

**DIFFUSION PHARMACEUTICALS INC.
COMPENSATION COMMITTEE CHARTER**

Purpose

The purpose of the Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of Diffusion Pharmaceuticals Inc. (the “Company”) is to discharge certain responsibilities of the Board relating to compensation of the Company’s executive officers and members of the Board and to provide recommendations to the Board regarding its remaining responsibilities relating to executive and director compensation.

Membership

The membership of the Committee will be appointed by the Board and will consist of at least two members of the Board. Each member of the Committee will be an “independent director” within the meaning of the Listing Rules of the NASDAQ Stock Market, a “non-employee director” within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and meet such other independence and other requirements, as required under applicable law, rules and regulations, and as deemed appropriate by the Board. The Board will be responsible for determining whether a Committee member is an “independent director” and meets the other qualifications. In so doing, the Board will consider all factors specifically relevant to determining whether a director has a relationship to the Company which is material to that director’s ability to be independent from management in connection with the duties of a Committee member, including those factors specified in the Listing Rules of the NASDAQ Stock Market. Notwithstanding the foregoing, the Board may decide at any time and in its sole discretion to waive one or more of the foregoing qualifications with respect to a new member of the Committee for a transitional time period or otherwise, if then permitted under the Listing Rules of the NASDAQ Stock Market and other applicable law, rules and regulations. Any action duly taken by the Committee will be valid and effective, whether or not the members of the Committee at the time of such action are later determined not to have satisfied the requirements for members provided herein.

The Board will appoint one member of the Committee as Chair. The Chair will be responsible for leadership of the Committee, including preparing the agenda, presiding over the meetings, making subcommittee assignments, preparing minutes and reporting to the Board. The Chair also will maintain regular liaison with the Company’s Chief Executive Officer (the “CEO”).

Duties and Responsibilities

The Committee will have the power and authority of the Board to perform the following duties and to fulfill the following responsibilities:

Executive Compensation

- review, revise and interpret the Company’s executive compensation philosophy, policies and objectives;
- determine the annual salaries, incentive compensation, long-term incentive compensation, special or supplemental benefits or perquisites and any and all other compensation applicable to the CEO, and in consultation with the CEO, the other executive officers;

- identify corporate and any individual goals and objectives with respect to compensation for the CEO, and in consultation with the CEO, other executive officers and establish and lead a process for the evaluation of the performance of the CEO and other executive officers in light of identified goals and objectives;
- review and approve the terms of offer letters, employment agreements, severance arrangements, deferred compensation arrangements, change in control arrangements and any other similar compensation arrangements, in each case as, when and if appropriate, for the CEO and the other executive officers;

Director Compensation

- review and provide recommendations to the Board regarding the compensation of the members of the Board;

Compensation Plans, Policies and Procedures

- administer the Company's equity compensation plans and provide recommendations to the Board regarding specific grants of options and other equity-based awards for directors under the Company's equity compensation plans and any modifications to existing grants and approve specific grants of options and other equity-based awards for the CEO, other executive officers and other employees under the Company's equity compensation plans and any modifications to existing grants;
- administer the Company's cash incentive compensation plans applicable to the CEO and other executive officers;
- provide recommendations to the Board with respect to the adoption of any new equity compensation or cash incentive compensation plan or any material change to any existing plans and approve amendments to such plans to the extent authorized by the Board;
- review the Company's policies with respect to employee benefit plans and oversee the administration of material employee benefit plans;
- oversee the Company's compensation-related disclosure and, as and when required by applicable rules and regulations, annually review and discuss with management the "Compensation Discussion and Analysis" section and based on such review and discussions provide a recommendation to the Board as to whether the "Compensation Discussion and Analysis" section should be included in the Company's annual report on Form 10-K and annual meeting proxy statement in accordance with applicable rules and regulations of the SEC and any other applicable regulatory bodies;
- provide recommendations to the Board on compensation-related proposals to be considered at the Company's annual meeting of stockholders, including approval of equity compensation plans or amendments thereto, advisory votes on executive compensation and the frequency with which the Company should submit to stockholders an advisory vote on executive compensation, or say-on-pay vote, and consider compensation strategy, plans, programs and policies in light of the results of the say-on-pay votes;
- review the Company's risk management processes related to its compensation programs, including determining whether any such program encourages undue or inappropriate risk-taking

by Company personnel that is reasonably likely to have a material adverse effect on the Company;

