

ZOSANO PHARMA CORPORATION

Charter for the Audit Committee of the Board of Directors

I. Statement of Purpose

The Audit Committee (the “Committee”) is a standing committee of the Board of Directors of Zosano Pharma Corporation (the “Company”). The purpose of the Committee is to oversee the accounting and financial reporting processes of the Company, including its internal control over financial accounting and the audits of the Company’s financial statements and internal control over financial reporting, and to oversee the management by the Company’s senior executives of risks and exposures associated with financial matters, particularly financial reporting, tax, accounting, disclosure and internal control over financial reporting. The Committee shall also perform such other duties as the Board of Directors shall delegate to it or as otherwise required by law or the Company’s charter or by-laws.

II. Organization

A. **Charter.** By adoption of this charter, the Board of Directors has delegated to the Committee all authority necessary or advisable for the Committee to fulfill its obligations under this charter. At least annually, the Committee shall review and assess the adequacy of this charter and recommend to the Board of Directors any changes that would enable the Committee to fulfill its responsibilities more effectively.

B. **Members.** The Committee shall consist of at least three members of the Board of Directors. The members of the Committee shall be appointed by, and serve at the discretion of, the Board of Directors. In selecting the members of the Committee, the Board of Directors shall endeavor to ensure that each member of the Committee satisfies the applicable independence, financial literacy and other requirements of The NASDAQ Stock Market, LLC (“Nasdaq”), the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and any other applicable rules and regulations. The Board of Directors shall endeavor to appoint at least one member of the Committee who shall qualify as an audit committee financial expert.

C. **Chairperson.** The Board of Directors shall appoint a chairperson of the Committee, who shall serve at the discretion of the Board of Directors. The chairperson shall establish the agenda for and preside at all meetings of the Committee and shall have such other powers and responsibilities as the Board of Directors or the Committee shall designate.

D. **Meetings; Minutes.** Each year, the Committee shall establish a schedule of meetings on at least a quarterly basis; additional meetings may be scheduled as required. Each meeting shall include an executive session without management present. The Committee shall periodically meet with the Company’s independent registered accounting firm (the “independent auditor”) without management present. The Committee shall have the authority to require any officer, employee or agent of the Company or representatives of the Company’s outside counsel or independent auditor to attend any meeting or otherwise to meet with members of the Committee or its agents.

The Committee is authorized to adopt its own rules of procedure, including the formalities of calling, noticing and holding meetings and for the taking of action by vote at any such meeting or by unanimous written consent of the members of the Committee. Unless and until any such procedures are adopted by the Committee, the procedures with respect to calling,

noticing and holding meetings of the Committee and conducting business of the Committee shall be the same as those provided in the by-laws of the Company with respect to calling, noticing and holding meetings of and taking action by the Board of Directors.

The Committee shall maintain written minutes of its meetings. The minutes shall be drafted for the Committee's review and approval, shall be made available to the members of the Committee and other members of the Board of Directors and shall be filed with the minutes of the meetings of the Board of Directors.

E. **Reports.** The Committee shall make regular reports to the Board of Directors regarding the activities of the Committee. Such reports may be made either orally or in writing.

F. **Subcommittees.** To the extent permitted by law, the Committee shall have the authority to delegate its authority to any subcommittee, which may consist of one or more members of the Committee. Any member of the Committee shall have the authority to pre-approve the provision of any audit service to the Company by the Company's independent auditor, and any two members of the Committee shall have the authority to pre-approve the provision of any non-audit service to the Company by the Company's independent auditor. If any subcommittee shall pre-approve any audit or non-audit service by the Company's independent auditor, the subcommittee shall report such pre-approval to the entire Committee at its next scheduled meeting.

G. **Compensation; Ongoing Independence.** The Board of Directors shall establish any compensation for service on the Committee. To maintain the independence of the Committee, no member of the committee shall, except to the extent permitted by the rules of the Securities and Exchange Commission (the "SEC") and Nasdaq, (1) directly or indirectly accept any consulting, advisory or other compensatory fee from the Company, other than in his or her capacity as a member of the Committee, the Board of Directors or any other board committee of the Company or (2) be an affiliated person of the Company.

