

# THE KEYW HOLDING CORPORATION

## AUDIT COMMITTEE CHARTER

### **Purpose and Role**

The Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of The KEYW Holding 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, the qualifications of the registered accounting firm engaged for the purpose of preparing or issuing an audit report and performing other audit, review, or attest services for the Company (the “Independent Auditor”), and the performance of the Company’s internal audit function and Independent Auditor. The Committee reviews and assesses the qualitative aspects of financial reporting, 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 Auditor.

### **Composition**

***Number and Qualifications.*** The membership of the Committee shall consist of at least three directors, all of whom shall meet the independence requirements established by the Board and applicable laws, regulations and listing requirements. The Board must determine that each member of the Committee satisfies the requirements governing independence of audit committee members established by The NASDAQ Stock Market and the Securities and Exchange Commission (the “SEC”), including those issued pursuant to Rule 10A-3 of the Securities Exchange Act of 1934. In addition to satisfying the foregoing independence requirements, each member of the Committee must (i) not have participated in the preparation of the financial statements of the Company or any subsidiary of the Company at any time during the past three years, and (ii) meet the financial literacy requirements established by The NASDAQ Stock Market. In addition, at least one member of the Committee must qualify as an “audit committee financial expert” as defined by the SEC and the requirements of The NASDAQ Stock Market.

***Chairperson.*** The Board shall elect a chairperson (the “Chairperson”) and other members of the Committee on an annual basis, generally at the first meeting of the Board following the Company’s annual stockholders meeting.

***Removal.*** The Board may remove a member of the Committee, or replace the Chairperson, provided that the Board must, at all times, assure that the Committee will have a Chairperson and sufficient members to satisfy the requirements set forth above relating to the number and qualifications of Committee members.

## **Committee Operations**

***Meeting Schedule.*** The Committee shall meet no less frequently than quarterly, and may hold additional meetings at the direction of the Chairperson or at the request of any other Committee member. The Committee may meet in person or by telephone conference call, and may act by unanimous written consent.

***Agenda and Materials.*** The Chairperson shall approve the agenda for the Committee's meetings, and any member may suggest items for the Committee's consideration. Briefing materials shall be provided to the Committee as far in advance of a meeting as practicable.

***Attendance at Meetings.*** At the discretion of the Chairperson, the Committee may invite any officer or employee of the Company, outside advisors or consultants, or any Directors who are not Committee members to attend a meeting of the Committee; provided that (i) the Committee shall meet without such non-member Directors during some portion of each executive session, (ii) the Committee Chairperson may ask non-Committee members to leave the meeting at any time and (iii) non-member Directors may not vote on any actions considered by the Committee.

***Executive Sessions.*** The Committee shall hold executive sessions periodically and as the Committee members deem appropriate. As part of these executive sessions, the Committee shall meet separately and privately with each of the following (i) management, (ii) representatives of the Internal Audit Service Provider (as defined below), if any, and (iii) representatives of the Independent Auditor.

***Voting.*** A majority of the Committee members shall constitute a quorum. Each Committee member shall have one vote and actions at meetings may be approved by a majority of the members present.

***Reporting to the Board.*** At the Board meeting following each Committee meeting, the Chairperson (or the Chairperson's designee) shall report to the full Board, either orally or in writing, on the Committee's actions and recommendations. Among other things, these reports shall address any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Independent Auditor, and the performance of the internal audit function.

***Committee Resources.*** The Committee will have full authority: (1) to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company; (2) to retain independent legal, accounting or other advisers, as it determines to be necessary in the Committee's sole reasonable opinion to carry out its duties, to advise the Committee; and (3) to request any officer or employee of the Company, the Company's external counsel, the Internal Audit Service Providers or the Independent Auditors to attend meetings of the Committee or to meet with any members of, or advisers to, the Committee. The Committee may retain advisers without seeking approval of such retention by the Board. The Company will provide appropriate funding, as determined by the Committee in its sole reasonable opinion, for payment of the compensation of the Independent Auditors and of any independent advisers retained by the Committee, as well as reasonable ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

## **Education**

The Company, with the assistance of the Committee as appropriate, 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.

## **Responsibilities and Duties**

### **Independent Auditor**

***Appointment and Oversight.*** The Committee is responsible for the appointment (and recommending that the Board submit for stockholder ratification, as applicable), compensation, retention, and oversight of the Independent Auditor. The Independent Auditor shall report directly to the Committee.

***Evaluation.*** The Committee shall, no less than annually (including at the time it appoints the Independent Auditor), evaluate the Independent Auditor's qualifications, performance, fees and independence, and consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the independent auditing firm on a regular basis. This evaluation shall include the review and evaluation of the lead partner of the Independent Auditor and ensure the rotation of the lead partner as required by law. In making its evaluation, the Committee shall take into account the opinions of management and the Company's Internal Audit Service Provider (if any). The Committee shall report its findings to the Board.

