

PURPLE INNOVATION, INC.
AUDIT COMMITTEE CHARTER

1. STATUS

The Audit Committee (the “*Committee*”) is a committee of the Board of Directors (the “*Board*”) of Purple Innovation, Inc. (the “*Company*”).

2. PURPOSE

The Committee is appointed by the Board for the primary purposes of:

- a. a. Performing the Board’s oversight responsibilities as they relate to the Company’s accounting policies and internal controls, financial reporting practices and legal and regulatory compliance, including, among other things:
 - the Company’s compliance with legal and regulatory requirements;
 - review of the independent auditor’s qualifications and independence; and
 - the performance of the Company’s internal audit function and the Company’s independent auditor.
- b. Maintaining, through regularly scheduled meetings, a line of communication between the Board and the Company’s financial management, internal auditors and the independent auditor.
- c. Preparing the report to be included in the Company’s annual proxy statement or Annual Report on Form 10-K, as required by the Securities and Exchange Commission’s (“*SEC*”) rules.

3. COMPOSITION AND QUALIFICATIONS

The Committee shall be appointed by the Board and shall be comprised of three or more directors, as determined from time to time by the Board (unless the rules of the Nasdaq Stock Market permit a lesser number of directors, in which case the Committee shall consist of a minimum of such lesser number of directors), each of whom shall meet the independence requirements of the Sarbanes-Oxley Act of 2002 (the “*Act*”), the Nasdaq Stock Market LLC and all other applicable laws and regulations.

Additional or new members of the Committee shall be appointed by the Board based on recommendations from the Nomination & Governance Committee. The members of the Committee shall serve for such term or terms as the Board may determine or until earlier resignation or death. The Board may remove any member from the Committee at any time with or without cause.

Notwithstanding the foregoing, each member of the Committee shall be financially literate and at least one member of the Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting or any other comparable experience or background which results in the individual’s financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities, as each such qualification is interpreted by the Board in its business judgment. In addition, at least one member of the Committee shall be an “audit committee financial expert” as such term is defined in Item 407(d)(5)(ii) of Regulation S-K. A person who satisfies this definition of an “audit committee financial expert” will also be presumed to have financial sophistication.

4. AUTHORITY AND RESPONSIBILITIES

The Committee shall have the following authority and responsibilities:

- a. Review and discuss the annual audited financial statements and the Company’s disclosures provided in its Annual Report on Form 10-K, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations” with management, the senior internal auditing executive and the independent auditor. In connection with such review, the Committee will:

- Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 (as may be modified or supplemented) and the matters in the written disclosures required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Committee concerning independence;
- Review significant changes in accounting or auditing policies;
- Review with the independent auditor any problems or difficulties encountered in the course of their audit, including any change in the scope of the planned audit work and any restrictions placed on the scope of such work and management's response to such problems or difficulties;
- Review with the independent auditor, management and the senior internal auditing executive the adequacy of the Company's internal controls, and any significant findings and recommendations with respect to such controls;
- Review reports required to be submitted by the independent auditor concerning (i) all critical accounting policies and practices used, (ii) all alternative treatments of financial information within generally accepted accounting principles ("GAAP") that have been discussed with management, the ramifications of such alternatives, and the accounting treatment preferred by the independent auditor, and (iii) any other material written communications with management;
- Review (i) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies, and (ii) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analysis of the effects of alternative GAAP methods on the financial statements and the effects of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company; and
- Discuss policies and procedures concerning earnings press releases and review the type and presentation of information to be included in earnings press releases (paying particular attention to any use of "pro forma" or "adjusted" non-GAAP information), as well as financial information and earnings guidance provided to analysts and rating agencies.

b. Review and discuss the quarterly financial statements and the Company's disclosures provided in its Quarterly Reports on Form 10-Q, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" with management, the senior internal auditing executive and the independent auditor.

c. Oversee the external audit coverage. The Company's independent auditor is ultimately accountable to the Committee, which has the direct authority and responsibility to appoint, retain, compensate, terminate, select, evaluate and, where appropriate, replace the independent auditor. In connection with its oversight of the external audit coverage, the Committee will have authority to:

- Appoint and replace (subject to stockholder approval, if deemed advisable by the Board) the independent auditor;
- Approve the engagement letter and the fees to be paid to the independent auditor;
- Pre-approve all audit and non-audit services to be performed by the independent auditor and the related fees for such services other than prohibited non-auditing services as promulgated under rules and regulations of the SEC (subject to the inadvertent *de minimus* exceptions set forth in the Act

and the SEC rules), and establish policies and procedures for the Committee's pre-approval of permitted services by the independent auditor on an on-going basis;

