

TRIPATH IMAGING, INC.

Audit Committee Charter

(as adopted at a meeting of the Audit Committee of the Board of Directors on May 7, 2003)

Purpose

The principal purpose of the Audit Committee is to assist the Board of Directors in fulfilling its responsibility to oversee the Company's accounting and financial reporting processes and audits of the Company's financial statements, including by reviewing the financial reports and other financial information provided by the Company, the Company's disclosure controls and procedures and internal accounting and financial controls, and the annual independent audit process.

In discharging its oversight role, the Audit Committee is granted the authority to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company and the authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties.

The outside auditor is ultimately accountable to the Board and the Audit Committee, as representatives of the stockholders. In this connection, the Audit Committee, as a committee of the Board, shall be directly responsible for the appointment (and where appropriate, replacement), compensation and oversight of the work of the outside auditor in preparing or issuing an audit report or related work, including resolving any disagreements between management and the outside auditor regarding financial reporting. The Audit Committee shall receive direct reports from the outside auditor. The Audit Committee shall be responsible for overseeing the independence of the outside auditor and for approving all auditing services and permitted non-audit services provided by the outside auditor.

This Charter shall be reviewed for adequacy on an annual basis by the Audit Committee.

Membership

The Audit Committee shall be comprised of not less than three members of the Board, and the Audit Committee's composition will meet the Nasdaq National Market Audit Committee requirements. Accordingly, all of the members will be directors:

- who have no relationship to the Company that the Board determines would interfere with the exercise of independent judgement in carrying out the responsibilities of a director;
- who do not receive any consulting, advisory or other compensatory fee from the Company, other than in the member's capacity as a member of the Board or any of its committees;
- who are not an "affiliated person" (as defined by applicable law or regulation) of the Company or any subsidiary, other than as a member of the Board or any of its committees; and
- who are financially literate.

In addition, at least one member of the Audit Committee will have sufficient accounting or related financial management expertise to comply with the Nasdaq Audit Committee Composition requirements and, to the extent practicable, be a "financial expert" (as that term is defined by the Securities and Exchange Commission (the "SEC")).

Key Responsibilities

The Audit Committee's role is one of oversight, and it is recognized that the Company's management is responsible for preparing the Company's financial statements and that the outside auditor is responsible for auditing those financial statements.

The following functions shall be the common recurring activities of the Audit Committee in carrying out its oversight function. The functions are set forth as a guide and may be varied from time to time as appropriate under the circumstances.

- The Audit Committee shall review with management and the outside auditor the audited financial statements to be included in the Company's Annual Report on Form 10-K and the Annual Report to Stockholders, and shall review and consider with the outside auditor the matters required to be discussed by Statement on Auditing Standards No. 61.
- As a whole, or through the Audit Committee chair, the Audit Committee shall review with the outside auditor, prior to filing with the SEC, the Company's interim financial information to be included in the Company's Quarterly Reports on Form 10-Q and the matters required to be discussed by SAS No. 61.
- The Audit Committee shall periodically discuss with management and the outside auditor the quality and adequacy of the Company's internal controls and internal auditing procedures, including any significant deficiencies in the design or operation of those controls which could adversely affect the Company's ability to record, process, summarize and report financial data and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls, and discuss with the outside auditor how the Company's financial systems and controls compare with industry practices.
- The Audit Committee shall periodically review with management and the outside auditor the quality, as well as acceptability, of the Company's accounting policies, and discuss with the outside auditor how the Company's accounting policies compare with those in the industry and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, the ramifications of use of such alternative disclosures and treatments and the treatment preferred by the outside auditor.
- The Audit Committee shall periodically discuss with the outside auditor whether all material correcting adjustments identified by the outside auditor in accordance with generally accepted accounting principles and the rules of the SEC are reflected in the Company's financial statements.
- The Audit Committee shall review with management and the outside auditor any material financial or other arrangements of the Company which do not appear on the Company's financial statements and any transactions or courses of dealing with third parties that are significant in size or involve terms or other aspects that differ from those that would likely be negotiated with independent parties, and which arrangements or transactions are relevant to an understanding of the Company's financial statements.
- The Audit Committee shall review with management and the outside auditor the Company's critical accounting policies and practices.

