

**ARRHYTHMIA RESEARCH TECHNOLOGY, INC.**  
**AUDIT COMMITTEE CHARTER**

**I. PURPOSE**

The primary purpose of the Committee is to assist the Board of Directors (the “Board”) in fulfilling its oversight responsibility to shareholders, potential shareholders and the investment community relative to the audits of the Arrhythmia Research Technology, Inc. (the “Company” or “Arrhythmia”) financial statements; the qualifications, independence and performance of the Company's independent auditor; and the quality and integrity of the Company's accounting, auditing and financial reporting processes.

The Committee, in its capacity as the Audit Committee of the Board, has direct responsibility for the appointment, compensation, retention and oversight of the work of any registered public accounting firm employed by Arrhythmia (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. Any such firm engaged shall report directly to this Committee.

Although the Committee has the authority and responsibilities set forth in this Charter, the primary role of the Committee is oversight. It is not the duty of the Committee to conduct audits, to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles and applicable laws, rules and regulations, or to otherwise assure the Company's compliance with applicable laws, rules and regulations. These are the respective responsibilities of management and the independent auditor.

**II. AUTHORITY**

The Committee has the ultimate authority and responsibility to select, evaluate, and where appropriate, replace the outside auditor. The outside auditors are ultimately accountable to the Audit Committee for such auditors' review of the financial statements and controls of Arrhythmia.

The Committee's prior approval is required for all auditing services and non-audit services except to the limited extent permitted by law.

In discharging its responsibilities hereunder, the Committee is empowered to investigate any significant matter brought to its attention with full access to all books, records, facilities and personnel of the Company.

The Committee shall have the authority to engage independent legal, accounting and other advisors as it determines necessary to carry out its duties.

The Committee may form and delegate authority to subcommittees consisting of one or more members to (a) grant pre-approvals of auditing services and non-audit services to be provided to the Company by the independent auditor or (b) to perform other duties (subject to Board approval) as appropriate.

**III. MEMBERSHIP REQUIREMENTS**

The Committee shall be comprised of two or more members of the Board, which members shall meet the applicable independence and financial literacy requirements of the American Stock Exchange, the Securities and Exchange Commission (the “SEC”) and the Sarbanes-Oxley Act of 2002 and shall be free of any material relationship with the Company that, in the opinion of the Board, would interfere with the exercise of independent judgment. In

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addition, at least one member of the Committee shall have the financial sophistication to the extent and as required by the American Stock Exchange and applicable law.

**IV. STRUCTURE AND PROCESSES**

Appointment of Members, Chair. Committee members shall be appointed by the Board at its annual organizational meeting; members shall serve until their successors are duly appointed and qualified at which time the Board shall designate a Chairman of the Committee from among the members of the Committee. Vacancies occurring in the Committee may be filled by appointment of the Board and no member of the Committee shall be removed except by vote of a majority of Directors present at any regular or special meeting of the Board.

Meetings. The Committee may hold regular meetings on such days and at such times as it shall determine. The Committee shall meet on at least a quarterly basis, and more frequently as circumstances dictate. Minutes of the meetings and records of the Committee shall be regularly kept by the Secretary or a person appointed by the Committee to do so.

All meetings require the presence of a majority of the members of the Committee to conduct business. Each Committee member shall have one vote. All actions or determinations by the Committee must be by majority vote of the members present except such actions as may be delegated to subcommittees.

Rules and Guidelines. The Committee may adopt such other rules and guidelines for its meetings and other activities as it deems appropriate.

**V. DUTIES AND RESPONSIBILITIES**

The Committee shall have the following common recurring duties and responsibilities:

**A. Financial Statements**

1. Review and discuss with management and the independent auditor financial statements and related information contained in the Company's Annual Reports on Form 10-KSB and Quarterly Reports on Form 10-QSB, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," prior to filing.
2. Review and discuss with management and, as appropriate, the independent auditor, prior to issuance, financial information provided by the Company to the general public or any regulatory body.
3. Recommend to the Board, if appropriate, that the Company's annual audited financial statements be included in the Company's Annual Report on Form 10-KSB.
4. Prepare the report of the Committee required to be included in the Company's annual proxy statement.

