

**CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS
OF HELIX BIOMEDIX, INC.**

I. Charter Overview

The purpose of this Charter is to identify the scope of the responsibilities of the Audit Committee (“Committee”) of the Board of Directors (“Board”) of Helix BioMedix, Inc., a Delaware corporation (“Company”) and the manner in which those responsibilities shall be performed.

The primary purpose of the Committee is to:

- oversee the Company’s accounting and financial reporting processes;
- oversee the audits of the Company’s financial statements; and
- otherwise assist the Board in fulfilling its oversight responsibilities.

The Committee will accomplish this purpose by reviewing and reporting to the Board on the integrity of the financial reports and other financial information provided by the Company to any governmental body, its stockholders or the public. The Committee shall also review the qualifications, independence and performance, and approve the terms of engagement, of the Company’s independent auditor, and prepare any reports required of the Committee under rules of the Securities and Exchange Commission (“SEC”).

The Committee, at its discretion, has the authority to initiate special investigations and hire special legal, accounting or other outside advisors or experts to assist the Committee, as it deems necessary, in fulfilling its duties under this Charter. The Committee may also perform such other activities consistent with this Charter, the Company’s Bylaws and all applicable laws and regulations, as the Committee or the Board deems necessary or appropriate.

The Company shall provide appropriate funding, as determined by the Committee to:

- permit the Committee to perform its duties under this Charter;
- compensate its advisors; and
- compensate any registered public accounting firm engaged for the purpose of rendering or issuing an audit report or related work or performing other audit review or attest services for the Company.

II. Structure

The Committee shall be comprised of three or more Board members, each of whom must satisfy the independence, experience and financial literacy requirements of The Nasdaq Stock Market. In addition, the Committee shall not include any member who:

- directly or indirectly accepts 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, or any other committee of the Board; or
- (i) is an executive officer of the Company, (ii) beneficially owns or controls, directly or indirectly, 10% or more of any class of the Company's equity securities, or (iii) otherwise is an affiliated person of the Company or any subsidiary of the Company, other than a director who meets the independence requirements of The Nasdaq Stock Market.

The members of the Committee shall be appointed by the Board on the recommendation of the Governance Committee and shall serve until their respective successors are duly elected and qualified or their earlier resignation or removal. Any member of the Committee may be removed or replaced by the Board on the recommendation of the Governance Committee. Unless a chairman is elected by the full Board, the members of the Committee may designate a chairman by majority vote of the full Committee membership. The Committee may form and delegate authority to subcommittees, or to one or more members of the Committee, when appropriate.

Each member of the Committee must be able to read and understand fundamental financial statements, including a balance sheet, statement of operations and statement of cash flows. In addition, at least one member shall have past employment experience in finance or accounting, professional certification in accounting, or other comparable experience or background resulting in the individual being financially sophisticated, which may include being or having been a chief executive, chief financial or other senior officer with financial oversight responsibilities. If deemed necessary or appropriate from time to time by the Board, at least one member shall be an audit committee financial expert as determined by the Board in accordance with the rules and regulations of the SEC.

III. Meetings

The Committee shall meet as often as it deems necessary, but not less frequently than quarterly. The Committee shall meet with management and the independent auditor in separate executive sessions, in each case as appropriate. The Committee shall meet with the independent auditor and management on a quarterly basis to review the Company's financial statements and financial reports.

A majority of the members shall represent a quorum of the Committee, and, if a quorum is present, any action approved by at least a majority of the members present shall represent the valid action of the Committee. The Committee shall maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

IV. Authority and Responsibilities

To fulfill its responsibilities and duties, the Committee shall oversee the activities of the Company's independent auditor, and shall review the Company's financial reporting, policies and processes.

A. Oversight of Independent Auditor

The Committee shall:

