

MEDGENICS, INC.
AUDIT COMMITTEE CHARTER

1. PURPOSE

The Audit Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of Medgenics, Inc. (the “**Company**”) has the oversight responsibilities, duties and authority described in this Charter. The primary purpose of the Committee is to assist the Board in fulfilling its responsibility to oversee the integrity of the financial statements of the Company and the Company’s compliance with legal and regulatory requirements, by (a) overseeing and reviewing the integrity of the Company’s financial statements, and other financial information provided by the Company to its stockholders and the investment community, (b) overseeing and reviewing the Company’s compliance with legal and regulatory requirements and ethical behavior, (c) overseeing and reviewing the Company’s system of internal accounting and financial controls and the internal audit functions, (d) reviewing and approving the Company’s retention of auditors, including oversight of their performance, qualifications and independence as well as the terms of their engagement, (e) the Company’s accounting and financial reporting processes and disclosure systems, (f) reviewing and approving all audit engagement fees and terms, as well as all non-audit engagements with the independent auditors, (g) producing the report that the rules of the Securities and Exchange Commission (“**SEC**”) require be included in the Company’s annual proxy statement, and (h) overseeing the Company’s Code of Business Conduct and Ethics (“**Code of Conduct**”) as applied to the Company’s directors and executive officers.

The Committee’s responsibility is one of oversight, in that management is responsible for the Company’s financial reporting, internal control and disclosure systems and for preparing the Company’s financial statements and that the independent public accountants are responsible for auditing those financial statements. The independent public accountants report directly to the Committee and are accountable to the Committee and to the Board with respect to the audit of the financial statements.

2. DUTIES

The following shall be the principal recurring duties of the Committee in carrying out its oversight responsibility.

2.1 *Independent Public Accountants:*

- (a) Sole authority to appoint, retain, evaluate and, where appropriate, replace, the independent public accountants for each fiscal year. The Committee shall be directly responsible for the compensation and oversight of the independent public accountants (including resolution of disagreements between management and the independent public accountants and pre-approval of all non-audit services). The independent public accountants will report directly to the Committee.
- (b) Review and, in its sole discretion, approve in advance the Company’s independent public accountants’ annual engagement letter, including the proposed fees contained therein, as well as all audit and all permitted non-audit engagements and relationships between the Company and such public accountants (which approval should be made after receiving input from the Company’s management). Approval of audit and permitted non-audit services may also be made by one or more members of the Committee as shall be designated by the Committee. The persons granting such approval shall report such approval to the Committee at the next scheduled meeting.

- (c) Review the qualifications, performance and independence of the Company's independent public accountants, including the lead partner of the independent public accountants, and, in its sole discretion, make decisions regarding the replacement or termination of the independent public accountants when circumstances warrant.
- (d) Obtain at least annually from the Company's independent public accountants and review a formal written statement describing:
 - (i) the independent public accountants' internal quality-control procedures;
 - (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the independent public accountants, or by any inquiry or investigation by any governmental or professional authority, within the preceding five years, respecting one or more independent audits carried out by the independent public accountants, and any steps taken to deal with any such issues; and
 - (iii) all relationships between the independent public accountants and the Company, including each non-audit service provided to the Company and including reports consistent with PCAOB Ethics and Independence Rule 3526, *Communication with Audit Committees Concerning Independence*.
- (e) Obtain from the independent auditors annually a formal written statement of the aggregate fees billed for each of the last two fiscal years in each of the following categories:
 - (i) professional services rendered by the independent auditors for the audit of the Company's annual financial statements and review of financial statements included in the Company's Form 10-Q, if applicable, or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years;
 - (ii) assurance and related services by the independent auditors that are reasonably related to the performance of the audit or review of the Company's financial statements;
 - (iii) professional services rendered by the independent auditors for tax compliance, tax advice, and tax planning; and
 - (iv) products and services provided by the independent auditors, other than services described in clauses (e) (i), (ii), and (iii) above. The written statement shall describe the nature of the services comprising the fees disclosed under clauses (e) (i), (ii), and (iii) above and this clause (iv).
- (f) Actively engage in a dialogue with the independent public accountants with respect to any disclosed relationships or services that may impact the objectivity and independence of such accountants, and take any appropriate action to satisfy itself of the public accountants' independence.
- (g) Have the responsibility to resolve any disagreements between the independent public accountants and management.

- (h) Obtain from the independent public accountants assurance that their audit of the Company's financial statements was conducted in accordance with the auditing standards generally accepted in the United States.
- (i) Review the audit results.
- (j) Discuss with the independent public accountants the attestation and report on management's assessment of the effectiveness of internal controls required under Section 404 of the Sarbanes-Oxley Act of 2002.
- (k) Review on a regular basis with the Company's independent public accountants:
 - (i) all critical accounting policies and practices to be used;
 - (ii) the matters required to be discussed by SAS No. 114, *The Auditor's Communication with Those Charged with Governance*, (or such other auditing standard that may in time modify, supplement or replace SAS No. 61 or SAS No. 114). In connection therewith, the Committee should review with the independent public accountants the following: any accounting adjustments that were noted or proposed by the independent public accountants but were rejected by management (as immaterial or otherwise); any communications between the audit team and the independent public accountants' national office respecting auditing or accounting issues presented by the engagement; and any "management" or "internal control" letter issued, or proposed to be issued, by the independent public accountants to the Company;
 - (iii) other material written communications between the independent public accountants and management, such as any management letter or schedule of unadjusted differences.