***Annual Report on Quality Control and Independence.*** The Committee shall receive and review, at least annually, a report from the Independent Auditor relating to the firm's independence and quality controls. This report shall describe (i) the Independent Auditor's internal quality-control procedures, (ii) any material issues raised by the most recent peer review or internal quality-control review of the firm, (iii) any material issues raised by any governmental or professional authority in any inquiry or investigation, within the preceding five years, regarding any independent audit carried out by the firm and (iv) any steps taken to deal with any issues raised in connection with clauses (ii) through (iii) above. Further, to assist the Committee in assessing the firm's independence, the report shall describe all relationships between the Independent Auditor and the Company (including any significant fees for any anticipated non-audit services), including those required by applicable requirements of the Public Company Accounting Oversight Board (the "PCAOB") regarding the independent accountant's communications with the audit committee concerning independence. .

***Hiring Policy.*** The Committee shall make recommendations to the Board regarding the Company's hiring of current or former employees of the Independent Auditor, in accordance with applicable SEC rules and regulations and policies of The NASDAQ Stock Market.

***Independent Auditor Plan and Pre-Approval.*** The Committee shall review with the Independent Auditor and management (and any Internal Audit Service Provider) the plan and scope of the Independent Auditor's proposed annual financial audit and quarterly reviews, including the procedures to be utilized and the Independent Auditor's compensation. The Committee shall also

pre-approve all auditing services, internal control related services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by the Independent Auditor in accordance with pre-approval policies established by the Committee consistent with applicable law and listing standards. The Committee may delegate pre-approval authority to one or more members of the Committee in accordance with pre-approval policies established by the Committee consistent with applicable law and listing standards.

***Audit Reports and Reviews.*** The Committee shall, in consultation with management and the Independent Auditor, review the results of the annual financial audit and limited quarterly reviews of the Company's financial statements, significant findings thereof, and any other matters required to be communicated by Independent Auditors under Generally Accepted Auditing Standards, including, if applicable, the Independent Auditor's summary of any significant accounting, auditing and internal control issues, along with questions, comments and recommendations and management's corrective action plans, if applicable (*i.e.*, the management or internal control letter).

In conjunction with its annual audit and its limited quarterly reviews of the Company's financial statements, the Independent Auditor will review with the Committee the matters required to be discussed under the standards of the PCAOB relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management. Management shall notify the Committee when it seeks a second opinion on a significant accounting issue. The Committee shall be responsible for the resolution of any disagreements between management and the Independent Auditor regarding financial reporting.

## **Internal Audit**

***Internal Auditor.*** The Committee will annually review the experience and qualifications of management and other employees of the Company responsible for conducting the Company's internal audit function. If the Company's internal audit function is outsourced to a third party service provider (an "Internal Audit Service Provider"), the Committee shall be responsible for the engagement, evaluation and termination of the Internal Audit Service Provider, and will approve fees paid to the Internal Audit Service Provider. If an Internal Audit Service Provider is engaged, the Committee will review the quality control procedures applicable to the Internal Audit Service Provider as part of its responsibility to evaluate any Internal Audit Service Provider. The Committee also will, if applicable, obtain and review not less frequently than annually a report of the Internal Audit Service Provider addressing such service providers' internal quality control procedures, any material issues raised by their most recent internal quality control review or by any inquiry or investigation by governmental or professional authorities for the preceding five years, and the response of such service providers to any such review, inquiry or investigation, including any steps taken to deal with any such issues.

***Internal Audit Plan.*** The Committee shall review with management and if applicable any Internal Audit Service Provider, at least annually, an internal audit plan. The Committee shall also receive regular reports from management and if applicable any Internal Audit Service Provider regarding the results of the internal audits. The Committee shall also review with the Internal Auditor, and discuss with management and if applicable any Internal Audit Service Provider, at least annually, the responsibilities, budget, and

staffing of the Company's internal audit function as well as the planned allocation of internal audit resources among its various areas of audit responsibilities.

## **Financial Statements**

**Form 10-K.** The Committee shall meet to review and discuss, in consultation with management and the Independent Auditor, the Company's annual financial statements, the Independent Auditor's report, Management's Report on Internal Control over Financial Reporting, and the Company's disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") to be contained in the annual report on Form 10-K (or the annual report to stockholders if distributed prior to the filing of the Form 10-K) prior to the filing of the Form 10-K with the SEC. The Committee shall be responsible for providing the Board with a recommendation as to the inclusion of the Company's financial statements in the Form 10-K.

**Form 10-Q.** The Committee shall meet to review and discuss, in consultation with management and the Independent Auditor, the Company's quarterly financial statements (including disclosures under MD&A), including the results of the Independent Auditor's review of the quarterly financial statements, prior to filing each of the Company's Quarterly Reports on Form 10-Q with the SEC.

