

CURATIVE HEALTH SERVICES, INC. AUDIT COMMITTEE CHARTER

Purpose

The purpose of the Audit Committee (the “Committee”) is (i) to provide assistance to the Board of Directors (the “Board”) of Curative Health Services, Inc. (the “Company”) in the oversight of (a) the accounting and financial reporting processes of the Company and the audits of the Company’s financial statements, (b) the integrity of the Company’s financial statements, (c) the Company’s compliance with financial reporting and other Securities and Exchange Commission (“SEC”) and listing exchange legal and regulatory requirements, (d) the independence, qualifications and performance of the Company’s internal and external auditors, and (e) the adequacy of the Company’s internal controls; (ii) to prepare the report that the rules of the SEC require be included in the Company’s annual proxy statement; (iii) to resolve complaints relating to accounting, internal accounting controls or auditing matters and (iv) to review and approve any related party transactions.

Membership

The Committee shall consist of at least three directors of the Company, the specific number of such members to be determined from time to time by the Board. The members of the Committee shall be nominated by the Governance Committee of the Board, and appointed by and serve at the discretion of the Board.

Except as allowed under the listing standards of the NASDAQ National Market or other applicable laws, all members of the Committee shall be “independent” according to the standards for audit committee members, as defined in the listing standards of the NASDAQ National Market or such other national securities exchange on which the Company’s securities are then listed, as the same may be amended from time to time (the “listing standards”), the rules and regulations of the Securities and Exchange Commission (the “SEC”) and any other legal requirements applicable to the Company. Each member of the Committee shall have a basic understanding of finance and accounting and be able to read and understand financial statements. At least one member of the Committee shall have accounting or related financial management expertise, in accordance with applicable legal and regulatory requirements.

Operating Principles

The Committee shall fulfill its responsibilities with the following aims in mind: (i) to be directly responsible for the appointment, compensation, retention and oversight of the Company’s independent auditors; (ii) to facilitate and maintain free and open means of communications among the Board, the Committee, the independent auditors, any individual performing significant internal audit functions and the management of the Company; (iii) to protect the interests of the Company and its shareholders by providing independent oversight on the Company’s accounting functions and related party transactions; (iv) to keep the Committee’s policies and procedures flexible in order to react to changing conditions; and (v) to assure the

directors and shareholders that the corporate accounting and reporting practices of the Company are in accordance with all requirements and are of the highest quality.

Duties and Responsibilities

The Committee's role is one of oversight; the Company's management is responsible for preparing the Company's financial statements and for their accuracy, and the Company's independent auditors are responsible for auditing those financial statements. In the absence of reason to believe that such reliance is unwarranted, the Committee members may rely without independent verification on the information provided to them and on the representations made by the Company's management and independent auditors.

Additionally, as the Committee recognizes that the Company's management and independent auditors have more knowledge and detailed information concerning the Company than do Committee members, in carrying out its oversight responsibilities the Committee is not providing any expert or special assurance as to the Company's financial statements (including any assurance that they have been carried out in accordance with generally accepted auditing standards), or acting as independent auditors, or providing any professional certification as to the work of the Company's independent auditors. Accordingly, the term "review" as applied to the Committee in this Charter is not intended to have the meaning given to such term in Statement of Auditing Standards No. 100, and should not be interpreted to suggest that the Committee members can or should follow the procedures required of auditors performing reviews of financial statements.

The Committee is at all times authorized to have direct, independent and confidential access to the Company's other directors, personnel, books, records and facilities to carry out the Committee's purposes.

The Committee shall have the following duties and responsibilities, in addition to any other duties and responsibilities prescribed by the Board from time to time:

- Review and reassess the adequacy of this charter annually, recommend any proposed changes to the Board for approval, and have the charter published in accordance with the regulations of the SEC.
- Select and engage independent auditors for the Company and approve the scope of the independent auditors' annual examination of the Company.
- Approve in advance or set up procedures to pre-approve any engagement of the independent auditors to provide audit or non-audit services to the Company. All non-audit services permitted by law to be provided by the independent auditors must be considered and pre-approved by the Committee (or Committee member(s) designated by the Committee).
- Meet annually with the independent auditors and management of the Company prior to the audit to review the scope of the proposed audit for the current year and the audit procedures to be utilized.