2.2 *Financial Statements and Reports*

- (a) Review and discuss the annual financial statements and related materials with the independent public accountants and management, and recommend to the Board whether the annual financial statements should be included in the Company's Annual Report on Form 10-K.
- (b) Discuss with management and, if applicable, the independent public accountants, any disclosure required on the Company's Annual Report on Form 10-K based on the requirements of Regulation 5-K Item 304(b), Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.
- (c) Prepare the audit committee report required to be prepared by the Committee pursuant to the rules of the SEC for inclusion in the Company's annual proxy statement, or, if the Company does not file a proxy statement, in the Company's annual report on Form 10-K filed with the SEC. This report shall include any appropriate recommendations of the Committee.
- (d) Discuss with management and the independent public accountants significant financial reporting issues and judgments made in connection with the preparation of the Company's 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.

- (e) Review the type and presentation of information to be included in the Company's earnings press releases. Such discussion may be done generally (consisting of discussing the types of information to be disclosed and type of presentations to be made). The Committee need not discuss in advance each earnings release.
- (f) Review policies and procedures in place to assure accurate and complete quarterly financial reporting.
- (g) Review and discuss with management, and as appropriate with the Company's independent public accountants, the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q in advance of their filing with the SEC, including the Company's financial statements and disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations".
- (h) Meet privately with the Company's internal and external legal counsel to determine if there are any legal matters that might have a significant impact on the financial statements and review the status of such items.
- (i) Discuss guidelines and policies governing the process by which senior management of the Company and the relevant departments of the Company assess and manage the Company's exposure to risk, as well as the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
- (j) Inquire of management and the independent public accountants as to any significant financial reporting issues arising during the year, including any situations where management sought a second opinion from a second public accounting firm, and review the status.
- (k) Inquire of management and the independent public accountants as to whether there are any significant items that have been or might be disputed by tax authorities and review the status of such items.
- (l) Review and discuss with management and the independent auditors the impact of significant regulatory changes and accounting or reporting developments.

2.3 *Internal Controls*

- (a) Evaluate the policies implemented by management to assure the adequacy of internal controls and the financial reporting process, including security surrounding assets and computerized information systems.
- (b) Establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- (c) Discuss with the independent public accountants and management the internal

audit department responsibilities, budget and staffing and any recommended changes in the planned scope of the internal audit.

- (d) Review with the Company's internal auditors the scope of their reviews, their results and any matters that may be at issue with management.
- (e) Review the annual internal audit plan and progress against the plan to determine that audit objectives and scope are adequate to support the Committee's responsibilities.
- (f) Review the initial recommendations and the status of implementation of internal control recommendations made by the independent public accountants and the Company's internal auditors.
- (g) Review management's assessment of the effectiveness of internal controls required by Section 404 of the Sarbanes-Oxley Act of 2002, as amended.
- (h) Obtain from the Company's independent public accountants any information required pursuant to Section 10A of the Securities Exchange Act of 1934, as amended.
- (i) Review with the Chief Executive Officer and Chief Financial Officer and independent public accountants, periodically, the following:
 - (i) their judgments about the quality, appropriateness, and acceptability of the Company's accounting principles and financial disclosure practices, as applied to its financial reporting;
 - (ii) the completeness and accuracy of the Company's financial statements;
 - (iii) all significant deficiencies in the design or operation of internal controls that could adversely affect the Company's ability to record, process, summarize, and report financial data, including any material weaknesses in internal controls identified by the Company's independent public accountants;
 - (iv) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and
 - (v) any significant changes in internal controls or in other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.
- (j) Review management's program to monitor compliance with laws and regulations, including environmental compliance, and the Code of Conduct, and to investigate employee misconduct or fraud.
- (k) Review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters and ensure that such arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
- (l) Regularly report its activities to the Board. In connection therewith, the Committee should review with the Board any issues that arise with respect to

the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent public accountants, or the performance of the internal audit function.

