



**SOCIAL REALITY, INC.**  
**AUDIT COMMITTEE CHARTER**  
**Adopted August 16, 2016**

**Organization**

This charter governs the operations of the Audit Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of Social Reality, Inc., a Delaware corporation (the “**Company**”).

**Statement of Policy**

The Committee shall provide assistance to the Board in fulfilling its oversight responsibility to the Company’s stockholders, the investment community, and others relating to:

- the integrity of the Company’s financial statements and financial reporting process; and
- the Company’s systems of internal controls; the performance of the Company’s accounting function and independent auditors; and the independent auditor’s qualifications and independence.

In so doing, it is the responsibility of the Committee to maintain free and open communication between the Committee, independent auditors and the Company’s management. In discharging its oversight 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 and the power to retain independent legal, accounting or other consultants to advise the Committee. It is the intent of the Committee to comply with all applicable rules and regulations governing the Committee, such as those of the Securities and Exchange Commission (the “**Commission**”) and any national securities exchange on which the Company’s securities are then listed for trading (the “**Exchange**”).

**Meetings**

The Committee shall meet at least four times annually. In addition, the Committee shall hold such additional meetings as may be called by any member of the Committee or at the request of the Company’s independent auditors. The chairman of the Board, the chief executive officer, chief financial officer, and other key members of management may be invited from time to time to meetings to offer information, expertise and advice as requested by the Committee. The Committee may also request that independent auditors participate in Committee meetings, as necessary. Each Committee member shall have one vote. Attendance may be in person or by telephone.

## Composition and Organization of Committee

- Size of Committee. The Committee shall consist of a minimum of three (3) members.
- Member Qualifications. Except as otherwise permitted by the applicable rules of the Exchange upon which the Company's securities are then listed, each member of the Audit Committee shall be independent as defined by such rules, meet the criteria for independence set forth in Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended (subject to the exemptions provided in Rule 10A-3(c)), and not have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years. Each member of the Committee must be able to read and understand fundamental financial statements, including a balance sheet, income statement and cash flow statement. In addition, at least one member of the Committee must be an "audit committee financial expert" as determined by the Board in accordance with the rules of the Securities and Exchange Commission (the "**Commission**").
- Appointment to Committee. The members of the Committee shall be appointed by the Board. The Board shall make the appointments to the Committee at the organization meeting following each annual meeting of stockholders.
- Term. Members will be appointed by the Board for a one year term or until a successor is appointed and qualified. The full Board will fill vacancies on the Committee and may remove a Committee member from membership on the Committee at any time without cause.
- Committee Chairman. The Committee Chairman will be a Board member appointed by the Board. If the Committee Chairman is absent from a meeting, another member of the Committee will act as Chairman.
- Annual Review of Committee and Charter. The Committee shall annually review the Committee's own performance, which shall include eliciting input from management and the independent auditor on the performance of the Committee. The Committee shall report the results of such self-assessment to the Board.
- Compensation. Members of the Committee shall, at the discretion of the Board, be entitled to receive fees for service on the Committee or for service as Chairman of the Committee, in addition to the normal fees paid to all directors.

Not less than annually, the Committee shall review this Charter and recommend to the Board any changes it deems advisable. At any time, the Board acting on its own initiative, or on recommendation of another Board committee, may amend this Charter. Only the full Board may amend this Committee's Charter.

## **Responsibilities and Processes**

The primary responsibility of the Committee is to oversee the Company's financial reporting process on behalf of the Board and report the results of their activities to the Board. The Company's management is responsible for the preparation, presentation and integrity of the Company's financial statements and disclosures, and the independent auditor is responsible for auditing year-end financial statements and reviewing quarterly financial statements and conducting other procedures. It is not the duty of the Committee to certify the Company's financial statements, to guarantee the independent auditor's report, or to plan or conduct audits. Since the primary function of the Committee is oversight, the Committee shall be entitled to rely on the expertise, skills and knowledge of management and the independent auditor and the accuracy of information provided to the Committee by such persons in carrying out its oversight responsibilities. Nothing in this Charter is intended to change the responsibilities of management and the independent auditor.

The Committee shall prepare the report required by the rules of the Commission to be included in the Company's annual proxy statement.

The Committee in carrying out its responsibilities believes its policy and procedures should remain flexible, in order to best react to changing conditions and circumstances. The Committee should take the appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices, and ethical behavior.

