



Audit Committee Charter

PURPOSE:

The purpose of the Audit Committee of the Board of Directors (the "Board") of Trubion Pharmaceuticals, Inc. (the "Company") shall be to:

- Oversee the accounting and financial reporting processes of the Company and audits of the financial statements of the Company;
- Assist the Board in oversight and monitoring of (i) the integrity of the Company's financial statements; (ii) the Company's compliance with legal and regulatory requirements; (iii) the independent auditor's qualifications, independence and performance; and (iv) the Company's internal accounting and financial controls; and (v) provide the Company's Board with the results of its monitoring and recommendations derived therefrom;
- Prepare the report that the rules of the Securities and Exchange Commission (the "SEC") require be included in the Company's annual proxy statement; and
- Provide to the Board such additional information and materials as it may deem necessary to make the Board aware of significant financial matters that require the attention of the Board.

In addition, the Audit Committee will undertake those specific duties and responsibilities listed below and such other duties as the Board may from time to time prescribe.

The Audit Committee is not responsible for planning or conducting audits, or determining whether the Company's financial statements are complete and accurate or in accordance with generally accepted accounting principles.

COMMITTEE MEMBERSHIP AND ORGANIZATION:

The Audit Committee members will be appointed by, and will serve at the discretion of, the Board. The Audit Committee will consist of at least three members of the Board. Members of the Audit Committee must meet the following criteria:

- Each member will be an independent director, as defined in Section 10A(m) of the Securities Exchange Act of 1934 (the "Exchange Act") and the applicable rules and regulations (the "Regulations") of the SEC, and shall meet the independence and financial literacy requirements of NASDAQ; and
- At least one member shall be an "audit committee financial expert", as that term is defined in the Regulations and shall have past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background which results in the individual's financial sophistication, including a current or past position as a principal financial officer or other senior officer with financial oversight responsibilities.

COMMITTEE RESPONSIBILITIES AND AUTHORITY:

The responsibilities of the Audit Committee shall include:

- Reviewing on a regular basis the adequacy of the Company's system of internal controls, including meeting quarterly with the Company's management and the independent auditor to review the adequacy of such controls and to review before release the disclosure regarding such system of internal controls required to be contained in the Company's periodic filings and the attestations or reports by the independent auditor relating to such disclosure;

- Appointing, providing for the compensation of and overseeing the work of the Company's independent auditor (including resolving disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor is accountable to the Audit Committee and the Board;
- Pre-approving audit and permitted non-audit services provided to the Company by the independent auditor to the extent required by, and in a manner consistent with, applicable law. The Audit Committee shall have the sole authority to approve the hiring and firing of the independent auditor, all audit engagement fees and terms and all non-audit engagements, as may be permissible, with the independent auditor;
- Reviewing and providing guidance with respect to the external audit and the Company's relationship with its independent auditor by (i) reviewing the independent auditor's proposed audit scope, approach and independence; (ii) obtaining on an annual basis written disclosures and a letter from the independent auditor delineating all relationships between the auditor and the Company consistent with the applicable requirements of the Public Company Accounting Oversight Board, discussing such reports with the independent auditor, overseeing the independence of the independent auditor and, if so determined by the Audit Committee in response to such reports, taking appropriate action to address issues raised by such evaluation; (iii) reviewing the independent auditor's peer review conducted every three years; (iv) ensuring the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit as required by law; (v) discussing with the Company's independent auditor the financial statements and audit findings, including any significant adjustments, management judgments and accounting estimates, significant new accounting policies and disagreements with management and any other matters described in SAS No. 114, as may be modified or supplemented; (vi) instructing the independent auditor to advise the Audit Committee if there are subjects that require special attention; (vii) instructing the independent auditor to report to the Audit Committee on all critical accounting policies of the Company, all alternative 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 auditor, and other material written communications between the independent auditor and management and discussing these matters with the independent auditor and management; and (viii) reviewing reports submitted to the Audit Committee by the independent auditor in accordance with applicable SEC requirements;
- Reviewing and discussing with management and the independent auditor the annual audited financial statements, including disclosures made in management's discussion and analysis, and recommending to the Board whether the audited financial statements should be included in the Company's Annual Report on Form 10-K;
- Directing the Company's independent auditor to review before filing with the SEC the Company's interim financial statements included in Quarterly Reports on Form 10-Q, using professional standards and procedures for conducting such reviews;
- Reviewing and discussing with management and the independent auditor the Company's quarterly financial statements, including disclosures made in management's discussion and analysis, prior to the filing of the Quarterly Reports on Form 10-Q, including the results of the independent auditor's review of the quarterly financial statements;
- Reviewing significant changes to the Company's accounting principles and practices proposed by the independent auditor or management;
- Reviewing any disclosures made to the Audit Committee by the Company's Chief Executive Officer and Chief Financial Officer during their certification process for the Annual Report on Form 10-K and Quarterly Report on Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein;
- Conducting a post-audit review of the financial statements and audit findings, including any significant suggestions for improvements provided to management by the independent auditor;
- Overseeing compliance with the requirements of the SEC for disclosure of auditor's services and audit committee members, member qualifications and activities;
- Reviewing, approving and monitoring the Company's code of ethics;

