

**ATOSSA THERAPEUTICS.
AUDIT COMMITTEE CHARTER**

I. PURPOSE

The Audit Committee (the “Committee”) is established by the Board of Directors (the “Board”) of Atossa Therapeutics Inc. (the “Company”) for the primary purpose of:

- Appointing, overseeing and replacing, if necessary, the independent auditor;
- Assisting the Board in:
 - Overseeing the integrity of the Company’s financial statements,
 - Overseeing the integrity of the accounting and financial reporting processes of the Company,
 - Overseeing the Company’s compliance with legal and regulatory requirements,
 - Overseeing the independent auditor’s qualifications and independence and
 - Overseeing the performance of the Company’s independent auditor and internal audit function; and
- Preparing the report of the Committee that the Securities and Exchange Commission (the “SEC”) requires to be included in the Company’s annual proxy statement.

Company management is responsible for preparing the Company’s financial statements and the independent auditor is responsible for auditing those financial statements. It is not the duty of the Committee to plan or conduct the audit or to determine that the Company’s statements are complete and accurate or are in accordance with generally accepted accounting principles in the United States (“GAAP”). Nothing in this Audit Committee Charter (the “Charter”) changes, or is intended to change, the responsibilities of management or the independent auditor. Moreover, nothing in this Charter is intended to increase the liability of the members of the Committee beyond that which existed before this Charter was approved by the Board. The Committee has the direct and sole responsibility for the appointment, compensation, oversight and replacement, if necessary, of the independent auditor, including the resolution of disagreements between management and the auditor regarding financial reporting.

The Committee will encourage continuous improvement of, and foster adherence to, the Company’s policies and procedures. The Committee will also foster open communication among the independent auditor, financial and senior management, the internal audit function, and the Board.

The Committee has the authority to obtain advice and assistance from outside legal counsel, accounting or other outside advisors as deemed appropriate by the Committee in its sole discretion to perform its duties and responsibilities. The Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Company that it receives information from and (ii) the accuracy of the financial and other information provided to the Committee by such persons organizations absent actual knowledge to the contrary (which shall be promptly reported to the Board of Directors).

The Company will provide appropriate funding, as determined by the Committee, for compensation to the independent auditor, to any advisors that the Committee chooses to engage, and for payment of ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Committee will primarily fulfill its responsibilities by carrying out the activities enumerated in Section III of this Charter. The Committee will report regularly to the Board regarding the execution of its duties and responsibilities.

II. COMPOSITION AND MEETINGS

The Committee will be comprised of three or more directors as determined by the Board and each such committee member will satisfy the listing requirements of The NASDAQ Stock Market (regardless of whether shares of the Company's common stock are listed on that exchange). The Committee will have: (i) at least one independent member upon consummation of the Company's initial public offering of its common stock (the "Initial Public Offering"), (ii) a majority of independent members 90 days therefrom, and (iii) all independent members within one year of the consummation of the Company's Initial Public Offering. The Committee may form and delegate authority to subcommittees. In particular, the Committee may delegate the approval of certain transactions to a subcommittee consisting solely of the members of the Committee who are (a) "non-employee directors" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934 (the "Exchange Act") or (b) "outside directors" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). The Board may remove members of the Committee from such Committee, with or without cause. All members of the Committee will be familiar with finance and accounting practice and principles and shall be financially literate. Furthermore, at least one member of the Committee will be an "audit committee financial expert" as such a term is defined by the SEC. Committee members will be encouraged to enhance their familiarity with finance and accounting.

The members of the Committee will be elected by the Board at the annual meeting of the Board, on the recommendation of the Nominating and Corporate Governance Committee, to serve until their successors are elected. No member of the Committee may sit on more than three separate audit committees, including this Committee. Unless a chairperson is elected by the full Board, the members of the Committee may designate a chairperson by majority vote. The Committee shall have the power to create subcommittees, each consisting of one or more of its members, with such powers as the Committee shall from time to time confer. Each subcommittee shall keep minutes of its meetings and report them to the Committee.

The Committee should meet as frequently as considered necessary by the Committee or the chairperson and shall meet at least four times annually and, to the extent practicable, in conjunction with the regularly scheduled Board meetings. The Committee shall fix its own rules of procedure. Any member of the Committee may call a meeting of the Committee upon due notice to each other member at least twenty-four hours prior to the meeting (provided that participating in any meeting shall be deemed to constitute waiver of any deficiency in such notice). A majority of regular members then serving on the Committee shall constitute a quorum. Action may be taken by the Committee (or any subcommittee of the Committee) upon the affirmative vote of a majority of members of the Committee (or subcommittee). Action may be taken by the Committee without a meeting if all of the members of the Committee indicate their approval thereof in writing.

As part of its responsibility to foster open communication, the Committee will meet periodically with management, the director of the internal audit function, and the independent auditor in separate executive sessions to discuss the results of examinations or any matters that the Committee or any of these persons or firms believe should be discussed privately. In addition, the Committee will meet with the independent auditor and management to discuss the annual audited financial statements.