**B. Independent Auditor**

1. Select, appoint, retain, oversee and evaluate the work of and, where appropriate, replace the independent auditor (or nominate the independent auditor to be proposed for shareholder approval in any proxy statement), who is ultimately accountable to the Committee and will report directly to the Committee.

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2. Review and approve all audit and non-audit services to be performed by the independent auditor and the related fees and compensation for such services. The Committee may establish pre-approval policies and procedures for such services that comply with applicable laws, rules and regulations.
3. Ensure that the independent auditor submits to the Committee a formal written statement (consistent with Independent Standards Board Standard No. 1) at least annually delineating all relationships between the independent auditor and the Company and all services provided by the independent auditor to the Company that may impact the objectivity and independence of the independent auditor; actively engage in a dialogue with the independent auditor with respect to any disclosed relationships or services that may impact its objectivity or independence; and take, or recommend that the Board take, appropriate action to oversee the independence of the independent auditor.

C. Accounting, Auditing and Financial Reporting Processes

1. In consultation with management, the internal auditors and the independent auditor, review the quality and integrity of the Company's accounting, auditing and financial reporting processes, including internal controls and operating procedures and practices.
2. Resolve any disagreements between management and the independent auditor regarding financial reporting.
3. Review and discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 - Communication with Audit Committees, as amended, relating to the conduct of the audit.
4. Receive reports submitted to the Committee by the independent auditor pursuant to Section 10A(k) of the Securities Exchange Act of 1934 regarding: (i) critical accounting policies and practices to be used in the audit; (ii) alternative treatments of financial information; and (iii) material written communications between the independent auditor and management.
5. Establish procedures for the confidential anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
6. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting or auditing matters.
7. Review and discuss with the Chief Executive Officer and the Chief Financial Officer their respective conclusions set forth in the Company's Annual Reports on Form 10-KSB and Quarterly Reports on Form 10-QSB, regarding the effectiveness of the Company's disclosure controls and procedures.
8. Review and discuss with the Chief Executive Officer and the Chief Financial Officer any matters required to be disclosed by such officers pursuant to Rule 13a-14 of the Securities Exchange Act of 1934 regarding any significant deficiencies in the design or operation of the Company's internal control over financial reporting which could adversely affect the Company's ability to record, process, summarize and report financial data.

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9. Review and discuss with the Chief Executive Officer and the Chief Financial Officer any matters required to be disclosed by such officers pursuant to Rule 13a-14 of the Securities Exchange Act of 1934 regarding any fraud involving management or other employees who have a significant role in the Company's internal control over financial reporting.

D. Other

1. Receive reports from the Company's legal counsel regarding any material violation of law or any material breach of fiduciary duty by the Company, an officer, employee or any agent of the Company.
2. Receive reports from the independent auditor regarding illegal acts that have been detected by or have otherwise come to the attention of the independent auditor in the course of the audit.
3. Review and oversee transactions between the Company and its directors and executive officers. For purposes of this Section V.D.3, "transaction" shall not include payment of compensation to, or participation in benefit plans by, directors or executive officers in such capacities or as employees of the Company.
4. Engage independent legal, accounting and other advisors as it determines necessary to carry out its duties and determine appropriate compensation for such advisors.
5. Determine appropriate funding for payment of ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.
6. Report regularly to the Board regarding issues arising before, and actions taken by, the Committee.
7. Review and reassess the adequacy of this Charter periodically as circumstances dictate, but no less frequently than annually, and recommend any proposed changes to the Board for approval.
8. Perform any other activities consistent with this Charter, the Company's Certificate of Incorporation and By-laws, and governing law as the Committee or the Board deems necessary or appropriate.