

Audit Committee
AUDIT COMMITTEE CHARTER

Purpose

The Audit Committee is appointed by the Board of Directors (the "Board") of Great Elm Capital Group, Inc. (the "Company") to assist the Board in monitoring: (1) the integrity of the financial statements of the Company, (2) the independent auditor's qualifications and independence, (3) the performance of the Company's independent auditors, and (4) the compliance by the Company with certain legal and regulatory requirements. The Audit Committee shall be responsible for the report required by the rules of the Securities and Exchange Commission (the "Commission") to be included in the Company's annual proxy statement.

The Audit Committee's functions are not intended to duplicate or certify the activities of management or the Company's independent auditors. The Audit Committee serves a board level oversight role pursuant to which it oversees the Company's relationship with the independent auditors as set forth in this Charter, receives information and provides advice, counsel and general direction, as it deems appropriate, to management and the independent auditors, taking into account the information it receives, discussions with the auditors and the experience of the Audit Committee's members in business, financial, and accounting matters.

Audit Committee Membership

The Audit Committee shall consist of at least three members of the Board. Each of the members of the Audit Committee shall have been affirmatively determined in the business judgment of the Board to qualify as independent director under (a) the rules of the National Association of Securities Dealers' Nasdaq Stock Market ("NASDAQ"), (b) the rules and regulations of the Commission, and (c), if applicable, the Company's Corporate Governance Guidelines. At least one member of the Audit Committee shall be an "audit committee financial expert" as defined by the Commission. Audit Committee members shall not simultaneously serve on the audit committees of more than two other public companies, unless the Board determines that such simultaneous service would not impair the ability of such member to effectively serve on the Audit Committee. The members of the Audit Committee shall be appointed by the Board on the recommendation of the Nominating and Governance Committee. Audit Committee members may be replaced by the Board at any time and for any reason or no reason at all.

Meetings

The Audit Committee shall meet as often as it determines, but not less frequently than quarterly. The Chairman of the Board, any member of the Audit Committee, or the Secretary of the Company may call meetings of the Audit Committee. The presence in person or by telephone of a majority of the Audit Committee members shall constitute a quorum for any meeting of the Audit Committee. In addition, the Audit Committee may act by

unanimous written consent. The Audit Committee shall maintain minutes of its meetings, which minutes shall be filed with the minutes of the meetings of the Board, and shall report to the full Board with respect to its meetings, including any actions taken by unanimous written consent. The Audit Committee shall meet periodically with management, the internal controls director, and the independent auditors in separate executive sessions. The Audit Committee may in its discretion request any officer or employee of the Company or the Company's outside counsel, independent auditors, or outside internal controls consultant to attend a meeting of the Audit Committee, to meet with any members of, or consultants to, the Audit Committee, and to provide pertinent information.

Audit Committee Authority and Responsibilities

The Audit Committee shall have the sole authority to appoint or replace any independent auditor. The Audit Committee shall be directly responsible for the compensation and oversight of the work of the independent auditors (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditors shall report directly to the Audit Committee.

The Audit Committee shall pre-approve all audit services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent auditors, subject to the de minimis exceptions for non-audit services described in Section 10 A(i)(1)(B) of the Securities Exchange Act of 1934 (the "Exchange Act") which are approved by the Audit Committee prior to the completion of the audit. The Audit Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant pre-approvals shall be presented to the full Audit Committee at its next scheduled meeting.

The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting, or other advisors. The Company shall provide for appropriate funding, as determined by the Audit Committee, for payment of (1) compensation to the independent auditors for the purpose of rendering or issuing an audit report, (2) compensation to any advisors employed by the Audit Committee, and (3) ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

The Audit Committee shall have the authority to interpret the Company's Code of Conduct and Ethics for employees, officers and directors ("Code of Conduct"), to receive reports of breaches of the Code of Conduct, to

grant waivers of the Code of Conduct, to approve amendments to the Code of Conduct, and to oversee the implementation of the Code of Conduct.

