

CPS TECHNOLOGIES CORPORATION

COMPENSATION AND NOMINATING COMMITTEE CHARTER

I. PURPOSE AND GOALS

The primary function of the Compensation and Nominating Committee (the “Committee”) shall be to assist the Board of Directors (the “Board”) in discharging its responsibilities with respect to the Company’s compensation and benefit programs, the organization and membership of the Board, and corporate governance matters by:

- assisting with the development and administration of the compensation plans, policies and benefit programs for the Company;
- reviewing and approving the goals and objectives relevant to, and composition of, the compensation of the Chief Executive Officer of the Company;
- evaluating the appropriate level and form of compensation for executive officers, members of the Board and committees of the Board;
- reviewing and making recommendations to the Board regarding the Board’s size, structure and composition and establishing criteria for Board membership;
- identifying and evaluating candidates qualified to become members of the Board, including candidates proposed by stockholders;
- selecting, or recommending to the Board for selection, director nominees to be presented for approval at the annual meeting of stockholders and to fill vacancies on the Board;
- developing and recommending to the Board corporate governance policies and practices applicable to the Company;
- monitoring compliance with the Company’s Code of Business Conduct and Ethics; and
- handling such other matters as the Board or Committee deems appropriate.

The Committee’s goal is to assure that the composition, practices and operation of the Board contribute to value creation and effective representation of the Company’s stockholders, and to play a leadership role in shaping the Company’s compensation, nominating and corporate governance policies and practices.

II. COMPOSITION

The Committee shall be comprised of at least two members of the Board of Directors, each of whom shall be a “non-employee director” as defined by Rule 16b-3 under the Securities Exchange Act of 1934 (as amended), an “outside director” as defined in Section 162(m) of the Internal Revenue Code of 1986 (as amended), and “independent” under the listing rules of The NASDAQ Stock Market LLC, including without limitation Rule 5605(a)(2) (unless exceptional and limited circumstances exist).

Committee members will be appointed by the Board and shall serve until their successors are duly elected and qualified or until their earlier resignation or removal. The Committee's Chairman shall be selected by the Board or, if no such individual is selected, by the vote of a majority of the full Committee. Vacancies on the Committee shall be filled by a majority vote of the Board, and no member of the Committee shall be removed except by a majority vote of the Board.

The Committee shall have the authority to form, and delegate any of its responsibilities to, subcommittees as it deems appropriate. Any such subcommittee shall report on its activities to the full Committee at its next meeting.

III. MEETINGS, ADVISORS AND REPORTS

The Committee shall meet as often as its members deem necessary to perform its responsibilities and fulfill its duties, *provided* that the Committee meet at least once a year. The Committee Chairman shall preside, when present, over all meetings of the Committee and shall set the agenda for each meeting. Any member may suggest items for inclusion on the agenda for the Committee's consideration. Meetings of the Committee may be called by the Chairman, the Chief Executive Officer, or any two or more members of the Committee.

The Committee shall determine its own rules of procedure, which shall be consistent with the By-laws of the Company and this Charter. A majority of the Committee shall constitute a quorum for the transaction of business, and the action by a majority of those present at a meeting at which a quorum is present shall be the act of the Committee. The Committee may meet in person, by telephone, or by video conference and may act by written consent in lieu of a meeting.

The Committee shall have the authority in its sole discretion to retain advisors (internal and external), including but not limited to compensation consultants, outside legal counsel, other advisors and third party search firms ("advisors"), and seek advice from such advisors, to assist the Committee in the performance of its duties. The Committee shall be directly responsible for the appointment, compensation and oversight of such advisors and shall have the authority to terminate any such engagement. The Company will provide for appropriate funding, as the Committee determines, for the payment of reasonable compensation for any such advisor. In determining whether to select, or receive advice from, any such advisor, the Committee may take into consideration the following independence factors:

- the provision of other services to the Company by the advisor's employer;
- the amount of fees received from the Company by the advisor's employer, as a percentage of the total revenue of the employer;
- the policies and procedures of the advisor's employer that are designed to prevent conflicts of interest;
- any business or personal relationship of the advisor with a member of the Committee;
- any stock of the Company owned by the advisor; and
- any business or personal relationship of the advisor or the advisor's employer with an executive officer of the Company.

Independence assessments shall be made annually and shall be conducted for any advisor that provides advice to the Committee unless his or her role is limited to certain permitted activities that do not raise conflict of interest concerns under applicable rules. Nothing herein shall be construed to require the Committee to implement or act consistently with the advice or recommendations of any advisor, or to affect the ability or obligation of the Committee to exercise its own judgment in the fulfillment of its duties. In addition, nothing herein shall be deemed to require that an advisor be independent; the Committee may select, or obtain advice from, any advisor it prefers, including those that are not independent, so long as the assessment above is conducted.