The following shall be the principal recurring processes of the Committee in carrying out its oversight responsibilities. The processes are set forth as a guide with the understanding that the Committee may supplement them as appropriate. In carrying out its responsibilities, the Committee will:

### *Independent Auditor*

The Committee shall have the sole authority and responsibility for the appointment, retention, oversight, termination and replacement of the independent auditor (subject, if applicable, to stockholder ratification). The Committee shall be directly responsible for the compensation and oversight of the work of the independent auditor for the purpose of preparing and issuing an audit report and related work.

1. No audit services or non-audit services shall be performed by the independent auditor for the Company unless first pre-approved by the Committee and unless permitted by the rules and regulations of the Commission. If the Committee approves an audit service within the scope of the engagement of the independent auditor, such audit services shall be deemed to have been pre-approved for the purposes of this Section.

The Committee may delegate one or more members of the Committee the authority to grant pre-approval of non-audit services required by this Section. The

decision of any member to whom such authority is delegated to pre-approve non-audit services shall be presented to the full Committee for its approval at its next scheduled meeting.

2. Perform the following:
  - a) Obtain from the independent auditor on an annual basis, the written disclosures required under Independence Standards Board Standard No. 1 *Independence Discussions with Audit Committees* regarding any relationships between the auditor and the Company or any other relationships that reasonably may be thought to bear on the auditor's independence;
  - b) Discuss with the independent auditor the auditor's independence including all relationships between the independent auditor and the Company that may impact the independent auditor's objectivity and independence;
  - c) Obtain from the independent auditor on an annual basis, a written statement that the Company's chief executive officer, chief financial officer, controller or any person serving in an equivalent position to any of the foregoing for the Company, was not employed by the independent auditor and did not participate in any capacity in the audit of the Company during the one year period preceding the date of the initiation of the audit for which the independent auditor is engaged;
  - d) Recommend to the Board appropriate action in response to the independent auditor's report to satisfy itself of the independent auditor's independence;
  - e) Review and evaluate the lead audit partner of the independent auditor's team;
  - f) Annually obtain and review from the independent auditor a written report describing (i) the independent auditor's internal quality-control procedures and (ii) any material issues raised by the independent auditor's most recent internal quality-control review or peer review; and
  - g) At such time as the Company becomes subject to Section 404(b) of Regulation S-K promulgated under the Securities Act of 1933, as amended, annually obtain from the independent auditor a written report in which the independent auditor attests to and reports on the assessment of the Company's internal controls made by the Company's management.
3. Meet with the independent auditor and financial management of the Company to review the scope of the proposed audit for the current year and the audit procedures to be utilized.

4. Review each opinion or report of the independent auditor and review any comments or recommendations of the independent auditor with respect to the audited or interim financial statements.
5. Provide sufficient opportunity for the independent auditor to meet with the members of the Committee without members of management present. Among the items to be discussed in these meetings are the independent auditor's evaluation of the Company's financial and accounting personnel, and the cooperation that the independent auditor received during the course of the audit.
6. Review the range and cost of audit and non-audit services performed by the independent auditor.

### Financial Reporting Process

1. Review significant accounting and reporting issues, including recent professional and regulatory announcements, and the impact on the financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies.
2. Evaluate whether management is setting the appropriate tone at the top by communicating the importance of strong internal controls. Obtain an understanding of internal controls and the significant risk areas for the Company through discussions with management, and the independent auditor. Periodically review the adequacy of internal controls that could significantly affect the Company's financial statements through discussions with management and the independent auditor.
3. Review and discuss with the independent auditor the following as it relates to periodic filings with the Commission:
  - a) all critical accounting policies and practices used in the Company's audit;
  - b) all alternative treatments of the Company's financial information within U.S. generally accepted accounting principles (GAAP) that have been discussed with management, the ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditor; and
  - c) all other material written communications between the independent auditor and management, such as any management letter or schedule of adjusted differences.

4. Review with appropriate representatives of management and the independent auditor the financial information contained in the Company's Quarterly Reports on Form 10-Q prior to filing, the Company's earnings announcements prior to release, and the results of the independent auditor's review of interim financial information pursuant to AU Section 722 *Interim Financial Information*, as may be modified or supplemented. The Chairman of the Committee may represent the entire Committee, either in person or by telephone conference call, for purposes of this review.
  