III. RESPONSIBILITIES AND DUTIES

The Committee will have the following responsibilities and duties:

Documents/Reports/Accounting Information Review

1. Review and discuss with management and the independent auditor the Company's annual financial statements, quarterly financial statements and "Management's Discussion and Analysis of Financial Conditions and Results of Operations" (the "MD&A") of the Company prior to the filing of the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. Discuss results of the annual audit and quarterly review and any other matters required to be communicated to the Committee by the independent auditor under GAAP standards. Review other relevant reports or financial information submitted by the Company to any governmental body or the public, including management certifications, and relevant reports rendered by the independent auditor (or summaries thereof).
2. Discuss with management and the independent auditor their judgment about the quality of accounting principles, the reasonableness of significant judgments, including a description of any transactions as to which the management obtained a Statement of Auditing Standards No. 50 letters, and the clarity of the disclosures in the financial statements, including the Company's disclosures of critical accounting policies and other disclosures under the MD&A.
3. Recommend to the Board whether the financial statements should be included in the Company's annual report.
4. Prepare an audit committee report for inclusion in the Company's annual proxy statement as required by the rules of the SEC.
5. Review or establish standards for the financial information and earnings guidance provided to creditors, analysts or ratings agencies. Such discussions may be in general terms (e.g., discussion of the types of information to be disclosed and the type of presentations to be made).
6. Review the regular internal reports to management (or summaries thereof) prepared by the internal auditing department, as well as management's response.

Independent Auditor

1. Annually appoint and determine the compensation of the independent auditor and oversee the work performed by the independent auditor for the purpose of preparing or issuing an audit letter or related work.
2. Annually review the performance of the independent auditor and remove the independent auditor if circumstances warrant. The independent auditor will report directly to the Committee and the Committee will oversee the resolution of disagreements between management and the independent auditor if they arise. Consider whether the auditor's performance of permissible nonaudit services is compatible with the auditor's independence. Discuss with the independent auditor the matters required to be discussed under Statement on Auditing Standards (SAS) No. 61, as amended by SAS No. 84 and SAS No. 90.
3. Review with internal auditors and the independent auditor the overall scope and plans for audits, including authority and organizational reporting lines, and adequacy of staffing and compensation.

Review with internal auditors and independent auditors any difficulties with management's responses.

4. Review with the independent auditor and management any problems or difficulties in conducting the audit and hold timely discussions with the independent auditor regarding the following:
 - All critical accounting policies and practices used in preparation of the Company's financial statements;
 - Any alternative treatments of GAAP that have been discussed with management, the ramifications of the use of such alternative (including disclosures) and the treatment preferred by the independent auditor; and
 - Other material written communications between the independent auditor and management, including, but not limited to, the management letter and schedule of unadjusted differences.
5. At least annually, obtain and review formal written documentation from the independent auditor describing:
 - Any material issues raised by the independent audit firm's most recent internal quality-control review or peer review, or by any inquiry or investigation conducted by governmental or professional authorities during the preceding five years with respect to independent audits carried out by the firm, and any steps taken to deal with any such issues; and
 - The auditor's independence and all relationships between the independent auditor and the Company, addressing the matters set forth in Independence Standards Board Standard No. 1. The formal reports from the independent auditor to the Committee should be used to evaluate the independent auditor's qualifications, performance, and independence.
6. Actively engage in dialogue with the independent auditor with respect to any disclosed relationships or services that may affect the independence and objectivity of the auditor and take appropriate actions to oversee the independence of the outside auditor. Further, the Committee will review the experience and qualifications of the lead partner and other senior members of the independent audit team each year, including compliance with applicable rotation requirements. The Committee will also consider whether there should be rotation of the firm itself.
7. Review and pre-approve (which may be pursuant to pre-approval policies and procedures) both audit and nonaudit services to be provided by the independent auditor. The authority to grant pre-approvals may be delegated to one or more designated members of the Committee whose decisions will be presented to the full Committee at its next regularly scheduled meeting.
8. Set clear hiring policies, compliant with governing laws and regulations, for employees or former employees of the independent auditor.

Financial Reporting Processes, Accounting Policies, and Internal Control Structure

1. Discuss and review the effect of regulatory and accounting initiatives, as well as alternative GAAP methods, off-balance-sheet structures, on the financial statements of the Company.
2. Periodically review with the Chief Financial Officer any significant difficulties, deficiencies and material weaknesses in the design or operation of internal controls, any fraud that involves management or other employees who play a significant role in the Company's internal controls, disagreements with management, or scope restrictions encountered in the course of the function's work.

3. Review and approve all related-party transactions (defined as those transactions required to be disclosed under Item 404 of Regulation S-K).
4. Establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters.
5. Establish procedures for the confidential, anonymous submission by Company employees of information regarding questionable accounting or auditing matters.

Accounting Practices and Ethical Compliance, Legal Compliance, and Risk Management

1. Review the policies with respect to risk assessment and risk management, including appropriate guidelines and policies to govern the process, as well as the Company's major financial risk exposures and the steps management has undertaken to control them.
2. Review, with the Company's counsel, any legal matter that could have a significant impact on the Company's financial statements.

Other Responsibilities

1. Review and approve any transaction, arrangement or relationship in connection with the Company's Policy with Respect to Related Person Transactions.
2. Oversee and review the Company's Policy with Respect to Related Person Transactions.
3. Oversee, review and assess administration and operation of the Company's Whistle-blower Policy.
4. Conduct an annual performance assessment relative to the Committee's purpose, duties, and responsibilities outlined herein.
5. Review and assess the adequacy of this Charter periodically, at least annually, and recommend to the Board any necessary amendments.
6. Report to the Board on a regular basis.
7. Perform any other activities consistent with this charter, the Company's bylaws, and governing law, as the Board deems necessary or appropriate.

IV. AMENDMENTS

This Charter is subject to amendment or change from time-to-time by the Company. Any changes must be approved by the Board and communicated in writing.