

HG Holdings, Inc.
Audit Committee Charter
(As amended)

The purpose of the Audit Committee (the “Committee”) is to assist the Board of Directors (the “Board”) in fulfilling its responsibility to oversee management regarding the Company’s accounting and financial reporting processes, the Company’s internal controls over financial reporting and disclosure controls and procedures, the annual independent audit of the Company’s financial statements, and the Company’s compliance with legal and regulatory requirements. The Committee reports to the full Board on all matters within the Committee’s responsibilities. The Committee is authorized to obtain advice and assistance as it believes necessary from corporate personnel and from external legal, accounting and other advisors and the Company shall provide funding, as determined by the Committee, for payment of compensation to the Company’s independent auditors and to any advisors employed by the Committee and for the ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Committee shall be composed of the number of directors set by the Board, each of whom shall have no relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In addition, the members of the Committee shall be independent directors as defined by the rules of the NASDAQ Stock Market and shall meet any applicable eligibility requirements of the Securities and Exchange Commission (the “SEC”). Director fees (including committee fees) and awards to directors under the Company’s incentive compensation plans for directors are the only compensation members of the Committee may receive from the Company. Subject to Board approval, the Committee shall adopt, and at least annually review and reassess, an audit committee charter.

The Company’s independent auditors shall report directly to the Committee, as the Board’s representative, on all matters pertaining to their engagement to perform an annual audit of the Company’s financial statements and internal controls over financial reporting. At every meeting of the Committee where the independent auditors are present, the independent auditors shall have the opportunity for at least a portion of such meeting to meet with the members of the Committee without members of management present.

The Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of the Company’s independent auditors. The Committee will approve the compensation and fees paid to the independent auditors for audit and permissible non-audit services. The Committee shall preapprove all auditing services and any permissible non-audit services provided by the independent auditors, subject to such procedures and exceptions as may be adopted by the Committee. The Committee may obtain input from management with respect to the foregoing matters, but may not delegate its responsibilities for such matters to management. The Committee may delegate to one or more designated members of the Committee who are independent directors of the Board, the authority to grant preapprovals;

provided, however, the decisions of any such member(s) to preapprove services shall be presented to the full Committee at its next scheduled meeting.

The Committee's function is one of oversight and it recognizes that the Company's management is responsible for designing and evaluating the Company's disclosure controls and procedures; preparing the Company's financial statements; establishing, maintaining and evaluating the Company's internal controls over financial reporting and that the independent auditors are responsible for auditing the Company's financial statements and internal control over financial reporting. Additionally, the Committee recognizes that financial management, as well as the independent auditors, have more detailed information on the Company than do Committee members. Consequently, in carrying out its oversight responsibilities, the Committee is not providing any expert or special assurance as to the Company's disclosure controls and procedures, financial statements or internal controls over financial reporting, or any professional certification as to the independent auditor's work.

The following functions shall be the common recurring activities of the Committee in carrying out its oversight function. These functions are set forth as a guide with the understanding that, except as otherwise provided by requirements of the SEC, the Committee may diverge from this guide as appropriate given the circumstances.

1. The Committee annually shall review the independent auditors. The Committee shall review and shall assess any impact on the objectivity and independence of the independent auditors as a result of non-audit services. The independent auditors shall submit periodically to the Committee a formal written statement delineating all relationships between the independent auditors and the Company, consistent with Rule 3526, "Communication with Audit Committees Concerning Independence," of the Public Company Accounting Oversight Board.
2. With respect to each fiscal year, the Committee shall meet with the independent auditors and management to review the scope and plan of the proposed audits for such fiscal year. The independent auditors shall provide regular reports to the Committee during the year on the underlying process and status of their audits and any findings or preliminary conclusions that have been reached.
3. Management and the independent auditors shall identify significant business, financial or legal issues which may significantly impact the Company's financial statements and internal controls over financial reporting to the Committee and shall report as soon as possible to the Committee any material weaknesses in internal controls over financial reporting, and any material violations of laws and/or governmental regulation.
4. The Committee shall review with management and the independent auditors the Company's annual financial statements to be included in the Company's Annual Report on Form 10-K. As a whole, or through the Committee chair, the Committee shall review with management and the independent auditors interim financial statements prior to filing with the Securities and Exchange Commission

of the Company's Quarterly Reports on Form 10-Q. Periodically, the Committee shall discuss with the independent auditors the Company's internal controls over financial reporting, and their significant qualitative judgments as to accounting principles employed and related disclosures by the Company and the conclusions expressed in the Company's financial reports. The Committee shall review with management and the independent auditors at least annually the Company's critical accounting policies. The Committee shall review with the independent auditors significant judgments made by management in the preparation of the financial statements. The Committee shall review any areas of disagreement between management and the independent auditors regarding financial reporting and the Committee shall assist in the resolution of any such disagreements, if necessary.

5. The Committee shall receive any reports from the independent auditors under the provisions of Section 10A of the Securities Exchange Act of 1934 and review with management and recommend to the Board any appropriate remedial action to be taken by the Company.
6. The Committee shall be responsible for monitoring compliance with the Company's Code of Conduct.
7. The Committee shall review, and have the power to approve or disapprove, any transaction required to be disclosed pursuant to SEC Regulation S-K, Item 404.
8. The Committee shall establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.