

IMMUNE PHARMACEUTICALS INC.

AUDIT COMMITTEE CHARTER

This Audit Committee Charter was adopted by the Board of Directors (the "Board") of Immune Pharmaceuticals Inc. (formerly EpiCept Corporation) (the "Company" defined to include all subsidiaries and any other entity whose consolidated financial results are included in the Immune pharmaceuticals Inc. (formerly EpiCept Corporation) consolidated financial statements) on May 5, 2005 and re-approved by the Audit Committee of the Board on February 8, 2007.

This Charter is intended as a component of the flexible governance framework within which the Board, assisted by its committees, directs the affairs of the Company. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Company's Certificate of Incorporation and By Laws, it is not intended to establish by its own force any legally binding obligations.

I. PURPOSES

The Audit Committee (the "Committee") shall assist the Board of Directors (the "Board") in fulfilling its responsibility to oversee management regarding:

- (i) the conduct and integrity of the Company's financial reporting to any governmental or regulatory body, the public or other users thereof;
- (ii) the Company's systems of internal accounting and financial and disclosure controls;
- (iii) the qualifications, engagement, compensation, independence and performance of the Company's independent auditors, their conduct of the annual audit, and their engagement for any other services;
- (iv) the Company's legal and regulatory compliance; and
- (v) the preparation of the audit committee report required by SEC rules to be included in the Company's annual proxy statement.

In discharging its role, the Committee is empowered to inquire into any matter it considers appropriate to carry out its responsibilities, with access to all books, records, facilities and personnel of the Company. In addition to retaining the Company's independent auditor, the Committee has the power to retain outside counsel, other auditors or other advisors to assist it in carrying out its activities. The Company shall provide adequate resources to support the Committee's activities, including compensation of the Committee's counsel, independent auditors and other advisors. The Committee shall have the sole authority to retain, compensate, direct, oversee and terminate counsel, independent auditors, and other advisors hired to assist the Committee, who shall be accountable ultimately to the Committee.

II. COMMITTEE MEMBERSHIP

The Committee shall consist of three or more members of the Board, each of whom the Board has selected and determined to be "independent" for purposes of audit committee membership in accordance with applicable rules of the Securities and Exchange Commission ("SEC") and the Nasdaq National Market. All members of the Committee shall meet the financial literacy requirements of the Nasdaq National Market and at least one member shall be an "audit committee financial expert" as such term is defined under applicable SEC rules. No member of the Committee may serve on the audit committee of more than FIVE public companies, including the Company, unless the Board of Directors has determined that such simultaneous service would not impair the ability of such member to effectively serve on the Committee. Such determination shall be disclosed in the annual proxy statement.

Committee members shall continue to be members as long as they remain directors and until their successors are elected and qualified or until their earlier resignation or removal. Any member may be removed by the Board, with or without cause, at any time. The Chairman of the Committee shall be appointed from among the Committee members by, and serve at the pleasure of, the Board to convene and chair meetings of the Committee, set agendas for meetings, and determine the Committee's information needs. In the absence of the Chairman at a duly convened meeting, the Committee shall select a temporary substitute from among its members.

III. COMMITTEE MEETINGS

The Committee shall meet on a regularly-scheduled basis at least four times per year or more frequently as circumstances dictate. The Committee shall meet periodically with the internal auditor and the independent auditor in separate executive sessions to provide the opportunity for full and frank discussion without members of senior management present. The Committee shall meet at least annually with the Nominating and Corporate Governance Committee. This meeting will allow the Committee to review non-financial legal and regulatory compliance as well as the risk assessment and risk management processes.

The Committee shall establish its own schedule and rules of procedure. Meetings of the Committee may be held telephonically. A majority of the members of the Committee shall constitute a quorum sufficient for the taking of any action by the Committee.

IV. KEY RESPONSIBILITIES

The Committee's role is one of oversight. The Company's management is responsible for preparing the Company's consolidated financial statements and the independent auditors are responsible for auditing those consolidated financial statements. The Committee recognizes that Company management including the financial staff and the independent auditors have more time, knowledge and detailed information about the Company than do Committee members. Consequently, in carrying out its oversight responsibilities, the Committee is not providing any expert or special assurance as to the Company's consolidated financial statements or any professional certification as to the independent auditor's work.

The following responsibilities are set forth as a guide for fulfilling the Committee's purposes, with the understanding that the Committee's activities may diverge as appropriate given the circumstances. The Committee is authorized to carry out these activities and other actions reasonably related to the Committee's purposes or assigned by the Board from time to time.

