

# **TONIX PHARMACEUTICALS HOLDING CORP.**

## **AUDIT COMMITTEE CHARTER**

**Date approved:** February 9, 2016

### **Organization**

There shall be a committee appointed by the Board of Directors (the “Board”) of Tonix Pharmaceuticals Holding Corp., a Nevada corporation (the “Corporation”), of members of the Board of Directors all of which shall be independent non-employee directors to be known as the audit committee (the “Committee”). Each member of the Committee shall be independent in accordance with the requirements of NASDAQ Stock Market Listing Rule 5605(c)(2)(A) and Rule 10A-3 under the Securities Exchange Act of 1934, as amended. No member of the Committee can have participated in the preparation of the Corporation’s or any of its subsidiaries’ financial statements at any time during the past three years.

Each member of the Committee must be able to read and understand fundamental financial statements, including the Corporation’s balance sheet, income statement and cash flow statement. At least one member of the Committee must have past employment experience in finance or accounting, requisite professional certification in accounting or other comparable experience or background that leads to financial sophistication. At least one member of the Committee must be an “audit committee financial expert” as defined in Item 407(d)(5)(ii) of Regulation S-K. A person who satisfies this definition of audit committee financial expert will also be presumed to have financial sophistication.

The Committee shall consist of three or more members as determined by the Board consistent with the Corporation’s articles of incorporation and by-laws as the same may be amended from time to time, as well as the continued listing requirements of the NASDAQ Stock Market. No member of the Committee may serve simultaneously on the audit committee of more than two other public companies. The members of the Committee and the Committee Chair shall be appointed by the Board based on recommendations from the Nominating and Corporate Governance committee of the Board. The members of the Committee, including the Committee Chair, shall be appointed for one-year terms and shall serve for such term or terms as the Board may determine or until earlier resignation or death. The Board may remove the Committee Chair and/or any member from the Committee at any time with or without cause. Vacancies on the Committee shall be filled by a majority vote of the full Board.

### **Statement of Purpose**

The purpose of the Committee is to oversee the Corporation’s accounting and financial reporting processes and the audit of the Corporation’s financial statements.

The primary role of the Committee is to oversee the financial reporting and disclosure process. To fulfill this obligation, the Committee relies on: management for the preparation and accuracy of the Corporation’s financial statements; both management and the Corporation’s internal audit department/management for establishing effective internal controls and procedures to ensure the Corporation’s compliance with accounting standards, financial reporting procedures and applicable laws and regulations; and the Corporation’s independent auditors for an unbiased, diligent audit or review, as applicable, of the Corporation’s financial statements and the effectiveness of the Corporation’s internal

controls. The members of the Committee are not employees of the Corporation and are not responsible for conducting the audit or performing other accounting procedures.

## **Responsibilities**

In carrying out its responsibilities, the Committee believes its policies and procedures should remain flexible, in order to best react to changing conditions and to ensure to the directors and shareholders that the corporate accounting and reporting practices of the Corporation are in accordance with all requirements and are of the highest quality.

In carrying out these responsibilities, the Committee shall have the following authority and responsibilities:

- To (1) select and retain an independent registered public accounting firm to act as the Corporation's independent auditors for the purpose of auditing the Corporation's annual financial statements, books, records, accounts and internal controls over financial reporting, subject to ratification by the Corporation's stockholders of the selection of the independent auditors, (2) set the compensation of the Corporation's independent auditors, (3) oversee the work done by the Corporation's independent auditors and (4) terminate the Corporation's independent auditors, if necessary;
- To select, retain, compensate, oversee and terminate, if necessary, any other registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation;
- To pre-approve all audit and permitted non-audit and tax services that may be provided by the Corporation's independent auditors or other registered public accounting firms, and establish policies and procedures for the Committee's pre-approval of permitted services by the Corporation's independent auditors or other registered public accounting firms on an on-going basis;
- At least annually, to obtain and review a report by the Corporation's independent auditors that describes (1) the accounting firm's internal quality control procedures, (2) any issues raised by the most recent internal quality control review, peer review or Public Company Accounting Oversight Board review or inspection of the firm or by any other inquiry or investigation by governmental or professional authorities in the past five years regarding one or more audits carried out by the firm and any steps taken to deal with any such issues, and (3) all relationships between the firm and the Corporation or any of its subsidiaries; and to discuss with the independent auditors this report and any relationships or services that may impact the objectivity and independence of the auditors;
- At least annually, to evaluate the qualifications, performance and independence of the Corporation's independent auditors, including an evaluation of the lead audit partner; and to assure the regular rotation of the lead audit partner at the Corporation's independent auditors and consider regular rotation of the accounting firm serving as the Corporation's independent auditors;
- To review and discuss with the Corporation's independent auditors (1) the auditors' responsibilities under generally accepted auditing standards and the responsibilities of

management in the audit process, (2) the overall audit strategy, (3) the scope and timing of the annual audit, (4) any significant risks identified during the auditors' risk assessment procedures and (5) when completed, the results, including significant findings, of the annual audit;