2.4 *Other Responsibilities*

- (a) Develop and review periodically the Code of Conduct adopted by the Board to assure that it is appropriate for the Company and complies with the applicable requirements of the SEC, NYSE Amex and such other applicable exchange or market, and recommend any desirable changes to the Board;
- (b) Review and approve any change in or waiver (if permitted) to the Code of Conduct for its principal executive and senior financial officers and any public disclosure of any such waivers as required by the requirements of the SEC, NYSE Amex and such other applicable exchange or market;
- (c) Review and provide approval of any "related party transactions" or arrangements that may be required to be disclosed under SEC Regulation S-K, Item 404, between the Company and any of its directors, officers, principal shareholders or any of their respective affiliates, associates or related parties.
- (d) Prepare and review with the Board an annual performance evaluation of the Committee, which evaluation must compare the performance of the Committee with the requirements of this Charter, and set forth the goals and objectives of the Committee for the upcoming year. The performance evaluation by the Committee shall be conducted in such manner as the Committee deems appropriate. The report to the Board may take the form of an oral report by the Chairman of the Committee or any other member of the Committee designated by the Committee to make this report.
- (e) Take such other actions as the Committee or the Board may deem necessary or appropriate.
- (f) The Chairman of the Committee should make himself available at each Annual Meeting of Stockholders of the Company to answer questions concerning the Committee's work during the preceding year.

3. MEMBERSHIP

The Committee shall consist of a minimum of three members appointed by the Board. Each member of the Committee shall (i) be independent, as such term is defined in Section 803A of the NYSE Amex Company Guide and Rule 10A-3 under the Securities Exchange Act of 1934, as amended, (ii) not accept any consulting, advisory or other compensatory fee from the Company other than in his or her capacity as a member of the Board or any committee of the Board, (iii) not be an affiliate of the Company and not own or control 10% or more of the Company's voting securities, or such lower measurement as may be established by the SEC, and (iv) has not participated in the preparation of the financial statements of the Company or any subsidiary at any time during the past three years. All members of the Audit Committee must be able to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement, and the Audit Committee shall determine whether at least one member must be financially sophisticated or an "audit committee financial expert," as defined by Item 407(d)(5) of SEC Regulation S-K, as it may be modified or supplemented. The members of the Committee shall serve at the discretion of the Board. The Committee shall appoint one of its members to act as the Chairman of the

Committee, provided that the Chairman of the Committee shall not be the Chairman of the Board.

4. MEETINGS

- 4.1** The Committee will meet at least quarterly. The Committee may meet at other times during the year as deemed necessary or desirable by the Committee or the Chairman of the Committee.
- 4.2** Other directors, officers and external advisers may be invited to attend all or part of any meeting as and when considered appropriate by the Committee.
- 4.3** Notices for meetings of the Committee shall be given in the same manner as provided in the Company's Amended and Restated Bylaws (as may be further modified, amended or replaced, the "**Bylaws**") for notices to be given with respect to meetings of the Board.
- 4.4** At each meeting, the Committee shall appoint a member of the Committee or other invited guest to act as the secretary of the Committee. The secretary shall record the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance. Draft minutes of each meeting shall be circulated to all members of the Committee. On finalization and signature by the Chairman of the Committee, the minutes of each meeting shall be submitted to the Board as a formal record of the decisions of the Committee on behalf of the Board.
- 4.5** Each member of the Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending (in person or telephonically) a meeting of the Committee. A quorum at any meeting shall be any two members of the Committee. Action by the Committee may be taken by unanimous written consent in the same manner as provided in the Bylaws for written consents by the Board.
- 4.6** The Committee shall meet periodically with the Company's Chief Financial Officer, internal auditors and independent public accountants as necessary to enable the Committee to perform its responsibilities and duties and to discuss any matters that the Committee or any of these persons or firms believes should be discussed. The Committee may, at its discretion, meet in executive session with or without the presence of one or more of the independent public accountants, the internal auditors or management.

5. AUTHORITY

- 5.1** The Committee may form and delegate authority and responsibilities to any subcommittee or any member of the Committee for any purpose that the Committee deems appropriate. Without limiting the generality of the foregoing, the Committee may, in its discretion, delegate to one or more of its members the authority to pre-approve any audit or non-audit services to be performed by the independent auditors, provided that any such approvals are presented to the Committee at its next scheduled meeting.
- 5.2** The Committee is authorized by the Board to examine any activity within the scope of its duties described above and is authorized to have unrestricted access to the Company's external auditors and to obtain, at the Company's expense, professional advice (including independent professional advice). The Company

shall provide for appropriate funds as determined by the Committee for the payment of the fees and expenses of any such counsel, experts, consultants or separate auditors, as well as all ordinary, administrative costs incurred by the Committee and its individual members that are necessary and appropriate in performing their duties.

- 5.3** The Committee is authorized to seek any information it requires from any employee, director, adviser or consultant to the Company and all such employees, directors, advisers and consultants will be directed by the Company to co-operate with any request made by the Committee.

6. GENERAL MATTERS

- 6.1** The Chairman of the Committee shall make himself available at each Annual Meeting of Stockholders of the Company to answer questions concerning the Committee's work during the preceding year.
- 6.2** The Committee shall, at least once a year, review its own performance, constitution and this Charter to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
- 6.3** Any act of the Committee in accordance with this Charter with respect to any duty delegated to it hereunder shall be deemed to be an act of the Board with respect to such matter without the need for any additional action or approval by the Board, except to the extent such authority is expressly limited by the Board.
- 6.4** This Charter was adopted by the Board of Directors and is effective as of March 11, 2011 and supersedes and replaces any prior charter or committee terms relating to audit, financial and internal control issues