III. Responsibilities

A. **Authority over Independent Auditor.** For purposes of this charter, "independent auditor" shall mean any accounting firm engaged by the Company for the purpose of preparing or issuing an audit report or performing audit, review or attestation services. The Committee shall have the sole authority to retain and terminate the services of the Company's independent auditor. The independent auditor shall report directly to the Committee. The Committee shall be directly responsible for the compensation (at the Company's expense and without further approval from the Board of Directors) and oversight of the work of the Company's independent auditor, including approval of all audit engagement fees and terms and the resolution of disagreements between management and the independent auditor regarding financial reporting.

1. **Pre-approval of All Services.** The Committee shall pre-approve all audit, review and attestation engagements (including the provision of comfort letters in connection with any securities offering, statutory audits, attest services, consents and assistance with and review of documents filed with the SEC) and all permitted non-audit services provided by the Company's independent auditor; *provided, however*, that the Committee need not pre-approve any audit service or permitted non-audit service if either (a)(i) the engagement to render the service is entered into pursuant to appropriate pre-approval policies and procedures established by the Committee that are detailed as to the particular service and (ii) the Committee is informed

of such service in accordance with such policies and procedures, or (b) the non-audit service meets the *de minimis* exception under Section 10A(i)(1)(B) of the Exchange Act and Rule 2-01(c)(7)(i)(C) of Regulation S-X. The following non-audit services may not be provided by the Company's independent auditor and shall not be approved by the Committee: bookkeeping or other services related to accounting records or financial statements; financial information systems design and implementation; appraisal or valuation services, fairness opinions or contribution-in-kind reports; actuarial services; internal audit outsourcing services; management functions or human resources; broker-dealer, investment adviser, or investment banking services; and legal services and expert services unrelated to the audit.

2. *Evaluation of Independent Auditor.* The Committee shall annually review the qualifications and performance of the independent auditor. The Committee shall at least annually obtain and review a report from the independent auditor describing (a) the independent auditor's internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditor, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, regarding any independent audit carried out by the independent auditor, (c) any steps taken to address any of those issues, and (d) all relationships between the independent auditor and the Company.

3. *Evaluation of Independence.* The Committee shall at least annually evaluate the independence of the Company's independent auditor. In conducting such evaluation, the Committee shall consider (a) any statement of independence provided by the independent auditor, (b) whether the independent auditor provided any services beyond the audit and review of the Company's financial statements and, if so, whether those services were compatible with maintaining its independence, (c) the amount of fees paid to the independent auditor for audit and non-audit services, (d) the duration of the independent auditor's service to the Company, and (e) whether any audit partner earns or receives any compensation based on the partner's procurement of engagements with the Company to provide any products or services other than audit, review or attestation services.

4. *Rotation of Audit Partners.* The Committee shall take appropriate steps to ensure that the Company's independent auditor shall rotate the audit partners on its audit engagement team in accordance with Section 10A(j) of the Exchange Act and Rule 2-01(c)(6) of Regulation S-X.

5. *Conflicts of Interest.* The Committee shall review, and shall have authority to approve or disapprove, the hiring by the Company of any current or former employee of the Company's independent auditor who participated in any capacity in any audit of the Company's financial statements. The Committee shall discuss with the Company's independent auditor its compliance with the conflicts of interest requirements of Section 10A(l) of the Exchange Act (which prohibit the auditor, in certain cases, from providing any audit service to the Company if certain officers of the Company were previously employed by the auditor).

B. *Annual Report to Stockholders; Other Disclosures.* The Committee shall prepare an annual report to stockholders for inclusion in the Company's proxy statement relating to the annual meeting of stockholders. The Committee shall review all other disclosures regarding the Committee and the performance of its duties to be included in such proxy

statement or in any other document or report to be filed with the SEC, including the description of (1) any pre-approval policies and procedures adopted under Section III.A.1 and (2) any fees for non-audit services approved under the *de minimis* exception described in Section III.A.1.

