

INNOVATE BIOPHARMACEUTICALS, INC.

COMPENSATION COMMITTEE CHARTER

I. PURPOSE

The primary purposes of the Compensation Committee are to assist the Board of Directors (the “**Board**”) of Innovate Biopharmaceuticals, Inc. (the “**Company**”) in fulfilling its oversight responsibilities with respect to (i) the review and, as appropriate, determination of executive compensation, (ii) the compensation policies and practices of the Company and (iii) the administration of the Company’s compensation plans. The Compensation Committee shall primarily fulfill these purposes by carrying out the activities enumerated in Section IV of this Charter.

II. COMPOSITION

Except as otherwise permitted by applicable rules of the Nasdaq Stock Market (“**Nasdaq**”), the Compensation Committee shall consist of two or more directors, each of whom is (i) an “independent director” as defined in the Nasdaq rules and meets all applicable criteria for independence set forth in such rules, (ii) a “non-employee director” within the meaning of the rules and regulations of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), and (iii) an “outside director” within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended. In the event the Board determines that a director who does not qualify as a “non-employee director” or an “outside director” should nevertheless serve on the Compensation Committee, appropriate arrangements may be made for a subcommittee of the Compensation Committee in accordance with the rules and regulations of the Exchange Act and Section 162(m). Members of the Compensation Committee shall be appointed by the Board. The Board may remove members of the Compensation Committee with or without cause.

III. STRUCTURE AND OPERATIONS

The Board shall designate a member of the Compensation Committee as the chairperson. The Compensation Committee shall meet as often as it deems necessary in order to perform its responsibilities. The Compensation Committee may also act by unanimous written consent in lieu of a meeting. The Compensation Committee shall be governed by the same rules regarding meetings (including meetings in person or by telephone or similar method of communication), action without meetings, notice, waiver of notice, quorum and voting as may be applicable to the Board. The Compensation Committee shall meet without the presence of executive officers when approving or deliberating on CEO compensation but may, in its discretion, invite the CEO to be present during the approval of, or deliberations with respect to, other executive officer compensation. The Compensation Committee shall have the authority to delegate any of its responsibilities, along with the authority to take action in relation to such responsibilities, to one or more subcommittees as the Compensation Committee may deem appropriate in its sole discretion.

IV. RESPONSIBILITIES AND DUTIES

The Compensation Committee shall have the following responsibilities:

A. To review and approve, or recommend that the Board approve, the compensation of the chief executive officer (“**CEO**”) and all other executive officers.

B. To periodically review and make recommendations to the Board with respect to director compensation.

C. To review and approve, or recommend that the Board approve, incentive compensation plans and equity-based plans, which includes the ability to adopt, amend and terminate such plans. The Compensation Committee shall also have the authority to administer the Company’s incentive compensation plans and equity-based plans, including, without limitation, the authority to interpret the terms thereof and make grants thereunder. The Compensation Committee shall approve, or recommend that the Board approve, any inducement awards to be granted in reliance on the exemption from stockholder approval contained in applicable rules of Nasdaq.

D. If required, to review and discuss with management the Company’s Compensation Discussion and Analysis (“**CD&A**”), recommend that the CD&A be included in the Company’s Form 10-K or proxy statement and produce the compensation committee report on executive officer compensation required to be included in the Company’s Form 10-K or proxy statement.

E. To review and approve, or make recommendations to the Board regarding, or approve any employment agreements and any severance arrangements or plans, including any benefits to be provided in connection with a change in control, for the CEO and other executive officers, which includes the ability to adopt, amend and terminate such agreements, arrangements or plans.

F. To oversee the management of risks relating to the Company’s executive compensation plans and arrangements.

G. To perform a review and evaluation, at least annually, of the performance of the Compensation Committee, including a review of the compliance by the Compensation Committee with this Charter.

H. To perform any other activities consistent with this Charter, the Company’s Amended and Restated Bylaws and governing law, as the Compensation Committee or the Board deems necessary or appropriate.

I. To review this Charter at least annually and recommend any changes to the Board.

V. RESOURCES AND AUTHORITY

The Compensation Committee shall have the resources and authority to discharge its responsibilities, including the authority, in its sole discretion, to the extent it deems necessary or appropriate, to retain and terminate a compensation consultant, outside legal counsel and other advisors as it deems necessary to assist with the execution of its duties and responsibilities as set forth in this Charter. The Compensation Committee shall be directly responsible for the appointment, compensation and oversight of the work of any such advisor.

The Compensation Committee may select or receive advice from a compensation consultant, outside legal counsel or other advisor only after taking into consideration the following factors: (i) the advisor's or the advisor's firm's provision of other services to the Company, (ii) any business or personal relationship between the advisor and members of the Compensation Committee, (iii) any business or personal relationships between the Company's executive officers and the advisor or the advisor's firm, (iv) the advisor's ownership of the Company's stock, (v) the amount of fees received from the Company by the advisor's firm, as a proportion of the firm's revenue and (vi) the conflict of interest policies and procedures of the advisor's firm. The Compensation Committee shall not be required to undertake an "independence" analysis for in-house legal counsel and for consultants, counsel or other advisors whose role is limited to (a) consulting on any broad-based employee benefit plans that do not discriminate in scope, terms or operation in favor of executive officers or directors of the Company and that are available generally to all salaried employees, or (b) providing advice that either is not customized for the Company or that is customized based on parameters that are not developed by the advisor and about which the advisor does not provide advice.

The Company shall provide appropriate funding, as determined by the Compensation Committee, for payment of (i) compensation to each compensation consultant, (ii) compensation to any advisors employed by the Compensation Committee and (iii) ordinary administrative expenses of the Compensation Committee.