

**COMPLIANCE AND GOVERNANCE COMMITTEE CHARTER
APPLIED DIGITAL SOLUTIONS, INC.**

February 25, 2005

In 2003, the Board of Directors (the "Board") of Applied Digital Solutions, Inc. (the "Company") formed the Compliance Committee (the "Committee"). The Committee has approved and adopted the following Charter to define the Committee's composition, responsibilities and operation.

The Committee's mission is to ensure that the Board, the Company and the employees observe, in letter and spirit,

I. PURPOSE

The Committee shall oversee the Company's compliance with laws, regulations and standards of conduct administered by, and commitments by the Company to, regulatory agencies worldwide that have jurisdiction with respect to the activities or products of the Company. The Committee shall also oversee, in concert with the Audit Committee, compliance rules, regulations and ethical standards for the Company's directors, officers and employees, including corporate governance issues and practices.

II. STRUCTURE AND OPERATIONS

Composition and Qualification

The Committee shall comprise two or more directors, each of whom is a nonmanagement director and at least one of whom is a member of the Audit Committee.

Appointment and Removal

The members of the Committee shall be appointed by the Board 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.

Chairperson

Unless a Chairperson of the Committee is determined by the full Board, the members of the Committee shall designate a Chairperson of the Committee.

III. MEETINGS

The Committee shall meet as necessary or desirable to carry out its

responsibilities, or on notice to all by the Chairman of the Board, the Chief Executive Officer of the Company or any member of the Committee. Any meeting of the Committee may be held telephonically.

The Committee shall meet at least annually with the Company's General Counsel to discuss matters consistent with those set forth in Section IV of this Charter. In addition, as the Committee finds it necessary or desirable, it shall meet from time to time with management, internal and external auditors and other Company officials and employees to assess the Company's state of compliance.

All nonmanagement directors who are not members of the Committee may observe meetings of the Committee. Additionally, the Committee may invite to its meetings any persons as it deems appropriate in order to carry out its responsibilities. The Committee may also exclude from its meetings any persons not on the Committee it deems appropriate in order to carry out its responsibilities.

A majority of the Committee shall constitute a quorum for the transaction of business, and the act of a majority of those present at any meeting at which there is a quorum shall be the act of the Committee.

IV. DUTIES AND POWERS

The following functions shall be the common recurring activities of the Committee in carrying out its responsibilities outlined in Section I of this Charter. These functions should serve as a guide with the understanding that the Committee may carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal or other conditions, or as requested by the Board. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board from time to time related to the purposes of the Committee outlined in Section I of this Charter.

The Committee, in discharging its role, is empowered to study or investigate any matter of interest or concern that the Committee deems appropriate and to authorize reports and analyses necessary for the Committee to properly discharge its responsibilities. The Committee shall have the authority to retain outside legal, accounting or other advisors for this purpose, including the authority to approve the fees payable to such advisors and any other terms of retention.

The principal functions of the Committee are set forth below.

Compliance and Governance Program Oversight

1. The Committee shall keep abreast of developments with regard to regulatory compliance programs, with respect to matters relevant to the Company's activities and operations, to enable the Committee to make

recommendations to the Board in light of such developments as may be appropriate.

2. The Committee shall, as it deems appropriate, recommend or approve revisions to the policies, procedures and administration of the Company, including, without limitation, the employee handbook, the Code of Conduct and corporate governance standards.
3. The Committee shall address governance and compliance issues (including investigation of allegations of misconduct) as such issues arise (except to the extent the Audit Committee address same).
4. Without limiting the generality of Paragraph 2, the Committee shall address any proposed related party transactions, conflicts of interest and any other transactions for which independent review is necessary or desirable to achieve the highest standards of corporate governance.

Documents/Reports Review/Meetings

5. The Committee shall recommend to the Board, as it deems appropriate, requirements for relevant officers or employees of the Company to provide information on regulatory compliance to the Committee.
6. The Committee shall, as it deems appropriate, obtain general or specific assurances that relevant employees of the Company have received, and have acknowledged the receipt of, materials setting forth or describing the regulatory requirements applicable to their conduct of the business of the Company.
7. The Committee shall review proposals by the Compensation Committee related to directors' compensation.

V. ANNUAL PERFORMANCE EVALUATION

The Committee shall perform a review and evaluation, at least annually, 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 reassess, at least annually, the adequacy of this Charter and recommend to the Board any improvements to this Charter that the Committee considers necessary or valuable. The Committee shall conduct such evaluations and reviews in such manner, as it deems appropriate. The Committee shall also implement the annual evaluation of the members of the Board of Directors.