

**CHARTER
OF THE
AUDIT COMMITTEE
OF THE
BOARD OF DIRECTORS OF
ENDO PHARMACEUTICALS HOLDINGS INC.
AS ADOPTED BY THE BOARD
ON APRIL 19, 2006**

**I.
AUTHORITY**

The Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Endo Pharmaceuticals Holdings Inc. (the “Corporation”) is established pursuant to Section 8 of the Corporation’s Amended and Restated Bylaws and Section 141(c) of the Delaware General Corporation Law. The Committee shall be comprised of three or more directors as determined from time to time by resolution of the Board. Members shall not serve on more than three public company audit committees simultaneously. Consistent with the appointment of other Board committees, the members of the Committee shall be elected by the Board at the annual organizational meeting of the Board or at such other time as may be determined by the Board. The Chairman of the Committee shall be designated by the Board; provided that if the Board does not so designate a Chairman, the members of the Committee, by majority vote, may designate a Chairman. The presence in person or by telephone of a majority of the Committee’s members shall constitute a quorum for any meeting of the Committee. All actions of the Committee will require the vote of a majority of its members present at a meeting of the Committee at which a quorum is present.

**II.
PURPOSE OF THE COMMITTEE**

The Committee’s purpose is to provide assistance to the Board in fulfilling its (1) legal and fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting, internal control and legal compliance functions of the Corporation and its subsidiaries and (2) oversight responsibility relating to: (i) the integrity of the Company’s financial statements; (ii) the effectiveness of the Company’s internal control over financial reporting; (iii) the Company’s compliance with legal and regulatory requirements; (iv) the independent registered public accounting firm’s qualifications and independence; and (v) the performance of the Company’s internal audit function and independent registered public accounting firm. The Committee shall also prepare the Audit Committee report that SEC proxy rules require to be included in the Company’s annual proxy statement. The Committee shall retain and compensate such outside legal, accounting, or other advisors, as it considers necessary in discharging its oversight role.

The Committee shall oversee the audit efforts of the Corporation’s independent registered public accountants and internal auditors and, in that regard, shall take such actions as it may deem necessary to satisfy itself that the Corporation’s auditors are independent of management. It is the objective of the Committee to maintain free and open means of communications among the Board, the independent registered public accountants, the internal auditors and the financial and senior management of the Corporation and to determine that all parties are aware of their respective responsibilities.

**III.
COMPOSITION OF THE COMMITTEE**

(a) Each member of the Committee shall be an “independent” director within the meaning of the Nasdaq rules and Rule 10A-3 of the Exchange Act and, as such, shall be free from any relationship that may interfere with the exercise of his or her independent judgment as a member of the Committee. Notwithstanding the foregoing, as permitted by the rules of the Nasdaq, under exceptional and limited circumstances, one director who does not meet certain of the criteria for “independence” may be appointed to the Committee if the Board determines in its business judgment that membership on the Committee by

such person is required by the best interests of the Corporation and its stockholders and the Corporation discloses in the annual proxy statement the nature of such person's relationship and the reasons for the Board's determination. A member appointed under this exception would not be permitted to serve longer than two years and would not be permitted to chair the audit committee. All members of the Committee shall be financially literate at the time of their election to the Committee or shall become financially literate within a reasonable period of time after their appointment to the Committee. "Financial literacy" shall be determined by the Board in the exercise of its business judgment, and shall include a working familiarity with basic finance and accounting practices and an ability to read and understand fundamental financial statements. At least one member of the Committee shall be an "audit committee financial expert," as defined by the SEC rules. Committee members, if they or the Board deem it appropriate, may enhance their understanding of finance and accounting by participating in educational programs conducted by the Corporation or an outside consultant or firm.

(b) Upon any changes in the composition of the Committee and otherwise approximately once each year, the Committee shall ensure that the Corporation provides the Nasdaq with written confirmation regarding:

- (i) Any determination that the Board has made regarding the independence of the Committee members;
- (ii) The financial literacy of the Committee members;
- (iii) The determination that at least one of the Committee members is an "audit committee financial expert", as defined by SEC rules; and
- (iv) The annual review and reassessment of the adequacy of the Committee's charter.