- Monitor and obtain confirmation and assurance as to the independent auditor's independence, including ensuring that they submit on a periodic basis (not less than annually) to the Committee a formal written statement delineating all relationships between the independent auditor and the Company. The Committee is responsible for actively engaging in a dialogue with the independent auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditor and for taking, or recommending the Board take, appropriate action in response to the independent auditor's report to satisfy itself of their independence;
- At least annually, obtain and review a report by the independent auditor describing: (i) the firm's internal quality-control procedures, (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues and (iii) to assess the independent auditor's independence, all relationships between the independent auditor and the Company;
- Meet with the independent auditor prior to the annual audit to discuss planning and staffing of the audit;
- At least annually, review and evaluate the qualifications, performance and independence of the independent auditor, including an evaluation of the lead (or coordinating) audit partner, as the basis for a decision to reappoint or replace the independent auditor;
- Set clear hiring policies for employees or former employees of the independent auditor, including but not limited to, as required by all applicable laws and listing rules; and
- Assure regular rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit, as required by the Act, and consider, at least annually, whether rotation of the accounting firm serving as the Company's independent auditor is required to ensure independence.

d. Oversee internal audit coverage. In connection with its oversight responsibilities, the Committee will:

- Review the appointment or replacement of the senior internal auditing executive;
- Review, in consultation with management, the independent auditor and the senior internal auditing executive, the plan and scope of internal audit activities;
- Review internal audit activities, budget and staffing; and
- Review significant reports to management prepared by the internal auditing department and management's responses to such reports.

e. Resolve any differences in financial reporting between management and the independent auditor.

f. Establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, (ii) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters or alleged breaches of the Company's code of conduct and other policies, and (iii) the submission by employees of concerns regarding any improper conduct of senior management and overseeing investigations and enforcement actions.

g. Discuss policies and guidelines to govern the process by which risk assessment and enterprise risk management is undertaken.

h. Review annually the Company's cybersecurity risk management program and its design and operating effectiveness with appropriate professionals, including but not limited to the Company's internal auditors and information technology staff or outside auditors and experts.

i. Oversee the Company's compliance with material laws and regulations, and the development of appropriate policies and initiatives related to, data retention and destruction, security of confidential data, and privacy of personal information, and preparedness for preventing data breaches and protecting the privacy of employees and customers, and responses to incidents involving unintended disclosures of data or private information.

j. Oversee the Company's evaluation and responsiveness to environmental, social, and governance risks that could have a material impact on the Company's financial disclosures, including the following:

- Environmental risks relating to greenhouse gas emissions, energy and water use, air, noise and ground pollution, and waste disposal and recycling;
- Social risks relating to employee safety and health, consumer safety, supply chain standards, product innovation solutions, community vitality, website accessibility, and data protection and privacy; and
- Governance risks relating to climate change planning and reporting.

k. Review quarterly with management actions taken and to be taken for the safety and protection of employees and customers related to workplace conditions and practices and the safety of the Company's products and oversee responses to incidents related to claims of significant personal injuries or death.

l. Review annually with management the level of insurance protection in effect.

m. Meet periodically (at least four times per year) with management to review and assess the Company's major financial and other enterprise risk exposures and the manner in which such risks are being monitored and controlled.

n. Meet periodically (not less than annually) in separate executive session with each of the chief financial officer, the senior internal auditing executive, and the independent auditor.

o. Review and approve all "related party transactions" requiring disclosure under Item 404 of Regulation S-K in accordance with the policy set forth in Section 6 below.

p. Review periodically with the Company's general counsel and outside legal counsel (i) legal and regulatory matters which may have a material effect on the financial statements, and (ii) corporate compliance policies or codes of conduct.

q. As it determines necessary to carry out its duties, engage and obtain advice and assistance from outside legal, accounting or other advisers.

r. Prepare the report of the Committee required by the rules of the SEC to be included in the Company's Annual Report on Form 10-K or proxy statement for each annual meeting.

s. Inquire and discuss with management the Company's compliance with applicable laws and regulations.

t. Determine the compensation and oversight of the work of the independent auditor for the purpose of preparing or issuing an audit report or related work.

u. On a quarterly basis, review and approve all payments, other than compensation, made to the Company's existing executive officers or directors and their respective affiliates.

v. Review and reassess annually the adequacy of this Charter and recommend any proposed changes to the Nomination & Governance Committee for approval by the Board.

w. Discharge any other duties, responsibilities or activities delegated to the Committee by the Board from time to time.

The list of activities set forth above is not an exhaustive list of all of the permitted activities of the Committee, and the Committee may take such other actions as its members from time to time deem necessary or appropriate to carry out the purposes of this Charter.

5. STRUCTURE AND OPERATIONS

The Board shall consider the recommendation of the Nomination & Governance Committee and designate a member of the Committee to be the chair.

The Committee shall report regularly to the Board regarding its actions and make recommendations to the Board as appropriate. The Committee shall meet at least four times per year at such times and places as it deems necessary to fulfill its responsibilities. A majority of the members of the Committee shall constitute a quorum for the transaction of business and the action of a majority of the members present at any meeting at which there is a quorum shall be the act of the Committee. Without a meeting, the Committee may act by unanimous written consent of all members. The Committee may delegate any of its responsibilities, along with the authority to take actions in relation to such responsibilities, to one or more subcommittees as the Committee may deem appropriate in its sole discretion, provided the decision is reported to the full Committee at its next scheduled meeting. Unless otherwise stated herein or established by the Committee, the Committee shall be governed by the same procedural rules, including rules regarding meetings, actions without meetings, notices, and waivers of notice, as are applicable to the Board.