The Committee may form, and delegate any of its responsibilities to, a subcommittee so long as such subcommittee is solely comprised of one or more members of the Committee.

To fulfill its purposes, the Committee shall:

A. Supervise the Independent Audit

1. appoint, evaluate taking into account opinions of management, including an evaluation of the lead audit partner(s), compensate, oversee the work of, and if appropriate terminate, the independent auditor, who shall report directly to the Committee;
2. review and approve the terms of the independent auditor's retention, engagement and scope of the annual audit, and approve as a Committee or by an individual member any audit-related and permitted non-audit services (including the fees and terms thereof) to be provided by the independent auditor as set forth in the Audit Committee's pre-approval policy (with disclosure as appropriate in the Company's periodic public filings);
3. on an annual basis:
 - (i) review a formal written statement from the independent auditor delineating all relationships between the independent auditor and the Company, consistent with Independence Standards Board Standard No.1 (as modified or supplemented), actively engage in a dialogue with the independent auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditor and take appropriate action in response to the independent auditor's report to satisfy itself of the auditor's independence;
 - (ii) set clear hiring policies for employees or former employees of the independent auditors;
4. review and discuss with management and the independent auditor:
 - (i) any significant findings during the year, including the status of previous audit recommendations;
 - (ii) any accounting adjustments that were noted or proposed by the auditor but were "passed" (as immaterial or otherwise) or any other audit problems or difficulties encountered in the course of audit work;
 - (iii) any restrictions on the scope of activities or access to required information;
 - (iv) any changes required in the scope of the audit plan;
 - (v) the audit budget and staffing; and
 - (vi) the coordination of audit efforts in order to monitor completeness of coverage, reduction of redundant efforts, and the effective use of audit resources;
5. review and resolve any disagreements between management and the independent auditor concerning financial reporting, or relating to any audit report or other audit, review or attest services provided by the independent auditor;

B. Oversee Internal Controls & Risk Management

6. Review and discuss with management and the independent auditor:
 - (i) the adequacy of the Company's internal control over financial reporting and disclosure controls and procedures (including computerized information system disclosure controls and security), including:
 - a) Management's quarterly certification of the Company's disclosure controls and procedures and any reports of material weaknesses in internal control over financial reporting and actions taken to remedy any such weaknesses,
 - b) management's annual assessment of the Company's internal control over financial reporting,

c) the independent auditor's annual attestation report regarding management's annual assessment of the Company's internal control over financial reporting when applicable, and

d) whether the Company's internal control over financial reporting and disclosure controls and procedures are designed to provide reasonable assurance that transactions entered into by the Company are properly authorized, assets are safeguarded from unauthorized or improper use, and transactions by the Company are properly recorded and reported;

(ii) any significant deficiencies in the design or operation of the Company's internal controls and procedures which could adversely affect the Company's ability to record, process, summarize and report financial data;

(iii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls and procedures; and

(iv) related findings and recommendations of management, together with the independent auditor's attestation report;

7. review and discuss with management and the independent auditor any significant risks or exposures and assess the steps management has taken to minimize such risks; and discuss with management and the independent auditor, and develop and monitor compliance with the Company's underlying policies with respect to, risk assessment and risk management;

8. oversee procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;

9. review and recommend the appointment, reassignment, replacement or dismissal of the Chief Financial Officer;

C. Oversee Financial Reporting

10. review and discuss with management and the independent auditor:

(i) all critical accounting policies and practices used by the Company;

(ii) any significant changes in Company accounting policies;

(iii) any material alternative accounting treatments within GAAP that have been discussed with management, including the ramifications of the use of the alternative treatments and the treatment preferred by the accounting firm; and

(iv) any accounting and financial reporting proposals that may have a significant impact on the Company's financial reports;

11. inquire as to the independent auditor's view of the accounting treatment related to significant new transactions or other significant matters or events not in the ordinary course of business;

12. review and discuss with the independent auditor the matters required to be discussed with the independent auditor by:

(i) Statement of Auditing Standards No. 61, as amended, including the auditor's responsibility under generally accepted auditing standards, the significant accounting policies used by the Company, accounting estimates used by the Company and the process used by management in formulating them, any consultation with other accountants and any major issues discussed with management prior to its retention;

(ii) Statement of Auditing Standards No. 90, as amended, including whether Company accounting principles as applied are conservative, moderate, or aggressive from the perspective of income, asset, and liability recognition, and whether or not those principles reflect common or minority practices; and

