

SMART ONLINE, INC.

**CHARTER OF THE CORPORATE GOVERNANCE AND
NOMINATING COMMITTEE
OF
THE BOARD OF DIRECTORS**

I. PURPOSE

The Committee shall assist the full Board of Directors in discharging its duties with respect to:

- A. The identification of individuals qualified to become directors and the selection or recommendation of candidates for directorships to be filled by the Board of Directors or the stockholders.
- B. The development, maintenance and recommendation of a set of corporate governance principles applicable to the corporation, and the periodic review of such principles.

II. STRUCTURE AND OPERATION

- A. **Composition and Qualifications.** The Committee shall be comprised of two (2) or more members of the Board of Directors, each of whom has been determined to be “independent” within the meaning of the SEC and any exchange or market on which the securities of the corporation are traded if compliance with such rules are required to begin or continue trading.
- B. **Appointment and Removal.** The members of the Committee shall be appointed by the Board of Directors and shall serve until such member’s successor is duly elected and qualified or until such member’s earlier resignation or removal. The members of the Committee may be removed, with or without cause, by a majority vote of the Board of Directors.
- C. **Chairman.** Unless a Chairman is elected by the full Board of Directors, the members of the Committee shall designate a Chairman by the majority vote of the full Committee membership. The Chairman shall chair all regular sessions of the Committee and set agendas for Committee meetings.
- D. **Subcommittees.** In fulfilling its responsibilities, the Committee shall be entitled to delegate any or all of its responsibilities to a subcommittee of the Committee, to the extent consistent with applicable law, the Company’s certificate of incorporation, bylaws, corporate governance guidelines, and any exchange or market on which the securities of the

corporation are traded if compliance with such rules are required to begin or continue trading.

III. MEETINGS

The Committee shall meet at least twice annually, or more frequently as circumstances require. The Chairman of the Board or any member of the Committee may call meetings of the Committee.

IV. RESPONSIBILITIES AND DUTIES

Outlined below are certain continuing responsibilities that the Committee is expected to fulfill in effecting its purpose as stated in Section I of this Charter. This list of responsibilities is presented for illustrative purposes and is not intended to be exhaustive. The Committee may conduct additional activities as appropriate in light of changing business, legislative, regulatory, legal or other conditions. The Committee shall also fulfill other responsibilities delegated to it from time to time by the Board of Directors.

The Committee, in discharging its oversight role, may study or investigate any matter of interest or concern that the Committee deems appropriate and shall have the sole authority to retain outside counsel or other experts for this purpose, including the authority to approve fees payable to such counsel or experts and any other terms of retention. The Committee may also utilize the services of the corporation's regular legal counsel or other advisors to the corporation. The Committee shall also have the sole authority to retain and terminate any search firm to be used to identify the director candidates, including sole authority to approve the search firm's fees and other retention terms.

The Committee shall:

- (i) Consider and make recommendations to the Board of Directors concerning the appropriate size, function and needs of the Board, taking into account that the Board as a whole shall have competency in the following areas: (1) industry knowledge; (2) accounting and finance; (3) business judgment; (4) management; (5) leadership; (6) business strategy; (7) crisis management; and (8) corporate governance.
- (ii) Determine the criteria for Board membership, including desired skills and attributes, conduct searches for prospective directors based upon the criteria, and evaluate and recommend candidates for election to the Board by the stockholders or to fill vacancies. In making such decisions, the Committee shall ensure that the Board has sufficient independent directors to satisfy Securities and Exchange Commission requirements and the requirements of any securities or market on which the securities of the corporation are traded, if compliance is required to begin or continue

trading, and that the independent directors have appropriate skills, experiences and other characteristics to provide qualified persons to fill all Board committee positions required to be filled by independent directors.

- (iii) Evaluate and make recommendations to the Board concerning the appointment of directors to Board committees and the selection of Board committee chairs.
- (iv) Evaluate and recommend to the Board the responsibilities of the Board committees, including the structure, operations and authority to delegate to subcommittees.
- (v) Annually review and assess the adequacy of the corporation's corporate governance principles and monitoring programs and recommend any changes to the Board for its review, approval and adoption.
- (vi) Periodically review and assess the adequacy of the corporation's succession plans for its chief executive officer and other key positions.
- (vii) Report its activities and actions to the Board on a regular basis.
- (viii) Maintain minutes or other reports of its activities.

V. ANNUAL PERFORMANCE EVALUATION

The Committee shall perform an annual review and evaluation of the performance of the Committee and its members, including by reviewing the compliance of the Committee with this Charter. In addition, the Committee shall review and assess, no less often than annually, the adequacy of this Charter and shall recommend to the full Board of Directors any changes to the Charter. Also in addition, the Committee shall annually oversee the annual self-evaluation of the Board and Board committees. The Committee shall conduct such evaluations and reviews in such manner as it deems appropriate.