

**CHARTER OF THE LEGAL AFFAIRS COMMITTEE  
OF THE BOARD OF DIRECTORS OF  
SED INTERNATIONAL HOLDINGS, INC.**

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**I. PURPOSE OF THE COMMITTEE**

The Legal Affairs Committee (the "Committee") of the Board of Directors (the "Board") of SED International Holdings, Inc. (the "Corporation") shall provide the Corporation and its stockholders with an independent committee of Board members who can assist the Board and management in dealing with law-related issues on an ongoing basis, including litigation efforts, settlement negotiations, investigations, and preparation for future litigations that may be brought by or against the Corporation. The Committee shall also evaluate the application of governance principles adopted by the Board's Nominating and Corporate Governance Committee to matters assigned to the Committee by the Board; and evaluate, assess and, recommend to the Board appropriate action with respect to related party transactions.

The Committee shall not be responsible for the Corporation's legal affairs, which will be managed by appropriate members of management, under the supervision of the Board. Rather, the Committee will perform the role of an independent resource to Corporation officials and the Board on such issues.

**II. COMPOSITION OF THE COMMITTEE**

The Committee shall consist of three or more directors as determined from time to time by the Board. Each member of the Committee shall be qualified to serve on the Committee pursuant to the requirements of such national securities exchange or market constituting the principal venue for listing of the Corporation's shares, if any, and any additional requirements that the Board deems appropriate.

The chairperson of the Committee shall be designated by the Board, *provided* that if the Board does not so designate a chairperson, the members of the Committee, by a majority vote, may designate a chairperson.

Any vacancy on the Committee shall be filled by majority vote of the Board. No member of the Committee shall be removed except by majority vote of the Board.

**III. MEETINGS AND PROCEDURES OF THE COMMITTEE**

The Committee shall meet as often as it determines necessary to carry out its duties and responsibilities. The Committee, in its discretion, may ask members of management or others to attend its meetings (or portions thereof) and to provide pertinent information as necessary.

The Committee may form subcommittees for any purpose that the Committee deems appropriate and may delegate to such subcommittees such power and authority as

the Committee deems appropriate; *provided, however*, that no subcommittee shall consist of fewer than two members; and *provided further* that the Committee shall not delegate to a subcommittee any power or authority required by any law, regulation or listing standard to be exercised by the Committee as a whole.

A majority of the members of the Committee present in person or by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other shall constitute a quorum.

The Committee shall maintain minutes of its meetings and records relating to those meetings and shall report regularly to the Board on its activities, as appropriate.

#### **IV. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE**

Without limiting its scope, the Committee's roles and responsibilities include the following activities:

evaluate, assess and, recommend to the Board appropriate action with respect to related party transactions including the negotiation of the Corporation's headquarters lease with the Diamond Chip Group LLC;

assisting in evaluating ongoing litigation efforts, as requested by the Board or management;

managing and reviewing the conduct of investigations, and reviewing preparations for the defense of civil litigation claims that may be brought against the Corporation in the future, as requested by the Board or management;

reviewing and providing analysis and advice with respect to the Corporation's future civil litigation that may be instituted by the Corporation, as requested by the Board or management;

developing and proposing to the Board for its consideration policies and procedures to be followed in responding to discovery requests by public authorities or private parties;

providing advice and analysis on legal affairs, including litigation matters, as may be requested by the Board or the CEO;

recommending, and upon the Board's approval instituting and supervising, special investigations with full access to all books, records, facilities and personnel of the Corporation; and

determining and proposing to the Board for its consideration such funding requests as the Committee considers necessary in order to allow the Committee to:

- i. engage independent legal counsel and any other independent advisors or agents;
- ii. pay the fees and administrative expenses of the Committee; and
- iii. ensure the timely payment of all approved funding from the Corporation.

## **V. EVALUATION OF THE COMMITTEE**

The Committee shall, on an annual basis, evaluate its performance. In conducting this review, the Committee shall evaluate whether this Charter appropriately addresses the matters that are or should be within its scope and shall recommend such changes as it deems necessary or appropriate. The Committee shall address all matters that the Committee considers relevant to its performance, including at least the following: the adequacy, appropriateness and quality of the information and recommendations presented by the Committee to the Board, the manner in which they were discussed or debated, and whether the number and length of meetings of the Committee were adequate for the Committee to complete its work in a thorough and thoughtful manner.

The Committee shall deliver to the Board a report, which may be oral, setting forth the results of its evaluation, including any recommended amendments to this Charter and any recommended changes to the Corporation's or the Board's policies or procedures.

## **VI. INVESTIGATIONS AND STUDIES; OUTSIDE ADVISERS**

The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities, and may retain, at the Corporation's expense, such independent counsel or other consultants or advisers as it deems necessary. Subject to Board approval, the Committee shall have the authority to retain or terminate any compensation consultant to assist the Committee in carrying out its responsibilities, including authority to approve the consultant's fees and other retention terms, such fees to be borne by the Corporation.

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While the members of the Committee have the duties and responsibilities set forth in this Charter, nothing contained in this Charter is intended to create, or should be construed as creating, any responsibility or liability of members of the Committee, except to the extent otherwise provided under applicable federal or state law.