

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

1. The composition of and qualifications of members of the Compensation Committee are as follows:
 - (a) There shall be a committee of the Board of Directors (the “Board”) known as the Compensation 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. A majority of the members of the Compensation Committee shall constitute a quorum. The affirmative vote of a majority of the Compensation Committee members present at a meeting at which a quorum is present shall be necessary to constitute the act of the Committee.
 - (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 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. The Compensation Committee may request that any directors, officers or employees of the Company, or other persons whose advice and counsel are sought by the Compensation Committee, attend any meeting of the Compensation Committee to provide such pertinent information as the Compensation Committee requests.
 - (c) The Compensation Committee shall keep written minutes of its meetings, which minutes shall be maintained with the books and records of the Company.
2. The purpose of the Committee shall be to establish and administer the Company’s compensation programs with respect to its executive management (the CEO and executives carrying titles of Vice President or higher, and reporting directly to the CEO); to review the Committee Charter from time to time for adequacy in light of current conditions and to recommend any appropriate changes to the Board, and to regularly report to the Board on the Committee’s activities and to deliver to its members copies of the Committee’s minutes.

To carry out its purposes, the Committee shall have the following duties and powers:

- (a) To annually review executive compensation programs, annually review and approve goals and objectives relevant to CEO compensation and, based on its own evaluation of performance in light of those goals and objectives as well as input from the Board, to establish and approve the total compensation of the CEO and senior executives reporting directly to the CEO.
- (b) To administer and make recommendations to the Board with respect to the Company’s incentive-compensation and equity-based compensation and approve stock option and other stock incentive awards for senior executive management.
- (c) To review proposed new compensation arrangements, and review and recommend to the Board employment agreements and severance arrangements for senior executive management, including change-in-control provisions, plans or agreements.

- (d) To review and discuss with management the Compensation Discussion and Analysis section of the Company's annual proxy statement, if and as required by the rules of the Securities and Exchange Commission and recommend to the Board the inclusion, if required, of the Compensation Discussion and Analysis in the Company's annual proxy statement.
3. The Committee shall meet at least two times annually, or more frequently as circumstances dictate.
4. The Committee shall meet as often as is deemed necessary by its Chairperson or by any two of its Members. Electronic participation in meetings is acceptable if effected in compliance with the Company's Amended and Restated Code of Regulations. The Committee shall have authority, in its areas of responsibility, to retain at Company expense independent advisors and to approve and require payment of fees of such advisors. In the performance of its duties, the Committee and its Members shall have unrestricted access to management.
5. 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.
6. 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.
7. 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.
8. This Charter shall be construed in accordance with and governed by the laws of the State of Ohio.
9. 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.

The purposes and responsibilities outlined in this Charter are meant to serve as guidelines rather than as inflexible rules, and the Compensation Committee is encouraged to adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities.

By Order of the Board of Directors

/s/ John Bair
John Bair
Chairman