(iii) Statement of Auditing Standards No. 100, as amended, including the review of the interim financial information of the Company and any material modifications that need to be made to the interim financial information for it to conform with GAAP;

13. review and discuss with management and the independent auditor any material financial or non- financial arrangements that do not appear on the financial statements of the Company;

14. review and discuss with the independent auditor:

(i) any accounting adjustments that were noted or proposed by the auditors but were "passed" (as immaterial or otherwise);

(ii) any communications between the audit team and the audit firm's national office respecting auditing or

accounting issues presented by the engagement; and

(iii) any “management” or “internal control” letter issued, or proposed to be issued, by the independent auditors to the Company or any other material written communications between the accounting firm and management, such as any management letter or schedule of “unadjusted differences;”

15. review the Company’s consolidated financial statements, including:

(i) prior to public release, review and discuss with management and the independent auditor the Company’s annual and quarterly consolidated financial statements to be filed with the SEC (including the Company’s disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and any certifications regarding the consolidated financial statements or the Company’s internal accounting and financial controls and procedures and disclosure controls or procedures filed with SEC by the Company’s senior executive and financial officers); and

(ii) with respect to the independent auditor’s annual audit report and certification, before release of the annual audited consolidated financial statements, meet with the independent auditor without any management member present to discuss the adequacy of the Company’s system of internal accounting and financial controls, the appropriateness of the accounting principles used to and judgments made in the preparation of the Company’s audited consolidated financial statements, and the quality of the Company’s financial reports;

(iii) meet separately, periodically, with management and the independent auditor;

(iv) recommend to the Board whether to include the audited annual consolidated financial statements in the Company’s Annual Report on Form 10-K to be filed with the SEC;

(v) prior to submission to any governmental authority of any financial statements of the Company that differ from the consolidated financial statements filed by the Company with the SEC, reviewing such consolidated financial statements and any report, certification or opinion thereon provided by the independent auditor;

16. at least annually, review a report by the independent auditor describing:

(i) the firm’s internal quality-control procedures;

(ii) any material issues raised by the most recent internal quality-control review of the firm, peer review or by any review, inquiry or investigation by governmental or professional authorities (including the Public Company Accounting Oversight Board), within the preceding five years, regarding one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and

(iii) all relationships between the independent auditor and the Company (to be set out in a formal written statement);

17. discuss with management and the independent auditor, as appropriate, earnings press releases and financial information and earnings guidance (including non-GAAP financial measures) provided to analysts and to rating agencies;

D. Oversee Legal and Regulatory Compliance

18. review periodically:

(i) legal and regulatory matters that may have a material impact on the Company’s financial statements; and

(ii) the scope and effectiveness of compliance policies and programs;

19. oversee the implementation and effectiveness of, and recommend modifications as appropriate to the Supplemental Code of Ethics for the CEO and Senior Officers, and the Code of Business Conduct and Ethics;

20. review, discuss with management and the independent auditor, and, if appropriate, approve any transactions or courses of dealing with related parties (*e.g.*, including significant shareholders of the Company, directors, corporate officers or other members of senior management or their family members) that are significant in size or involve terms or other aspects that differ from those that would likely be negotiated with independent parties;

E. Report & Self-Evaluate

21. Oversee the preparation and approve all reports required under SEC rules to be included in the Company’s annual proxy statement. Any report of the Committee included in the Company’s proxy statement should state whether the Committee:

- (i) has reviewed and discussed the audited consolidated financial statements with management;
- (ii) has discussed with the independent auditors the matters required to be discussed by SAS Nos. 61 and 90, as amended;
- (iii) has received the written disclosure and letter from the independent auditors (describing their relationships with the Company) and has discussed with them their independence; and
- (iv) based on the review and discussions referred to above, the members of the Committee recommended to the Board that the audited consolidated financials be included in the Company's Annual Report on Form 10-K for filing with the SEC;

22. conduct an annual self-evaluation of the performance of the Committee, including its effectiveness and compliance with this Charter;

23. review and reassess the adequacy of this Charter annually, and recommend to the Board amendments as the Committee deems appropriate; and

24. report regularly to the Board on Committee findings and recommendations (including on any issues that arise with respect to the quality or integrity of the Company's consolidated financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the independent auditors or the performance of the internal audit function) and any other matters the Committee deems appropriate or the Board requests, and maintain minutes or other records of Committee meetings and activities.