- To review and discuss with the Corporation's independent auditors (1) all critical accounting policies and practices to be used in the audit; (2) all alternative treatments of financial information within generally accepted accounting principles ("GAAP") that have been discussed with management, the ramifications of the use of such alternative treatments and the treatment preferred by the auditors; and (3) other material written communications between the auditors and management;
- To review and discuss with the Corporation's independent auditors and management (1) any audit problems or difficulties, including difficulties encountered by the Corporation's independent auditors during their audit work (such as restrictions on the scope of their activities or their access to information), (2) any significant disagreements with management and (3) management's response to these problems, difficulties or disagreements; and to resolve any disagreements between the Corporation's auditors and management;
- To review with management and the Corporation's independent auditors: any major issues regarding accounting principles and financial statement presentation, including any significant changes in the Corporation's selection or application of accounting principles; any significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements, including the effects of alternative GAAP methods; and the effect of regulatory and accounting initiatives and off-balance sheet structures on the Corporation's financial statements;
- To review with management and the Corporation's independent auditors: any major issues regarding accounting principles and financial statement presentation, including any significant changes in the Corporation's selection or application of accounting principles; any significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements, including the effects of alternative GAAP methods; and the effect of regulatory and accounting initiatives and off-balance sheet structures on the Corporation's financial statements;
- To keep the Corporation's independent auditors informed of the Committee's understanding of the Corporation's relationships and transactions with related parties that are significant to the Corporation; and to review and discuss with the Corporation's independent auditors the auditors' evaluation of the Corporation's identification of, accounting for, and disclosure of its relationships and transactions with related parties, including any significant matters arising from the audit regarding the Corporation's relationships and transactions with related parties.
- To review with management and the Corporation's independent auditors the adequacy and effectiveness of the Corporation's financial reporting processes, internal control over financial reporting and disclosure controls and procedures, including any significant deficiencies or material weaknesses in the design or operation of, and any material changes in, the Corporation's processes, controls and procedures and any special audit steps adopted in light of any material control deficiencies, and any fraud involving management or other

employees with a significant role in such processes, controls and procedures, and review and discuss with management and the Corporation's independent auditors disclosure relating to the Corporation's financial reporting processes, internal control over financial reporting and disclosure controls and procedures, and the independent auditors' report on the effectiveness of the Corporation's internal control over financial reporting to be included in or attached as exhibits to the Corporation's annual report on Form 10-K or quarterly report on Form 10-Q, as applicable;

- To review and discuss with the Corporation's independent auditors any other matters required to be discussed by PCAOB Auditing Standards No. 16, Communications with Audit Committees;
- To review and discuss with the Corporation's independent auditors and management the Corporation's annual audited financial statements (including the related notes), the form of audit opinion to be issued by the auditors on the financial statements and the disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in the Corporation's annual report on Form 10-K before the Form 10-K is filed;
- To recommend to the Board that the audited financial statements be included in the Corporation's Form 10-K and produce the audit committee report required to be included in the Corporation's proxy statement;
- To review and discuss with the Corporation's independent auditors and management the Corporation's quarterly financial statements and the disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in the Corporation's quarterly report on Form 10-Q before the Form 10-Q is filed;
- To establish and oversee procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by Corporation employees of concerns regarding questionable accounting or auditing matters; and
- To review, with outside legal counsel, legal and regulatory matters, including legal cases against or regulatory investigations of the Corporation and its subsidiaries, that could have a significant impact on the Corporation's financial statements.

## **Outside Advisors**

The Committee shall have the authority, in its sole discretion, to retain and obtain the advice and assistance of independent outside counsel and such other advisors as it deems necessary to fulfill its duties and responsibilities under this Charter. The Committee shall set the compensation, and oversee the work, of any outside counsel and other advisors.

The Committee shall receive appropriate funding from the Corporation, as determined by the Committee in its capacity as a committee of the Board, for the payment of compensation to the Corporation's independent auditors, any other accounting firm engaged to perform services for the Corporation, any outside counsel and any other advisors to the Committee.

## **Committee Performance Evaluation**

The Committee shall conduct an annual evaluation of the performance of its duties under this Charter and shall present the results of the evaluation to the Board. The Committee shall conduct this evaluation in such manner as it deems appropriate.

## **Meetings and Operations**

The Committee shall meet at least four times a year at such times and places as it deems necessary to fulfill its responsibilities. The Committee shall report regularly to the Board on its discussions and actions, including any significant issues or concerns that arise at its meetings, and shall make recommendations to the Board as appropriate. The Committee is governed by the same rules regarding meetings (including meetings in person or by telephone or other similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board.

The Committee may delegate matters within its responsibility to subcommittees composed of certain of its members. The Committee shall meet in executive session without the presence of any members of management as often as it deems appropriate.

The Committee shall review this Charter at least annually and recommend any proposed changes to the Board for approval.

# # #