



## AUDIT COMMITTEE CHARTER OF THE BOARD OF DIRECTORS

### I. PURPOSE

The primary purpose of the Audit Committee (the “Committee”) is to assist the Board of Directors (the “Board”) of Allied Motion Technologies Inc. (the “Company”) in fulfilling its oversight of (i) the Company’s accounting and financial reporting processes and the integrity of its financial statements; (ii) the audits of the Company’s financial statements and the appointment, compensation, qualifications, independence and performance of the Company’s independent auditors; (iii) the performance of the Company’s internal audit function and its internal control and disclosure control systems; and (iv) risks arising out of accounting, financial reporting and related activities and the Company’s major financial risks.

In fulfilling its purpose, the Committee will establish and maintain free and open means of communication between and among the Committee, the Company’s independent auditors, and the Company’s management, including those providing internal audit services, and provide such parties with appropriate opportunities to meet separately and privately with the Committee on a periodic basis.

### II. COMPOSITION

*Membership.* The Committee must consist of at least three directors. Unless a Chair is designated by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

*Independence.* All Committee members must have been determined by the Board to be independent, as defined and to the extent required in the applicable rules of the Securities and Exchange Commission (“SEC”) and NASDAQ listing standards, as they may be amended from time to time (the “listing standards”), for purposes of audit committee membership.

*Financial literacy; audit committee financial expert.* Each Committee member must be financially literate upon appointment to the Committee, as determined by the Board in accordance with the listing standards. At all times, there should be at least one Committee member who, as determined by the Board, is an “audit committee financial expert” as defined in the SEC rules and meets any NASDAQ requirement for finance, accounting or comparable experience or background.

*Appointment.* Subject to any requirements of the listing standards, the Board may appoint and remove Committee members in accordance with the Company’s Bylaws. Committee members will serve for such terms as the Board may fix, and in any case at the Board’s will, whether or not a specific term is fixed.

*Service on other audit committees.* The Company does not limit the number of public or private company audit committees on which a Committee member serves. However, if a member intends to serve on another company's audit committee, whether public or private, he or she must inform either the Company's Chairman or the Chair of the Governance and Nominating Committee, and the Board must determine that this simultaneous service would not impair the member's ability to serve on the Committee.

### **III. MEETINGS**

The Committee shall meet at least quarterly and at such other times as it deems necessary to carry out its responsibilities. Meetings of the Committee may be called by the Chair of the Committee or any other two or more members of the Committee and notice of such meeting shall be given in accordance with the Company's Bylaws. The timing of the meetings shall be determined by the Committee. In addition, the Committee will meet at any time that the independent auditors believe communication with the Committee is required. As part of its job to foster open communication, the Committee shall meet regularly with management, the independent auditors and the internal auditors (or other personnel responsible for the internal audit function); such meetings shall be in separate executive sessions when the Committee so determines. A majority of the Committee shall constitute a quorum for the transaction of business. The action of a majority of those present at a meeting (in person, by telephonic or video conference or by other electronic means), at which a quorum is present, shall be the act of the Committee. The Committee may also act by unanimous consent of all members of the Committee in accordance with the provisions of the Company's Bylaws and the Colorado Business Corporation Act.

The Committee may delegate authority to act upon specific matters within determined parameters to a subcommittee consisting of one or more members, consistent with applicable law. Any such subcommittee shall report any action to the full Committee at its next meeting.

The Committee shall keep a record of its actions and proceedings and regularly report to the Board. The Committee shall fix its own rules of procedure, which shall be consistent with the Bylaws of the Company and its Charter.

### **IV. POWERS, DUTIES AND RESPONSIBILITIES**

#### **A. Independent auditors and their services**

*Overall authority.* The Committee has the sole authority and responsibility (subject, if applicable, to stockholder ratification) for the appointment, compensation, retention, termination, evaluation and oversight of the work of the independent registered public accounting firm engaged by the Company for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attest services for the Company. The independent auditors report directly to the Committee.

*Terms of audit and non-audit engagements.* The Committee must preapprove all audit, review, attest and permissible non-audit services (including any permissible internal control-related

services) to be provided to the Company or its subsidiaries by the independent auditors, subject to the *de minimis* exceptions for non-audit services described in the Securities Exchange Act of 1934 that are approved by the Committee prior to the completion of the audit. The Committee may establish pre-approval policies and procedures in compliance with applicable SEC rules. In that regard, the Committee may delegate to one or more of its members the authority to preapprove audit, audit-related and permitted non-audit services, provided that decisions of any such member to preapprove will be presented to the full Committee at its next scheduled meeting.

*Audit partner rotation.* The Committee shall ensure that the lead audit partners assigned by the independent auditor, as well as the audit partner responsible for reviewing the Company's audit, and any other audit partners required to be rotated, shall be rotated at appropriate intervals in compliance with applicable laws, rules and regulations.