The Committee may invite members of management to attend Committee meetings and shall have full access to all members of management.

The Committee will make regular reports to the Board and propose any action to the Board as it deems necessary. The Committee shall further keep a record of its actions and proceedings.

The Committee will review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Committee shall also annually evaluate its own performance.

IV. AUTHORITY AND RESPONSIBILITIES

The Committee has the following specific authority and responsibilities, and may perform any other activity consistent with this Charter, the Company's By-laws and applicable law as the Committee or Board deems necessary or appropriate.

Compensation

- *Compensation Generally.* Advise and provide guidance with respect to the compensation strategy and philosophy of the Company to meet the Company's compensation goals and objectives.
- *Executive Compensation.*
 1. Assist with the development of an executive compensation program supportive of the achievement of the Company's strategic goals and objectives and that will both attract and retain individuals critical to the success of the Company and align employees' interests with the success of the Company.
 2. Review and approve the goals and objectives relevant to the compensation of the Chief Executive Officer of the Company. As part of the determination of the Chief Executive Officer's compensation, the Committee shall, after receiving input from the Board, annually evaluate the Chief Executive Officer's performance in light of corporate goals and objectives and recommend the Chief Executive Officer's compensation (including but not limited to base salary, bonus

and option grants) and other material terms of employment based on this evaluation. In no event shall the Chief Executive Officer be permitted to be present during voting or deliberations by the Committee on his or her compensation.

3. After receiving input from the Board, annually review for each senior management team member of the Company:
 - corporate goals and objectives relevant to executive compensation,
 - compensation levels and the mix of compensation instruments, including incentive awards (and in making this determination, the Committee shall consider the Company's performance and relative stockholder return, the value of similar compensation instruments at comparable companies, and the value of awards to such executive in past years),
 - the annual base salary level,
 - short and long-term incentive opportunity levels,
 - employment and consulting agreements, severance arrangements, and change in control agreements/provisions as, when and if deemed appropriate, and
 - any special or supplemental benefits.
- *Director Compensation.* Annually evaluate the appropriate level and form of compensation for members of the Board and committees of the Board, and recommend changes to the Board when appropriate.
- *General Compensation Programs.* Monitor and review all general compensation strategies and programs, including equity incentives and benefit programs, applicable to the Company's employees.
- *Report for Proxy Statement.* Produce, if necessary, an annual report on executive compensation to be included in the Company's proxy statement in accordance with applicable rules and regulations.
- *Plans and Policies.* Review and make recommendations to the Board and the stockholders regarding existing and proposed equity-based and incentive plans and administer or approve the administration of such plans, including with respect to the grant of awards thereunder. Determine the Company's policy regarding deductibility of compensation under Section 162(m) of the Internal Revenue Code. Determine whether the Company has established an appropriate governance structure for the employee benefit plans of the Company and its affiliates.

Nominations

- *Criteria.* Develop and recommend to the Board criteria for the selection of individuals to be considered as candidates for election to the Board.
- *Identification of Candidates.* Actively seek and identify individuals qualified to become members of the Board.
- *Evaluation of Candidates.* Review and evaluate director candidates, including candidates submitted by stockholders, and develop and implement the Company's policies and procedures with respect to stockholder nominations.
- *Nominees.* Select or recommend nominees for directors to be presented for stockholder approval at the annual meeting of stockholders.
- *Vacancies.* As necessary, select or recommend director nominees to fill vacancies on the Board.
- *Committees.* Advise the Board on committee member qualifications, appointments and removals (taking into account the functions of each committee and the qualifications of Board members), committee structure and operations, and committee reporting to the Board.
- *Composition.* Develop policies and make recommendations to the Board regarding the size, structure and composition of the Board.
- *Oversight.* Review and oversee the evaluation of the Board and its committees, which may include developing and recommending an annual self-evaluation process.

Governance

- *Policies and Practices.* Develop and recommend to the Board corporate governance policies and practices applicable to the Company, and monitor and review such guidelines and recommend changes deemed necessary or appropriate by the Committee.
- *Code of Ethics.* Monitor compliance with the Company's Code of Conduct, and review such code and recommend any changes deemed necessary or appropriate by the Committee.
- *Assistance.* Generally advise the Board, as a whole, on corporate governance matters and perform any other activities consistent with this Charter, the Company's By-laws and governing law, as the Committee and/or the Board deems appropriate.

Miscellaneous

- *Stockholder proposals.* Review and make recommendations to the Board regarding the Company's response to stockholder proposals for inclusion in the Company's annual proxy statement.

V. DISCLOSURE

The Company will make available this Charter on its website at www.alsic.com/investor-relations.