

Charter of the Audit Committee of the Board of Directors of Transmeta Corporation

I. Purpose

The purpose of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Transmeta Corporation (the “Company”) is to oversee the accounting and financial reporting processes of the Company and audits of the financial statements of the Company. The Committee’s principal functions are to:

- monitor the periodic reviews and audits of the adequacy of the accounting and financial reporting processes and systems of internal control that are conducted by the Company’s independent auditors and the Company’s financial and senior management;
- appoint and review, and evaluate the independence and performance of, the Company’s independent auditors; and
- facilitate communication among the Company’s independent auditors and the Company’s financial and senior management.

The Committee will fulfill these functions primarily by carrying out the activities enumerated in Part IV of this charter. In order to serve these functions, the Committee shall have unrestricted access to Company personnel and documents, shall have authority to direct and supervise an investigation into any matters within the scope of its duties, and shall have authority to engage and determine funding for such independent counsel, experts and other advisers as it determines to be necessary or appropriate to carry out its responsibilities and duties. The Company will provide for appropriate funding, as determined by the Committee, in its capacity as a committee of the Board, for payment of (a) compensation to the public accounting firm engaged for the purpose of rendering or issuing an audit report or performing other audit, review or attest services for the Company; (b) compensation to any advisers employed by the Committee referenced above; and (c) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

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 generally accepted accounting principles. This is the responsibility of management and the Company’s independent auditors.

II. Membership

All members of the Committee will be appointed by, and shall serve at the discretion of, the Board. Unless a chair is elected by the full Board, the members of the Committee may designate a chair by majority vote of the Committee membership.

As of the date this charter is adopted, the Committee shall consist of three or more members of the Board, with the exact number being determined by the Board. Each member of the Committee shall be “independent” as defined by applicable law, the rules of the Securities and Exchange Commission and the rules of The Nasdaq Stock Market, as they may be amended from time to time (collectively, the “Rules”), except as otherwise permitted thereby. Each member of the Committee shall have the ability to read and understand fundamental financial statements and at least one member shall be a financial expert or have financial sophistication to the extent as may be required by the Rules.

III. Meetings

Meetings of the Committee shall be held from time to time as determined by the Board and/or the members of the Committee. The Committee should periodically meet with the independent auditors out of the presence of management about internal controls, the fullness and accuracy of the Company’s financial statements and any other matters that the Committee or these groups believe should be discussed privately with the Committee. The Committee members, or the Chairman of the Committee on behalf of all of the Committee members, should communicate with management and the independent auditors on a quarterly basis in connection with their review of the Company’s financial statements.

IV. Responsibilities and Duties

The following shall be the principal recurring processes of the Committee in carrying out its oversight responsibilities. These processes are set forth as a guide with the understanding that the Committee may supplement them as appropriate and may establish policies and procedures from time to time that it deems necessary or advisable in fulfilling its responsibilities.

1. Review the Company’s quarterly and annual financial statements, including any report or opinion by the independent auditors, prior to distribution to the public or filing with the Securities and Exchange Commission.
2. In connection with the Committee’s review of the annual financial statements:
 - Discuss with the independent auditors and management the financial statements and the results of the independent auditors’ audit of the financial statements.