- Reviewing management's monitoring of compliance with the Company's standards of business conduct and with the Foreign Corrupt Practices Act;
- Reviewing, in conjunction with counsel, any legal matters that could have a significant impact on the Company's financial statements;
- Providing oversight and review at least annually of the Company's risk management policies, including its investment policies;
- Overseeing and reviewing the Company's policies regarding information technology and management information systems;
- If necessary, instituting special investigations with full access to all books, records, facilities and personnel of the Company;
- Reviewing and overseeing procedures designed to identify "related party" transactions that are material to the Company's financial statements or otherwise require disclosure under the applicable laws and Regulations adopted by the SEC. The Audit Committee shall have the authority to approve such "related party" transactions, and the Chair of the Audit Committee shall have the authority to pre-approve or ratify (as applicable) such "related party" transactions in which the aggregate amount involved is expected to be less than \$500,000;
- Reviewing its structure, processes and membership requirements, including reviewing and reassessing this charter annually and, if appropriate, recommending any proposed changes to the Board for approval;
- Provide minutes of Audit Committee meetings to the Board, and report to the Board on any significant matters arising from the Audit Committee's work;
- Annually reviewing and evaluating its performance;
- Providing a report in the Company's proxy statement in accordance with the Regulations; and
- Establishing procedures for receiving, retaining and treating complaints received by the Company regarding accounting, internal accounting controls or auditing matters and procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

MEETINGS:

The Audit Committee will meet at least four times each year. The Audit Committee may establish its own schedule, which it will provide to the Board in advance.

The Audit Committee will meet separately with the Chief Executive Officer and separately with the Chief Financial Officer of the Company at such times as are appropriate to review the financial affairs of the Company. The Audit Committee will meet separately with the independent auditor of the Company, at such times as it deems appropriate, but not less than quarterly, to fulfill the responsibilities of the Audit Committee under this charter.

MINUTES:

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

REPORTS:

In addition to preparing the report in the Company's proxy statement in accordance with the rules and regulations of the SEC the Audit Committee will summarize its examinations and recommendations to the Board as may be appropriate, consistent with this charter.

COMPENSATION:

Members of the Audit Committee shall receive such fees, if any, for their service as Audit Committee members as may be determined by the Board in its sole discretion. Such fees may include retainers or

per meeting fees. Fees may be paid in such form of consideration as is determined by the Board, consistent with applicable law.

AUTHORITY

By adopting this Charter, the Board delegates to the Audit Committee full authority in its discretion to:

- Perform each of the responsibilities of the Audit Committee described above.
- Appoint a chair of the Committee, unless a chair is designated by the Board.
- Engage independent counsel and other advisors as the Committee determines necessary to carry out its responsibilities.
- Cause the officers of the corporation to provide such funding as the Audit Committee shall determine to be appropriate for payment of compensation to the Company's independent auditor and any legal counsel or other advisors engaged by the Audit Committee, and payment of ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

DELEGATION OF AUTHORITY:

The Audit Committee may delegate to one or more designated members of the Audit Committee the authority to pre-approve audit and permissible non-audit services, provided such pre-approval decision is presented to the full Audit Committee at its next scheduled meeting. The Audit Committee may further delegate such of its authority and responsibilities as the Audit Committee deems proper to members of the Audit Committee or a subcommittee, consistent with applicable law.