*Annual information review.* The Committee must obtain and review, at least annually:

- the annual engagement letter with the Company's independent auditors, including the proposed fees contained therein;
- the annual audit plan of the independent auditors, including the timing and scope of audit activities, and monitor such plan's progress and results during the year;
- the qualifications, performance, and independence (including but not limited to the independence requirements associated with any auditor's compensation) of the independent auditors, including the lead partner;
- a report by the independent auditor describing the independent auditor's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditors, 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 independent auditors, and any steps taken to deal with any such issues; and
- a report by the independent auditor describing all relationships between the independent auditors and the Company (including a description of each category of services provided by the independent auditors to the Company and a list of the fees billed for each such category), in order to assess the independent auditors' independence.

*Policy on hiring employees of the auditors.* The Committee will, from time to time, establish hiring policies that will govern the Company's hiring of employees or former employees of the independent auditors. Any such hiring policies shall reflect current laws, rules and regulations and shall be reported to the full Board.

## **B. Financial statement and disclosure matters**

As often and to the extent the Committee deems necessary or appropriate the Committee will:

*Financial statements.* Review and discuss with management and the independent auditors the following:

- the annual audited financial statements and quarterly financial statements, including the Company's disclosures under *Management's Discussion and Analysis of Financial Condition and Results of Operations*, and any major issues related thereto;
- if significant, any other reports or financial information submitted by the Company to the SEC;
- major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies;
- any analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative generally accepted accounting principles methods on the Company's financial statements; and
- the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.

*Recommendation to file audited financial statements and Audit Committee Report.* Recommend to the Board whether the Company's annual report on Form 10-K to be filed with the SEC should include the audited financial statements and timely prepare the audit committee report and other information required to be included in the Company's annual meeting proxy statement.

*Earnings releases and guidance.* Management is responsible for the Company's earnings press releases, as well as financial information and earnings guidance, if any, provided to analysts and rating agencies. The Committee will discuss with management the quarterly earnings press releases (paying particular attention to any use of "pro forma" non-GAAP information), as well as any financial information and earnings guidance provided to analysts, rating agencies or others. This responsibility may be performed by discussing the types of information to be disclosed and the type of presentation to be made. The Committee need not discuss in advance each earnings release or each instance in which the Company may provide earnings guidance. However, the Committee or its Chair (or another member of the Committee designated by the Chair) will review the quarterly earnings releases and discuss them with management and the independent auditors prior to their release to the public.

*Risk oversight.* Management is primarily responsible for risk assessment and management. However, the Board and each of its committees have important oversight roles with respect to risks. In that regard, the Committee shall be responsible for overseeing risks arising out of accounting, financial reporting and related activities, as well as for any other risks which are

assigned to the Committee. The Committee shall discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies with respect to accounting, financial reporting and related activities and major financial risks.

*Internal control structure and procedure.* Review with management its evaluation of the Company's internal control structure and procedures for financial reporting, and review periodically management's assessment of the effectiveness of such internal controls and procedures, including any significant deficiencies in, or material non-compliance with, such controls and procedures.

*Critical accounting policies.* Review and discuss periodically with the independent auditors, with appropriate consultation with management:

- all critical accounting policies and practices used;
- all alternative accounting treatments of financial information within generally accepted accounting principles for policies and practices related to material items that have been discussed with management, including:
  - ramifications of the use of such alternative disclosures and treatments; and
  - the treatment preferred by the independent auditors.
- other material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences before the auditors' quarterly or annual report on the financial statements of the Company are filed with the SEC.

*Critical Audit Matters.* Review and discuss with the independent auditors any critical audit matter ("CAM") addressed in the audit of the Company's financial statements and the relevant financial statement accounts and disclosures that relate to each CAM.

*Accounting or financial reporting developments.* Receive periodic reports from the Company's independent auditors, with appropriate consultation with management, to assess the impact on the Company of significant accounting or financial reporting developments that may have a bearing on the Company.

*Problems; disagreements.* Review with the independent auditors any audit problems or difficulties and management's response, and resolve all disagreements between the Company's independent auditors and management regarding financial reporting.

### **C. Internal controls and internal audit**

*Management certifications.* The Committee will receive and review a disclosure from the Chief Executive Officer and Chief Financial Officer during their certification process for the Form 10-K and Form 10-Qs regarding:

- 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.

*Internal control procedures.* The Committee will review with the independent auditors, the Company's internal auditor, and financial and accounting personnel, the adequacy and effectiveness of the accounting and financial controls of the Company, and elicit any recommendations for the improvement of such internal control procedures or particular areas where new or more detailed controls or procedures are desirable.

