

CHARTER
OF
THE NOMINATING AND COMPENSATION COMMITTEE
OF HEALTHCARE SERVICES GROUP, INC.

A. Purpose

The primary objectives of the Nominating and Compensation Committee (the “Committee”) are to assist the Board of Directors (the “Board”) of Healthcare Services Group, Inc. (the “Company”) by: (i) developing and recommending to the Board a set of effective corporate governance policies and procedures applicable to the Company; (ii) identifying, reviewing and evaluating individuals qualified to become Board members and recommending that the Board select director nominees for each annual meeting of the Company's stockholders; (iii) discharging the Board’s responsibilities relating to the compensation of Company executives; and (iv) administering the Company’s stock option plans or other equity-based compensation plans.

B. Organization

The Committee shall consist entirely of independent directors, each of whom shall satisfy the applicable independence requirements of The Nasdaq Stock Market and any other regulatory requirements.

Committee members shall be elected by the Board at a meeting of the Board; members shall serve until their successors shall be duly elected and qualified. The Board may, at any time, remove any member of the Committee and fill the vacancy created by such removal. The Committee's chairperson shall be designated by the full Board, comprising a majority of independent directors, or the full Committee. The Chairman will report to the Board from time to time, no less often than annually, on the Committee’s activities.

The Committee may form and delegate authority to subcommittees when appropriate.

C. Meetings

The Committee will meet no less than one time per year. Special meetings may be convened as required. The Committee shall meet in Executive Session when appropriate. The chairperson of the Committee will preside at each meeting and, in consultation with the other members of the Committee, will set the frequency and length of each meeting and the agenda of items to be addressed at each meeting. The chairperson of the Committee shall ensure that the agenda for each meeting is circulated to each Committee member in advance of the meeting.

D. **Responsibilities**

The Committee shall have the power and authority of the Board to perform the following duties and to fulfill the following responsibilities:

General

1. Develop principles of corporate governance and recommend them to the Board for its approval;
2. Review periodically the principles of corporate governance approved by the Board to ensure that they remain relevant and are complied with;
3. Review periodically the Certificate of Incorporation and By-Laws of the Company and recommend to the Board changes thereto in respect of good corporate governance;
4. Have the authority to obtain advice and assistance from internal or external legal, accounting or other advisors in connection with the performance of its duties and responsibilities;
5. [In consultation with the Chief Executive Officer, participate in developing major strategic and financial objectives including the Company's strategic plan, annual budget and financial goals;]
6. Establish a target for director stock ownership;
7. [Establish policies for Board access to management;]
8. Take such other actions regarding the manner of governance of the Company, including the adoption of principles of corporate governance, or that are otherwise within the Committee's scope of duties, from time to time that are in the best interests of the Company and its stockholders, as the Committee shall deem appropriate.

Board Composition and Evaluation; Nominations

9. When deemed advisable, identify potential candidates and recommend for nomination, candidates for membership on the Board. The Committee shall have the sole authority to retain and terminate any search firm used to identify candidates for the Board;
10. Gather information on such candidates, conduct inquiries into the backgrounds and qualifications of such candidates, and conduct interviews and meetings with such candidates or their references;

11. Make recommendations to the Board regarding overall Board composition and makeup, including having a majority of independent directors on the Board;

12. Make recommendations to the Board regarding the composition and size of the Board, with the goal of ensuring that the Board has the proper expertise and its membership consists of persons with sufficiently diverse backgrounds;

13. Make recommendations to the Board with regard to the criteria for selection of Board members;

14. Assist the Board in planning for continuity on the Board as existing Board members retire or rotate off the Board;

15. Recommend to the Board an appropriate course of action upon the resignation of current Board members;

16. Conduct an annual Board evaluation;

Director Compensation

17. Design a director compensation package of a reasonable total value based on comparisons with similar firms and aligned with long-term shareholder interests;

Board Committee Composition

18. Periodically review the composition of each Board committee;

19. Recommend to the Board persons to be members of Board committees;

Executive Officer Succession

20. In consultation with the Chief Executive Officer, make recommendations to the Board with regard to a succession plan for the Chief Executive Officer in case of his resignation, retirement or death;

21. Assist the Chief Executive Officer in succession planning for other executive officers;

Executive Officer Compensation

22. Review and approve, in the absence of the Chief Executive Officer, corporate goals relevant to the compensation of the Chief Executive Officer, evaluate the Chief Executive Officer's performance in light of these goals and objectives, and set the Chief Executive Officer's compensation;

23. Develop an annual report, which describes the Chief Executive Officer's compensation, other executive officers' compensation and management fees, if any, paid by the Company for executive services, for inclusion in the Company's proxy statement, in accordance with applicable rules and regulations;

24. In consultation with the Chief Executive Officer, develop guidelines and review the compensation and performance of the other executive officers of the Company, as well as any management fees paid by the Company for executive services, and set the compensation of the executive officers of the Company and/or any management fees paid by the Company for executives services;

25. Make recommendations to the Board with respect to incentive-compensation plans and equity-based plans, and establish criteria for the granting of options in accordance with such criteria; and administer such plans;

26. Review major organizational and staffing matters;

27. Review director compensation levels and practices, and recommend, from time to time, changes in such compensation levels and practices to the Board with equity ownership in the Company encouraged;

28. Annually review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval;

29. Perform any other activities under this Charter, the Company's By-laws or governing law as the Committee or the Board deems appropriate.

Stockholders

30. Review the procedures and communication plans for stockholder meetings to ensure that the rights of stockholders are fully protected, that required information concerning the Company is adequately presented and that the meetings promote effective communication between the Company and its stockholders on matters of importance;

31. Recommend to the Board ways and means for the Board and management of the Company to communicate with stockholders between annual meetings of the stockholders;

Conflicts of Interest

32. Pre-approve consulting agreements with Board members;
33. Approve any actual and potential conflicts of interest a Board member may have and issue to a Board member having an actual or potential conflict of interest instructions on how to conduct him/herself in matters that may pertain to such a conflict; and
34. Adopt and revise, as necessary, a Conflicts of Interest Policy and oversee its implementation.

E. Committee Resources

The Committee shall have the authority to obtain advice and seek assistance from internal and external legal, accounting and other advisors. The Committee shall determine the extent of funding necessary for the payment of compensation to any consultant retained to advise the Committee.