

## **CHARTER OF THE CORPORATE GOVERNANCE AND NOMINATING COMMITTEE OF THE BOARD OF DIRECTORS OF HANDLEMAN COMPANY**

This Charter sets forth the duties and responsibilities of the Corporate Governance and Nominating Committee (the “Committee”) of the Board of Directors (the “Board”) of Handleman Company (the “Company”).

### **Mission Statement**

The Corporate Governance and Nominating Committee’s mission is to ensure that the Board’s corporate governance system operates effectively and fulfills the requirements of sound corporate governance practices. The Committee shall (i) identify individuals qualified to serve as Board members, consistent with criteria approved by the Board; (ii) recommend to the Board the Director nominees for election; (iii) develop and recommend to the Board corporate governance practices applicable to the Company; (iv) oversee the annual Board self evaluation process; and (v) annually evaluate the performance of the Committee.

### **Composition**

The Committee is established by the Board and will consist of three or more members, with the exact number being determined by the Board. All members must be independent of the management of the Company, and free of any relationship that would interfere with their exercise of independent judgment as a Committee member. Each of the members of the Committee will be (i) an “independent” Director as defined under the rules of the New York Stock Exchange, as may be amended from time to time (ii) a “Non-Employee Director” as defined in Rule 16b-3 promulgated under Section 16 of the Securities and Exchange Act of 1934, as amended, and (iii) an “outside” Director under Regulation Section 1.162-27 promulgated under Section 162(m) of the Internal Revenue Code of 1986, as amended.

In addition, in order to be deemed independent of management of the Company, a member of the Committee cannot have engaged in any transaction or have been involved in any business relationship or otherwise that is described or set forth in Item 404 of Regulation S-K promulgated by the Securities and Exchange Commission.

The Presiding Director, with the assistance of the Chairman of the Board, will recommend the annual appointment of the Committee Chair. The Chairman of the Corporate Governance and Nominating Committee, with the assistance of the Presiding Director and the Chairman of the Board, will recommend the annual appointment of the Committee members. The Committee membership, including the Chair, will be ratified by the entire Board of Directors.

The Committee Chair is responsible for reporting all activities and decisions of the Committee to the Board.

All members of the Committee serve at the discretion of the Board.

### **Principal Functions**

The Committee's principle functions are to recommend to the Board qualified individuals to become Board members; to advise on the composition of the Board and its committees; to assess Board effectiveness, and to establish sound corporate governance practices for the Company.

The Committee shall:

- a. recommend the size and composition of the Board;
- b. develop guidelines and identify qualifications for new Directors;
- c. recommend nominees for Directors to the Board;
- d. consider shareholder nominated candidates for election as Directors;
- e. recommend committees, committee structure and committee membership for the Board;
- f. recommend performance criteria for the Board and oversee review of Board performance;
- g. review and recommend corporate governance practices and policies of the Company;
- h. review conflicts of interest that may affect Directors; and
- i. report Committee activities to the Board on a periodic basis.

The Committee may be assisted on projects from time to time by independent outside experts, consultants and various members of the Company's staff. Further the Committee shall consult with the CEO and other members of senior management, as necessary.

### **Duties and Responsibilities**

The principal duties and responsibilities of the Committee in carrying out its responsibilities are set forth below. These duties and responsibilities are set forth as a guide with the understanding that the Committee may supplement them as appropriate and may establish policies and procedures from time to time that the Committee deems necessary or advisable in fulfilling its responsibilities. The Committee shall:

1. Develop and recommend to the Board a set of corporate governance/nominating policies, practices, and guidelines (the "Guidelines") appropriate to the Company and review these Guidelines at least annually and recommend changes as necessary. The Guidelines must comply with New York Stock Exchange listing requirements.

