

**NOVEN PHARMACEUTICALS, INC.
AUDIT COMMITTEE**

**CHARTER
MAY 23, 2005**

Organization

There shall be a committee of the Board of Directors (the “Board”) to be known as the Audit Committee (the “Committee”). The Committee shall be comprised of not less than three members of the Board, each of whom shall be independent, as defined by all applicable rules and regulations. Furthermore, members of the committee shall not, directly or indirectly, accept any consulting, advisory, or other compensatory fee from the Corporation, other than fees associated with service on the Board and its committees. All Committee members shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee and shall be “financially literate,” and at least one Committee member shall be an “audit committee financial expert” as such terms are defined by the criteria established by the Securities and Exchange Commission (the “SEC”) and other applicable rules and regulations. The existence of at least one “audit committee financial expert”, including his or her name, shall be disclosed in periodic filings as may required by the SEC. The members of the Committee shall be appointed by the Board at the annual organizational meeting of the Board and shall serve until the next annual meeting or until their successors shall be duly elected and qualified. Unless a Chair is appointed by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

Statement of Policy

The Committee shall provide assistance to the Board in fulfilling its responsibility to the shareholders, potential shareholders, the investment community and others relating to: the integrity of the Corporation’s financial statements; the financial reporting process; the systems of internal accounting and financial controls and systems of disclosure controls; the performance of the Corporation’s internal audit function and the Corporation’s Independent Registered Public Accounting Firm (“outside auditors”) and the overall audit process; the outside auditor’s qualifications and independence.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Corporation and the authority to engage independent legal, accounting and other advisers as it determines necessary to carry out its duties. The Corporation shall provide appropriate funding, as determined by the Committee, for compensation to the outside auditor and to any advisers that the Committee may choose to engage. The decision to engage or to terminate any advisers to the Committee and the decisions regarding fee arrangements for any such advisers shall be made solely by the Committee.

The Committee shall hold at least four meetings per year, or more frequently as circumstances may dictate. If the Committee deems it advisable, its meetings may include an executive session of the Committee absent members of management and on such terms and conditions as the Committee may elect. The Committee should meet periodically with management, the individual, if any, responsible for the internal auditing function and the outside auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately. In addition, the Committee should meet quarterly with the outside auditors and management to discuss the annual audited financial statements and quarterly financial statements,

including the Company's disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Responsibilities

The primary responsibility of the Committee is to oversee the Corporation's reporting processes on behalf of the Board and the shareholders and to report the results of its activities to the Board. 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 Corporation's financial statements are complete and accurate and are in accordance with accounting principles generally accepted in the United States ("GAAP"). Management is responsible for the preparation, presentation, and integrity of the Company's financial statements. The outside auditors are responsible for auditing the Company's financial statements and for reviewing the Company's unaudited interim condensed financial statements. The Committee's functions are not intended to duplicate or to certify the activities of management and the outside auditor, nor can the Committee certify that the outside auditor is "independent" within the meaning of applicable rules and regulations.

The following shall be the principal recurring processes of the Committee in carrying out its oversight responsibilities. In carrying out its responsibilities, the Committee believes its policies and procedures should remain flexible to enable the Committee to react to changing conditions and circumstances. The processes set forth below are intended to serve as a guide with the understanding that the Committee may supplement them as appropriate. The following shall not be deemed an exclusive list of the powers and responsibilities of the Committee, and the Committee shall be authorized to perform other activities consistent with this Charter, the Corporation's Certificate of Incorporation, By-laws and governing law, as the Committee or the Board deems necessary or advisable.

- The Committee shall review and reassess this Charter periodically, but at least annually, and recommend to the Board any amendments that the Committee may deem necessary or advisable.
- The Committee shall be directly responsible for the appointment and termination (subject, if applicable, to shareholder ratification), compensation, and oversight of the work of the outside auditors. The outside auditors shall report directly to the Committee, and the Committee shall oversee the resolution of disagreements between management and the outside auditors in the event that they arise, including resolution of disagreements between management and the outside auditor regarding financial reporting. At least annually, the Committee shall evaluate the outside auditor's qualifications and performance which review shall include a review of the lead partner of the outside auditor. In making its evaluation, the Committee shall take into account the opinion of management and the individual, if any, responsible for the internal audit function.
- The Committee shall at least once per year review with the individual, if any, responsible for the internal audit function, the outside auditors and financial management of the Corporation the scope of their proposed audits for the current year and the proposed audit procedures to be utilized, including the adequacy of staffing and compensation, and at the conclusion thereof review their audit, including any comments or recommendations they may have.
- The Committee shall review and pre-approve both audit and non-audit services provided by the outside auditors and shall not engage the outside auditors to perform any non-audit services prohibited by law or regulation. The Committee may delegate pre-approval authority to a member of the Committee. The decisions of any Committee member to whom pre-approval authority is delegated must be presented to the full Committee at its next scheduled meeting. The Committee

shall inform the Board of its approval of any permitted non-audit services so that the Corporation may disclose such approval if appropriate.