C. ***Review of Financial Disclosures.*** The Committee shall have the responsibility to review and discuss with management and the Company's independent auditor the Company's financial statements and other financial disclosures. Without limiting the generality of the foregoing, the Committee shall, to the extent it deems necessary or appropriate:

1. review and discuss with management and the Company's independent auditor:
 - (a) the responsibilities, budget and staffing of the Company's accounting and financial reporting function;
 - (b) the performance and qualifications of the Company's financial personnel;
 - (c) the selection, application and disclosure of any critical accounting policies or critical accounting estimates;
 - (d) the use and disclosure of any off-balance sheet arrangements;
 - (e) accounting considerations arising from changes in generally accepted accounting principles ("GAAP"), the Company's operations or regulatory initiatives;
 - (f) the independent auditor's judgment about the quality, not just the acceptability, of accounting principles and the clarity of the financial disclosure practices used or proposed to be used, and the degree of aggressiveness or conservatism of the Company's accounting principles and underlying estimates, and other significant decisions made in preparing the financial statements;
 - (g) the adequacy of the Company's disclosure controls and procedures and internal control over financial reporting, including all significant deficiencies and material weaknesses; for purposes of this charter, the term "internal control over financial reporting" shall mean a process designed by, or under the supervision of, the Company's principal executive and principal financial officers, and implemented by the Company's management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of

- unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.
- (h) any recommendations for improvement of the Company's internal control over financial reporting, particularly controls designed to expose any related-party transactions or any payments, transactions or procedures that might be deemed illegal or improper;
 - (i) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's financial reporting; and
 - (j) any significant financial or legal risk exposures and the steps management has taken to monitor and control those exposures, as well as the Company's corporate compliance activities.

2. discuss with management and the Company's independent auditor the Company's earnings press releases, including the use of any non-GAAP financial measures, as well as financial information and earnings guidance provided to investors, analysts or ratings agencies, which discussion may be limited to the types of information to be disclosed and the type of presentation to be made rather than a discussion of specific disclosures to be made in each earnings press release;

3. review and discuss with management and the Company's independent auditor the annual audited financial statements and quarterly financial statements, including the results of any audit or review of those financial statements, the disclosures in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and any change in internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting;

4. review reports received from government agencies or third parties concerning legal, regulatory or other matters that might have a material effect on the financial statements or compliance policies of the Company; and

5. review and discuss with the Company's legal counsel any legal matters that could have a significant impact on the financial statements or compliance policies of the Company.

D. *Audit of Annual Financial Statements.* In addition to the foregoing, the Committee shall, in connection with the audit of the Company's annual financial statements:

1. review and discuss with management and the Company's independent auditor the scope, planning and staffing of the audit engagement, including any audit of the Company's internal control over financial reporting;

2. discuss with the Company's independent auditor its significant findings and recommendations resulting from the audit, including any audit problems or difficulties, as well as management's response, which discussion should cover (a) any restrictions on the scope of the auditor's activities or access to information, (b) any disagreements with management, (c) any accounting adjustments proposed by the auditor and rejected by management, (d) any communications with the auditor's national office regarding auditing or accounting issues presented by the engagement, and (e) any management or internal control letter issued or proposed to be issued by the auditor;

3. review and discuss with management and the Company's independent auditor the Company's internal control over financial reporting, including the selection of the

internal control framework forming the basis for management's assessment of the Company's internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002 and the process by which the Company's management performs its assessment, as well as the independent auditor's attestation report, if any, regarding the Company's internal control over financial reporting and management's assessment thereof;

4. before the audit report of the Company's independent auditor is filed with the SEC, review and discuss any reports from the independent auditor regarding:

- (a) all critical accounting policies and practices to be used;
- (b) all alternative treatments within GAAP for policies and practices related to material items that have been discussed with management (as to both general accounting policies and the accounting for specific transactions), the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor, as well as the reasons for selecting the chosen accounting treatment and whether the chosen accounting treatment complies with existing corporate accounting policies and, if not, why not;
- (c) other material written communications between management and the auditor, such as any management letter, schedule of unadjusted differences, listing of material adjustments and reclassifications not recorded, engagement letter, independence letter, management representation letter, or report on observations and recommendations regarding internal control; and
- (d) any illegal acts that may be required to be reported under Section 10A(b) of the Exchange Act;

