the compensation policy.
3. Subject to variation where appropriate, the compensation policy for officers and key employees shall include: (i) base salary, which shall be set on an annual basis, (ii) annual or other time-based incentive compensation, which shall be awarded for the achievement of designated objectives, and (iii) long-term incentive compensation in the forms of equity participation and other awards.

4. Annually review and approve corporate goals and objectives relevant to Chief Executive Officer (“CEO”) compensation, evaluate the CEO’s performance in light of those goals and objectives and determine, or recommend to the Board for determination, the appropriate level of base compensation, bonus and/or other long-term incentive compensation for the CEO based on this evaluation;
5. Annually evaluate the performance of the Corporation’s officers and key employees and determine, or recommend to the Board for determination, the appropriate level of base compensation, bonus and/or other long-term incentive compensation for the officers and key employees of the Corporation;
6. Consider and take actions with respect to the adoption, amendment, administration and termination of compensation, welfare, benefit, pension and other plans (including the grant of options under stock option plans) related to compensation of current and former employees of the Corporation in each case taking into account appropriate industry benchmarks and, as appropriate, the compensation policies pursued by companies similarly situated to the Corporation;
7. Design incentive compensation plans to allow the Corporation to attract and retain talented personnel and align the pay of such personnel with the long-term interests of shareholders. Take actions that may be necessary or advisable to implement and administer the Corporation’s incentive compensation plans, all in accordance with the terms of such plans;
8. Evaluate and recommend to the Board the appropriate level of director compensation and take primary responsibility for ensuring that any payments to directors other than in their capacity as directors are fully and properly disclosed;
9. Review and approve, for the CEO and the other officers and key employees of the Corporation, (i) any employment agreements, severance arrangements, and change in control agreements or provisions, in each case, when and if appropriate, and (ii) any special or supplemental benefits;
10. Review and assess the adequacy of this Charter annually, or as conditions dictate, to ensure compliance with any rules or regulations promulgated by any Regulatory Body and recommend to the Board for its approval any modifications to this Charter, if and when appropriate;
11. Form and delegate authority to subcommittees where appropriate;
12. Make this Charter, and any amendments, public as appropriate or to ensure compliance with any rules or regulations promulgated by any Regulatory Body;
13. Produce an annual report on executive compensation for inclusion in the Corporation’s proxy statement in accordance with applicable rules and regulations;
14. Oversee the Corporation’s compliance with any rules promulgated by any Regulatory Body prohibiting loans to officers and directors of the Corporation; and
15. Have such additional powers and duties as may be reasonable, necessary or desirable, in the Committee’s discretion, to exercise its powers and fulfill its duties.

D. MEETINGS

The Committee shall meet as necessary but at least once per year. The Committee may invite members of management or others to attend Committee meetings and provide pertinent information as the Committee may request on the issues being considered, however the CEO may not be present at a meeting when his or her compensation is determined and/or approved. Meetings may be called by the Chair of the Committee at the request of any member of the Committee or any member of the Board. At all Committee meetings, a majority of the then-current members of the Committee shall constitute a quorum.

The Committee shall keep written minutes of its meetings and record such minutes with the books and records of the Corporation. Minutes of each meeting will be distributed to the members of the Board.

E. INDEPENDENT ADVICE

The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities and duties as described above, and may seek, retain, and terminate, accounting, legal, consulting or other expert advice from a source independent of management, at the expense of the Corporation, with notice to the Chairman of the Board and the CEO. In furtherance of the foregoing, the Committee shall have the sole authority to retain and terminate any compensation consultant to be used to assist in the evaluation of director, CEO or executive officer compensation and shall have the sole authority to approve the consultant's fees and other retention terms.