

Nivalis Therapeutics, Inc.
Audit Committee Charter

(Adopted on February 25, 2015)

Purpose

The purpose of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Nivalis Therapeutics, Inc. (the “Company”) is to assist the Board in its oversight of (1) the integrity of the Company’s financial statements, the financial reporting process and the Company’s systems of internal accounting and financial controls, (2) the Company’s compliance with legal and regulatory requirements, (3) the independent auditors’ qualifications and independence, (4) the performance of the Company’s independent auditors, and (5) as applicable, the design, implementation and performance of the Company’s internal audit function.

The Committee’s role is one of oversight. It is the responsibility of the management of the Company to prepare financial statements in accordance with generally accepted accounting principles (“GAAP”) and of the independent auditors to audit those financial statements. It is not the responsibility of the Committee to plan or conduct audits or to determine that the Company’s financial statements are complete and accurate or are in compliance with GAAP.

Composition

The Committee shall be comprised of not less than three members of the Board. Subject to any applicable “phase in” provisions relating to the composition of the Committee that are available to the Company under applicable listing standards of The NASDAQ Global Market (“NASDAQ”) or applicable law, each member of the Committee shall meet the independence and experience requirements established by applicable NASDAQ listing standards (other than in the case of exceptional and limited circumstances as contemplated by applicable NASDAQ listing standards, in which case one member of the Committee need not be independent so long as all other applicable NASDAQ listing standards relating to such Committee member’s appointment are satisfied) and by the Securities Exchange Act of 1934 (the “Exchange Act”) and the rules and regulations of the SEC adopted thereunder. In addition, no member of the Committee can have participated in the preparation of the Company’s financial statements at any time during the past three years.

All members of the committee must be able to read and understand fundamental financial statements, including a company’s balance sheet, income statement and statement of cash flows, and the Committee shall have at least one member who has past employment experience in finance or accounting, requisite professional certification in accounting or other comparable experience or background which results in the member’s financial sophistication. At least one member of the Committee must qualify as an “audit committee financial expert” as defined by SEC rules and regulations.

Each member of the Committee shall be appointed and serve at the discretion of the Board, based on recommendations from the Nominating and Corporate Governance Committee. The members of the Committee shall serve for such term or terms as the Board may determine or until earlier resignation or death and may be removed by the Board at any time with or without cause. Any vacancies on the Committee shall be filled by the Board. The Board shall designate a Chairperson of the Committee.

Meetings and Operations

The Committee will meet at least once during each fiscal quarter, with further meetings to occur when deemed necessary or desirable. Meetings may be called by the Chairperson of the Committee or at the request of the Board. The Chairperson of the Committee will, in conjunction with appropriate members of the Committee and management, establish the meeting calendar and set the agenda for each meeting. The Committee must meet separately, periodically, with management, with the independent auditor, with the Company personnel primarily responsible for the design and implementation of the internal audit function, and with the internal auditor (or other personnel responsible for the internal audit function) after the internal audit function has been established. The Committee will meet periodically in separate sessions with the independent auditors and with members of management, including but not limited to the Chief Financial Officer, the internal auditor (if any) and the the chief compliance officer (if any), to discuss any matters which the Committee or these persons believe should be discussed privately with the Committee.

The Committee may request that any directors, officers or employees of the Company, or other persons whose advice and counsel are sought by the Committee, attend any meeting of the Committee to provide such information as the Committee requests.

The Committee shall maintain minutes or other records of meetings and activities of the Committee. Following each of its meetings, the Committee shall report on the meeting to the Board.

Responsibilities and Duties

The following are the responsibilities and duties of the Committee:

1. To meet with the independent auditors, the Company's management, the internal auditors (or other personnel responsible for the internal audit function), and such other personnel as it deems appropriate and discuss such matters as it considers appropriate, including the matters referred to below. The Committee must meet separately with management, the independent auditors and the internal auditors (if any) periodically.
2. To oversee the accounting and financial reporting processes of the Company and the audits of the financial statements.
3. To decide whether to appoint, retain or terminate the Company's independent auditors, including sole authority to approve all audit engagement fees and terms and to pre-approve all audit and permitted non-audit and tax services to be provided by the independent auditors, which shall report directly to the Committee. The Committee will monitor and evaluate the auditors' qualifications, performance and independence on an ongoing basis, and will oversee the work of the independent auditors and registered public accounting firms (including resolving disagreements between management and the auditor regarding financial reporting). In conducting such evaluations, the Committee will:
 - a. At least annually, obtain and review a report by the independent auditors describing: (a) the auditors' internal quality-control procedures; (b) any material issues raised by the most recent internal quality-control review or peer review of the 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 auditors, and any steps taken to deal with any such issues; and (c) (to assess the auditors' independence) all relationships between the independent auditors and the Company and any affiliates

(including information the Company determines is required to be disclosed in the Company's proxy statement as to services for audit and non-audit services provided to the Company and those disclosures required by Independence Standards Board Standard No. 1, as it may be modified or supplemented).

