



**CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS OF
NORTHERN POWER SYSTEMS CORP.**

Adopted January 2, 2015

PURPOSE OF AUDIT COMMITTEE

The Audit Committee of the Board of Directors (“Audit Committee”) of Northern Power Systems Corp. (the “Company”) has been established to assist the Board in fulfilling its oversight responsibilities with respect to the following principal areas:

- the Company’s external audit function, including the qualifications, independence, appointment and oversight of the work of the external auditors;
- the Company’s accounting and financial reporting requirements;
- the Company’s reporting of financial information to the public;
- the Company’s compliance with law and regulatory requirements;
- the Company’s risks and risk management policies;
- the Company’s system of internal controls and management information systems; and
- such other functions as are delegated to it by the Board.

Specifically, with respect to the Company’s external audit function, the Audit Committee assists the Board in fulfilling its oversight responsibilities relating to: the quality and integrity of the Company’s financial statements; the external auditors’ qualifications; and the performance of the Company’s external auditors.

MEMBERSHIP

The Audit Committee shall consist of as many members as the Board shall determine but, in any event not fewer than three directors, each of whom must (1) be “independent” as defined in Rule 5605(a)(2) under the Stock Market Rules of The NASDAQ Stock Market LLC (“NASDAQ”); (2) meet the criteria for independence set forth in Rule 10A-3(b)(1) promulgated under Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), subject to the exemptions provided in Rule 10A-3(c) under the Exchange Act; and (3) not have participated in the preparation of the financial

statements of the Company or a current subsidiary of the Company at any time during the past three years. Notwithstanding the foregoing, one director who: (1) is not “independent” as defined in Rule 5605(a)(2) under the NASDAQ Stock Market Rules; (2) satisfies the criteria for independence set forth in Section 10A(m)(3) of the Exchange Act and the rules thereunder; and (3) is not a current officer or employee or a Family Member of such officer or employee, may be appointed to the Audit Committee if the Board, under exceptional and limited circumstances, determines that membership on the Audit Committee by the individual is required by the best interests of the Company and its stockholders, and the Board discloses, in the next annual proxy statement subsequent to such determination (or, if the Company does not file a proxy statement, in its Form 10-K), the nature of the relationship and the reasons for that determination. A member appointed under this exception may not serve on the Audit Committee for more than two years and may not chair the Audit Committee.

The members of the Audit Committee shall be appointed by the Board, and, except as provided above, each member shall continue to be a member until a successor is appointed, unless the member resigns, is replaced or removed or ceases to be a director of the Company. The Board may fill a vacancy that occurs in the Audit Committee at any time. The Board shall designate one member of the Audit Committee to be Chair of the committee. The Secretary of the Company shall be the secretary of the Audit Committee.

Each member of the Audit Committee, at the time of his or her appointment, must be financially literate. To be financially literate, an individual must be able to read and understand a set of financial statements (including a balance sheet, income statement, and cash flow statement) that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements. At least one member of the Audit Committee must have past employment experience in financing or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual’s financial sophistication, including being or having been a chief executive officer, chief financial officer, or other senior officer with financial oversight responsibilities.

No member of the Audit Committee may simultaneously serve on the audit committee of more than three issuers having securities registered under Section 12 of the Exchange Act, unless the Board determines that such simultaneous service would not impair the ability of such member to effectively serve on the Audit Committee.

MEETINGS

The Chair of the Audit Committee, in consultation with the Audit Committee members, shall determine the schedule and frequency of the Audit Committee meetings provided that the Audit Committee will meet at least four times in each fiscal year and at least once in every fiscal quarter. The Audit Committee shall have the authority to convene additional meetings as circumstances require.

Notice of every meeting shall be given to the external and internal auditors of the Company, and meetings shall be convened whenever requested by the external auditors or any member of the Audit Committee in accordance with applicable law.

A majority of the members of the Audit Committee shall constitute a quorum for purposes of holding a meeting, and the Audit Committee may act by a vote of a majority of the members present at such meeting. In lieu of a meeting, the Audit Committee may act by unanimous written consent. Periodically, the Audit Committee shall also meet separately with management, with internal auditors (or other personnel responsible for the internal audit function), with legal counsel and with the external auditors.