*Internal audit.* The Committee will monitor that the Company maintains an effective internal audit function (which may be outsourced to a firm other than the Company's independent auditors). The Committee will oversee the internal auditors (or other personnel responsible for the internal audit function), and approve the scope of the annual internal audit plan. The Committee will review the appointment, responsibilities, and compensation of the person or firm responsible for the management of the internal audit function (the "Internal Auditor") The Internal Auditor will have direct access to the Committee chairman and all members of the Committee, while working with the Company's CFO for ongoing supervision, guidance and performance review. The Committee will also review with the Internal Auditor the internal audit department's responsibilities, budget and staffing; any comments the Internal Auditor may have on major issues related to internal audit activities or restrictions, if any, imposed on them; and any significant findings resulting from examinations or investigations by the internal audit department and management's responses to those findings. The Committee will discuss with the independent auditors and management the internal audit department's responsibilities, budget and staffing.

### **D. Other duties and responsibilities**

*Annual review of performance.* The Committee will evaluate its performance as the Audit Committee on an annual basis and report the results thereof to the full Board.

*Annual review of this Charter.* The Committee will review and assess the adequacy of this Charter annually and recommend any proposed changes to the Governance and Nominating Committee and the Board for approval.

*Supplemental Code of Ethics for Senior Financial Officers.* The Committee will conduct any activities relating to the Company's Supplemental Code of Ethics for Senior Financial Officers,

and any other codes of conduct and ethics, as may be delegated from time to time to the Committee by the Board.

*Whistleblower complaints and anonymous submissions.* The Committee, with the assistance of management, will establish and maintain procedures for:

- the receipt, retention and treatment of complaints received by the Company, including complaints regarding questionable business practices, and accounting, financial reporting, internal controls or auditing matters, including complaints regarding alleged violations of the Company's Code of Ethics and Business Conduct, Supplemental Code of Ethics for Senior Financial Officers, and any other similar codes or policies adopted by the Company; and
- the confidential, anonymous submission by employees of the Company or other persons of concerns regarding questionable business practices, and accounting, financial reporting, internal controls or auditing matters, including concerns regarding alleged violations of the Company's Code of Ethics and Business Conduct, Supplemental Code of Ethics for Senior Financial Officers, and any other similar codes or policies adopted by the Company.

If the Committee or the Board so determines, the submission procedures may also include a method for interested parties to communicate directly with the Board's Lead Director or with the non-management directors as a group.

*Other reviews and functions.* The Committee, as it may consider appropriate, may consider and review with the full Board, Company management, internal or outside legal counsel, the independent auditors or any other appropriate person any other topics relating to the purposes of the Committee that may come to the Committee's attention and will make such reports to the full Board as are necessary or advisable. The Committee may perform any other activities consistent with this Charter, the Company's corporate governance documents and applicable listing standards, laws and regulations as the Committee or the Board considers appropriate.

## **V. MISCELLANEOUS**

*Committee access and information.* The Committee is at all times authorized to have direct, independent and confidential access to the independent auditors and to the Company's other directors, the internal auditors, management and personnel to carry out the Committee's purposes.

*Investigations and outside advisors.* The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities and is authorized to investigate any other matter brought to the Committee's attention within the scope of its duties. As the Committee deems necessary to carry out its duties, it is authorized to select, engage (including approval of the fees and terms of engagement), oversee, terminate and obtain advice and assistance from outside legal, accounting or other advisers or consultants. The Committee

will have sole authority to approve the engagement of any such consultant or its affiliates for additional services to the Company, including the purchase of any products from such consultant or its affiliates.

*Funding.* The Company will provide for appropriate funding, as determined by the Committee, for payment of:

- compensation to the independent auditors for their audit and audit related review and attest services;
- compensation to any advisers engaged by the Committee; and
- ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

*Reliance on others.* Nothing in this Charter is intended to preclude or impair the protection provided in Section 7-108-401(2) of the Colorado Business Corporation Act for good faith reliance by members of the Committee on reports or other information provided by others. In that regard, each member of the Committee shall be entitled to rely on the integrity of those persons and organizations within and outside the Company that provide information to the Committee, and the accuracy and completeness of the financial and other information provided to the Committee by such persons or organizations absent actual knowledge to the contrary (which shall be promptly reported to the Board).

## **VI. LIMITATION OF AUDIT COMMITTEE'S ROLE**

Although the Committee has the responsibilities and powers set forth in this Charter, it is not the duty or responsibility of the Committee to plan or conduct audits, or to determine that the Company's financial statements are complete and accurate and are in compliance with generally accepted accounting principles, or to design and implement internal controls and procedures or disclosure controls or procedures, or to conduct other types of auditing or accounting reviews or procedures. These duties are the responsibility of management and the independent auditors.