

CHARTER OF THE GOVERNANCE AND NOMINATING COMMITTEE

NovaRay Medical, Inc.

AUTHORITY AND PURPOSE

The Governance and Nominating Committee of NovaRay Medical, Inc., a Delaware corporation (the “Company”), is appointed by the Company’s Board of Directors (the “Board”) to assist the Board in establishing, overseeing and maintaining corporate governance processes and selecting nominees for election to the Board. The Governance and Nominating Committee (the “Committee”) shall undertake those specific duties and responsibilities listed below and such other duties as the Board shall from time to time prescribe.

The purpose of the Committee shall be to assist the Board regarding:

- (a) the identification of qualified candidates to become Board members;
- (b) the selection of, or recommendation that the Board select, nominees for election as directors at the next annual or special meeting of stockholders at which directors are to be elected;
- (c) the selection of, or recommendation that the Board select, candidates to fill any vacancies on the Board; and
- (d) the establishment, oversight and maintenance of corporate governance processes.

All powers of the Committee are subject to the restrictions designated in the Company’s Certificate of Incorporation, as amended (the “Certificate of Incorporation”), the Company’s Bylaws, as amended (the “Bylaws”), and by applicable law.

COMMITTEE MEMBERSHIP

The Committee members (the “Members”), including the chairperson of the Committee, shall be appointed by the Board and will serve at the discretion of the Board. The Committee will consist of at least two (2) members of the Board. The Committee shall be composed of members of the Board. Unless otherwise directed by the Board, each Member shall serve until such Member ceases to serve as a member of the Board, or until his or her successor has been duly appointed by the Board. Members may be removed with or without cause by the Board.

DUTIES AND RESPONSIBILITIES

The duties of the Committee shall include, without limitation, considering and making recommendations to the Board with respect to the development, maintenance, and oversight over corporate governance processes and nominations or elections of directors of the Company. The duties of the Committee shall also include the following:

- (1) At an appropriate time prior to each annual meeting of stockholders at which directors are to be elected or reelected, the Committee shall select, or recommend for selection by the

Board, for nomination such candidates as the Committee, in the exercise of its judgment, has found to be well qualified and willing and available to serve. At an appropriate time after a vacancy arises on the Board or a director advises the Board of his or her intention to resign, the Committee shall select, or recommend for selection by the Board, for appointment by the Board to fill such vacancy, such prospective member of the Board as the Committee, in the exercise of its judgment, has found to be well qualified and willing and available to serve. In considering potential new directors, the Committee may review individuals from various disciplines and backgrounds. Among the qualifications to be considered in the selection of candidates are broad experience in business, finance or administration; familiarity with national and international business matters; familiarity with the Company's industry; and prominence and reputation.

- (2) The Committee shall identify Board members qualified to fill vacancies on any committee of the Board (other than the Committee) and to recommend that the Board appoint the identified member or members to the respective committee. In nominating a candidate for committee membership, the Committee shall take into consideration the requirements of law or any exchange or market on which the Company's securities are listed or traded, the factors set forth in the charter of the committee, as well as any other factors it deems appropriate, including, without limitation, the consistency of the candidate's experience with the goals of the committee, the interplay of the candidate's experience with the experience of other committee members and input from the Company's management.
- (3) The Committee shall, in its sole discretion, evaluate and recommend the removal of any director (in accordance with the Certificate of Incorporation, the Bylaws, this Charter and the charters of the Company's other committees), for cause or other appropriate reasons.
- (4) The Committee shall make recommendations to the Board regarding governance matters as appropriate, including, but not limited to, the Certificate of Incorporation, the Bylaws, this Charter and the charters of the Company's other committees.
- (5) The Committee shall periodically report to the Board on its findings and actions.
- (6) The Committee shall periodically review and reassess this Charter and submit any recommended changes to the Board for its consideration.
- (7) In addition to the foregoing, the Committee shall perform such other functions and have such powers as may be necessary or appropriate to facilitate the efficient discharge of the foregoing.

CONDUCT OF BUSINESS

The Committee shall conduct its business in accordance with this Charter and any direction by the Board. The Committee shall report, at least annually, to the Board.

MEETINGS

The Committee will meet at least one time each year. The Committee may establish its own schedule, which it shall provide to the Board in advance.

MINUTES

The Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.