

FUSION TELECOMMUNICATIONS INTERNATIONAL, INC.

COMPENSATION AND NOMINATING COMMITTEE CHARTER

I Purpose and Scope

The primary functions of the Compensation and Nominating Committee (the "Committee") are (a) to review and recommend to the Board compensation and equity plans, policies and programs, to approve executive officer compensation, and to prepare the annual report on executive compensation and the Compensation Discussion and Analysis required to be included in the Company's proxy statement; (b) to assess the appropriate levels of risk within the Corporation's compensation policies and practices; and (c) to review and recommend to the Board the nominees for election as Directors of the Company and to review related Board development issues including succession planning and performance evaluation.

II Composition

The Committee shall be comprised of a minimum of three Directors as appointed by the Board, who shall meet the independence requirements under any rules or regulations of the American Stock Exchange, Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations of the SEC, and shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. In addition, no member may, other than in his or her capacity as a member of the Committee, the Board or any other Board committee, (i) accept any consulting, advisory or other compensatory fee from the Company; or (ii) be an affiliated person of the Company or any of its subsidiaries.

The members of the Committee shall be elected by the Board at the meeting of the Board following each annual meeting of stockholders and shall serve until the next such meeting, or until their successors shall be duly elected and qualified, or until their earlier resignation or removal. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

III Meetings

The Committee shall meet as often as it determines to be necessary to discuss and act upon the matters under this Charter. It is anticipated that meetings shall be held at least four times a year. The Committee may invite any officer or employee of the Company or the Company's outside legal counsel to attend a meeting of the Committee.

III Responsibilities and Duties

To fulfill its responsibilities and duties the Committee shall perform the following:

Document Review

1. Review and assess the adequacy of this Charter periodically as conditions dictate, but at least annually, and update this Charter as appropriate.

Succession Planning

2. Periodically review CEO succession and succession plans for key positions in the Company.

Executive Compensation Matters

3. Evaluate and assess the performance of the CEO on an annual basis.
4. Review the performance evaluations of executive officers (other than the CEO) on an annual basis. It is recognized that subject to oversight by the Board and this Committee, the CEO has primary responsibility for evaluating the performance of the other executive officers.
5. Determine and approve base salaries, annual incentive awards (equity and/or cash) and long-term incentive awards for the CEO and, in consultation with the CEO, for other executive officers on an annual basis.
6. Establish performance objectives for executive officers under the Company's incentive compensation plans with particular consideration to appropriate levels of risk-taking incentives, and determine the attainment of such performance objectives.
7. Annually review and approve corporate goals and objectives relevant to CEO compensation, evaluate CEO compensation in light of those goals and objectives, and set the CEO's compensation level based on this evaluation.
8. Review and approve any employment agreements, severance arrangements, change in control agreements, or other similar agreements, and any amendments, supplements, or waivers to such agreements, as deemed necessary or advisable.
9. Retain and terminate any compensation consultant to be used to assist in the evaluation of the compensation of the CEO or other executive officers, including the authority to approve the consultant's fee, and to obtain advice and assistance from internal or outside legal, accounting or other advisors.
10. Review other forms of compensation, benefits, and incentives for executive officers and recommend changes in and new forms of compensation, benefits or incentives to the Board, when deemed appropriate or necessary to keep executive compensation competitive.

Director Compensation Matters

11. Periodically review and assess the adequacy of levels of Director compensation.

Defined Benefit and Defined Contribution Plans

12. Administer the Company's defined benefit and defined contribution plans, if any. Recommend new plans, major plan amendments, or plan termination as appropriate.

Equity Plan Administration

13. In consultation with the CEO, approve grants of stock options under the Company's 1998 Stock Option Plan and any successor plans.
14. Approve all decisions regarding the modifications of terms or conditions of any award or award agreement regarding equity compensation.

Nominating Matters

15. Recommend to the Board and aid in identifying and attracting qualified candidates to stand for election as Directors.

16. Evaluate periodically the desirability of, and recommend to the Board any changes in the size and composition of, the Board.

17. Select and evaluate Directors in accordance with the general and specific criteria set forth below:

a. **General Criteria.** Director selection should include at least enough Independent Directors to satisfy then existing SEC and Exchange requirements, and such Independent Directors should have appropriate skills, experiences, and other characteristics to provide qualified persons to fill all Board committee positions required to be filled by Independent Directors. Each Director should:

i. Be an individual of the highest character and integrity

ii. Be free of any conflict of interest that would violate any applicable law or regulation or interfere with the proper performance of the responsibilities of a Director

iii. Be willing and able to devote sufficient time to the affairs of the Company and be diligent in fulfilling the responsibilities of a Director and Board committee member (including developing and maintaining sufficient knowledge of the Company and its industry)

iv. Have the ability to provide critical insights and practical wisdom based on personal experience and expertise

v. Have a commitment to enhancing stockholder value

b. **Specific Criteria.** In addition to the general criteria, the Committee shall develop and periodically evaluate and modify as appropriate a set of specific criteria outlining the skills, experiences, particular areas of expertise, specific backgrounds, and other characteristics that should be represented on the Board to enhance the effectiveness of the Board and Board Committees, taking into account any particular needs of the Company based on its business, size, strategic objectives, customers and other characteristics.

18. Evaluate each new Director candidate and each incumbent Director before recommending that the Board nominate or re-nominate such individual for election or reelection as a Director based on the extent to which such individual meets the general and specific criteria above.

19. Diligently seek to identify potential Director candidates who will strengthen the Board, by establishing procedures for soliciting and reviewing potential nominees from Directors and Stockholders.

20. Submit to the Board the candidates for Director to be recommended by the Board for election at each annual meeting of Stockholders and to be added to the Board at any other times due to Board expansions, Director resignations, retirements, or otherwise.

Management Support

21. To assist the Committee in fulfilling its duties, management shall provide the Committee with information and recommendations as needed and requested. The Committee shall have access to the General Counsel and/or outside legal counsel and consultants at its discretion, if it deems such access to be necessary.