

CHARTER FOR THE COMPENSATION COMMITTEE
OF THE BOARD OF DIRECTORS
OF
RAINING DATA CORPORATION

PURPOSE

The Board of Directors of Raining Data Corporation (the “**Board**” and the “**Company**,” respectively) has established a Compensation Committee in order to review and make recommendations to the Board regarding compensation to be provided to the Company’s directors, officers and employees and to make grants under and otherwise administer the 1999 Stock Plan, as amended, and any other equity compensation plans adopted by the Board.

The Compensation Committee has the authority to undertake the specific duties and responsibilities listed below and will have the authority to undertake such other specific duties as the Board from time to time prescribes.

STATEMENT OF PHILOSOPHY

The philosophy of the Compensation Committee is to provide competitive compensation in order to attract and retain highly qualified directors, officers and employees.

MEMBERSHIP

Compensation Committee membership must meet the following criteria:

1. Each member of the Compensation Committee (“**Committee Member**”) shall be “independent,” as such term is defined by act of Congress and the rules and regulations of the SEC and Nasdaq Rule 4200. Accordingly, Committee Members shall not be:
 - i. Affiliated with the Company, other than in a capacity as a Board or Committee Member.
 - ii. A recipient of any consulting, advisory or compensatory fee from the Company or any of its affiliates.
 - iii. A recipient, or a family member of a recipient, of *any* payments (including political contributions) by the Company in excess of \$60,000.
 - iv. An employee of the Company or any of its affiliates in any of the past three (3) years.

- v. A relative of an individual who is, or has been in any of the past three (3) years, an executive officer of the Company or any of its affiliates.
 - vi. An executive of another entity in any of the past three (3) years where any of the Company's executives serve on that entity's compensation committee.
 - vii. A partner, controlling stockholder or executive officer of a for-profit or charitable entity that made or received payments from or to the Company that exceeded 5% of the company's or entity's consolidated gross revenues for that year, or \$200,000, whichever is more, in any of the past three (3) years.
 - viii. A former partner or employee of the Company's outside auditors who has worked on the Company's audit engagement in any of the past last three (3) years.
 - ix. A shareholder owning or controlling 20% or more of the Company's voting securities.
2. Each Compensation Committee members shall be an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "IRC"). Therefore, Committee Members shall not be:
- i. A current employee of the Company or any member of its affiliated group.¹
 - ii. A former employee of the Company or any member of its affiliated group who receives compensation for prior services (other than benefits under a tax-qualified retirement plan) during the taxable year.
 - iii. An officer of the Company or any member of its affiliated group.
 - iv. A recipient of remuneration from the Company or any member of its affiliated group, directly or indirectly, in a capacity other than as a director.²

¹ An affiliated group generally means one or more chains of corporations with a common parent corporation where, except for the parent corporation, each corporation in the chain is at least 80% owned (measured both by the total voting power and value of the stock) by another corporation in the chain.

² An individual is considered a recipient of remuneration in each of the following circumstances:

(1) Any remuneration is paid directly or indirectly to an individual personally or to an entity in which an individual has a 50% or greater beneficial ownership interest.

(2) Any remuneration was paid by the Company or any member of its affiliated group in the preceding tax year to an entity in which an individual has a beneficial ownership interest of at least 5% but less than 50%, except for payments which did not exceed the lesser of 5% of the gross revenue of the entity or \$60,000.

(3) Any remuneration was paid by the Company or any member of its affiliated group in the preceding tax year to an entity in which an individual is employed or self-employed other than as a director, except for payments which did not exceed the lesser of 5% of the gross revenue of the entity or, if such payments were made for personal

3. The Compensation Committee shall consist of a minimum of two (2) Non-employee Directors (as such term is defined in Rule 16b-3(b)(3)(i) of the Securities Exchange Act of 1934, as amended). Accordingly, at least two Committee Members shall not be:
 - i. An officer of the Company or a parent or subsidiary of the Company, or otherwise employed by the Company or a parent or subsidiary of the Company.
 - ii. A recipient of compensation, either directly or indirectly, from the Company or a parent or subsidiary of the Company, for service rendered as a consultant or in any capacity other than as a director, except for an amount that does not exceed \$60,000.
 - iii. A holder of an interest in any other transaction with the Company or any of its subsidiaries that involves an amount exceeding \$60,000.
 - iv. Engaged in a business relationship for which disclosure would be required pursuant to Rule 404(b) of Regulation S-K.³

The Compensation Committee Members shall be appointed by and serve at the discretion of the Board.