5. Review with appropriate representatives of management and the independent auditor the scope and timing of the annual audit as well as the results of the audit work performed at the completion of the annual audit of the Company's consolidated financial statements included in the Annual Report on Form 10-K for the last fiscal year. Prior to its filing, the Committee shall, without limitation:
  - a) Review and discuss the Company's annual consolidated financial statements and related footnotes;
  - b) Review and discuss the independent auditor's audit of the consolidated financial statements and their report;
  - c) Review and discuss any significant changes required in the independent auditor's examination plan;
  - d) Discuss with management and the independent auditor any problems, difficulties or disputes encountered during the course of the audit, including any restrictions on the scope of the independent auditor's activities or on access to requested information, any accounting adjustments that were noted or proposed by the independent auditor but that were not adopted, any communications between the independent auditor's team assigned to the Company's audit and the auditors affiliated national office, and any "management" or "internal control" letter issued, or proposed to be issued, by the independent auditor to the Company;
  - e) Review and discuss other matters related to the conduct of the audit which are to be communicated to the Committee under general accepted auditing standards including, discussions relating to the independent auditors' judgments about such matters as the quality, not just the acceptability, of the Company's accounting practices and other items set forth in AU Section 380 *Communication with Audit Committees* or other such auditing standards that may in time modify, supplement or replace AU Section 380; and
  - f) Recommend to the Board, based on the review and discussions referred to above, that the Company's consolidated financial statements be included

in the Annual Report on Form 10-K for the last fiscal year for filing with the Commission.

#### Financial Reporting Oversight

1. Discuss with management the Company's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies, if applicable. Such discussion may be done generally, consisting or discussing the types of information to be disclosed and the types of presentations to be made.
2. Periodically inquire of management and the independent auditor as to any disagreements that may have occurred between them relating to the Company's financial statements or disclosures. The Committee shall have the sole responsibility for the resolution of any disagreements between management and the independent auditor regarding financial reporting.

#### Review of Other Documents and Reports

1. Review the activities, organizational structure, and qualifications of accounting and financial human resources within the Company.
2. Review the procedures established by the Company that monitor the compliance by the Company with the covenants and restrictions contained in its loan agreements.
3. Review with the Company's counsel any legal matter that could have a significant impact on the Company's financial statements.

#### Accountability to Board of Directors

1. Report through its Chairman to the Board following the meetings of the Committee.
2. Maintain minutes or other records of meetings and activities of the Committee, all of which shall be submitted to the corporate secretary to be filed with the minutes of meetings of the Company's Board.

#### Legal Compliance and Ethics

1. Review the Company's policies and procedures for compliance with laws and regulations that may impact financial reporting and disclosure.
2. Periodically review and approve the Company's Code of Ethics and Conduct. Recommend material changes for approval by the Board. Provide for and review

prompt disclosure to the public of any substantive change in, or any waiver of, such ethics code.

3. Periodically review and approve the Company's procedures for (i) the receipt, retention investigation and resolution of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submission by employees, in accordance with the Company's whistleblowers policy, of concerns regarding questionable accounting or auditing matters. Monitor compliance with such procedures.
4. As requested by the Board, review and investigate conduct alleged by the Board to be in violation of the Code of Ethics and Conduct and adopt as necessary remedial, disciplinary or other measures with respect to such conduct.
5. Conduct or authorize an investigation of any matter brought to its attention within the scope of its duties, with the power to retain outside counsel or other advisors for this purpose if, in its judgment, that is appropriate. Report to the Board the results of its investigation and make such recommendations as it may deem appropriate.
6. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
7. Annual review its own performance.

Other

1. Consider such other matters in relation to the financial affairs of the Company and its accounts, and in relation to the external audit of the Company as the Committee may, in its discretion, determine to be advisable.
2. Perform any other activities consistent with this Charter, the Company's By-laws and charter documents and governing law as the Committee or the Board deems necessary or appropriate.
3. Review the Company's plans and programs with respect to risk management and related insurance coverage.
4. Review and monitor the Company's risk assessment programs and related risk management strategies.
5. Review the Company's annual update on loss prevention and security matters.
6. Review and approve, on an ongoing basis, all related party transactions.