- The Committee shall consider whether the outside auditor's performance of permissible non-audit services is compatible with the outside auditor's independence and shall also request from the outside auditors annually a formal written statement delineating all relationships between the outside auditor and the Corporation consistent with Independent Standards Board Standard Number 1, as may be modified or supplemented. The Committee shall review and discuss with the outside auditors any such disclosed relationships and their impact on the outside auditor's independence. The Committee may seek the advice of management and outside advisors in making the determinations contemplated herein. The Committee shall ensure the rotation of the lead audit partner at least every five years and confirm that the lead audit partner or the audit concurring partner responsible for reviewing the audit has not performed audit services as a partner for the Corporation in each of the Corporation's past five fiscal years.

- The Committee shall review and advise the Board on the selection, performance, compensation and removal of the individual, if any, responsible for the Corporation's internal audit function. The Committee shall review activities, organizational structure, and qualifications of the individuals involved in the internal audit function. The Committee shall periodically, but at least quarterly, review with the individual, if any, responsible for the internal audit function any significant difficulties, disagreements with management, or scope restrictions encountered in the course of the internal audit work.

- The Committee shall obtain and review at least annually a report by the outside auditor describing the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review or peer review or by any governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.

- The Committee shall review and discuss with management and the outside auditors the audited financial statements of the Corporation to be included in the Corporation's Annual Report on Form 10-K and recommend to the Board whether the financial statements should be included therein, the Corporation's quarterly financial statements to be included in the Corporation's Quarterly Reports on Form 10-Q, including the results of the outside auditors' reviews of the interim financial statements, and all internal controls reports (or summaries thereof) and shall also review other relevant reports or financial information submitted by the Corporation to any governmental body, or the public, including management certifications, to the extent required by the Sarbanes-Oxley Act of 2002, and relevant reports rendered by the outside auditors (or summaries thereof). The Committee shall discuss with management and the outside auditors the quality, not just acceptability, of the accounting principles, and the reasonableness of significant judgments, and shall review and consider with the outside auditors the matters required to be discussed by Statement of Auditing Standards ("SAS") No. 61 (as amended by SAS 89 and SAS 90), Rule 2-07 of Regulation S-X, Independence Standards Board No. 1, and the Marketplace Rules of the NASDAQ Stock Market, as appropriate.

- The Committee shall discuss with management and the outside auditors the Corporation's accounting policies that may be viewed as critical. The Committee shall review and discuss significant changes in the accounting policies of the Corporation and accounting and financial reporting proposals that may have a significant impact on the Corporation's financial reports as well as alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the outside auditor. The

Committee shall confer with management and the outside auditor on significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects on the financial statements of alternative GAAP methods permitted by generally accepted accounting principles. The Committee may seek the advice of management and outside advisors in making the determinations contemplated herein.

- The Committee shall discuss with management and the outside auditors as appropriate the integrity of the Corporation's financial reporting processes (both internal and external) and the quality and adequacy of the Corporation's internal controls and disclosure controls, including the Corporation's systems to monitor and manage business risk. The Committee shall meet with representatives of the Disclosure Committee on a periodic basis to discuss any matters of concern arising from the Disclosure Committee's process to assist the CEO and CFO in their Sarbanes-Oxley Act of 2002 Section 302 and 906 certifications.
- The Committee shall review management's assertion on its assessment of the effectiveness of internal controls over financial reporting as of the end of the most recent fiscal year and the outside auditors' report on the effectiveness of management's assessment and the effectiveness of internal controls over financial reporting. The Committee shall review all material issues raised by management's internal controls review and recommend to the Board any correction action that the Committee may deem advisable.
- The Committee shall provide sufficient opportunity for the outside auditors to meet with the Committee outside the presence of management, and to discuss the outside auditors' evaluation of the Corporation's financial and accounting personnel and the cooperation that the outside auditors received during the course of the audit.
- The Committee shall establish procedures for the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
- The Committee shall prepare its report to be included in the Corporation's annual proxy statement, as required by SEC regulations.
- The Committee shall set clear hiring policies for employees or former employees of the outside auditor in compliance with applicable laws, rules and regulations.
- The Committee shall perform a self-evaluation of its performance at least annually to determine whether it is functioning effectively.
- The Committee shall review and approve all related-party transactions, defined as those transactions required to be disclosed under Item 404 of Regulation S-K.
- The Committee shall discuss earnings press releases, including the type and presentation of information, paying particular attention to any proforma or adjusted non-GAAP information as defined by Regulation G. Such discussion may be in general terms (i.e., discussion of the types of information to be disclosed and the type of presentations to be made).