



## **ZIOPHARM Oncology**

Audit Committee Charter  
(as adopted on February 22, 2006)

### **Purpose:**

The management of ZIOPHARM Oncology, Inc. (the “Company” or “ZIOPHARM”) is responsible for the preparation, presentation and integrity of the Company’s financial statements. This process includes ensuring that the financial statements are accurate, complete and stated in accordance with Generally Accepted Accounting Principles (“GAAP”). Although financial reporting is the responsibility of management, it is overseen by the Board of Directors (the “Board”). The ZIOPHARM Oncology, Inc. Audit Committee (the “Committee”) acts for the Board under this charter.

### **Organization:**

This charter governs the operations of the Committee. The Committee shall obtain the approval of the charter and of any substantive amendment by the Board.

### **Membership:**

The Committee shall be appointed by the Board and shall be comprised of at least two directors. Unless a greater number is required by applicable law, rule or other regulation (including rules of any applicable stock market or stock exchange), at least two of the Committee members shall be independent directors (as defined by all applicable rules and regulations of the Securities and Exchange Commission (the “SEC”) and any other appropriate body, including any applicable stock market or stock exchange), and free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. All Committee members shall be able to read and understand fundamental financial statements, including the Company’s balance sheet, income statement and cash flow statement. No Committee member shall have participated in the preparation of the financial statements of the Company at any time during the last three years. The Committee shall endeavor to have, as one of its members, an individual who qualifies as an “audit committee financial expert” in compliance with the criteria established by the SEC and other relevant regulations at the time the regulations require disclosure of the existence of an audit committee financial expert. The existence of such audit committee financial expert, including his or her name and whether or not he or she is independent, or the lack of an audit committee financial expert, shall be disclosed in the Company’s periodic filings as required by the SEC.

The members of the Committee shall be appointed by the Board at the annual organizational meeting of the Board and shall serve until the next annual organizational meeting of the Board or until their successors have been duly appointed. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.



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### **Statement of Policy:**

The Committee shall oversee the accounting and financial reporting processes and internal control system of the Company and the audits of its financial statements. The Committee shall also assist the board in fulfilling the board's oversight responsibilities relating to the accounting and financial processes of the company. In so doing, it is the responsibility of the Committee to maintain free and open communication between the Committee, independent auditors, the internal accounting staff and management of the Company. In discharging its role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company. The Committee shall also have the power to retain legal, accounting and other advisors, as it deems necessary to carry out its duties.

### **Responsibilities:**

The Committee will oversee the Company's financial reporting processes and internal control system on behalf of the Board of Directors. Management is responsible for preparing the Company's financial statements, and the independent auditors, which will be a registered public accounting firm selected by the Committee, are responsible for auditing those financial statements. The Committee shall be directly responsible for appointment, compensation, retention and oversight of the work of the registered public accounting firm employed by the Company (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work, and such firm shall report directly to the committee.

The Committee should take the appropriate actions to set the overall corporate "tone" for quality financial reporting and ethical behavior. The Committee shall adopt procedures for -

- (A) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
- (B) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

It is expected that the Committee will be the diligent administer of the financial reporting process and ensure the Company's adherence to the internal financial controls. Because of this responsibility it is the Board's expectation that the Committee shall meet four (4) times annually with additional meetings taking place by teleconference if deemed necessary. Additional meetings may be required throughout the year as Company circumstances dictate.

### **Recurring Processes:**

The following shall be the principal recurring processes of the Committee in carrying out its oversight responsibilities. The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible in order to best react to changing conditions and



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circumstances. The processes are set forth as a guide with the understanding that the Committee may supplement them as appropriate.

Independent Auditors. The Committee shall have the sole authority and responsibility to engage, terminate and replace the independent auditors. The Committee shall discuss with the auditors their independence from management and the Company and the matters included in the written disclosures required by the Independence Standards Board. The Committee shall discuss with the independent auditors the overall scope and plans for its audit, including the adequacy of staffing and compensation. Annually, the Committee shall advise the board of its selection of the Company's independent auditors. The Committee shall meet separately with the independent auditors, with and without management present, to discuss the results of their examination.

Controls. The Committee shall discuss with management and the accounting staff the adequacy and effectiveness of the accounting and financial controls, and the integrity and reliability of the Company's financial reporting, including the effectiveness of internal control systems and information technology. The Committee shall discuss with management any significant deficiencies in internal controls that have been identified by the Chief Executive Officer or Chief Financial Officer which could adversely affect the Company's ability to record, process, summarize or report financial data, and shall also review from time to time the issue whether the Company needs an internal audit function.

Interim Statements and Issues. Following review of the interim financial statements by the independent auditors prior to the filing of the Company's Quarterly Report on Form 10-Q or Form 10-QSB, as applicable, or its earnings release for the fourth fiscal quarter, the Committee shall discuss the results of the quarterly review with and without management present. The Committee shall be available to discuss any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards.

Audited Statements. The Committee shall review with management and the independent auditors the financial statements to be included in the Company's Annual Report on Form 10-K or 10-KSB, as applicable, including their judgment about the quality, not just acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements. Also, the Committee shall discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards. The Committee shall make a recommendation to the Board regarding inclusion in the Annual Report of the audited financial statements.

Non-Audit Related Services. The Committee shall approve, in advance, the provision by the independent auditor of all services not related to the audit (other than with respect to de minimus exceptions permitted by the Sarbanes-Oxley Act of 2002). The Committee delegates to the Chair of the Committee the authority to grant such approvals. Any services begun by inadvertence without prior approval will be approved as required by the Sarbanes-Oxley Act of 2002.



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Other Matters. In addition, the Committee will all have the following responsibilities:

- Assure that the lead audit partner and the reviewing audit partner are rotated every five years.
- Ensure that the Committee received from the independent auditors all written disclosures and letters required by the Independence Standards Board Standard 1, which detail all relations between the independent auditors and the Company.
- Assure that the Company has or will disclose the charter in an appendix to the Company's proxy statement at least once every three years.
- Prepare the Committee report as required by the rules of the SEC. This report will be included in the Company's annual proxy statement.
- Receive a disclosure from the Chief Executive Officer and Chief Financial Officer during their certification process for the Quarterly and Annual Reports regarding (1) any significant deficiency and material weaknesses in design or operation of internal controls and (2) any fraud whether or not material, involving management or other employees who have a significant role in the Company's internal controls.
- Responsible for establishing hiring policies for employees or former employees of the independent auditor to ensure independence has not been compromised.
- Review the adequacy of the Committee charter on an annual basis. All recommended changes will then be submitted to the Board for consideration.
- Evaluate, on an annual basis, its own performance as a Committee.
- Perform such other services and functions consistent with this Charter, the Company's certificate of incorporation or bylaws, or required by applicable law, as the Committee or the Board deems necessary or appropriate.