



## **SUTRON CORPORATION**

22400 Davis Drive  
Sterling, VA 20164  
(703) 406-2800 • Fax: (703) 406-2801  
www.sutron.com

### **Sutron Corporation Audit Committee Charter**

#### **Role**

The Audit Committee (“the Committee”) of the Board of Directors (“the Board”) of Sutron Corporation (“the Company”) assists the Board in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing and reporting practices of the Company, and such other duties as directed by the Board. The Committee’s purpose is to oversee the accounting and financial reporting processes of the Company, the audits of the Company’s financial statements, and the qualifications of the independent registered public accounting firm engaged as the Company’s independent registered public accounting firm to prepare or issue an audit report on the financial statements of the Company. The Committee’s role includes a particular focus on the qualitative aspects of financial reporting to shareholders, the Company’s processes to manage business and financial risk, and compliance with significant applicable legal, ethical and regulatory requirements. The Committee is directly responsible for the appointment, compensation, retention and oversight of the independent registered public accounting firm.

#### **Membership**

The membership of the Committee consists of at least three directors, all of whom shall meet the independence requirements in accordance with the applicable rules of the National Association of Securities Dealers (“NASD”) and Rule 10A-3(b) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) (subject to the exemptions provided in Rule 10A-3(c)). Each member shall in the judgment of the Board have the ability to read and understand fundamental financial statements. At least one member of the Committee shall in the judgment of the Board be an “audit committee financial expert” as defined by the rules and regulations of the Securities and Exchange Commission, and at least one member (who may also serve as the audit committee financial expert) shall in the judgment of the Board meet the financial sophistication standard as defined by the requirements of the Nasdaq Stock Market, Inc. The Board appoints the members of the Committee and the chairperson. The Board may remove any member from the Committee at any time with or without cause. No member of the Audit Committee shall have participated in the preparation of the financial statements of the Company in the past three years. No member of the Audit Committee may receive, directly or indirectly, any consulting, advisory or other compensatory fee from the Company or any of its subsidiaries other than fees paid in his or her capacity as a member of the Board of Directors or a committee of the Board.



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If an Audit Committee member ceases to be independent for reasons outside the member's reasonable control, his or her membership on the Audit Committee may continue until the earlier of the Company's next annual shareholders' meeting or one year from the occurrence of the event that caused the failure to qualify as independent. If the Company is not already relying on this provision, and falls out of compliance with the requirements regarding Audit Committee composition due to a single vacancy on the Audit Committee, then the Company will have until the earlier of the next annual shareholders' meeting or one year from the occurrence of the event that caused the failure to comply with this requirement. The Company shall provide notice to NASDAQ immediately upon learning of the event or circumstance that caused the non-compliance, if it expects to rely on either of these provisions for a cure period.

### **Operations**

The Committee meets at least four times a year. Additional meetings may occur as the Committee or its chair deems advisable. The Committee will cause to be kept adequate minutes of all its proceedings, and will report on its actions and activities at the next meeting of the Board. Committee members will be furnished with copies of the minutes of each meeting. The Committee is governed by the same rules regarding meetings, action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board. The Committee is authorized and empowered to adopt its own rules of procedure not inconsistent with (a) any provision of this Charter, (b) any provision of the Bylaws of the Company, or (c) the laws of Virginia.

### **Communications**

The independent registered public accounting firm reports directly to the Committee. The Committee is expected to maintain free and open communications with the independent registered public accounting firm and management. This communication may include periodic private executive sessions with either party.

### **Education**

The Company is responsible for providing new members with appropriate orientation briefings and educational opportunities, and the full Committee with educational resources related to accounting principles and procedures, current accounting topics pertinent to the Company and other material as may be requested by the Committee. The Company will assist the Committee in maintaining appropriate financial literacy.