5. review and discuss with the Company's independent auditor the matters required to be discussed by Auditing Standard No. 16, as it may be modified or supplemented;

6. (a) discuss with the Company's independent auditor the independent auditor's independence, (b) ensure that it receives the written disclosures and the letter from the auditor required by Public Company Accounting Oversight Board Ethics and Independence Rule 3526, *Communication with Audit Committees Concerning Independence*, as modified or supplemented, (c) actively engage in a dialogue with the auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor, and (d) take, or recommend that the Board of Directors take, appropriate action to oversee the independence of the auditor; and

7. based on the foregoing reviews and discussions, recommend to the Board of Directors whether or not to include the Company's audited financial statements in the Company's annual report on Form 10-K for filing with the SEC.

E. *Review of other Financial Reporting Matters.* The Committee shall review and discuss with management and with the company's independent auditors and legal counsel, as appropriate: (i) the Company's legal compliance and legal matters that could have a significant impact on the Company's financial statements, including the Company's material tax reporting obligations and positions and (ii) the Company's major financial risk exposures, including risks of material misstatement of its financial statements, and the steps management has taken to monitor and control such exposures.

E. ***Approval of Related-Party Transactions.*** The Committee shall review, and shall have authority to approve or disapprove, any transaction between the Company and any (a) director or executive officer of the Company, (b) nominee for election as a director, (c) person known to the Company to own of record or beneficially more than five percent of any class of the Company's voting securities, or (d) member of the immediate family of any such person, if the nature of such transaction is such that it would be required to be disclosed under Item 404 of Regulation S-K, *Certain Relationships and Related Transactions* (or any similar or successor provision).

F. ***Whistleblowers – Procedures for Complaints.*** The Committee shall establish procedures for (1) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (2) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. These procedures shall be included in the Company's Code of Business Conduct and Ethics. Such procedures may, but shall not be required to, include the retention of a third-party service provider that shall maintain an anonymous hotline for the submission of complaints and concerns to the Committee. The Committee shall review at least annually the Company's policies against retaliation against any employee or other person who makes any such submission or who is otherwise entitled to the protections of Section 806 of the Sarbanes-Oxley Act of 2002.

IV. Other Matters

A. ***Limitation on Audit Committee Responsibility.*** In adopting this charter, the Board of Directors acknowledges that it is not the responsibility of the Committee to prepare the Company's financial statements, plan or conduct audits of those financial statements, or determine whether those financial statements are complete and accurate and conform to GAAP and applicable rules and regulations. These tasks are the responsibility of management and the Company's independent auditor. It is not the role of the members of the Committee to serve as accountants or auditors, nor to duplicate or certify the activities of management and the Company's independent auditor, nor to certify the independence of the Company's auditor. The Committee serves in an oversight role, as set forth in this charter, and provides advice, counsel and general direction, as it deems appropriate, to management and the Company's independent auditor on the basis of the information it receives, discussions with the auditor, and the experience of the Committee's members in business, financial and accounting matters.

B. ***Access to Records; Authority to Engage Advisors.*** In discharging its responsibilities, the Committee shall have full access to any relevant records of the Company and the authority to retain, at the Company's expense and without further approval from the Board of Directors, independent counsel (who may be counsel to the Company), accountants and other advisors, as it determines to be necessary or appropriate to carry out its duties.

C. ***Funding.*** The Company shall provide appropriate funding, as determined by the Committee, for payment of (1) compensation to any independent auditor, (2) compensation to any advisor employed by the Committee, and (3) ordinary administrative expenses that the Committee determines to be necessary or appropriate in carrying out its duties.

D. ***Conduct of Investigations.*** The Committee shall have the authority to conduct or authorize investigations, at the Company's expense and without further approval from the Board of Directors, into any matter within the Committee's scope of responsibility.

E. ***Annual Performance Evaluation.*** The Committee shall at least annually evaluate its own performance.

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