- The Audit Committee shall review with the outside auditor all material communications between the outside auditor and management, such as any management letter or schedule of unadjusted differences.
- The Audit Committee shall request from the outside auditor annually a formal written statement delineating all relationships between the auditor and the Company consistent with Independence Standards Board Standard No. 1 and such other requirements as may be established by the Public Company Accounting Oversight Board, discuss with the outside auditor any such disclosed relationships and their impact on the outside auditor's independence, and take appropriate action regarding the independence of the outside auditor.
- The Audit Committee shall approve, in advance, all audit services and all permitted non-audit services to be provided to the Company by the outside auditor.
- The Audit Committee shall recommend to the Board whether, based on the reviews and discussions referred to above, the financial statements should be included in the Company's Annual Report on Form 10-K.
- The Audit Committee shall oversee the Company's disclosure controls and procedures.
- The Audit Committee shall approve a code of ethics, as required by rules of the SEC, for senior financial officers and such other employees and agents of the Company as it determines.
- The Audit Committee shall review and approve all related-party transactions.

Complaint Procedures

Any issue of significant financial misconduct shall be brought to the attention of the Audit Committee for its consideration. Accordingly, the Audit Committee has established the procedures attached as Exhibit 1 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 the Company of concerns regarding questionable accounting or auditing matters.

Audit Committee Complaint Procedures

The Audit Committee of TriPath's Board of Directors has established the following procedures for the receipt, retention and treatment of reports regarding questionable accounting, internal accounting controls or auditing matters.

Instances of questionable accounting, internal accounting controls or auditing matters should be reported to either (1) TriPath's Chief Financial Officer or General Counsel or (2) directly to the Audit Committee by way of one of the methods outlined below. Reports may be made on a confidential, anonymous basis. Persons reporting concerns to the Audit Committee may make such submissions by:

1. Email: you may submit a report via email at the address, "auditcommittee@tripathimaging.com." This address is accessible only by members of the Audit Committee.
2. Telephone: you may submit a report via voicemail at (336) 290-8717. This voicemail box is accessible only by members of the Audit Committee.
3. Mail: you may submit a report via U.S. Mail or other delivery at:

Audit Committee
c/o TriPath Imaging, Inc.
1111 Huffman Mill Road
Burlington, NC 27215

Such mail will be opened only by members of the Audit Committee.

All reports received by the Chief Financial Officer or General Counsel regarding questionable accounting, internal accounting controls or auditing matters will be reported to the Audit Committee for its consideration.

All such reports directly received by the Audit Committee will be reported to management on a confidential basis for investigation in accordance with the procedure set forth in TriPath's *Policy on Providing Information with Respect to Alleged Suspected Corporate and Accounting/Auditing Irregularities*, unless the Audit Committee otherwise determines that such notification is inadvisable under the circumstances, in which case the Audit Committee, if it believes the complaint is not baseless or frivolous, shall conduct its own investigation.

The Audit Committee will retain a record of all reports that it has received and the action taken with respect to each such report, including any resolution thereof, for a period of not less than 5 years, or longer if required by law.

Under no circumstances will TriPath, or its officers, directors, employees, agents, contractors or subcontractors take any retaliatory action against a reporting person so as to discharge, demote, suspend, threaten, harass, or in any other manner discriminate against the reporting person in the terms and conditions of his or her employment for filing a report of alleged suspected improper activities. Members of TriPath's management and Audit Committee will take appropriate actions to ensure that retaliation against reporting persons does not occur and to investigate instances where retaliatory action is alleged to have occurred.