

PINNACLE DATA SYSTEMS, INC.
(the “Company”)
AUDIT COMMITTEE CHARTER
(this “Charter”)

1. The composition of and qualifications of members of the Audit Committee are as follows:
 - (a) There shall be a committee of the Board of Directors (the “Board”) known as the Audit Committee (the “Committee”). The Committee shall be comprised entirely of independent directors, as defined by the American Stock Exchange Listing Standards, Policies and Requirements and the Sarbanes-Oxley Act of 2002, as amended and applicable, (the “AMEX Rules” and the “S-O Act”, respectively), each of whom shall not be an affiliated person of the Company, or any subsidiary thereof, and shall be free of any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment of the Committee member.
 - (b) The Board shall determine the number of members comprising the Committee, but in no event shall the Committee consist of less than three independent directors. The Committee members may designate one member to serve as Chairman. The Board shall require Committee members to have accounting, financial or business expertise in accordance with applicable law and the AMEX Rules, as they may be amended from time to time. The Committee members shall be appointed by the Board and shall serve terms of such length as the Board may determine. Committee members shall serve at the pleasure of the full Board.
2. The purposes of the Committee are:
 - (a) to oversee the Company’s accounting, financial reporting and disclosure policies and practices, and to retain indirect oversight of its internal controls;
 - (b) to oversee the quality and objectivity of the Company’s financial statements and the independent audit thereof;
 - (c) to appoint, oversee and terminate, as appropriate, independent auditors and to evaluate and approve the provision of services by registered public accounting firms;
 - (d) to ascertain and monitor the independence and objectivity of the Company’s independent auditors;
 - (e) to establish and maintain procedures for the receipt and treatment of concerns and complaints regarding the Company’s accounting and auditing matters; and
 - (f) to act as a liaison between the Company’s independent auditors and the Board.

The primary function of the Committee is the oversight of the Company’s auditing process. It is the responsibility of management to maintain appropriate systems for accounting and the independent auditors’ responsibility to plan and perform a proper audit. The independent auditors are ultimately accountable to the Board and the Committee, as representatives of the Company’s shareholders. The Committee has the direct authority and responsibility to select, evaluate and, where appropriate, to replace the independent auditors, or to nominate the independent auditors to be proposed for shareholder approval in any proxy statement.
3. As appropriate, the Committee shall periodically review the Committee’s governance procedures and this Charter and shall recommend any appropriate changes to the Board.
4. To carry out its purposes, the Committee shall have the following duties and powers:
 - (a) To be directly responsible for the appointment, compensation, termination and oversight of the work of any registered public accounting firm employed by the Company, including the resolution of disagreements between management and the auditor regarding financial reporting, for the purpose of preparing or issuing an audit report or related work. Each such auditor shall report directly to the audit committee.

