

**CHARTER OF THE  
AUDIT COMMITTEE OF THE BOARD OF DIRECTORS  
OF  
Z TRIM HOLDINGS, INC.**

**ARTICLE I  
PURPOSE**

The primary purpose of the Audit Committee (the "Committee") is to assist the Board of Directors (the "Board") of Z Trim Holdings, Inc. (the "Company") in undertaking and fulfilling its oversight responsibilities in connection with: (a) overseeing the accounting and financial reporting processes, which are designed to ensure the integrity and completeness of financial reports prepared by the Company for submission to any governmental or regulatory body or the public; (b) reviewing the Company's systems of internal controls established for finance, accounting, legal compliance and ethics, and overseeing changes to correct internal control weaknesses, if necessary; (c) assessing the processes relating to the determination and mitigation of financial risks; (d) monitoring compliance with legal regulatory requirements; (e) monitoring the independence of the Company's independent public accountants; (f) overseeing and reviewing the audits of the Company's financial statements, (g) providing effective communication between the Board, senior and financial management and the Company's independent public accountants.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full power and all necessary resources to retain special legal, accounting, or other consultants to advise the Committee.

**ARTICLE 11**

**MEMBERSHIP AND TERM**

A. **MEMBERSHIP.** The Committee shall be comprised of at least two members of the Board. Committee members shall meet the independence requirements of the American Stock Exchange and the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly,

1. Each member of the Committee must be an independent, non-executive director free from any relationship that, in the judgment of the Board, may interfere with the exercise of the member's independence;

2. Each member of the Committee must not directly or indirectly receive any payments from the Company other than in such member's capacity as a member of the audit committee, the board of directors, or any other board committee;
3. Each member of the Committee must be able to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement; and
4. At least one member of the Committee must have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in such individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

B. **TERM.** The members of the Committee shall be appointed for a one year term by the Board at its annual meeting. Any vacancy occurring in the Committee shall be filled by the Board. Any such Committee member so elected shall hold office for a term expiring at the Board's next annual meeting.

### **ARTICLE III**

#### **RELATIONSHIP WITH INDEPENDENT ACCOUNTANTS**

The Company's independent public accountants shall directly report to the Committee, and the Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of the Company's independent public accountants engaged (including resolutions of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The Committee will ascertain that the independent public accountants will be available to the full Board at least annually (and more frequently if deemed appropriate by the Committee) to provide the Board with a timely analysis of significant financial reporting issues. The Committee will not engage the independent public accountants to perform any services that are not permitted by the Securities Exchange Act of 1934 ("Exchange Act").

## ARTICLE IV

### MEETINGS

The Committee shall meet at such times and from time to time as it deems to be appropriate, but not less than quarterly. Meetings of the Committee may be held upon the call of any Committee member by mailing a written notice stating the day, hour, and geographic location, if any, of such meeting, to each Committee member at his or her last known post office address, by causing the same to be delivered personally or by transmitting such notice by telephone, facsimile, e-mail, or verbally, to each Committee member, in any case, at least one day before the meeting. Notice may be waived in writing before or after the time of such meeting, and attendance of a Committee member at a meeting shall constitute a waiver of notice thereof. Neither the business to be transacted at, nor the purpose of, any meeting need be specified in the notice of such meeting. Members of the Committee may attend a meeting by telephone conference.

The Committee may request any officer or employee of the Company or the Company's outside counsel or independent public accountants to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. Minutes of each meeting of the Committee shall be reduced to writing. Except as otherwise provided by statute or this Charter, a majority of the incumbent members of the Committee shall be required to constitute a quorum for the transaction of business at any meeting, and the act of a majority of the Committee members present and voting at any meeting at which a quorum is present shall be the act of the Committee. The Committee shall report to the Board at the first Board meeting following each such Committee meeting. The Committee may also act by unanimous written consent without a meeting. As part of its job to foster open communication, the Committee should meet, whenever deemed appropriate by the Committee, with management and/or the independent public accountants in separate sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately. In addition, the Committee should meet with the independent public accountants and management quarterly to review the Company's financial statements and related materials as described below.

**ARTICLE V**  
**RESPONSIBILITIES**

The following is a list of guidelines that the Committee should follow in carrying out its oversight role.