The Audit Committee shall meet separately with the external auditors at every meeting of the Audit Committee at which external auditors are present.

RESOURCES AND AUTHORITY

The Audit Committee shall have the resources and the authority to discharge its responsibilities, including the authority, in its sole discretion, to engage, at the expense of the Company, outside consultants, independent legal counsel and other advisors and experts as it determines necessary to carry out its duties, without seeking approval of the Board or management. The Audit Committee shall have the authority, without seeking approval of the Board or management, to set and pay the compensation for any such outside consultants, independent legal counsel and other advisors and experts employed by the Audit Committee in connection with carry out its duties. The Company shall provide appropriate funding, as determined by the Audit Committee, for payment of ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

The Audit Committee shall have the authority to conduct any investigation necessary and appropriate to fulfilling its responsibilities, and has direct access to and the authority to communicate directly with the internal and external auditors, the counsel of the Company and other officers and employees of the Company.

The members of the Audit Committee shall have the right for the purpose of performing their duties to inspect all the books and records of the Company and its subsidiaries and to discuss such accounts and records and any matters relating to the financial position, risk management and internal controls of the Company with the officers and external and internal auditors of the Company and its subsidiaries. Any member of the Audit Committee may require the external or internal auditors to attend any or every meeting of the Audit Committee. The Audit Committee may further request that any officer or employee of the Company, the Company's outside legal counsel, or any other professional retained by the Company to render advice to the Company, attend a meeting of the Audit Committee or meet with any member of or advisors to the Audit Committee.

COMPENSATION

A member of the Audit Committee may not, other than in his or her capacity as a member of the Audit Committee, the Board or any other committee established by the Board, receive directly or indirectly any consulting, advisory or other compensatory fee from the Company. A member of the Audit Committee may receive additional directors' fees to compensate such member for the significant time and effort expended by such member to fulfill his or her duties as an Audit Committee member.

RESPONSIBILITIES

The Company's management is responsible for preparing the Company's financial statements and the external auditors are responsible for auditing those financial statements. The Audit Committee is responsible for overseeing the conduct of those activities by the Company's management and external auditors, and overseeing the activities of the internal auditors.

The specific responsibilities of the Audit Committee shall include those listed below. The enumerated responsibilities are not meant to restrict the Audit Committee from examining any matters related to its purpose.

1. Financial Reporting Process and Financial Statements

The Audit Committee shall:

- a. in consultation with the external auditors and the internal auditors, review the integrity of the Company's financial reporting process, both internal and external, and any major issues as to the adequacy of the internal controls and any special audit steps adopted in light of material control deficiencies;
- b. in accordance with the Company's Related Person Transaction Policy, review and approve all material transactions and material contracts entered into between (i) the Company or any subsidiary of the Company, and (ii) any subsidiary, director, officer, insider or related party of the Company, other than transactions in the ordinary course of business, and review such policy on an annual basis;
- c. review and discuss with management and the external auditors:
 - (i) the preparation of Company's annual audited consolidated financial statements and its interim unaudited consolidated financial statements;
 - (ii) whether the financial statements present fairly (in accordance with applicable generally accepted accounting principles) in all material respects the financial condition, results of operations and cash flows of the Company as of and for the periods presented;
 - (iii) any matters required to be discussed with the external auditors according to applicable generally accepted auditing standards;
 - (iv) an annual report by the external auditors describing:
 - (A) all critical accounting policies and practices used by the Company;
 - (B) all material alternative accounting treatments of financial information within generally accepted accounting principles that have been discussed with management of the Company, including the ramifications of the use such alternative treatments and disclosures and the treatment preferred by the external auditors; and
 - (C) other material written communications between the external auditors and management;
- d. following completion of the annual audit, review with each of: (i) management; (ii) the external auditors; and (iii) the internal auditors, any significant issues, concerns or difficulties encountered during the course of the audit;
- e. review the interim quarterly and annual financial statements, Management's Discussion and Analysis and annual and interim profit or loss press releases prior to the public disclosure of such information;
- f. review and be satisfied that adequate procedures are in place for the review of the public disclosure of financial information by the Company extracted or derived from the Company's

financial statements, other than the disclosure referred to in clause (e) above, and periodically assess the adequacy of those procedures;

- g. discuss the Company's financial information and earnings guidance provided to analysts and rating agencies, including, in general, the types of information to be disclosed and the types of presentations to be made (paying particular attention to the use of "pro forma" or "adjusted" non-GAAP information);
- h. review and discuss with the external auditors (outside the presence of management) how the external auditors plan to handle their responsibilities under the Private Securities Litigation Reform Act of 1995, and request assurance from the external auditors that Section 10A(b) of the Exchange Act has not been implemented; and
- i. review and discuss with the external auditors any audit problems or difficulties and management's response thereto. This review shall include (1) any difficulties encountered by the external auditors in the course of performing their audit work, including any restrictions on the scope of their activities or their access to information, (2) any significant disagreements with management and (3) a discussion of the responsibilities, budget and staffing of the Company's internal audit function.

2. Matters Relating to Selection, Performance, and Independence of External Auditors

The Audit Committee shall:

- a. require the external auditors to report directly to the Audit Committee;
- b. be directly responsible for the selection, nomination, compensation, retention, termination and oversight of the work of the Company's external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, and in such regard recommend to the Board the external auditors to be nominated for approval by the shareholders;
- c. be directly responsible for oversight of work of the external auditors (including resolution of disagreements between management and the external auditors regarding financial reporting) engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company;
- d. pre-approve all auditing services (which may include providing comfort letters in connections with securities underwritings) and non-audit services to be provided to the Company by the external auditors, including fees and terms for all audit engagements and non-audit engagements, and in such regard the Audit Committee may establish the types of non-audit services the external auditors shall be prohibited from providing and shall establish the types of audit, audit related and non-audit services for which the Audit Committee will retain the external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services for the Company if the "de minimus" provisions of Section 10A(i)(1)(B) of the Exchange Act are satisfied. The Audit Committee may delegate to one or more of its members the authority to pre-approve audit and non-audit services, provided that any such delegated pre-approval shall be exercised in accordance with the types of particular services authorized by the Audit Committee to be provided by the external auditor and the exercise of such delegated pre-

approvals shall be presented to the full Audit Committee at its next scheduled meeting following such pre-approval;

- e. review and approve the scope and staffing of the external auditors' annual audit plan(s);
- f. regarding written statements relating to the Company's relationship with external auditors: (i) request that the external auditors provide the Audit Committee with the written disclosures and the letter required by the Public Company Accounting Oversight Board (the "PCAOB") Rule 3526 ("Rule 3526"); (ii) require that the external auditors submit to the Audit Committee at least annually a formal written statement describing all relationships between the external auditors or any of its affiliates and the Company or persons in financial reporting oversight roles at the Company that might reasonably be thought to bear on the independence of the external auditors; (iii) discuss with the external auditors the potential effects of any disclosed relationships or services on the objectivity and independence of the external auditors; (iv) require that the external auditors provide the Audit Committee written affirmation that the external auditor is, as of the date of the affirmation, independent in compliance with PCAOB Rule 3520; and (v) based on such disclosures, statement, discussion and affirmation, take or recommend that the Board take appropriate action in response to the external auditor's report to satisfy itself of the external auditor's independence. In addition, before approving the initial engagement of any external auditor, the Audit Committee shall receive, review and discuss with the audit firm all information required by, and otherwise take all actions necessary for compliance with, the requirements of Rule 3526. References to rules of the PCAOB shall be deemed to refer to such rules and to any substantially equivalent rules adopted to replace such rules, in each case as subsequently amended, modified or supplemented;
- g. consider whether the provision of the services covered in Items 9(e)(2) and 9(e)(3) of Regulation 14A of the Exchange Act (or any successor provision) is compatible with maintaining the external auditor's independence;
- h. consider, assess and report to the Board with regard to the independence, qualifications and performance of the external auditors and present its conclusions with respect to the external auditors to the full Board. As part of such report, the Audit Committee shall, at least annually:
 - (i) request and review the audit plan of the external auditors as well as a report by the external auditors to be submitted at least annually regarding: (A) the external auditing firm's internal quality-control procedures; (B) any material issues raised by the external auditor's own most recent internal quality-control review or peer review of the auditing 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 external auditors, and any steps taken to deal with any such issues; and (C) in order to assess the auditor's independence, all relationships between the external auditors and the Company;
 - (ii) review and evaluate the performance of the external auditors and the lead partner; and
 - (iii) assure the regular rotation of the audit partners (including, without limitation, the lead and concurring partners) as required under the Exchange Act and Regulation S-X.