## Audit Committee Calendar

|  | Q1 | Q2 | Q3 | Q4 | As Needed |
|--|----|----|----|----|-----------|
| <b>EXTERNAL AUDITORS</b>   |    |    |    |    |           |
| Appointment of external auditors   |    |    |    | ✓  |           |
| Approval of engagement letter  | ✓  |    |    |    |           |
| Review cost of audit and non-audit services, if any  | ✓  | ✓  | ✓  | ✓  |           |
| Pre-approval of non-audit services performed by external firm                                  | ✓  | ✓  | ✓  | ✓  |           |
| External auditor's independence  | ✓  |    |    |    |           |
| External auditor's audit plan, including timing, scope and procedures                          |    |    |    | ✓  |           |
| Significant changes to audit plan, scope restrictions, lack of info                            |    |    |    |    | ✓         |
| Local office's communication with national office  | ✓  |    |    |    |           |
| Disagreements with management  | ✓  |    |    |    |           |
| External auditor's report  | ✓  |    |    |    |           |
| External auditor's management letter   | ✓  | ✓  |    |    |           |
| External auditor's opinion of quality of financial reporting                                   | ✓  | ✓  | ✓  | ✓  |           |
| External auditor's internal control findings   | ✓  |    |    |    |           |
| Significant accounting and reporting issues  | ✓  | ✓  | ✓  | ✓  |           |
| External auditor's results of quarterly review   | ✓  | ✓  | ✓  | ✓  |           |
| Private session with external auditors   | ✓  | ✓  | ✓  | ✓  |           |
| Other committee activities   |    |    |    |    | ✓         |
| Approve previous meeting minutes   | ✓  | ✓  | ✓  | ✓  |           |
| File meeting minutes with Secretary  | ✓  | ✓  | ✓  | ✓  |           |
| Report to Board of Directors   | ✓  | ✓  | ✓  | ✓  |           |
| Report to stockholders   | ✓  |    |    |    |           |
| Annual self-evaluation   |    |    | ✓  |    |           |
| Evaluate lead audit partner  |    | ✓  | ✓  |    |           |
| Evaluate management's role and success in maintaining internal controls                        | ✓  |    |    |    |           |
| Respond to and investigate any whistleblower reports submitted to Audit Committee Chairperson. |    |    |    |    | ✓         |

### Audit Committee Agenda Items \*

|  | Q1 | Q2 | Q3 | Q4 | As Needed |
|--|----|----|----|----|-----------|
| <b>FINANCIAL AND RELATED REPORTING</b>   |    |    |    |    |           |
| Review of draft Form 10-Q / quarterly public filing  |    | ✓  | ✓  | ✓  |           |
| Review of draft Form 10-K / annual public filing   | ✓  |    |    |    |           |
| Review of proxy materials and narrative reporting  | ✓  |    |    |    |           |
| Review of Audit Committee Charter (included in proxy)  | ✓  |    |    |    |           |
| Review final draft of earnings announcements   | ✓  | ✓  | ✓  |    |           |
| Review and discuss critical accounting policies and practices, alternative treatments, and material communications between external audit and management | ✓  | ✓  | ✓  | ✓  |           |
| Planned changes in accounting principles   |    |    |    |    | ✓         |
| Significant accounting judgment and estimates  | ✓  | ✓  | ✓  | ✓  |           |
| Discuss with management the Company's earnings press releases  |    |    |    |    | ✓         |
| <b>CONTROLS AND COMPLIANCE</b>   |    |    |    |    |           |
| Evaluation of disclosure controls  | ✓  | ✓  | ✓  | ✓  |           |
| Management's assessment of internal controls   | ✓  | ✓  | ✓  | ✓  |           |
| Significant changes in financial reporting internal controls   | ✓  | ✓  | ✓  | ✓  |           |
| Review accounting and finance organization structure and qualifications  |    |    | ✓  |    |           |
| Monitoring process for compliance with loan agreements   |    |    |    |    | ✓         |
| Review risk management and related insurance coverage  |    |    |    |    | ✓         |
| Review risk assessment program and risk management strategies  |    |    |    |    | ✓         |
| Review related party transactions  | ✓  | ✓  | ✓  | ✓  |           |
| Review of independence, experience, and qualifications of Audit Committee Members  | ✓  |    |    |    |           |
| Annual update on loss prevention and security matters  |    |    | ✓  |    |           |
| Tax matters  | ✓  | ✓  | ✓  | ✓  |           |
| Significant legal matters  |    |    |    |    | ✓         |
| Report of charitable contributions   |    |    |    |    | ✓         |

\* Any items that are not marked "as needed" nonetheless will be addressed promptly if any issue arises in that area.