- b. Discuss with the independent auditors any disclosed relationships or services that may impact the objectivity or independence of the independent auditors.
 - c. Review and evaluate the qualifications, performance and independence of the lead partner of the independent auditors.
 - d. Take into account the opinions of management and the internal auditors (if any).
 - e. Discuss with management the timing and process for implementing the rotation of the lead audit partner, the concurring partner and any other active audit engagement team partner and consider whether there should be a regular rotation of the audit firm itself. The Committee will present its conclusions with respect to the independent auditors to the Board for its information at least annually.
 - f. Periodically, normally on an annual basis, discuss with the independent auditors any material written communications between the independent auditors and management, such as any "management" letter or schedule of unadjusted differences.
4. Meet to review and discuss with management and the independent auditors the Company's 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" to be included in the Company's quarterly report on Form 10-Q and annual report on Form 10-K before filing. The Committee will discuss, as applicable: (a) 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; (b) 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 GAAP methods on the financial statements; and (c) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
5. To discuss with the independent auditors on at least an annual basis the matters required to be discussed by Statement of Accounting Standards No. 61, as it may be modified or supplemented, as well as any problems or difficulties the auditors encountered in the course of the audit work, including any restrictions on the scope of the independent auditors' activities or access to requested information, and any significant disagreements with management and management's response. Among the items the Committee will consider discussing with the independent auditors are: any accounting adjustments that were noted or proposed by the independent auditors but were "passed" (as immaterial or otherwise); any communications between the audit team and the independent auditor's national office with respect to auditing or accounting issues presented by the engagement; and any "management" or "internal control" letter issued, or proposed to be issued, by the independent auditors to the Company. The discussion will also include the responsibilities, budget, staffing and performance of the Company's internal auditors if that function has been established.

6. To discuss with management earnings press releases (including the use of “pro forma” or “adjusted non-GAAP information”), as well as financial information and any earnings guidance provided to analysts and rating agencies. Discussion of earnings releases as well as financial information and any earnings guidance may be done generally (i.e., discussion of the types of information to be disclosed and the type of presentation to be made).
7. To discuss with management and, as appropriate, the independent auditors periodically, normally on at least an annual basis:
 - a. The independent auditors’ annual audit scope and plan and risk assessment and risk management policies.
 - b. The form of independent auditors’ report on the annual financial statements and matters related to the conduct of the audit under generally accepted auditing standards.
 - c. Any report on the Company’s internal control over financial reporting and the independent auditor’s attestation relating thereto, prior to such documents being included in any annual report on Form 10-K.
 - d. All critical accounting policies and practices, including, without limitation, the independent auditors’ evaluation of the quality of the Company’s financial reporting, information relating to significant unusual transactions and the business rationale for such transactions and the independent auditors’ evaluation of the Company’s ability to continue as a going concern.
8. To discuss with management periodically, and at least on an annual basis, any outsourcing of the internal audit function, including selection of vendor, fees paid, and areas to be audited.
9. To discuss with management and the internal auditors (if any), normally on at least an annual basis:
 - a. The quality adequacy of the Company’s internal controls over financial reporting.
 - b. The annual internal audit plan, the Company’s major financial risk exposures, anti-fraud programs and controls, steps management has taken to monitor and control such exposures, programs and controls, risk management and risk assessment policies, and significant findings and recommendations and management’s responses thereto.
 - c. The formation, organization, size and structure of the internal audit function, as well as the experience level of the internal auditors and the performance of the head of the internal audit function.
 - d. The internal audit function and responsibilities and any scope restrictions encountered during the execution of internal audit responsibilities.
 - e. The review of management’s process for making quarterly 302 certifications including maintaining effective disclosure controls and procedures.
10. To establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and for the

confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters.

11. To establish policies governing the hiring by the Company of any current or former employee of the Company's independent auditors.
12. To review the Company's compliance with applicable laws and regulations and to review and oversee the Company's policies, procedures and programs designed to promote and monitor legal and regulatory compliance.
13. To obtain assurance from the independent auditors that the audit of the Company's financial statements was conducted in a manner consistent with Section 10A of the Exchange Act, as amended, which sets forth certain procedures to be followed in any audit of financial statements required under the Exchange Act.
14. To review, approve and oversee any transactions between the Company and any related person (as defined in Item 404 of Regulations S-K) and any other potential conflict of interest situation on an ongoing basis in accordance with the Company's *Related Party Transaction Policy*, as in effect from time to time, or similar policies established for the purpose of reviewing, approving and overseeing related party transactions.
15. Administer the Company's *Whistleblower and Non-Retaliation Policy* and respond to and resolve such complaints or concerns and report to the full Board on such on at least a quarterly basis.
16. To oversee such portions of the Company's *Code of Business Conduct and Ethics* as the Board may designate from time to time.
17. To report regularly to the Board summarizing the Committee's actions and any significant issues considered by the Committee, including any issues as 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 Company's independent auditors, or the performance of the Company's internal audit function.
18. Provide the independent auditors and the internal auditors with access to the Board, including access without representatives of the Company's management present.
19. Produce the report required to be prepared by the Committee pursuant to the rules of the SEC for inclusion in the Company's annual proxy statement.
20. Annually review the adequacy of this Charter and recommend any proposed changes to the Board for approval.
21. Annually evaluate the Committee's performance of its duties under this Charter and present the results of the evaluation to the Board.
22. Perform any other activities consistent with this Charter, the Company's certificate of incorporation and bylaws, and applicable laws, as the Committee deems appropriate or as requested by the Board.

Delegation to Subcommittee

The Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Committee. The Committee may, in its discretion, delegate to one or more of its members the authority to pre-approve any audit or non-audit services to be performed by the independent auditors. Any actions taken pursuant to any such delegation shall be reported to the Committee at its next scheduled meeting.

Resources and Authority of the Committee

The Committee will have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate and approve the fees and other retention terms of special or independent counsel, advisors, accountants or other experts, as it deems appropriate to carry out its duties, without seeking approval of the Board or management.