The Audit Committee shall make regular reports to the Board. The Audit Committee shall review and reassess the adequacy of this Charter at least annually and at such other times as it deems appropriate and shall recommend any proposed changes to the Board for approval. The Audit Committee, to the extent it deems necessary or appropriate, shall:

Financial Statement and Disclosure Matters:

1. Review and discuss with management and the independent auditor the annual audited financial statements, including disclosures made in management's discussion and analysis, and recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K.
2. Review and discuss with management and the independent auditor the Company's quarterly financial statements prior to the filing of its Form 10-Q, including the results of the independent auditor's review of the quarterly financial statements.
3. Review and discuss with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles or the Company's internal audit procedures, the adequacy and effectiveness of the Company's internal controls and procedures (including any significant deficiencies or material weaknesses) and management reports thereon, and any special steps adopted in light of material control deficiencies.
4. Review and discuss quarterly reports from the independent auditor on:
 - a. All critical accounting policies and practices to be used.
 - b. All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor.
 - c. Other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.
5. Discuss with management the Company's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings outlook provided to analysts and investors. Such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made).
6. Discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off balance sheet structures, if any, on the Company's financial statements.

7. Ensure that, in addition to the Committee's duties of identifying key financial risks and determining that management addresses such financial risk, the Company has in place a process for enterprise risk assessment, management and mitigation, whereby the full Board periodically reviews such enterprise risks and tracks management's actions to mitigate such risks.
8. Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.
9. Review disclosures made to the Audit Committee by the Company's Chief Executive Officer, Chief Financial Officer, or other employees in connection with the certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud, whether or not material, involving management or other employees who have a significant role in the Company's internal controls.

Oversight of the Company's Relationship with the Independent Auditor:

1. Review and evaluate the lead partner of the independent audit or team.
2. Obtain and review a report from the independent auditor at least annually regarding (a) the independent auditor's internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, (c) any steps taken to deal with any such issues, and (d) all relationships between the independent auditor and the Company. The Audit Committee shall actively engage in a dialogue with the independent auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditor. The Audit Committee shall evaluate the qualifications, performance, and independence of the independent auditor, including considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence, taking into account the opinions of management and internal auditors. The Audit Committee shall present its conclusions with respect to the independent auditor to the Board.
3. Ensure the rotation of the lead and concurring audit partners as required by law.
4. Recommend to the Board policies for the Company's hiring of employees or former employees of the independent auditor who participated in any capacity in the audit of the Company.
5. Discuss any communications between the audit team and the independent auditor's national office with respect to auditing or accounting issues presented by the engagement, and if desired, discuss those issues with the independent auditor's national office.

6. Meet with the independent auditor prior to the audit to discuss the annual audit plan, including the scope of audit activities and staffing of the audit.
7. Review any management decision to seek a second opinion from any auditor, other than the Company's regular independent auditor, with respect to any significant accounting issue.

Oversight of the Company's Internal Control Function:

1. Review the appointment and replacement of the senior internal controls executive.
2. Review any significant reports to management prepared by the independent auditor or the internal controls employee(s) or consultant(s) together with management's responses thereto.
3. Review the adequacy of the Company's internal controls and the procedures designed to ensure compliance with applicable laws and regulations.
4. Discuss with the independent auditor and management the internal control responsibilities, budget and staffing, and any recommended changes in the planned scope of the internal controls review, analysis, and improvement plan.
5. Review with the independent auditor, management, and the internal controls employee(s) the coordination of audit efforts to assure completeness of coverage (including any difficulties encountered in the course of the audits, such as restrictions on the scope of work or access to required information), reduction of redundant efforts, and the effective use of audit resources, including the internal audit department budget and staffing.

Compliance Oversight Responsibilities:

1. Obtain from the independent auditor assurance that Section 10A(b) of the Exchange Act has not been implicated with respect to such auditor's audit of the Company.
2. Review the Company's policies relating to the avoidance of conflicts of interest, including the Code of Conduct. Review past or proposed transactions between the Company and members of management and/or the Board as well as policies and procedures with respect to executive officer expense accounts and perquisites, including the use of corporate assets. Also consider the result of any review of these policies and procedures by the independent auditor.
3. Review the Company's program to monitor compliance with its Code of Conduct and meet periodically with the General Counsel to discuss compliance with such Code. Advise the Board with respect to the Company's policies and procedures regarding compliance with the Company's Code of Conduct and any related applicable laws or regulations.
4. Establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential,

anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

5. Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies.
6. Discuss with the Company's General Counsel, and other internal or external legal counsel as appropriate, legal matters that may have a material impact on the financial statements or the Company's compliance policies.
7. Oversee compliance with the requirements of the Commission for disclosure of auditors' services and audit committee member qualifications and activities.

Other:

1. Review and approve in advance any related-party transactions (as defined in the relevant NASDAQ requirements).
2. Perform such other functions as assigned by law, the Company's charter or bylaws, or the Board.

Limitation of Audit Committee's Role

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditors.