

BSQUARE CORPORATION
COMPENSATION COMMITTEE CHARTER
As Amended February 18, 2014

The Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of BSQUARE Corporation (the “Company”) shall evaluate the compensation of the executive officers of the Company (and their performance relative to their compensation) and assure that they are compensated effectively in a manner consistent with the stated compensation strategy of the Company and competitive practice. The Committee also shall communicate to shareholders regarding the Company’s compensation policies and the reasoning behind such policies as required by the SEC. In addition, the Committee shall evaluate and make recommendations regarding the compensation of the directors, including their compensation for services on Board committees.

Composition

The Committee shall consist of two or more directors appointed by the Board, all of whom in the judgment of the Board shall be independent as described below. A person may serve on the Committee only if he or she (i) is deemed independent in accordance with the provisions of Rule 10C-1(b)(1) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), (ii) is a “Non-Employee Director” for purposes of Rule 16b-3 under the Exchange Act, (iii) satisfies the requirements of an “outside director” for purposes of Section 162(m) of the Internal Revenue Code and (iv) meets the definition of “Independent Director” under the Nasdaq Stock Market, Inc. (“Nasdaq”) rules.

Each Committee member will serve at the pleasure of the Board for such term as the Board may decide or until such Committee member is no longer a Board member. The Board shall appoint one of the members of the Committee to serve as the Chair of the Committee.

Responsibilities

The Committee’s responsibilities include:

- Review from time to time, modify if necessary, and recommend to the Board for its approval the structure of the Company’s executive compensation to ensure that such structure (i) achieves the Company’s objectives of rewarding the Company’s executive officers appropriately for their contributions to the Company’s growth and profitability and (ii) aligns the interests of the Company’s executive officers to the long-term interests of the Company’s shareholders through a mix of long- and short-term incentives and features that include downside risk as well as upside potential.
- Annually (i) evaluate the performance of the Chief Executive Officer in light of the Company’s corporate goals and objectives and submit to the Board for its consideration and approval the Committee’s conclusions regarding the Chief Executive Officer’s performance; (ii) evaluate the compensation (and performance relative to compensation) of the Chief Executive Officer and recommend to the Board for its consideration and approval the amounts and individual elements of total compensation for the Chief Executive Officer consistent with the Company’s corporate goals and objectives; and (iii) communicate in the annual Compensation Committee Report to shareholders the factors and criteria on which the Chief Executive Officer’s compensation for the last year was based, including the relationship of the Company’s performance to the Chief Executive Officer’s compensation.

- In recommending the long-term incentive component of the Chief Executive Officer's compensation, the Committee should consider, among other factors, the Company's performance and relative shareholder return, the value of similar incentive awards to Chief Executive Officers at comparable companies, and the awards given to the Company's Chief Executive Officer in prior years.
- Annually evaluate (in consultation with the Chief Executive Officer) the compensation (and performance relative to compensation) of other executive officers; recommend to the Board for its approval the individual elements of total compensation for each such person.
- Develop and periodically evaluate (in consultation with the Company's executive officers) both a short-term and long-term succession plan for the Company's executive team, and submit to the Board for its consideration and approval such succession plans.
- Periodically evaluate the terms and administration of the Company's annual and long-term incentive plans to assure that they are structured and administered in a manner consistent with the Company's goals and objectives as to participation in such plans, including in such evaluation a review of annual incentive awards, corporate financial goals, actual awards paid to the Company's executive officers, and total funds reserved for payment under the Company's compensation plans.
- Periodically evaluate (and approve any proposed amendments to) existing equity-related compensation plans; evaluate and approve the adoption of any new equity-related compensation plans; and determine when it is necessary or desirable (after consultation with counsel as needed): (a) to modify, discontinue or supplement any such plans; or (b) to submit such amendment or adoption to a vote of the full Board and/or the Company's shareholders.
- Periodically evaluate the cash and stock compensation of directors, including for service on Board committees, taking into account the compensation of directors at other comparable companies. Make recommendations to the Board regarding any adjustments in director compensation that the Committee considers appropriate.
- Periodically evaluate the Company's employee benefits programs and approve any significant changes therein and determine when it is necessary or desirable (after consultation with counsel as needed) to submit any such changes to a vote of the full Board and/or the Company's shareholders.
- Review and discuss with management the Company's disclosure regarding executive officer and director compensation to be included in the Company's annual report on Form 10-K and/or the Company's proxy statement.
- Keep regular minutes of its proceedings and report its activities to the Board at least annually in such manner and at such times as the Committee or the Board deem appropriate.
- To the extent permitted by applicable law and regulations (including Nasdaq rules and regulations), the Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee or to any other body or individual.
- Perform such other duties and responsibilities as may be assigned to the Committee, from time to time, by the Board or as designated in employee benefits or equity-related compensation plan documents.