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### **Authority**

The Committee will have the resources and authority necessary to discharge its duties and responsibilities. The Committee has sole authority to retain and terminate outside counsel or other experts or consultants, as it deems appropriate, including sole authority to approve the firms' fees and other retention terms. The Committee will be provided with appropriate funding by the Company, as the Committee determines, for the payment of compensation to the Company's independent registered public accounting firm; outside counsel and other advisors as it deems appropriate, and ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention. Any communications between the Committee and legal counsel in the course of obtaining legal advice will be considered privileged communications of the Company, and the Committee will take all necessary steps to preserve the privileged nature of those communications. The Committee may form and delegate authority to subcommittees and may delegate authority to one or more designated members of the Committee. The Audit Committee may form and delegate authority to subcommittees, consisting of one or more members with appropriate authority to grant pre-approvals of audit and permitted non-audit services, provided that decisions of any such subcommittee to grant pre-approvals shall be presented to the full Audit Committee at its next scheduled meeting.

### **Responsibilities**

The Committee's specific responsibilities in carrying out its oversight role are delineated in the Audit Committee Responsibilities Calendar. The Responsibilities Calendar will be updated annually to reflect changes in regulatory requirements, authoritative guidance, and evolving oversight practices. As the compendium of Committee responsibilities, the most recently updated Responsibilities Calendar will be considered to be an addendum to this Charter. The Committee relies on the expertise and knowledge of management and the independent registered public accounting firm in carrying out its oversight responsibilities. Management of the Company is responsible for determining that the Company's financial statements are complete, accurate and in accordance with generally accepted accounting principles. The independent registered public accounting firm is responsible for auditing the Company's financial statements. It is not the duty of the Committee to plan or conduct audits, to determine that the financial statements are complete and accurate and in accordance with generally accepted accounting principles, to conduct investigations, or to assure compliance with laws and regulations or the Company's standards of business conduct, codes of ethics, internal policies, procedures and controls.



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**Audit Committee Responsibilities Calendar**

Task	Responsibility	Q1	Q2	Q3	Q4	As Req'd
1	Meet at least four times per year.	x	x	x	x	
2	Review and discuss the Company's quarterly financial statements and earnings release with management.	x	x	x	x	x
3	Inquire of the CEO and CFO regarding the "quality of earnings" of the Company from a subjective as well as an objective standpoint.	x	x	x	x	x
4	Review with management, and the independent registered public accounting firm, any interim and annual financial reports before they are filed with the SEC or other regulators.	x	x	x	x	x
5	Review and discuss with management and the independent registered public accounting firm: (1) any major issues as to the adequacy of the Company's internal controls including computerized information and system controls and security; (2) any special steps adopted in light of material control deficiencies and the adequacy of disclosures about changes in internal control over financial reporting; (3) any related significant findings and recommendations of the independent registered public accounting firm together with management's responses thereto.	x	x	x	x	x
6	Review disclosures made to the Audit Committee by the Company's CEO and CFO during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies and improvements in the design or operation of internal controls or material weaknesses, the remediation of any material weakness and any fraud involving management or other employees who have a significant role in the Company's internal controls.	x	x	x	x	x



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Task	Responsibility	Q1	Q2	Q3	Q4	As Req'd
7	Review with management, and the independent registered public accounting firm, the effect of any regulatory and accounting initiatives, as well as off-balance sheet structures, if any.	x	x	x	x	x
8	Discuss with management, and the independent registered public accounting firm, any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies.	x	x	x	x	x
9	Inquire of management, and the independent registered public accounting firm, about significant risks or exposures facing the Company; assess the steps management has taken, or proposes to take, to minimize such risks to the Company; periodically review compliance with such steps.	x	x	x	x	x
10	Review with the general counsel any legal and regulatory matters that, in the opinion of management, may have a material impact on the financial statements, related Company compliance policies, and programs and reports received from regulators.	x	x	x	x	x
11	Review procedures for the confidential, anonymous submission by employees of the organization of concerns regarding questionable accounting or auditing matters.	x	x	x	x	x
12	Review the procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters that may be submitted by any party internal or external to the organization.	x	x	x	x	x
13	Review any submissions that have been received from all sources regarding questionable accounting, auditing matters, or internal controls; determine current status, and the resolution if one has been reached.	x	x	x	x	x



