

# **GAMCO INVESTORS, INC.**

## **AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

### **CHARTER**

#### **Organization**

The Audit Committee of GAMCO Investors, Inc. (“GAMCO”) is a standing committee of the Board of Directors which shall be comprised solely of independent Directors (as required by Section 10A of the Securities Exchange Act of 1934 and the listing standards of the New York Stock Exchange and other applicable laws, rules, or regulations). All members of the Audit Committee shall be: independent of the management of GAMCO Investors, Inc. (“GAMCO”); free of any relationship that, in the opinion of the Board of Directors, would interfere with their exercise of independent judgment as a committee member; and “financially literate” (i.e., have the ability to understand fundamental financial statements, including a company’s balance sheet, income statement and cash flow statement). At least one member of the Audit Committee will have accounting or related financial management expertise.

#### **Members**

The Board annually will appoint not less than three directors as members of the Committee.

#### **Statement of Principle**

The function of the Audit Committee is oversight; it is management’s responsibility to maintain appropriate systems for accounting and internal control, and the auditor’s responsibility to plan and carry out a proper audit. The outside auditor is ultimately accountable to the Board of Directors, as representatives of shareholders. The Committee assists the Board in fulfilling its oversight responsibilities by reviewing (1) the integrity of GAMCO’s financial statements and financial reporting process; (2) the qualifications and independence of the independent auditors and performance of GAMCO’s internal audit function and independent auditors; (3) compliance with legal and regulatory requirements; and (4) such other matters as directed by the Board or this Charter.

#### **Duties and Responsibilities**

The Audit Committee shall have the following duties and responsibilities in addition to any others that may be assigned by the Board:

**A. General**

1. Oversee the quality and objectivity of GAMCO's financial statements and the independent audit thereof.
2. Review and evaluate any issues raised by the independent auditors or management regarding the accounting or financial reporting policies and practices of GAMCO and its internal controls.
3. Act as a liaison between GAMCO's independent auditors and the full Board of Directors.

**B. Specific**

*Oversight of Financial Disclosure Matters*

**Quarterly**

1. Discuss with management and the independent auditors:
  - (a) any significant financial reporting issues, analyses and judgments made in connection with the preparation of GAMCO's financial statements, including any significant changes in GAMCO's selection or application of accounting principles or methods;
  - (b) any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in GAMCO's internal controls;
  - (c) the development, selection, and disclosure of critical accounting estimates; and
  - (d) analyses of the effect of alternative assumptions, estimates or GAAP methods on GAMCO's financial statements.
2. Discuss with management, the independent auditors and internal audit the effect of regulatory and accounting initiatives as well as off-balance sheet structures on GAMCO's financial statements.
3. Review and discuss with management and the independent auditors the information to be provided in GAMCO's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as the nature of and process for providing information to analysts and ratings agencies.

4. review and discuss the quarterly financial statements, including GAMCO's disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations," with management and the independent auditors prior to the filing of the Form 10-Q (or prior to the press release of results, if possible), including for the purpose of determining that the independent auditors do not take exception to the disclosure and content of the financial statements, and discuss any other matters required to be communicated to the Audit Committee by the auditors. The Chairperson of the Committee, or his nominee, may represent the entire Committee for purposes of this review.
5. Discuss with management GAMCO's major risk exposures and the steps management has taken to monitor and control such exposures, including GAMCO's risk assessment and risk management policies.

### **Annually**

1. Review the financial statements contained in the annual report to shareholders, including GAMCO's disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations," with management and the independent auditors, including for the purpose of ascertaining if the independent auditors are satisfied with the disclosure and content of the financial statements to be presented to the shareholders including:
  - (a) the results of their timely analysis of significant financial reporting issues and practices, including changes in, or adoptions of, accounting principles and disclosure practices;
  - (b) their judgments about the quality, not just acceptability, of accounting principles and the clarity of the financial disclosure practices used or proposed to be used, and particularly, the degree of aggressiveness or conservatism of the organization's accounting principles and underlying estimates;
  - (c) their reasoning in accepting or questioning significant estimates by management; and
  - (d) other significant decisions made in preparing the financial statements.
2. Submit a report to the SEC in the proxy statement relating to each annual meeting of shareholders at which directors are to be elected indicating whether it has:
  - (a) reviewed and discussed GAMCO's audited financial statements with management and independent auditors;
  - (b) discussed the matters outlined in SAS 61 "Communication with Audit Committees" with the independent auditors; and

- (c) discussed independence issues with the independent auditors and received a formal written statement delineating all the relationships between them and GAMCO.

