

**PINNACLE DATA SYSTEMS, INC.**  
(the “Company”)  
**GOVERNANCE AND NOMINATING COMMITTEE CHARTER**  
(this “Charter”)

1. The composition of and qualifications of members of the Governance and Nominating Committee are as follows:
  - (a) There shall be a committee of the Board of Directors (the “Board”) known as the Governance and Nominating Committee (the “Committee”). The Committee shall be comprised entirely of independent directors, as defined by the American Stock Exchange Listing Standards (the “AMEX Rules”).
  - (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 Board 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.
2. The purposes of the Committee are:
  - (a) to develop and recommend to the Board a set of corporate governance principles applicable to the Company;
  - (b) to identify individuals qualified to become directors and to recommend that the Board select the candidates for all directorships to be filled by the Board or by the Company’s shareholders;
  - (c) to review and to make recommendations to the Board with respect to any shareholder proposal that relates to corporate governance, including a director nomination by a shareholder; and
  - (d) to otherwise take a leadership role in shaping the corporate governance of the Company.
3. To carry out its purposes, the Committee shall have the following duties and powers:

**Board Selection, Composition and Evaluation**

- (a) to establish criteria for the selection of new directors to serve on the Board;
- (b) to identify individuals believed to be qualified as candidates to serve on the Board and recommend that the Board select the candidates for all directorships to be filled by the Board or by the shareholders at an annual or special meeting;
- (c) to review and make recommendations to the full Board whether members of the Board should stand for re-election;
- (d) to conduct all necessary and appropriate inquiries into the backgrounds and qualifications of possible candidates to serve on the Board;
- (e) to develop and recommend to the Board for its approval, and to oversee, an annual (or such other frequency as circumstances dictate) self-evaluation process of the Board and its committees;

- (f) to review and make recommendations, as the Committee deems appropriate, regarding the composition and size of the Board in order to ensure that the Board has the requisite expertise and its membership consists of persons with sufficiently diverse and independent backgrounds;

#### **Committee Selection and Composition**

- (g) to recommend members of the Board to serve on the committees of the Board. In making such recommendations, the Committee shall, to the extent required by the AMEX Rules, and may, to the extent it otherwise deems appropriate, consider whether the service of a member of the Board as a member of the boards of directors of other companies and/or any committees thereof would impair the ability of such member to effectively serve on any committee of the Board;
- (h) to monitor and recommend the purpose, structure and operations of the various committees of the Board and the qualifications and criteria for membership on each committee of the Board;

#### **Corporate Governance**

- (i) to recommend to the Board a set of corporate governance principles applicable to the Company and to oversee implementation of those principles, and to keep abreast of developments with regard to corporate governance to enable the Committee to make recommendations to the Board in light of such developments as may be appropriate;
- (j) to consider policies relating to meetings of the Board, which may include meeting schedules and locations, meeting agendas and procedures for delivery of materials in advance of meetings;

#### **Reporting**

- (k) 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

#### **Other**

- (l) to review such other matters as may be appropriately delegated to the Committee by the Board.

4. The Committee shall meet at least two times annually, or more frequently as circumstances dictate.
5. The Committee shall have the resources and authority appropriate to discharge its responsibilities, including the authority to retain and terminate independent counsel to the Committee, any search firm used to identify director candidates, and other experts or consultants, as it deems appropriate, at the expense of the Company.
6. 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 AMEX Rules, the Company's Articles of Incorporation ("Articles"), Code of Regulations ("Code") or the Board.
7. 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.

8. 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.
9. This Charter shall be construed in accordance with and governed by the laws of the State of Ohio.
10. 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.

By Order of the Board of Directors

Amended and Restated: May 8, 2007