- (b) To establish procedures for and determine pre-approvals and approvals for all audit and non-prohibited non-audit services as required by the S-O Act.
- (c) To assess and evaluate the independence of the auditors by (i) receiving and reviewing the specific formal written statement of the auditors delineating all relationships between the auditors and the Company, its officers, subsidiaries and affiliates and each non-audit service provided to the Company by the auditors consistent with Independence Standards Board Standard 1 (“ISBS No. 1”), as amended, and (ii) actively engaging in dialogue with the auditor with respect to any disclosed relationship or services that may impact the objectivity and independence of the auditor, and (iii) taking or recommending that the full board of directors take, appropriate action to oversee the independence of the independent auditor.
- (d) To meet with the Company’s independent auditors, as necessary (i) to review the arrangements for and scope of the annual audit and any special audits, and the role of the Committee and its direct oversight of the independent auditors and audit process; (ii) to discuss critical accounting policies and practices and any alternative treatments; (iii) to discuss any matters of concern relating to the Company’s financial statements, including any adjustments to such statements recommended by the independent auditors, or other results of said audit(s); (iv) to consider the independent auditors’ comments with respect to the Company’s financial policies, reporting procedures, internal accounting controls and management’s responses thereto; (v) to review the form of opinion the independent auditors propose to render to the Board and shareholders; (vi) to discuss the matters required to be discussed by Statements on Auditing Standards No. 61 (“SAS 61”) relating to the conduct of the audit; and (vii) to disclose and discuss any and all other material matters relating to accounting, audit and related disclosure matters;
- (e) To consider the effect upon the Company of any changes in accounting principles or practices proposed by management, the Board or any Committee of the Board, or the independent auditors;
- (f) To review with management and the independent auditors the financial statements to be contained in the Company’s annual report to shareholders, prior to release of year-end earnings and the filing of such statements with the Commission;
- (g) To prepare the report required by the rules of the Securities and Exchange Commission (the “Commission”) to be included in the Company’s annual proxy statement. The report shall state that the Committee has reviewed and discussed the audited financial statements with management and whether the Committee recommends that such statements be included in the Company’s annual report; discussed with the independent auditors their independence and the matters required to be discussed by SAS 61, as it may be modified or supplemented; and received from the independent auditors the written disclosures and letter required by ISBS No. 1, as it may be modified or supplemented, in addition to any and all required disclosures under the S-O Act, as applicable;
- (h) To meet with the independent auditors privately and without members of management present to discuss, among other things, the auditor’s evaluation of the Company’s accounting personnel, procedures and practices;
- (i) To require the independent auditors to submit to the Company, annually, a formal written statement of the fees billed for each of the following categories of services rendered by the independent auditors: (i) the audit of the Company’s annual financial statements for the most recent fiscal year and the reviews of the financial statements included in the Company’s Quarterly Reports on Form 10-QSB for that fiscal year; and (ii) all other services rendered by the independent auditors for the most recent fiscal year, in the aggregate and by each service;
- (j) To consider the effect of the independent auditors’ provision of non-audit services, not otherwise prohibited under the S-O Act or applicable law, if any, to the Company on the independence of the independent auditors (it being understood that the audit committee will rely on the accuracy of the information provided by the independent auditors as to the services provided and the fees paid and will rely on the representations of management in connection with such consideration);

- (k) To establish procedures for (i) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and (ii) the confidential, anonymous submission by the Company's employees of concerns regarding questionable accounting or audit matters, and to advance the policy of the Company of encouraging full disclosure and timely treatment of any and all concerns relating to financial, accounting, audit and disclosure matters, and prohibiting any discrimination against persons raising such matters;
 - (l) To directly oversee all related party transactions entered into by the Company;
 - (m) To report its activities to the Board on a regular basis and to make such recommendations with respect to the above and other matters as the Committee may deem necessary and appropriate; and
 - (n) To review such other matters as may be appropriately delegated to the Committee by the Board.
5. The Committee shall meet at least quarterly, and at such other times and from time to time as it deems appropriate, and is empowered to hold special meetings as circumstances require.
 6. The Committee shall meet as may be appropriate with the Chief Financial Officer of the Company and any other officers as circumstances may require.
 7. The Committee shall have the resources and authority appropriate to discharge its responsibilities, including the authority to retain independent counsel and other experts or consultants at the expense of the Company.
 8. In addition to the duties stated in this Charter, the Committee shall undertake such additional activities within the scope of its primary function as the Committee may from time to time determine or as may otherwise be required by law, the Company's Articles of Incorporation ("Articles"), Code of Regulations ("Code") or the Board.
 9. The Company shall indemnify, in accordance with and to the fullest extent now or hereafter permitted by law, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit, or proceedings, whether civil, criminal, administrative or investigative, (including, without limitation, an action by or in the right of the Company) by reason of his or her acting as a member of the Committee against any liability or expense actually or reasonably incurred by such person; provided that the member acted in good faith and in a manner he or she reasonably believed to be lawful and in or not opposed to the best interests of the Company. This right to indemnity held by the members of the Committee is in addition to any other remedies afforded the members under the Company's Articles or Code.
 10. The material in this Charter is not soliciting material, is not deemed filed with the Commission and is not incorporated by reference in any filing of the Company under the Securities Act of 1933, as amended, or the Securities and Exchange Act of 1934, as amended, whether made before or after the date this Charter is first included in the Company's annual proxy statement filed with the Commission and irrespective of any general incorporation language in such filing.
 11. This Charter shall be construed in accordance with and governed by the laws of the State of Ohio.
 12. This Charter may not be amended, modified or supplemented except by a writing signed and adopted by a majority of the then incumbent members of the Committee and approved by the Board.

Amended and Restated

By the Audit Committee: Reviewed and affirmed: July 31, 2008

By the Board of Directors: Reviewed and affirmed: July 31, 2008