- Perform its duties and responsibilities in accordance with the Company's Articles of Incorporation and by-laws, this Charter, any delegated authority from the Board, and applicable laws, rules and regulations.

Meetings

The Committee will meet at least twice a year or more frequently as necessary to carry out its responsibilities under this Charter. The Chair of the Committee will, in consultation with the other members of the Committee, establish the agenda for each Committee meeting. Any Committee member may submit items to be included on the agenda. Committee members may also raise at any meeting subjects that are not on the agenda. The Chair of the Committee or a majority of the Committee members may call a meeting of the Committee at any time. A majority of the 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 or the Company's articles of incorporation or bylaws. The Chair of the Committee will supervise the conduct of the meetings and will have other responsibilities as the Committee may specify from time to time. The Company's Chief Executive Officer may not be present during any portion of any meetings of the Committee at which any vote or deliberations concerning the Chief Executive Officer's compensation will be conducted. Unless otherwise determined by the Committee, meetings of the Committee will not be open to other members of the Board.

Resources and Authority

The Committee shall have the authority, in its sole discretion, to select, retain and obtain the advice and assistance of compensation consultants, outside legal counsel and such other advisors as it deems necessary to fulfill its duties and responsibilities as set forth in this Charter. The Committee shall be directly responsible for the appointment, compensation and oversight of the work of any such compensation consultant, outside legal counsel or other advisors. The Committee shall receive appropriate funding from the Company, as determined by the Committee in its capacity as a committee of the Board, for the payment of compensation to its compensation consultants, outside legal counsel and any other advisors. However, the Committee shall not be required to implement or act consistently with the advice or recommendations of its compensation consultant, legal counsel or other advisors to the Committee, and the authority granted in this Charter shall not affect the ability or obligation of the Committee to exercise its own judgment in fulfillment of its duties under this Charter.

Any compensation consultant, outside counsel or any other advisors retained by, or providing advice to, the Committee (other than the Company's in-house counsel) shall be independent as determined in the discretion of the Committee after considering, among other things, the factors specified in applicable Nasdaq rules, as follows:

- (i) the provision of other services to the Company by the person that employs the compensation consultant, legal counsel or other adviser;
- (ii) the amount of fees received from the Company by the person that employs the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the person that employs the compensation consultant, legal counsel or other adviser;
- (iii) the policies and procedures of the person that employs the compensation consultant, legal counsel or other adviser that are designed to prevent conflicts of interest;
- (iv) any business or personal relationship of the compensation consultant, legal counsel or other adviser with a member of the Committee;

- (v) any stock of the Company owned by the compensation consultant, legal counsel or other adviser; and
- (vi) any business or personal relationship of the compensation consultant, legal counsel, other adviser or the person employing the adviser with an executive officer of the Company.

The Committee is not required to assess the independence of any compensation consultant or other advisor that acts in a role limited to consulting on any broad-based plan that does not discriminate in scope, terms or operation in favor of executive officers or directors and that is generally available to all salaried employees or to providing information that is not customized for a particular company or that is customized based on parameters that are not developed by the consultant or advisor, and about which the consultant or advisor does not provide advice.

The Committee shall determine whether disclosure is required with respect to any compensation consultant or other advisor retained or to be retained by it in accordance with Item 407(e)(3)(iii) of Regulation S-K.

Annual Review

At least annually, the Committee will (i) review this Charter with the Board and recommend any changes to the Board and (ii) evaluate its performance against the requirements of this Charter and report the results of its evaluation to the Board. The Committee will conduct its review and evaluation in such manner as it deems appropriate.

Compensation Committee Report

The Committee shall prepare a Compensation Committee Report to shareholders, if required, each year concerning its compliance with this Charter for inclusion in the Company's proxy statement.