The Committee may invite such members of management to its meetings as it deems appropriate. However, the Committee shall meet regularly without such members present, and in all cases the Chief Executive Officer and any other officers shall not be present at meetings during the discussion of topics to which there is a conflict of interest.

The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation (i) to any independent auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, (ii) to outside legal, accounting or other advisors retained by the Committee and (iii) for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Committee Chair shall be responsible for establishing a schedule of Committee meetings and the agenda for each meeting. The agenda together with the materials relating to the matters to be discussed at each meeting, shall be sent to members prior to each meeting. Minutes for all scheduled meetings of the Committee shall be prepared to document the Committee's discharge of its responsibilities, drafts of such minutes shall be circulated to Committee members and approved at a subsequent meeting and approved minutes shall be circulated to the whole Board.

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 GAAP. This is the responsibility of management and the independent auditor.

6. RELATED PARTY TRANSACTIONS POLICY

a. Definitions.

A "*Related Party Transaction*" is any transaction directly or indirectly involving any Related Party that would need to be disclosed under Item 404(a) of Regulation S-K. Under Item 404(a), the Company is required to disclose any transaction occurring since the beginning of the Company's last fiscal year, or any currently proposed transaction, involving the Company where the amount involved exceeds \$120,000, and in which any related person had or will have a direct or indirect material interest. If the Company is a "smaller reporting company" under SEC rules and regulations, it will also be required to make such disclosure with respect the fiscal year preceding the Company's last fiscal year and it will be required to make such disclosure for any transaction in which the amount involved exceeds the lesser of \$120,000 or one percent of the average of the Company's total assets at year end for the last two completed fiscal years. "Related Party Transaction" also includes any material amendment or modification to an existing Related Party Transaction.

"*Related Party*" means any of the following:

- a director (which term when used herein includes any director nominee);

- an executive officer;
- a person known by the Company to be the beneficial owner of more than 5% of the Company's common stock (a "5% stockholder"); or
- a person known by the Company to be an immediate family member of any of the foregoing.

"*Immediate family member*" means a child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of such director, executive officer, nominee for director or beneficial owner, and any person (other than a tenant or employee) sharing the household of such director, executive officer, nominee for director or beneficial owner.

b. Review of Related Party Transactions.

Related Party Transactions will be brought to management's and the Board's attention in a number of ways. Each of the Company's directors and executive officers shall inform the Chair of the Committee of any potential Related Party Transactions. In addition, each such director and executive officer shall complete a questionnaire on an annual basis designed to elicit information about any potential Related Party Transactions.

Any potential Related Party Transactions that are brought to the Committee's attention shall be analyzed by the Committee, in consultation with outside legal counsel or members of management, as appropriate, to determine whether the transaction or relationship does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

c. Approval of Related Party Transactions.

At each of its meetings, the Committee shall be provided with the details of each new, existing or proposed Related Party Transaction, including the terms of the transaction, any contractual restrictions that the Company has already committed to, the business purpose of the transaction, and the benefits to the Company and to the relevant Related Party. In determining whether to approve a Related Party Transaction, the Committee shall consider, among other factors, the following factors to the extent relevant to the Related Party Transaction:

- whether the terms of the Related Party Transaction are fair to the Company and on the same basis as would apply if the transaction did not involve a Related Party;
- whether there are business reasons for the Company to enter into the Related Party Transaction;
- whether the Related Party Transaction would impair the independence of an outside director;
- whether the Related Party Transaction would present an improper conflict of interest for any director or executive officer of the Company, taking into account the size of the transaction, the overall financial position of the director, executive officer or Related Party, the direct or indirect nature of the director's, executive officer's or Related Party's interest in the transaction and the ongoing nature of any proposed relationship, and any other factors the Committee deems relevant; and
- any pre-existing contractual obligations.

Any member of the Committee who has an interest in the transaction under discussion shall abstain from voting on the approval of the Related Party Transaction, but may, if so requested by the Chair of the Committee, participate in some or all of the Committee's discussions of the Related Party Transaction. Upon completion of its review of the transaction, the Committee may determine to permit or to prohibit the Related Party Transaction.

A Related Party Transaction entered into without pre-approval of the Committee shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is brought to the Committee as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this Policy and is ratified by the Committee.

A Related Party Transaction entered into prior to the effective date of this Charter shall not be required to be reapproved by the Committee.

7. PERFORMANCE EVALUATION

The Committee shall conduct an annual evaluation of the performance of its duties under this Charter and shall present the results of the evaluation to the Nomination & Governance Committee. The Committee shall conduct this evaluation in such manner as it deems appropriate, taking into consideration the recommendations of the Nomination & Governance Committee.