*Oversight of the Relationship with the Independent Auditors*

1. Retain sole authority to hire, retain, oversee and terminate the independent auditors (subject to shareholder ratification).
2. Retain sole authority to pre-approve all audit and non-audit services provided by the independent auditors in accordance with our Audit and Non-Audit Services Pre-Approval Policy and will not engage the independent auditors to perform non-audit services prohibited by law or regulation. This authority may be delegated to a member of the Audit Committee. The decisions of any Audit Committee member to whom pre-approval authority is delegated must be presented to the full Audit Committee at its next scheduled meeting.
3. Ensure receipt from the independent auditors of a formal written statement delineating all the relationships between them and GAMCO, consistent with the Independence Standards Board Standard 1; evaluate the independence of the auditors; and actively engage in a dialogue with them regarding matters that might reasonably be expected to affect their independence.
4. Obtain and review at least annually a report from the independent auditors describing the independent auditors' internal quality-control procedures; and any material issues raised by the most recent internal quality-control review or peer review or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting any independent audits conducted by them, as well as any steps taken to deal with such issues; evaluate the independent auditors' qualifications, performance and independence; consider whether there should be periodic rotation of the independent auditors and present its conclusions to the full board.
5. Meet with GAMCO's independent auditors, at least twice a year and more often if required, to review the conduct and the results of each external audit of GAMCO's financial statements, including:
  - (a) their judgment as to adequacy of the internal controls;
  - (b) their findings and recommendations on internal controls maintained by GAMCO together with the responses of management, including the status of previous audit recommendations;

- (c) their views as to the adequacy and clarity of disclosures in GAMCO's financial statements in relation to generally accepted accounting principles;
  - (d) all critical accounting policies and practices to be used and any changes in GAMCO's accounting policies and methods for accounting for significant unusual transactions or for controversial or emerging areas;
  - (e) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of such alternatives and the independent auditors' preferred treatment;
  - (f) other material written communications with management;
  - (g) their views about how GAMCO's choices of accounting and tax principles, disclosure practices and valuation policies may affect shareholders and public views and attitudes about GAMCO;
  - (h) any significant audit problems, serious difficulties or disputes with management encountered during the course of the audit and management's response;
  - (i) inquiries about significant risks and exposures and steps management has taken to minimize such risks to GAMCO;
  - (j) any significant changes to the audit plan; and
  - (k) matters outlined in Statement on Auditing Standards No. 61 "Communication with Audit Committees" to be discussed with the independent auditors.
6. Resolve disagreements between management and the independent auditors regarding financial reporting.

#### *Oversight of the Internal Audit Department*

1. Review the annual audit plan of the internal audit department, including for the purpose of assessing the ability of the internal audit department to provide management and the Committee with ongoing assessments of GAMCO's risk management processes and systems of internal control.
2. Review and advise on the selection and removal of senior internal audit personnel.

3. Periodically review with internal audit department any significant difficulties, disagreements with management or scope restrictions encountered in the course of the department's work.
4. Periodically review the activities, responsibilities, budget and qualifications of the internal audit department.

#### *Other Responsibilities*

1. Consider, in consultation with the independent auditors, the scope and plan of upcoming external audits to assure completeness of coverage and effective use of audit resources, and review with them their conclusions regarding GAMCO's accounting and internal control procedures.
2. Investigate improprieties or suspected improprieties in GAMCO's operations or accounting.
3. Review procedures for:
  - (a) the receipt, retention and treatment of complaints received by GAMCO regarding accounting, internal accounting controls, or auditing matters; and
  - (b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.
4. Report its findings to the Board of Directors on a regular and timely basis.
5. Meet periodically with management, the independent auditors and internal audit in separate executive sessions to discuss pertinent matters.
6. Set the hiring policies for employees or former employees of the independent auditors.
7. Authorize and oversee investigations into any matters within the Audit Committee's scope of responsibilities, or as specifically delegated to the Committee by the Board of Directors.
8. The Audit Committee shall be empowered to retain independent counsel and other professionals to assist it in carrying out its responsibilities under this Charter.
9. The Audit Committee shall be empowered to obtain appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditors and to any counsel or other professionals referred to in Item 8 above.

10. Review and reassess the adequacy of this Charter on an annual basis and propose any changes for the approval of the full Board of Directors.
11. Prepare annually a self-assessment relative to the Audit Committee's purpose, duties and responsibilities outlined herein.

### **Chairperson**

The Board will appoint a member as Chair of the Audit Committee. In the event of the Chairperson's absence, the Committee may select another member as Chairperson.

### **Meetings**

The Audit Committee will determine the date, time and place for its meetings. The Committee may meet on written or verbal notice from the Chairperson or upon notice from the independent auditors. Any member of the Committee may also call a special meeting of the Committee by written request and invite other Committee members to attend. The Committee may establish those procedures for the conduct of its business it deems appropriate, such procedures to be in keeping with those adopted by the Board. All decisions will be by majority vote. In the event of a tie, the Chairperson will have the casting vote.

### **Quorum**

A majority, but not fewer than two, members of the Audit Committee constitute a quorum for the transaction of business.

### **Decisions**

The Audit Committee will report its recommendations and decisions to the Board at the Board's next regular meeting.

### **Secretary and Minutes**

The Chairperson of the Audit Committee will appoint a person to act as Secretary of the Committee meetings to record the minutes which will be in writing and duly entered in the books of GAMCO.