- Review with the independent auditors and financial and accounting personnel, the adequacy, effectiveness and integrity of the accounting and financial controls of the corporation, and elicit any recommendations for the improvement of such internal control procedures or particular areas where new or more detailed controls are needed to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper.
- Consider and review with the Company's independent auditors and management: (i) the adequacy and effectiveness of the Company's disclosure controls and procedures and other internal controls; (ii) all significant deficiencies in the design or operation of the Company's internal controls that could adversely affect the Company's ability to record, process, summarize and report financial data; (iii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; (iv) the adequacy and effectiveness of those portions of the Company's code(s) of ethics that relate to the integrity of the Company's financial reporting; and (v) the related findings and recommendations of the Company's independent auditors together with management's responses.
- Review with management their certifications required regarding the integrity of financial statements and information contained in periodic reports of the Company, and the procedures and processes constituting disclosure controls or otherwise supporting the certification process.
- Review with management and the independent auditors the Company's quarterly and annual releases of earnings, the Company's quarterly and annual financial statements, and the forms of 10Q and 10K filings (including the Management Discussion and Analysis portions), all prior to filing or distribution, and review whether the findings in connection with such releases and filings are consistent. Such review shall also include discussions with management and the independent auditors of significant issues regarding accounting principles, practices and judgments, any significant changes to the Company's accounting principles, and any items required to be communicated by or to the independent auditors.
- Make a recommendation to the Board of Directors regarding the inclusion of the audited financial statements in the Company's Annual Report on Form 10-K to be filed with the SEC. Prepare the report of the Audit Committee required by the rules of the SEC to be included in the Company's annual proxy statement.
- Meet with the independent auditors and the Company's internal auditor at least once each quarter without members of management present. Among the items to be discussed in these meetings are the independent auditors' and internal auditor's evaluation of the Company's financial, accounting and auditing personnel, internal controls, and the cooperation that the independent auditors received during the course of their most recent review or audit of the Company's financial statements.

- Review and discuss with management and the independent auditors any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with entities whose accounts are not consolidated into the financial statements of the Company, in any case where the Committee is made aware of the same and which may have a material current or future effect on the Company's financial condition, results of operations, liquidity, capital expenditures, capital resources or significant components of revenues or expenses.
- Review and approve in advance any agreement, transaction or other arrangement between the Company and any related party which would be reportable pursuant to Item 404 of Regulation S-K.
- Review the resources allocated, activities, organization structure, appointment, qualifications, performance and replacement of any individual performing significant internal audit functions.
- Review significant reports prepared by any individual performing significant internal audit functions together with management's response and follow-up to these reports.
- On at least an annual basis, review with the Company's counsel any legal matters that could have a significant impact on the Company's financial statements, the Company's compliance with applicable laws and regulations, and any significant inquiries received from regulators or governmental agencies.
- Provide procedures for the receipt, retention and treatment of complaints regarding the Company's accounting practices, internal accounting controls or auditing matters, including a procedure for the confidential and anonymous submission to the Audit Committee by employees of the Company of concerns regarding questionable accounting or auditing matters.
- Investigate any matter brought to the attention of the Committee within the scope of its duties, with the power to consult with and retain outside legal, accounting and other experts or advisors for this purpose if, in the judgment of the Committee, that is appropriate.

Committee's Relationship with Independent Auditors and Any Individual Performing Significant Internal Audit Functions; Company Funding

- The Committee shall have the direct responsibility for the appointment, retention, evaluation, compensation and oversight of the work of the Company's independent auditors and, if necessary or advisable in the Committee's sole discretion, for terminating the Company's independent auditors. The independent auditors, in their capacity as independent public accountants, shall report directly to the Committee.

- The independent auditors shall report all relevant issues to the Committee responsive to agreed-on Committee expectations. In executing its oversight role, the Committee shall review the work of the external auditors.
- The Committee shall annually review the performance (effectiveness, objectivity and independence) of the external auditors. The Committee shall (i) ensure the receipt of a formal written statement from the independent auditors delineating all relationships between the auditors and the Company, consistent with Independence Standards Board Standard 1 or similar requirements as may be issued in the future by authoritative accounting standards setting or regulatory bodies; and (ii) confirm with the independent auditors that the independent auditors are in compliance with the partner rotation requirements established by the SEC. Additionally, the Committee shall discuss with the independent auditors relationships or services that may affect the auditors' objectivity or independence, and, if applicable, consider whether the independent auditors' provision of any permitted non-audit services to the Company is compatible with maintaining the objectivity and independence of the outside auditors. If the Committee is not satisfied with the auditors' assurances of independence, it shall take appropriate action to ensure the independence of the Company's external auditors.
- The Committee's pre-approval shall be required in order for the Company to solicit for employment or for a position on its Board of Directors, or for the Company to hire, any current or former partner or any professional employee of the Company's outside auditor or any of its affiliated member firms, if such partner or professional employee is or has been involved in the performance of any audit, review, or attest service for the Company, or any other audit-related or financial statements or financial information related service, at any time during the then current fiscal year of the Company up to and including the date of filing of its periodic annual report with the Securities and Exchange Commission for that year, or in the 12 months preceding the date the Company filed its periodic annual report with the Securities and Exchange Commission for the immediately preceding fiscal year.
- If either the external auditors or an individual performing significant internal auditing functions identify significant issues relating to matters within the scope of the Committee's responsibilities that have been communicated to management but, in their judgment, have not been adequately addressed, they should communicate these issues to the Committee chairperson.
- The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditors for the purpose of rendering or issuing an audit report or performing other audit, review or attest services for the Company, and to any other experts and advisors engaged by the Committee. The Company shall also provide for appropriate funding, as determined by the Committee, for any ordinary administrative expenses of this Committee that is necessary or appropriate in carrying out its duties.

Meetings

It is anticipated that the Committee will meet at least four times each year.

Minutes

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

Reports

The Committee will regularly report to the Board of the Company regarding (i) all determinations made or actions taken pursuant to its duties and responsibilities, as set forth above, and (ii) any recommendations of the Committee submitted to the Board for action.