

# **TARGETED GENETICS CORPORATION**

## **Revised Audit Committee Charter**

**Adopted by the Board of Directors on March 4, 2004**

**Revised as of September 22, 2008**

### **Purpose**

The Audit Committee is appointed by the Board of Directors of Targeted Genetics Corporation to assist the Board in fulfilling its responsibility for oversight of the quality and integrity of the Company's accounting and financial reporting practices.

### **Composition**

The Committee shall be composed of at least three directors appointed by the Board, who shall meet the independence and financial literacy requirements under the Securities Exchange Act of 1934, as amended, and related Securities Exchange Commission, or SEC, rules, and the NASDAQ Stock Market listing requirements. In addition, at least one member of the Committee shall qualify as an "audit committee financial expert" as defined in SEC rules.

The Board shall appoint Committee members annually. The Board may at any time change the Committee's membership and fill vacancies. The Board shall designate the chair of the Committee.

### **Responsibilities**

The Committee shall assist the Board in discharging the Board's oversight responsibility to the Company's stockholders and the investment community relating to the accounting and financial reporting and control practices of the Company. The Committee shall be directly responsible for the appointment, compensation and oversight of the Company's independent auditors, which auditors shall report directly to the Committee. The Committee shall have general responsibility for monitoring the finance, accounting, audit, review and attest activities and internal controls of the Company. It is not the responsibility of the Committee to prepare, audit or certify the Company's financial statements, to guarantee the independent auditors' report, determine that the financial statements are complete and accurate or in accordance with generally accepted accounting principles, to conduct investigations, or to assure compliance with laws or regulations or the Company's internal policies, procedures and controls. Specific duties of the Committee are listed below.

#### ***Oversight of the Company's Relationship with the Independent Auditor***

- Choose the firm of independent certified public accountants to be appointed as the independent auditors of the Company, and ensure that such firm understands that it shall be ultimately accountable to and report to the Committee. The Committee shall have sole authority to retain, evaluate, terminate and replace the independent auditors.

- On an annual basis, ensure receipt of, and review and discuss with the independent auditors, the formal written statement from the independent auditors, consistent with Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, concerning any relationships between the independent auditors and the Company or any other relationships or services that may impact the objectivity or independence of the auditors and take, or recommend that the Board take, appropriate action to assess and oversee the independence of the independent auditors.
- Pre-approve all audit, audit-related, review and attest services to be provided by the independent auditors, including the staffing, scope and timing thereof and the compensation to be paid therefor.
- Consider whether the performance of nonaudit services proposed to be performed by the independent auditors is compatible with the independent auditors' independence.
- Pre-approve all permissible nonaudit services, including tax services, to be provided by the independent auditors and the compensation to be paid therefor.
- As appropriate, delegate the authority to grant pre-approvals to one or more designated members of the Committee who shall present any such delegated decisions to the full Committee at scheduled meetings.
- Assure rotation of the lead (or coordinating) audit partner or the audit partner responsible for reviewing the audit in accordance with SEC rules.
- Adopt guidelines governing hiring of employees or former employees of the independent auditors in accordance with SEC rules.

#### ***Audit Review***

- Review and discuss with management and the independent auditors:
  - the results of the independent auditors' annual audit examination,
  - any problems or difficulties with the audit and management's response,
  - any accompanying management letters, schedules of unreported differences or other material written communications between the independent auditors and management, and
  - any reports of the independent auditors with respect to interim periods.
- Review and discuss with management and the independent auditors the annual audited financial statements of the Company, including an analysis of the

independent auditors' and management's judgment as to the quality of the Company's accounting principles and the other matters required by Statement on Accounting Standards No. 61, *Communication with Audit Committees*.

- Before the filing of the audit report with the SEC, ensure receipt of, review and discuss with management and the independent auditors a report from the independent auditors of:
  - all critical accounting policies and practices to be used by the Company,
  - all alternative accounting treatments of financial information permitted within generally accepted accounting principles for policies and practices related to material items that have been discussed with management, including the ramifications of using such alternative treatments and disclosures and the treatment preferred by the independent auditors,
  - any significant changes in the Company's accounting policies and practices, and
  - any accounting and financial reporting proposals that may have a significant effect on the Company's financial reports.
- Review and discuss with management and the independent auditors the Company's off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.
- Resolve any disagreements between management and the independent auditors regarding the Company's financial reporting.
- Recommend to the Board whether, based on the review and discussions described above, the Company's annual audited financial statements should be included in the Company's Annual Report on Form 10-K.
- Prepare an audit committee report for inclusion in the Company's proxy statement for its annual meeting of shareholders.

#### ***Periodic Review***

- Review and discuss with management and the independent auditors the Company's quarterly financial results prior to the release of earnings. The chair of the Committee may represent the Committee for purposes of this review.
- Review and discuss with management and the independent auditors the Company's quarterly financial statements prior to the filing of the Company's

Quarterly Reports on Form 10-Q. The chair of the Committee may represent the Committee for purposes of this review.

- Review management's disclosure to the Committee and the independent auditors under Section 302 of the Sarbanes-Oxley Act, and the contents of the principal executive and financial officers certificates to be filed under Sections 302 and 906 of the Sarbanes-Oxley Act.

#### ***Internal Control Review***

- Consider with management and the independent auditors:
- the Company's assessment of the adequacy, effectiveness and quality of its internal controls and the independent auditor's attestation and report about the Company's assessment,
- the adequacy of the Company's internal controls,
- any related significant findings or recommendations of the independent accountants regarding internal controls and management's responses thereto, and  
  
the adequacy and effectiveness of the Company's disclosure controls and procedures and management reports thereon.

#### ***General Duties***

- Conduct an appropriate review of all related-party transactions on an ongoing basis and if required by the listing standards of NASDAQ, approve all such conflict-of-interest transactions.
- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or audit matters, and for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- Review and reassess the adequacy of this charter at least once a year and, to the extent and in the manner that the Company is legally required to do so by SEC rules, cause the Company to publicly file this charter.

In addition to the above responsibilities, the Committee shall undertake such other duties as the Board may delegate to it from time to time and perform such other activities as are consistent with this charter, the Company's bylaws and applicable law.

#### **Meetings; Procedure**

The Committee shall meet at least once each quarter and otherwise shall meet as often as the Committee or its chair deems necessary or appropriate. The Committee is expected to maintain

open communication with the Company's independent auditors, management, internal auditing function and the Board. This communication will include periodic executive sessions with the independent auditors, as well as with management and the internal auditing function, as needed.

The Committee is governed by the same rules regarding meetings (including telephonic meetings), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board. The Committee is authorized and empowered to adopt its own rules of procedure not inconsistent with (a) any provision of this charter, (b) any provision of the Company's bylaws, or (c) applicable law. The Committee may form and delegate authority to subcommittees when appropriate. The Committee shall cause to be kept minutes of all its proceedings.

### **Outside Advisors/Investigations**

The Committee shall have the authority to engage such independent counsel and other advisors as it determines necessary to carry out its duties. The Company shall provide appropriate funding, as determined by the Committee, for compensating any such counsel or other advisors engaged by the Committee and for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties. The Committee will have full access to the Company's books and records.