- Discuss any items required to be communicated by the independent auditors in accordance with SAS 61, as amended. These discussions should include the independent auditors' judgments about the quality and appropriateness of the Company's accounting principles, the reasonableness of significant judgments, the clarity of the disclosures in the Company's financial statements and any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
3. In connection with the Committee's review of the quarterly financial statements:
 - Discuss with the independent auditors and management the results of the independent auditors' review of the quarterly financial statements.
 - Discuss significant issues, events and transactions and any significant changes regarding accounting principles, practices, judgments or estimates with management and the independent auditors, including any significant disagreements among management and the independent auditors.
 4. Receive from the independent auditors and review a report of: (a) all critical accounting policies and practices to be used; (b) all alternative treatments within generally accepted accounting principles for policies and practices related to material items that have been discussed with management of the Company, including ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditors; and (c) other material written communications between the independent auditors and the management of the Company, such as any management letter or schedule of unadjusted differences.
 5. Discuss any comments or recommendations of the independent auditors outlined in their annual management letter. Approve a schedule for implementing any recommended changes and monitor compliance with the schedule.
 6. Discuss with the independent auditors and management their periodic reviews of the adequacy of the Company's accounting and financial reporting processes and systems of internal control, including the adequacy of the systems of reporting to the Committee by each group.
 7. Appoint, determine the compensation and funding for, retain, and oversee the work of any public accounting firm engaged by the Company (including resolution of disagreements between management and the accounting firm regarding financial reporting) for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attest services for the Company. Review the independence, performance, experience and qualifications of the independent auditors.

8. Preapprove all auditing services and permissible non-audit services (subject to any de minimus or other exceptions allowed by applicable law and rules) provided to the Company by the independent auditors. Before the independent auditors are engaged by the Company to render auditing or non-audit services, the engagement must either (a) be approved by the Committee or (b) if the services do not respect the provision of audit, review or attest services, satisfy any de minimus or other exceptions allowed by applicable law and rules or (c) be entered into pursuant to preapproval policies and procedures established by the Committee, provided that the policies and procedures are detailed as to the particular service and the Committee is informed of each service and such policies and procedures do not include delegation of the Committee's responsibilities under the Securities Exchange Act of 1934 to the Company's management. For example, the Committee may delegate the authority to grant preapproval of auditing and non-audit services to one or more designated independent members of the Committee; provided, that the decisions of any member to whom authority is delegated to preapprove an activity must be presented to the full Committee at each of its scheduled meetings.

9. Resolve disagreements between management and the independent auditors regarding financial reporting.

10. Periodically consult with the independent auditors out of the presence of management about internal controls, the fullness and accuracy of the Company's financial statements and any other matters that the Committee or these groups believe should be discussed privately with the Committee.

11. Communicate with the Company's independent auditors about the Company's expectations regarding its relationship with the auditors, including the following: (i) the independent auditors' ultimate accountability to the Committee; and (ii) the sole authority and responsibility of the Committee to select, evaluate and, where appropriate, replace the independent auditors.

12. Review and approve processes and procedures to ensure the continuing independence of the Company's independent auditors. These processes shall include obtaining and reviewing, on an annual basis, a letter from the independent auditors describing all relationships between the independent auditors and the Company required to be disclosed by Independence Standards Board Standard No. 1, reviewing the nature and scope of such relationships and discontinuing any relationships that the Committee believes could compromise the independence of the auditors.

13. Review the independent auditors' audit plan.

14. Review and approve all transactions between the Company and any related party.

15. Receive from each of the Company's principal executive officer or officers and each of the Company's principal financial officer or officers, or persons performing similar functions, and review, a report of: (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data; and (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls.

16. Periodically review the status of any legal matters that could have a significant impact on the Company's financial statements.

17. Annually prepare a report to the Company's stockholders for inclusion in the Company's annual proxy statement as required by the rules and regulations of the Securities and Exchange Commission, as they may be amended from time to time.

18. Maintain minutes of meetings and periodically report to the Board of Directors on significant matters related to the Committee's responsibilities.

19. Establish procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (b) the confidential and anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

20. Review and reassess the adequacy of the Committee's charter at least annually. Submit the charter to the Company's Board of Directors for review and include a copy of the charter as an appendix to the Company's proxy statement as required by the rules and regulations of the Securities and Exchange Commission, as they may be amended from time to time (currently, once every three years).

21. Perform any other activities required by applicable law, rules or regulations, including the rules of the Securities and Exchange Commission and any stock exchange or market on which the Company's Common Stock is listed, and perform other activities that are consistent with this charter, the Company's Bylaws and governing laws, as the Committee or the Board deems necessary or appropriate.