

TRANSCEND SERVICES, INC.
NOMINATING AND CORPORATE GOVERNANCE COMMITTEE CHARTER

Purpose

The purpose of the Nominating and Corporate Governance Committee (the “Committee”) of the Board of Directors (the “Board” or “Board of Directors”) of Transcend Services, Inc. (the “Company”) shall be to assist the Board in identifying qualified individuals to become members of the Board of Directors, in determining the composition of the Board of Directors and its committees, in monitoring process to assess the effectiveness of the Board of Directors, and in developing and implementing the Company’s corporate governance guidelines.

Committee Membership and Organization

Members of the Committee shall be appointed by and will serve at the discretion of the Board of Directors. The Committee shall consist of at least three members. Each member of the Committee shall meet (i) the non-employee director definition of Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934, as amended, (ii) the outside director definition of Section 162 (m) of the Internal Revenue Code of 1986, as amended, and (iii) the definition of independence as set forth in the applicable Nasdaq rules.

Committee Authorities and Responsibilities

1. To consider written recommendations for director nominees submitted in a timely manner to the Company’s Secretary by Stockholders of the Company. In addition, the Committee shall review all Stockholder proposals submitted in a timely manner to the Company and recommend appropriate action on each such proposal to the Board.
2. To lead the search for individuals qualified to become members of the Board of Directors and to select director nominees to be presented for Stockholder approval at the annual meeting. Nominees may be suggested by Directors, members of management, Stockholders or in some cases by a third-party search firm. The Committee shall select individuals as director nominees who shall have the highest personal and professional integrity, who shall have demonstrated exceptional ability and judgment, and who shall be most effective, in conjunction with the other nominees to the Board of Directors, in collectively serving the long-term interests of the Stockholders.
3. To review the Board of Director’s committee structure and to recommend to the Board of Directors for its approval directors to serve as members of each committee. The Committee shall review and recommend committee slates annually and shall recommend additional committee members to fill vacancies as needed.
4. To develop and recommend to the Board of Directors for its approval a set of corporate governance guidelines. The Committee shall review the guidelines on an annual basis, or more frequently if appropriate, and recommend changes as necessary.
5. To review all related party transactions and actual or potential conflicts of interest involving members of the Board or management and recommend appropriate action on each such matter to the Board.
6. To monitor compliance with the Company’s existing Code of Business Conduct and Ethics Policy and consider any waivers of said Code.

7. To develop and recommend to the Board of Directors for its approval an annual self-evaluation process of the Board and its committees. The Committee shall oversee the annual self-evaluations.
8. To review on an annual basis compensation for the directors serving on the Board of Directors and its committees.
9. The Committee shall have the authority to retain any search firm engaged to assist in identifying director candidates, and to retain outside counsel and any other advisors as the Committee may deem appropriate in its sole discretion to discharge its responsibilities described in this Charter, subject to the approval of the Board of Directors and budget limitation set by the Board of Directors.

Meetings

The Committee shall meet at least two times each year. The Committee may establish its own schedule, which it will provide to the Board of Directors in advance for approval. A quorum, consisting of a majority of the members of the Committee, must be present, in person or telephonically, at each meeting.

Minutes

The Committee shall maintain written minutes of its meetings, which shall be filed with the minutes of the Board of Directors in the Minute Books of the Company.

Reports

The Committee shall report its actions and recommendations to the Board of Directors after each Committee meeting and shall conduct and present to the Board of Directors an annual performance evaluation of the Committee. The Committee shall review at least annually the adequacy of this Charter and recommend any proposed changes to the Board of Directors for approval.

Compensation

Members of the Committee shall receive such fees, if any, for their service as Committee members as may be determined by the Board of Directors in its sole discretion. Such fees may include retainers or per meeting fees. Fees may be paid in such form of consideration as is determined by the Board of Directors.

Members of the Committee may not receive any compensation from the Company, except the fees that they receive for service as a member of the Board of Directors or any committee thereof.