**Scope of Review.** In reviewing the Company's Forms 10-Q and 10-K, the Committee shall meet to review with management and the Independent Auditor:

- the certifications required to be made by management in relation to the filings, including regarding any significant deficiencies or material weaknesses in the design or operation of the Company's internal control over financial reporting and any fraud, whether or not material, involving management or other employees who have a significant role in the Company's system of internal control;
- major issues regarding the presentation of, and the clarity of the disclosure in, the Company's financial statements;
- major issues regarding the Company's accounting principles, including (i) significant changes in the Company's selection or application of its accounting principles, (ii) material questions of choice with respect to the appropriate accounting principles and practices used and to be used in the preparation of the Company's financial statements, including judgments about the quality, not just acceptability, of accounting principles, and (iii) the reasonableness of those significant judgments;
- significant regulatory and accounting initiatives, including material changes in, or adoptions of, accounting principles and disclosure practices and standards;
- the effect of off-balance sheet structures on the Company's financial statements;
- any analyses prepared by management or the Independent Auditor regarding the foregoing matters; and
- other communications regarding the results of the Independent Auditor's audit or review, including any other matters required to be communicated to the Committee by the Independent Auditor under Generally Accepted Auditing Standards (such as any management letter or schedule of unadjusted differences).

## **Earnings Releases and Guidance**

***Review of Releases.*** The Committee (or Chairperson) shall discuss with management and the Independent Auditor each of the Company's earnings releases prior to its issuance.

***Periodic Review.*** In addition, the Committee shall periodically review and discuss with management and the Independent Auditor the type of presentation and information to be included in the Company's earnings press releases (including, but not limited to, the use of "pro forma" and "non-GAAP" financial information), and earnings guidance provided to analysts and rating agencies.

## **Compliance Oversight Responsibilities**

***Whistleblower Procedures.*** 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 the Company's employees of concerns regarding questionable accounting or auditing matters.

***Review of Disclosure Controls and Procedures.*** The Committee will review with the Chief Executive Officer, the Chief Financial Officer and the Company's internal or external legal counsel the Company's disclosure controls and procedures and will review periodically, but no less frequently than quarterly, management's conclusions about the efficacy of such disclosure controls and procedures, including any significant deficiencies in, or material non-compliance with, such controls and procedures.

***Review of Internal Control Over Financial Reporting.*** The Committee will review and discuss with management and the Independent Auditor any material issues as to the adequacy of the Company's internal control over financial reporting, any special steps adopted in light of significant deficiencies or material weaknesses and the adequacy of disclosures about changes in internal controls over financial reporting.

***Risk Assessment.*** The Committee shall discuss the Company's major financial and other risk exposures and the steps that management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies. In fulfilling this responsibility, the Committee shall, no less than annually, receive a report from management regarding the manner in which the Company is assessing and managing the Company's exposure to financial and other risks.

***Review of Legal and Regulatory Compliance.*** The Committee will periodically review with management and the Company's internal or external legal counsel any correspondence with, or other action by, regulators or governmental agencies and any employee complaints or published reports that raise concerns regarding the Company's financial statements, accounting or auditing matters or compliance with the Company's Code of Business Conduct and Ethics. The Committee also will meet periodically with the Company's internal or external legal counsel to review material legal affairs of the Company and the Company's compliance with applicable law and listing standards.

***Code of Business Conduct and Ethics.*** The Committee will consider and act upon any request by executive officers or directors for waivers under the Code of Business Conduct and Ethics.

***Related Person Transactions.*** The Committee will conduct an appropriate review of all related person transactions for potential conflict of interest situations on an ongoing basis in accordance with the Company's Policy for Related Person Transactions and be responsible for approving all such transactions. The related person transactions subject to Committee review and approval are transactions required to be disclosed pursuant to Item 404 of Regulation S-K promulgated by the SEC or subject to prior review under the Company's Policy for Related Person Transactions. The Committee will discuss with the Independent Auditor its evaluation of the Company's identification of, accounting for, and disclosure of Related Person Transactions as set forth under the standards of the PCAOB. The Committee is responsible for periodically reviewing and making recommendations to the Board regarding the Policy for Related Person Transactions.

### **Other Responsibilities**

***Evaluation.*** The Committee shall conduct an evaluation of the Committee's performance at least annually. The evaluation shall address subjects including the Committee's composition, responsibilities, structure and processes, and effectiveness. As part of this evaluation, the Committee shall also review this Charter. The Committee, as appropriate, shall make recommendations to management, the Nominating and Governance Committee, or the full Board as a result of its performance evaluation and review of this Charter.

***Proxy Statement Report.*** The Committee will prepare the report of the Committee required by the rules of the SEC to be included in the Company's annual proxy statement.

***Other Responsibilities.*** The Committee also will carry out such other duties that may be delegated to it by the Board from time to time.

### **Responsibilities of Others**

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits, to implement internal controls or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. These matters and tasks are the responsibility of management and the Independent Auditor. Likewise, it is the responsibility of the Company's management and/or the Independent Auditor to bring appropriate matters to the attention of the Committee, and to keep the Committee informed of matters that the Company's management or the Independent Auditor believe require attention, guidance, resolution or other actions, the bases therefore and other relevant considerations. Nor is it the duty of the Committee to conduct investigations, to resolve disagreements, if any, between management and the Independent Auditor or to assure compliance with laws and regulations.

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Adopted by the Board effective April 30, 2010.

Revised effective May 10, 2018.