1. Review and reassess the adequacy of this Committee and its Charter not less than annually and recommend any proposed changes to the Board for consideration and approval.
2. Review with management and the independent public accountants the audited financial statements and related footnotes, and the clarity and quality of the disclosures in the financial statements, to be included in the Company's Annual Report on Form 10-K (or the Annual Report to Stockholders if distributed prior to the filing of Form 10-K) prior to the filing of the Form 10-K (and, to the extent practicable, prior to the annual earnings release), including a review of major issues regarding accounting and auditing principles and practices and any related party transactions as well as the adequacy of internal controls that could significantly affect the Company's financial statements, and review and consider with the independent public accountants the matters required to be discussed by Statement on Auditing Standards ("SAS") 61.
3. Prepare the report required by the rules of the SEC regarding the Committee, to be included in the Company's annual proxy statement. The Committee will include a statement within such report on whether the Committee has recommended that the financial statements be included in the Form 10-K. The Committee should also ensure that a copy of the Committee's Charter is included within the Company's proxy statement at least once every three years.
4. Discuss with the independent public accountants and management whether the Company's interim accounting policies and practices as well as significant events, transactions and changes in accounting estimates were considered by the independent public accountants (after performing their required quarterly review) to have affected the quality of the Company's financial reporting. Such review will occur prior to the Company's filing of the Form 10-Q for each of the first three fiscal quarter for each such quarter and, to the extent practicable, prior to the quarterly earnings release.

5. Review the Company's disclosures contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Company's Annual Report on Form 10-K, Quarterly Report on Form 10-Q or other pertinent form, as applicable.
6. Meet periodically with management and the independent public accountants to review the Company's major financial risk exposures and the steps taken to monitor and control such exposures.
7. Review disclosures made to the Committee by the Company's Chief Executive Officer and Chief Financial Officer, or the Company's disclosure committee on any member thereof, during their certification process for the Form 10-K or Form 10-Q as appropriate, about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.
8. Review and discuss, on an annual and quarterly basis with the independent public accountants, the following:
  - a. all critical accounting policies and practices used;
  - b. all alternative disclosures and treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent public accountant;  
and
  - c. other material written communications between the independent public accountant and management, such as any management letter or schedule of unadjusted differences.
9. Obtain from the independent public accountants their recommendation regarding internal controls and other matters relating to the accounting procedures and the books and records of the Company and the correction of controls deemed to be deficient. After the completion of the audit, the Committee

shall review with the independent public accountants any problems or difficulties the independent public accountants may have encountered.

- a. Receive periodic reports from the independent public accountants regarding relationships between the independent public accountants and the Company consistent with Independence Standards Board Standard Number 1. The Committee shall also discuss with the independent public accountants any such disclosed relationships and their impact on the independent public accountant's independence. The Committee shall take appropriate action to ensure the continuing objectivity and independence of the independent public accountants.
11. The Committee shall pre-approve all audit services and permitted non-audit services and approves the fees for such services and terms thereof to be performed for the Company by its independent public accountants in accordance with its Pre-Approval Policy.
  12. Adopt procedures, as set forth in the Procedures for Investigating Complaints policy, for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
  13. Ensure the timely rotation of the lead partner and the concurring partner (sometimes described as the reviewing partner), as defined in Rule 2-01 of Regulation S-X.
  14. Review with the Company's general counsel legal matters that may have a material impact on the financial statements, the Company's compliance policies and any material reports or inquiries received from regulators or governmental agencies.
  15. Establish, review, and update periodically a code of business conduct and ethics that covers, among other things, business ethics, securities law requirements and procedures and policies in connection with transactions between the Company and covered persons, and ensure that management has established a system to enforce this code.
  16. Review the report of management of the Company on its assessment of the design and effectiveness of internal controls and financial reporting, and the report of the independent public

accountants on management's assertions contained in its report. Review and evaluate whether Company management is adequately communicating the importance of internal controls to all relevant persons.

17. Establish, review, and update periodically policies and procedures in connection with approving any related party transactions between the Company and directors, officers or employees, and ensure that management has established a system to enforce these policies and procedures.

18. Conduct or authorize investigation into any matters within the Committee's scope of responsibilities with full access to all books, records, facilities and personnel of the company and direct access to the independent public accountants.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with the general accepted accounting principles. This is the responsibility of management and the independent public accountants.

The Committee recognizes that the Company's management is responsible for preparing the Company's financial statements, and the independent public accountants are responsible for auditing or reviewing those financial statements in compliance with applicable law. The Committee also recognizes that management of the Company and the independent public accountants have more time, knowledge and more detailed information on the Company than do Committee members. Consequently, in carrying out its oversight responsibility, the Committee will not provide any professional certification as to the independent public accountants' work. In addition, it is not the duty of the Committee to assure compliance with laws and regulations.