IV.

MEETINGS OF THE COMMITTEE

The Committee shall meet at least quarterly and with such frequency and at such intervals as it shall determine is necessary to carry out its duties and responsibilities. As part of its purpose to foster open communications, the Committee shall meet at least annually with management, the head of the internal auditing department and the Corporation's independent registered public accountants in separate executive sessions to discuss any matters that the Committee or each of these groups or persons believe should be discussed privately. In addition, the Committee (or the Chairman) should meet or confer with the independent registered public accountants and management quarterly to review the Corporation's periodic financial statements prior to their filing with the Securities and Exchange Commission ("SEC"). The Chairman should work with the Chief Financial Officer and management to establish the agendas for Committee meetings. The Committee, in its discretion, may ask members of management or others to attend its meetings (or portions thereof) and to provide pertinent information as necessary. The Committee shall maintain minutes of its meetings and records relating to those meetings and the Committee's activities and provide copies of such minutes to the Board.

V.

DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

In carrying out its duties and responsibilities, the Committee's policies and procedures should remain flexible, so that it may be in a position to best react or respond to changing circumstances or conditions. The Committee should review and reassess annually the adequacy of the Committee's charter. The charter must specify: (1) the scope of the Committee's responsibilities and how it carries out those responsibilities, (2) the ultimate accountability of the Corporation's independent registered public accountants to the Board and the Committee, (3) the responsibility of the Committee and the Board for the selection, evaluation and replacement of the Corporation's independent registered public accountants, and (4) that the Committee is responsible for ensuring that the Corporation's independent registered public accountants submit on a periodic basis to the Committee a formal written statement delineating all relationships between the independent registered public accountants and the Corporation and that the Committee is responsible for actively engaging in a dialogue with the independent registered public accountants with respect to any

disclosed relationships or services that may impact the objectivity and independence of the independent registered public accountants and for recommending that the Board take appropriate action to ensure the independence of the independent registered public accountants.

While there is no “blueprint” to be followed by the Committee in carrying out its duties and responsibilities, the following should be considered the principal duties and responsibilities of the Committee:

Selection and Evaluation of Auditors

(a) Review and approve the appointment, compensation, retention and oversight of the work of the independent registered public accountants (including resolution of disagreements between management and the auditor regarding financial reporting and internal control related matters) to audit the books and accounts of the Corporation and its subsidiaries for each fiscal year, and the independent registered public accountants must report directly to the Committee;

(b) Review and approve the Corporation’s independent registered public accountants’ annual engagement letter, including the proposed fees contained therein;

(c) Review the performance of the Corporation’s independent registered public accountants and make decisions regarding the replacement or termination of the independent registered public accountants when circumstances warrant. Such evaluation should also include the review and evaluation of the lead partner of the independent registered public accountants and take into account the opinions of management and the Corporation’s personnel responsible for the internal audit function;

(d) Oversee the independence of the Corporation’s independent registered public accountants by, among other things:

(i) requiring the independent registered public accountants to deliver to the Committee on a periodic basis, and at least annually, a formal written statement delineating (i) the firm’s internal quality control procedure; (ii) any material issues raised by the most recent internal quality control review, or peer review, of the firm, or by any inquiry or investigation by 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; and (iii) all relationships between the independent registered public accountants and the Corporation (to assess the auditors’ independence); and

(ii) actively engaging in a dialogue with the independent registered public accountants with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent registered public accountants and take appropriate action to satisfy itself of the auditors’ independence;

(iii) determining that the independent audit firm has a process in place to address the rotation of the lead partner and other audit partners serving the Corporation as required under the SEC independence rules;

(iv) pre-approving all audit and non-audit services provided by the independent registered public accountants and not engaging the independent registered public accountants to perform non-audit services proscribed by law or regulation. The Committee may delegate pre-approval authority to a member of the Committee and 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;

(e) Instruct the Corporation’s independent registered public accountants that they must report directly to the Committee, and that the Committee is responsible for the selection, evaluation and termination of the Corporation’s independent registered public accountants;