- Be directly and solely responsible for the appointment, compensation, retention and oversight of any independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) engaged by the Company for the purpose of preparing or issuing an audit report or related work, with each such auditor reporting directly to the Committee.
- Periodically review and discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61, as amended.
- Annually review and discuss any formal written statements received from the independent auditor consistent with and in satisfaction of Independence Standards Board Standard No. 1, as amended, including without limitation, descriptions of (x) all relationships between the auditor and the Company, (y) any disclosed relationships or services that may impact the independent auditor's objectivity and independence, and (z) whether any of the Company's senior finance personnel were recently employed by the independent auditor.
- Approve in advance the engagement of the independent auditor for all audit services and non-audit services, based on independence, qualifications and, if applicable, performance, and approve the fees and other terms of any such engagement; provided, however, that, except as otherwise required by applicable law, rule or regulation, (i) the Committee may establish pre-approval policies and procedures for any engagement to render such services, provided that such policies and procedures (x) are detailed as to particular services, (y) do not involve delegation to management of the Committee's responsibilities hereunder, and (z) provide that, at its next scheduled meeting, the Committee is informed as to each such service for which the independent auditor is engaged pursuant to such policies and procedures, and (ii) the Committee may delegate to one or more members of the Committee the authority to grant pre-approvals for such services, provided that (a) the decisions of such member(s) to grant any such pre-approvals shall be presented to the Committee at its next scheduled meeting, and (b) the Committee has established policies and procedures for such pre-approval of services consistent with the requirements of subsections (x) and (y) above.

- Meet with the independent auditor prior to the audit to discuss the planning of the audit.
- Approve as necessary the termination of the engagement of the independent auditor.
- Review with the independent auditor any significant difficulties encountered during the course of the audit or otherwise, as appropriate, any restrictions on the scope of work or access to required information and any significant disagreement among management and the independent auditor in connection with the preparation of the financial statements, in each case as reported by the independent auditor. Receive from and review with the independent auditor any accounting adjustments that were noted or proposed by the auditor but that were “passed” (as immaterial or otherwise), any “management” or “internal control” letter or schedule of unadjusted differences issued, or proposed to be issued, by the auditor to the Company, or any other material written communication provided by the auditor to the Company’s management.
- Review with the independent auditor the critical accounting policies and practices used by the Company, all alternative treatments of financial information within generally accepted accounting principles (“GAAP”) that the independent auditor has discussed with management, and the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor.

B. Review of Financial Reporting, Policies and Processes

The Committee shall:

- Review and discuss with management and the independent auditor the Company’s annual audited financial statements and any certification, report, opinion or review rendered by the independent auditor, and recommend to the Board whether the audited financial statements should be included in the Company’s annual report on Form 10-K.
- Review and discuss with management and the independent auditor the Company’s quarterly financial statements.
- Review and discuss earnings press releases and other press releases that contain material financial information.
- Periodically meet separately with management and with the independent auditor, as appropriate.
- Review with management on a quarterly basis its assessment of the effectiveness and adequacy of the Company’s internal control structure and

procedures for financial reporting (“Internal Controls”), review annually with the independent auditor the attestation to and report on the assessment made by management, and consider with management and the independent auditor whether any changes to the Internal Controls are appropriate in light of management’s assessment or the independent auditor’s attestation.

- Receive reports from the independent auditor concerning, and review with management, the effect of regulatory and accounting initiatives on the financial statements of the Company. Consider and approve, if appropriate, changes to the Company’s auditing and accounting principles and practices as suggested by the independent auditor or management.

C. Risk Management, Related Party Transactions, Legal Compliance and Ethics

The Committee shall:

- Review with the chief executive officer and principal financial officer of the Company any report on significant deficiencies in the design or operation of the Internal Controls that could adversely affect the Company’s ability to record, process, summarize or report financial data, any material weaknesses in Internal Controls identified to the auditors, and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s Internal Controls.
- As requested by the Board, review and approve any related-party transactions.
- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. Adopt, as necessary, appropriate remedial measures or actions with respect to such complaints or concerns.
- Review and investigate conduct alleged by the Board, the Company’s Compliance Officer, or otherwise, to be in violation of the Company’s Code of Ethics, and adopt, as necessary or appropriate, remedial, disciplinary, or other measures with respect to such conduct. Adopt procedures for monitoring and enforcing compliance with the Code of Ethics, and with the Company’s Code of Business Conduct.
- Receive from and discuss with management and the independent auditor any correspondence with regulators or governmental agencies that raises material issues regarding the Company’s financial statements or accounting policies.
- As appropriate, review with the Company’s legal counsel and report to the Board on litigation, material government investigations and compliance with applicable legal requirements.

- Prepare the report required by the rules of the SEC to be included in the Company's annual proxy statement.
- Report to the Board on the Committee's activities, recommendations and conclusions, as appropriate.
- Review and reassess the Charter's adequacy as appropriate and recommend any proposed changes to the Board for approval.