- review at least annually an assessment of any potential conflicts of interest raised by the work of any compensation consultants that are involved in determining or recommending executive or director compensation;

Management Development and Succession Planning

- review and discuss with the CEO and report periodically to the Board plans for executive officer development and corporate succession plans for the CEO and other key executive officers and employees;

Other

- review and reassess the adequacy of this charter annually and recommend any proposed changes to the Board for its approval;
- review the Committee's operations and performance periodically; and
- perform any other duties and responsibilities assigned to the Committee by the Board, to the extent permitted by applicable law, rules and regulations and the Company's governance documents.

Authority and Resources

The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of duties and responsibilities, with full access to all books, records, facilities and personnel of the Company.

The Committee has the power and authority to retain or obtain the advice of compensation consultants, legal counsel or other advisers and has sole authority to select, retain, oversee and terminate such consultants, counsel and advisors and approve the fees and other retention terms of such consultants, counsel and advisors, as it deems appropriate. If required under applicable law, rules and regulations, before selecting any such consultant, counsel or advisor and from time to time as the Committee deems appropriate, the Committee will review and consider factors relevant to the independence of such consultant, counsel or advisor from management in accordance with the Listing Rules of the NASDAQ Stock Market and other applicable law, rules and regulations. Such an independence assessment is not required, however, for in-house legal counsel and certain compensation advisers with a limited role as provided for in the Listing Rules of the NASDAQ Stock Market. The Company will provide adequate and appropriate funding, as determined by the Committee, for payment of reasonable compensation to a compensation consultant, legal counsel or any other adviser retained by the Committee and will fund other ordinary administrative expenses that are necessary or appropriate for the Committee in carrying out its duties and responsibilities.

Nothing in the preceding paragraph will be construed to require the Committee to: (i) retain or obtain advice from consultants, counsel or other advisers; (ii) retain or obtain advice from consultants, counsel or other advisers determined to be independent; (iii) implement or act consistently with the advice or recommendations of any consultant, counsel or other advisor; or (iv) otherwise affect the Committee's ability or obligation to exercise its own judgment in fulfilling its duties and responsibilities.

Meetings

The Chair will determine how often the Committee meets. However, the Board expects that the Committee will meet at least twice per year, and the Committee will in any event meet at least annually. The Chair, in consultation with the other members of the Committee, will establish the agenda for each meeting. The Chair will designate a secretary for each meeting, who need not be a member of the Committee. In lieu of holding a meeting, the Committee may act by circulating a written consent to each member of the Committee. The written consent constitutes a valid action of the Committee if it has been executed by each Committee member. The written consent will be filed with the minutes of Board meetings.

As necessary or desirable, the Committee may request that directors, officers or employees of the Company, or other persons whose advice and counsel are sought by the Committee, be present at meetings of the Committee to provide such pertinent information as the Committee requests; provided, however, that neither the CEO nor any other executive officer of the Company may be present at any meeting during voting or deliberations by the Committee with respect to such officer's compensation. The Committee will meet in executive session to discuss matters within its purview, as determined appropriate in the judgment of the Committee, including without the CEO being present to consider and take action with regard to the CEO's compensation.

Minutes

The Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of meetings of the Board.

Reports

The Chair will report periodically to the Board on the Committee's deliberations and actions. The minutes of Committee meetings and actions by the unanimous written consent of the Committee members will be made available to all Board members.

Delegation of Authority

The Committee will have the power and authority, to the extent permitted under applicable law, rules and regulations and the Company's charter and governance documents, to form sub-committees and to delegate any of its duties and responsibilities to such sub-committees as the Committee may deem appropriate in its sole discretion.

The Committee also may delegate to the Company's CEO the authority to grant stock options under the Company's equity compensation plans to non-officer employees of the Company to the extent permitted by the applicable equity compensation plan and applicable law, rules and regulations.