Oversight of Annual Audit and Quarterly Reviews

(f) Review and accept, if appropriate, the annual audit plan of the Corporation's independent registered public accountants, including the scope of audit activities as well as the adequacy of staffing and budget or compensation, and monitor such plan's progress and results during the year;

(g) Confirm through private discussions with the Corporation's independent registered public accountants and the Corporation's management that no management restrictions are being placed on the scope of the independent registered public accountants' work;

(h) Receive and review a report from the independent registered public accountants on the results of the year-end audit of the Corporation, prior to the filing of the Company's Annual Report on Form 10-K, including (as applicable):

a. the audit report, the published financial statements, the management representation letter, the "Memorandum Regarding Accounting Procedures and Internal Control" or similar memorandum prepared by the Corporation's independent registered public accountants, any other pertinent reports and management's responses concerning such memorandum;

b. the qualitative judgments of the independent registered public accountants about the appropriateness, not just the acceptability, of accounting principle and financial disclosure practices used or proposed to be adopted by the Corporation and, particularly, about the degree of aggressiveness or conservatism of its accounting principles and underlying estimates;

c. the methods used to account for significant unusual transactions;

d. the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus;

e. management's process for formulating sensitive accounting estimates and the reasonableness of these estimates;

f. significant recorded and unrecorded audit adjustments;

g. any material accounting issues among management, the Corporation's internal auditing department and the independent registered public accountants;

h. other matters required to be communicated to the Committee under the Standards of the Public Company Accounting Oversight Board (PCAOB) (United States) by the independent registered public accountants; and

i. any communications between the audit team and the audit firm's national office respecting auditing or accounting issues presented by the engagement;

(i) Review with management and the Corporation's independent registered public accountants such critical accounting policies (and changes therein) of the Corporation, including any financial reporting issues which could have a material impact on the Corporation's financial statements, as are deemed appropriate for review by the Committee prior to any interim or year-end filings with the SEC or other regulatory body;

(j) Review and discuss the Corporation's interim financial statements included in Quarterly Reports on Form 10-Q, including Management's Discussion and Analysis of Financial Condition and Results of Operations, with management and the independent registered public accountants prior to the filing of the Company's Quarterly Report on Form 10-Q. Also, the Committee should discuss the results of the quarterly review and any other matters required to be communicated to the Committee by the independent registered public accountants under the Standards of the PCAOB (United States);

(k) Review and discuss the Corporation's annual audited financial statements, including Management's Discussion and Analysis of Financial Condition and Results of Operations, with management and the independent registered public accountants prior to the filing of the Company's Annual Report on Form 10-K. Also, the Committee should discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent registered public accountants under the Standards of the PCAOB (United States);

Oversight of Financial Reporting Process and Internal Controls

(l) Review the adequacy and effectiveness of the Corporation's accounting and internal control policies and procedures through inquiry and discussions with the Corporation's independent registered public accountants and management of the Corporation;

(m) Review with management the Corporation's administrative, operational and accounting internal controls, including controls and security of the computerized information systems, and evaluate whether the Corporation is operating in accordance with its prescribed policies, procedures and codes of conduct;

(n) Review with management and the independent registered public accountants the adequacy of the company's internal control over financial reporting and any specific remedial actions adopted in light of significant deficiencies or material weaknesses;

(o) Receive periodic reports from the Corporation's independent registered public accountants and management of the Corporation to assess the impact on the Corporation of significant accounting or financial reporting developments proposed by the Financial Accounting Standards Board or the SEC or other regulatory body, or any other significant accounting or financial reporting related matters that may have a bearing on the Corporation;

(p) Establish and maintain free and open means of communication between and among the Board, the Committee, the Corporation's independent registered public accountants, the Corporation's internal auditing department and management;

Other Matters

(q) Meet annually with the general counsel, and outside counsel when appropriate, to review legal and regulatory matters, including any matters that may have a material impact on the financial statements of the Corporation;

(r) Prepare a report to be included in each annual proxy statement (or, if not previously provided during the fiscal year, any other proxy statement or consent statement relating to the election of directors) of the Corporation commencing after December 15, 2000 which states, among other things, whether:

(i) the Committee has reviewed and discussed with management the audited financial statements to be included in the Corporation's Annual Report on Form 10-K;