2. Recommend to the Board the appropriate size of the Board and the structure and operations of the various committees of the Board.
3. Lead the search for individuals qualified to become members of the Board and to recommend Director nominees to be presented for shareholder approval at the Annual Meeting of Shareholders. The Committee shall solicit nominations for new Directors and screen the list of potential new Directors submitted to it by other Directors or any other sources.
4. In soliciting nominations for new Directors the Committee shall decide whether the assistance of a search firm is needed, and, if so, the Committee shall have the sole authority to retain and terminate any search firm. The Committee shall have the authority to approve the fees and terms of such advisors at the expense of the Company.
5. After reviewing potential Board candidates, and consulting with the Presiding Director and the Chairman of the Board, the Committee shall designate which candidates are to be interviewed. Candidates at a minimum shall be interviewed by the Chairman of the Corporate Governance and Nominating Committee, the Presiding Director, and the Chairman of the Board, and may be interviewed by other Directors as well.
6. Recommend for Board approval any new Directors to be nominated. Prior to the final vote of the Board on the nomination of a new Director, arrange for all remaining Directors not involved in the interview process to meet the selected candidate, if desired.
7. With the assistance of the Chairman of the Board design and ensure new Director orientation and continuing education programs. Monitor Director participation in the continuing education program.
8. Recommend if existing Board members should be re-nominated, after considering the appropriate skills and characteristics required on the Board, the current makeup of the Board and the desire of existing Board members to be re-nominated.
9. Recommend committees, committee assignments, and committee chairs, to the Board for approval. This process will include soliciting input from the Presiding Director and Chairman of the Board and will, to the extent possible, take into consideration the desires of individual Board members.
10. Manage the process whereby the full Board annually assesses its performance, and then report the results of this evaluation to the Board along with any recommendations for improvements.
11. Manage the process whereby Board members are evaluated at the time they are considered for re-nomination.
12. Review annually the Company's Corporate Governance Guidelines and recommend any changes to the Board.

13. Review this Charter annually and recommend any appropriate changes to the Board and annually provide a self-evaluation of the Committee's performance to the Board.
14. Perform any other duties or responsibilities expressly delegated to the Committee by the Board including any duties or responsibilities as set forth in the Corporate Governance Guidelines.

The duties and responsibilities set forth above are meant to serve as a guide, with the understanding that the Committee may diverge from the specific duties enumerated as necessary and appropriate given the circumstances.

### **Committee Authority**

The Committee shall undertake any other action or exercise such other powers, authority and responsibilities as necessary or appropriate to discharge its responsibilities and duties as set forth in this Charter or the Company's By-laws, or otherwise required by the Listing Rules of the New York Stock Exchange or other applicable laws, rules or regulations, or as shall otherwise be determined by the Board.

In discharging its responsibilities and duties, the Committee is empowered to investigate any matter brought to its attention that it determines to be within the scope of its authority with full access to all books, records, facilities and personnel of the Company. The Committee has the power to retain outside counsel or other consultants or experts as the committee may deem appropriate in its sole discretion, and shall receive funding from the Company to engage such advisors, and have sole authority to approve related fees and retention terms.

The Committee may delegate authority to individuals or subcommittees when it deems appropriate.

### **Meetings**

The Corporate Governance and Nominating Committee will meet at least two times per year and at such other times as may be deemed necessary or appropriate in the judgment of its Chairman to accomplish the Committee's responsibilities. In lieu of a meeting, the Committee may also act by written consent resolution. Committee meeting procedures include the following guidelines:

1. A majority of the Committee members will be deemed a quorum for the transaction of business. The Chairman may invite one or more members of the Board to act at a meeting in place of an absent member or members, as long as each such Director appointed is an independent director as defined by applicable New York Stock Exchange rules. Any such appointed Director that is not a member of the Committee may vote on any matter coming before the Corporate Governance and Nominating Committee. For purposes of determining a quorum, the size of the Committee shall not be deemed increased by the appointment of any replacement Director or Directors.

2. The action of a majority of those present at a meeting at which a quorum is present will represent an act of the Committee.
3. The Committee Secretary will keep minutes of all Committee meetings, which will be distributed to Board members.
4. The Chairman of the Board will be the management liaison to the Committee.
5. The Chairman of the Board will prepare a preliminary agenda to be reviewed with the Committee Chairman who will make the final decision regarding the agenda.
6. The agenda and all materials to be reviewed at the meetings will be provided to the Committee members as far in advance of the meeting as practicable.
7. The Committee Chair is responsible for reporting all activities and decisions of the Committee to the Board.

The Chairman of the Board should coordinate all mailings to the Committee members, to the extent practicable.