



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

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.

Members of the Committee shall be nominated and elected by the Board, with interested members of the Board recusing themselves as appropriate, and shall serve until the expiration of such member's term or until such member's earlier resignation, retirement or removal. The members of the Committee may be removed at any time, with or without cause, by majority vote of the Board.

The Board shall elect a Chairperson of the Committee who will chair all regular sessions of the Committee and set the agendas for Committee meetings. This Chairperson shall serve until the expiration of his or her term or until his or her earlier resignation, retirement or removal. If the Chairperson is absent from a particular meeting, another member of the Committee may serve as chairperson for purposes of that meeting. The Chairperson of the Committee shall serve as the Chairperson of the Board of Directors when the Board of Directors meets in executive session.

The Committee may delegate all or a portion of its duties and responsibilities to a subcommittee of the Committee.

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. To assist in such selection, the Committee shall develop policies on the size and composition of the Board and qualification criteria for Board members.

3. To recommend to the Board individuals to fill vacancies occurring from time to time on the Board, including vacancies resulting from an increase in the size of the Board.
4. 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.
5. To develop and recommend to the Board of Directors for its approval a set of corporate governance guidelines and monitor compliance with such guidelines. The Committee shall review the guidelines on an annual basis, or more frequently if appropriate, and recommend changes as necessary.
6. 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.
7. To monitor compliance with the Company's existing Code of Business Conduct and Ethics Policy and consider any waivers of said Code.
8. To generally advise the Board as a whole on corporate governance matters.
9. 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.
10. In conjunction with the Company's management, to establish and conduct orientation programs for new directors that are designed to familiarize new directors with the Company's business, strategies and challenges and to assist new directors in developing and maintaining skills necessary or appropriate for the performance of their responsibilities.
11. To have the resources and authority necessary to discharge its duties and responsibilities, including the authority to retain outside counsel or other experts or consultants and to approve the fees and other retention terms for such persons, as it deems appropriate in its sole discretion.
12. To conduct or authorize investigations and make such other reports and recommendations to the Board regarding matters within the scope of the Committee's functions.
13. To perform any other activities consistent with this charter, the Company's bylaws, any guidelines or other policies adopted by the Board from time to time, and applicable law as the Committee or Board deems necessary or appropriate.

Meetings

The Committee shall meet at least twice a year, and more often as its members shall deem appropriate to accomplish the Committee's responsibilities and duties. The Committee will meet periodically in executive session without Company management present.

A majority of Committee members shall constitute a quorum. A majority of the members present at any meeting at which a quorum is present may act on behalf of the Committee. The Committee may meet by telephone or videoconference and may take action by unanimous written consent to the fullest extent permitted by the applicable law.

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.