(ii) the Committee has discussed with the Corporation's independent registered public accountants the matters that the auditors are required to discuss with the Committee by Statements on Auditing Standard No. 61, (as it may be modified or supplemented);

(iii) the Committee has received the written disclosures and the letter from the Corporation's independent registered public accountants required by Independence Standards Board Standard No. 1, as may be modified or supplemented, and has discussed with the independent registered public accountants their independence; and

(iv) based on the review and discussions described in subsections (i), (ii) and (iii) above, the Committee has recommended to the Board that the audited financial statements be included in the Corporation's Annual Report on Form 10-K for the last fiscal year for filing with the SEC;

(s) Obtain from the independent registered public accountants any information pursuant to Section 10A of the Securities Exchange Act of 1934;

(t) Review and approve all related party transactions required to be disclosed pursuant to SEC Regulation S-K, Item 404, and discuss with management the business rationale for the transactions and whether appropriate disclosures have been made;

(u) Review and discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies;

(v) Review management's report on its assessment of the effectiveness of internal control over financial reporting as of the end of the most recent fiscal year and the independent registered public accountants' report on (1) management's assessment and (2) the effectiveness of internal control over financial reporting;

(w) Discuss with management, the internal auditors, and the independent registered public accountants management's process for assessing the effectiveness of internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, including any significant deficiencies or material weaknesses identified;

(x) Discuss with the independent registered accountants the characterization of any deficiencies in internal control over financial reporting and any differences between management's assessment of the deficiencies and the independent registered public accountants' assessment. The Committee shall also discuss with management its remediation plan to address internal control deficiencies. The Committee shall determine that the disclosures describing any identified material weaknesses and management's remediation plans are clear and complete.

(y) Discuss with management its process for performing its required quarterly certifications under Section 302 of the Sarbanes-Oxley Act.

(z) Discuss with management, the internal auditors, and the independent registered public accountants any significant changes in internal control over financial reporting that are disclosed, or considered for disclosures, in the Corporation's periodic filings with the SEC;

(aa) Discuss the Corporation's policies with respect to risk assessment and risk management, including the risk of fraud. The Committee also shall discuss the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures;

(bb) Establish procedures 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 Corporation of concerns regarding questionable accounting and auditing matters;

(cc) Set clear hiring policies for employees or former employees of the independent registered public accountants that meet the SEC regulations and stock exchange listing standards;

(dd) Determine the appropriate funding needed by the Committee for payment of (1) compensation to the independent audit firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services for the Company; (2) compensation to any advisers employed by the Committee; and (3) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties;

(ee) Perform an evaluation of its performance at least annually to determine whether it is functioning effectively;

(ff) Review and reassess the charter at least annually and obtain the approval of the board of directors;

(gg) Conduct or authorize investigations into any matters within the Committee's scope of responsibilities, including retaining outside counsel or other consultants or experts for this purpose; and

(hh) Perform such additional activities, and consider such other matters, within the scope of its responsibilities, as the Committee or the Board deems necessary or appropriate.

WITH RESPECT TO THE DUTIES AND RESPONSIBILITIES LISTED ABOVE, THE COMMITTEE SHOULD:

1. Report regularly to the Board on its activities, as appropriate;
2. Exercise reasonable diligence in gathering and considering all material information;

3. Understand and weigh alternative courses of conduct that may be available;
4. Focus on weighing the benefit versus harm to the Corporation and its stockholders when considering alternative recommendations or courses of action;
5. If the Committee deems it appropriate, secure independent expert advice and understand the expert's findings and the basis for such findings, including retaining independent counsel, accountants or others to assist the Committee in fulfilling its duties and responsibilities; and
6. Provide management, the Corporation's independent registered public accountants and internal auditors with appropriate opportunities to meet privately with the Committee.

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While the Committee has the duties and responsibilities set forth in this charter, the Committee is not responsible for planning or conducting the audit or for determining whether the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Similarly, it is the responsibility of the Committee to resolve disagreements, if any, between management and the independent registered public accountants and to ensure that the Corporation complies with all laws and regulations.

Adopted by the Board of Directors of
Endo Pharmaceutical Holdings Inc.
on April 19, 2006.