

# NOVASTAR FINANCIAL, INC.

## Nominating & Corporate Governance Committee Charter

### I. Mission

The Nominating & Corporate Governance Committee (the “Committee”) of NovaStar Financial, Inc. (“NovaStar” or the “Company”) is a standing committee of the Board of Directors (the “Board”). The purpose of the Committee is to fulfill its responsibilities relating to:

- i. Identifying individuals qualified to become Board members, consistent with the criteria established by the Board.
- ii. Recommending to the Board the director nominees for the next annual meeting of shareholders.
- iii. Leading the Board in the annual review of the Board’s performance and the review of management’s performance.
- iv. Shaping the corporate governance policies and practices including developing a set of corporate governance principles applicable to the Company and recommending them to the Board.

### II. Organization and Authority

- A. The Nominating & Corporate Governance Committee shall be comprised of at least three members of the Board, and the members shall meet the independence, experience, and expertise requirements of the New York Stock Exchange and other applicable laws and regulations (including the Sarbanes-Oxley Act of 2002).
- B. The members of the Committee shall be appointed by the Board and shall serve for such term or terms as the Board may determine. The members of the Committee may be removed by the Board in its discretion.
- C. The Nominating and Corporate Governance Committee shall have the authority, to the extent it deems necessary or appropriate, to elect, retain, terminate and approve the fees and other retention terms of external legal, consultants, accounting, search firms or other advisors without seeking the approval of management or the Board.
- D. The Nominating and Corporate Governance Committee may form and delegate authority to subcommittees, comprised of one or more members of the Committee, as necessary or appropriate. Each subcommittee shall have the full power and authority of the Nominating and Corporate Governance Committee.

### **III. Responsibilities**

The Committee shall have the following duties, responsibilities and authority:

#### **A. Communication and Assessment**

- 1) Meet as often as the Committee determines is necessary to fulfill its duties and responsibilities, but not less frequently than quarterly.
- 2) Regularly report to the Board on the Committee's activities.
- 3) Annually review and evaluate its own performance.
- 4) Review and assess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

#### **B. Director Candidate Identification and Recommendation to the Board**

- 1) Develop criteria to identify and evaluate prospective candidates for the Board. The criteria should reflect at a minimum all applicable laws, rules, regulations and listing standards, and include criteria relative to a potential candidate's education, business experience, accounting and financial expertise, age, diversity, reputation, civic and community relationships, knowledge and experience in matters impacting the industry of NovaStar.
- 2) Recommend to the Board the slate of nominees for election to the Board at the Company's annual meeting of stockholders, or if applicable, at a special meeting of stockholders, or to fill a vacancy on the Board.

#### **C. Oversight of Board Matters**

- 1) Develop and recommend to the Board appropriate criteria for determining director independence.
- 2) Evaluate each outside director against the established criteria and present the findings and recommendations to the Board.
- 3) Recommend Board committee assignments and committee chairs on all active committees of the Board, and recommend committee members to fill vacancies on committees as necessary.
- 4) Review the appropriateness of the size of the Board relative to its various responsibilities. Make recommendations to the Board from time to time as to the structure and operations of the various committees of the Board.
- 5) Recommend to the Board an evaluation process of the Board, its committees and management, as appropriate, and provide oversight for this process.
- 6) The Nominating & Corporate Governance Committee will determine whether each director satisfies the criteria necessary to be deemed a "financial expert" by evaluating each director against established criteria. The Committee will present the findings and recommendations from this evaluation to the Board. The Board will then make a formal determination on whether a director can be deemed a "financial expert".

#### D. Oversight of Corporate Governance

- 1) Develop and recommend to the Board a set of corporate governance policies, practices and guidelines as appropriate to the Company and review these policies, practices and guidelines at least annually and recommend changes as necessary.
- 2) Serve as a resource for the Board in addressing any corporate governance issues or matters that may arise.

#### E. Amendments to Governing Documents

- 1) Evaluate all amendments to the Corporation's Articles of Incorporation or Bylaws that are proposed to be adopted by the Board, or that are proposed to be recommended by the Board to the shareholders for adoption, and recommend to the Board such action as the Committee determines to be in the best interest of the Corporation with respect to each such proposed amendment.
- 2) Evaluate all amendments to the Corporation's Articles of Incorporation or Bylaws that are proposed by any stockholder of the Corporation for approval by the stockholders of the Corporation, to the extent that notice of such proposed amendment is received by the Corporation in advance of the date on which notice is given with respect to the meeting at which such amendment is to be voted upon by the stockholders, and recommend to the Board such action as the Committee determines to be in the best interest of the Corporation with respect to each such proposed amendment.