RESPONSIBILITIES

The responsibilities of the Compensation Committee shall be to:

- (i) Review and approve decisions regarding the compensation of executive officers, and such other employees of the Company as directed by the Board;

services to the entity, \$60,000. Personal services means (A) that the remuneration is paid to the entity for personal or professional services (including legal, accounting, investment banking, management consulting and other similar services), and (B) either (i) individual performed significant services (whether or not as an employee) for the corporation, division or similar organization within the entity that actually provides the services to the Company or any member of its affiliated group, or (ii) more than 50% of the entity's gross revenues are derived from that corporation, subsidiary or similar organization which performed the personal services.

³ In general, disclosure of a business relationship is required where (1) an individual has or during the last fiscal year has been an executive officer or owned more than a 10% beneficial interest in an entity that will either make payments to or receive payments from or own the debt of the Company or any of its subsidiaries where the amount involved is more than 5% of the gross revenue of either the Company or of the entity the individual owns or is employed by, (2) an individual has or was during the last fiscal year retained by the Company as (i) a member of, or of counsel to a law firm (unless the fees paid to the law firm does not exceed 5% of the law firm's gross revenues), or (ii) a partner or an executive officer of an investment bank (unless the compensation received by the investment bank does not exceed 5% of the investment bank's consolidated gross revenues), or (3) an individual has a relationship similar in nature and scope to those described in (1) or (2).

- (ii) Review and make recommendations to the Board regarding general compensation goals and guidelines for the Company's employees and the criteria by which bonuses and stock compensation awards to the Company's employees are determined;
- (iii) Act as Administrator of the Company's 1999 Stock Plan, as amended, and any other equity compensation plans adopted by the Board (the "**Plans**") within the authority delegated by the Board. In its administration of the Plans, the Compensation Committee may: (1) grant stock options or stock purchase rights to individuals eligible for such grants (including grants to individuals subject to Section 16 of the Securities Exchange Act of 1934, as amended, in compliance with Rule 16b-3 thereunder); (2) amend such stock options or stock purchase rights; and (3) take all other actions permitted under the Plans;
- (iv) Review and make recommendations to the Board with respect to amendments to the Plans and changes in the number of shares reserved for issuance thereunder;
- (v) Review and make recommendations to the Board regarding other plans that are proposed for adoption or adopted by the Company for the provision of compensation to employees of, directors of and consultants to the Company;
- (vi) Prepare a report to be included in the Company's proxy statement that describes: (a) the criteria on which compensation paid to the Chief Executive Officer for the last completed fiscal year is based, (b) the relationship of such compensation to the Company's performance, (c) the Compensation Committee's executive compensation policies applicable to executive officers, and (d) the Company's policies with respect to the \$1 million deduction limit for certain executive compensation imposed by Section 162(m) of the IRC; and
- (vii) Authorize the repurchase of shares from terminated employees pursuant to applicable law.
- (viii) Authority to designate a Non-Officer Stock Option Committee with the authority to grant options or stock purchase rights to purchase up to a certain number of shares as set forth in a resolution of the Compensation Committee to each new non-officer employee of the Company. The Non-Officer Stock Option committee shall consist of a minimum of one (1) member of the Company's Board. If designated, the Non-Officer Stock Option Committee will establish its own schedule and maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

MEETINGS

It is anticipated that the Compensation Committee will meet at least twice each year. However, the Compensation Committee may establish its own schedule, which it will provide to the Board in advance. At a minimum of one of such meetings annually, the Compensation Committee

will consider stock plans, performance goals and incentive awards, and the overall coverage and composition of the compensation package.

MINUTES

The Compensation Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

REPORTS

The Compensation Committee will provide written reports to the Board of the Company regarding recommendations of the Compensation Committee submitted to the Board for action, and copies of the written minutes of its meetings.