In this regard, the Audit Committee shall also seek the opinion of the Company's management and internal auditors of the external auditor's performance and consider whether, in order to assure continuing auditor independence, there should be regular rotation of the audit firm; and

- i. review and approve the Company's policies for the hiring of partners and employees and former partners and employees of the external auditors.

3. Accounting Systems and Internal Controls

The Audit Committee shall:

- a. oversee management's design and implementation of and reporting on internal controls. The Audit Committee shall also receive and review reports from management, the internal auditors (if any) and, as and when applicable, the external auditors on an annual basis with regard to the reliability and effective operation of the Company's accounting system and internal controls; and
- b. review annually the performance, activities, organization and qualifications of the internal auditors and discuss with the external auditors the responsibilities, budget and staffing of the internal audit function.

4. Legal and Regulatory Requirements

The Audit Committee shall:

- a. receive and review timely analysis by management of significant issues relating to public disclosure and reporting;
- b. review, prior to finalization, periodic public disclosure documents containing financial information, including the Management's Discussion and Analysis and Annual Information Form, if required;
- c. prepare the report of the Audit Committee required to be included in the Company's periodic filings and annual proxy statement;
- d. review with the Company's legal counsel compliance matters, significant litigation and other legal matters that could have a significant impact on the Company's financial statements; and
- e. assist the Board in the oversight of compliance with legal and regulatory requirements and review with legal counsel the adequacy and effectiveness of the Company's procedures to ensure compliance with legal and regulatory responsibilities.

5. Additional Responsibilities

The Audit Committee shall:

- a. discuss policies with the external auditor, internal auditor and management with respect to risk assessment and risk management, and discuss or consider the Company's major financial risk exposures and the steps that the Company's management has taken to monitor and control such exposures;

- b. establish procedures and policies for the following:
 - (i) the receipt, retention, treatment and resolution of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
 - (ii) the confidential, anonymous submission by directors or employees of the Company of concerns regarding questionable accounting or auditing matters or any potential violations of legal or regulatory provisions;
- c. prepare and review with the Board an annual performance evaluation of the Audit Committee;
- d. report regularly to the Board, including with regard to matters such as the quality or integrity of the Company's financial statements, compliance with legal or regulatory requirements, the performance of the internal audit function, and the performance and independence of the external auditors; and
- e. review and reassess the adequacy of the Audit Committee's Charter on an annual basis.

6. General

The Audit Committee may:

- a. form and delegate authority to subcommittees consisting of one or more of its members as the Audit Committee deems appropriate to carry out its responsibilities and exercise its powers.
- b. perform such other oversight functions outside its stated purpose as may be requested from the Board from time to time.

LIMITATION ON THE OVERSIGHT ROLE OF THE AUDIT COMMITTEE

Nothing in this Charter is intended, or may be construed, to impose on any member of the Audit Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all members of the Board are subject.

Each member of the Audit Committee shall be entitled, to the fullest extent permitted by law, to rely on the integrity of those persons and organizations within and outside the Company from whom he or she receives financial and other information, and the accuracy of the information provided to the Company by such persons or organizations.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and in accordance with applicable generally accepted accounting principles and applicable rules and regulations. These are the responsibility of management and the external auditors.