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Task	Responsibility	Q1	Q2	Q3	Q4	As Req'd
14	Review with management and the independent registered public accounting firms: (1) the Company's annual financial statements and related footnotes; (2) the independent registered public accounting firms' audit of the financial statements and their report thereon; (3) the independent registered public accounting firms' judgments about the quality, not just the acceptability, of the Company's accounting principles as applied in its financial reporting; (4) any significant changes required in the independent registered public accounting firms' audit plan; (5) any serious difficulties or disputes with management encountered during the audit; (6) matters required to be discussed by Statement on Auditing Standards No. 61, <i>Communication with Audit Committees</i> , as amended, related to the conduct of the audit.	x				Annually
15	Review with each independent registered public accounting firm that performs an audit: (1) all critical accounting policies and practices used by the company; (2) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management of the Company, the ramifications of each alternative, and the treatment preferred by the Company.	x				Annually
16	Review all material written communications between the independent registered public accounting firms and management, such as any management letter or schedule of unadjusted differences.	x				Annually



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Task	Responsibility	Q1	Q2	Q3	Q4	As Req'd
17	Obtain from the independent registered public accounting firm a formal written statement delineating all relationships between the independent registered public accounting firm and the Company. The Audit Committee shall discuss with the independent registered public accounting firm any disclosed relationships or services that may impact the objectivity and independence of the auditor and for purposes of taking, or recommending that the full board take, appropriate action to oversee the independence of the outside auditor.	x				Annually
18	Obtain and review a report from the independent registered public accounting firm at least annually regarding (a) the independent registered public accounting firm'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 and (c) any steps taken to deal with any such issues.	x				Annually
19	Review and evaluate the qualifications, performance and independence of the independent registered public accounting firm, 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, and taking into account the opinions of management and internal auditors. The Audit Committee shall present its conclusions with respect to the independent registered public accounting firm to the Board.	x				Annually



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Task	Responsibility	Q1	Q2	Q3	Q4	As Req'd
20	Ascertain that any partner other than the lead or concurring partner serves no more than seven years at the partner level on the Company's audit.	x				Annually
21	Ascertain that the lead (or concurring) audit partner from any independent registered public accounting firm performing audit services, serves in that capacity for no more than five fiscal years of the Company.	x				Annually
22	Review with management the policies and procedures with respect to officers' expense accounts and perquisites, including their use of corporate assets, and consider the results of any review of these areas by the independent registered public accounting firms.	x				Annually
23	Create an agenda for the ensuing year or review and approve the agenda submitted by appropriate Company personnel	x				Annually
24	Review the Committee's charter; reassess its adequacy; recommend changes to Sutron Board; make changes that result from new laws or regulations.	x				Annually
25	Test for independence of each Committee member.	x				Annually
26	Ascertain that at least one Committee member meets the requirements of a financial expert.	x				Annually
27	Conduct a self-assessment and 360-degree evaluation of all members.	x				Annually
28	Meet with the independent registered public accounting firm prior to the commencement of audit field work to discuss the planning and staffing of the audit.				x	Annually
29	Review with the CFO and/or other appropriate Company personnel, the planning, scope and staffing of the audit. Address the coordination of audit efforts to assure the completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.				x	Annually



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Task	Responsibility	Q1	Q2	Q3	Q4	As Req'd
30	Appoint the independent registered public accounting firm; establish the audit fees; pre-approve any non-audit services provided by the independent registered public accounting firms, including tax services, before the services are rendered.					x
31	Review with the full Board any proposed discharge of the independent registered public accounting firms.					x
32	Consider, with management, the rationale for employing audit firms other than the principal independent registered public accounting firm.					x
33	Periodically review the Company's code of conduct to ensure that it is adequate and up-to-date.					x
34	Review with the general counsel the results of its review of the monitoring of compliance with the Company's code of conduct.					x
35	Conduct executive sessions with the independent registered public accounting firm, Sutron officers, Sutron representatives and anyone else as desired by the Committee.					x
36	Hire outside counsel or other consultants as necessary.					x
37	Oversee the preparation of an annual report of the Audit Committee as required by the rules of the SEC and the annual affirmation required by the appropriate listing exchange, if necessary.					x
38	When required by SEC rules, include in the annual Proxy Statement for the Company a report of the Committee in accordance with the Proxy Rules promulgated by the SEC.					x
39	Approve all related party transactions as required by NASDAQ Rule 4350(h).					x
40	Perform such other functions as assigned by law, the Company's charter or bylaws, or the Board.					x

**ORIGINAL DATE OF ADOPTION:** July 6, 2005

**REVISED:** April 5, 2010