



AUDIT COMMITTEE CHARTER

AMERICAN HOMEPATIENT, INC.

1. BACKGROUND.

Pursuant to Section 141 of the Delaware General Corporation Law, and subject to the specific provisions of the corporation's Bylaws, the Board of Directors (the "Board") of American HomePatient, Inc. (the "Company") may create one or more committees and each committee may consist of one or more members. All members of committees of the Board of Directors, which exercise the powers of the Board must be members of the Board, and they serve at the pleasure of the Board of Directors.

2. ORGANIZATION.

There shall be a committee of the Board known as the Audit Committee. The Audit Committee shall consist of at least three (3) directors, each of whom are independent of the management of the Company and are free of any relationship that could interfere with the exercise of independent judgment as Committee members. All members of the Audit Committee shall be able to read and understand fundamental financial statements, and at least one member of the Audit Committee shall have accounting or related financial management experience or professional expertise. The Board shall appoint the Audit Committee members and its Chairperson, on recommendation of the Nominating Committee, and the Board shall review the appointments annually. The Audit Committee shall operate in accordance with the Bylaws of the Company.

3. PURPOSE.

3.01 OVERSIGHT AND LIAISON. The Audit Committee shall engage in oversight of the Company's financial reporting and internal controls. The Audit Committee acts as the Board's liaison with the Company's outside auditors, provides an independent, direct communication between the Board, the internal audit department and the independent accountants, and receives and reviews confidential and candid information with respect to the status of the Company's financial condition and the effectiveness of its internal controls with respect to financial matters. The Company's independent auditors will report to the Audit Committee. In discharging its responsibilities, the Audit Committee shall have direct access to the Company's financial, legal and other advisors and staff. The Audit Committee shall also maintain open communications among the Board, the Company's independent and internal auditors, and Company management.

3.02 LIMITED SCOPE. This Charter is not intended to, and it does not, impose on the Audit Committee any duties other than those required by applicable law and regulations and applicable stock exchange rules. It is not the Audit Committee's role or duty to conduct audits, to determine that the Company's financial statements are complete and accurate, to resolve

disputes between management and auditors, to otherwise act in the role of independent auditors, or to generally assure compliance with laws or regulations. Management is responsible for the preparation, presentation, and integrity of the Company's financial statements and for the appropriateness of the accounting principles and reporting policies that are used by the Company. The independent auditors are responsible for auditing the Company's financial statements and for reviewing the Company's unaudited interim financial statements.

4. POWERS.

The Audit Committee has the authority to gather any information appropriate in fulfilling its responsibilities, and it has direct access to the independent auditors as well as all Company personnel. The Audit Committee has the power and authority to engage, at the Company's expense, and subject to Board approval, accountants, legal counsel or other consultants, experts or advisors to assist the Audit Committee and to conduct independent investigations, as the Audit Committee considers necessary in the performance of its duties.

5. MEETINGS.

The Audit Committee shall meet at least quarterly, or more frequently when appropriate or necessary. The Committee Chairperson shall prepare or approve an agenda in advance of each meeting. The Audit Committee should meet privately in executive session at least annually with management, the director of the internal audit department, the independent auditors, and as a committee to discuss any matters that the Audit Committee or each of these groups believe should be discussed. In addition, the Audit Committee should communicate with management and the independent auditors quarterly to discuss the Company's financial statements and any significant findings based upon the auditors' limited review procedures.

6. COMMITTEE AUDIT RESPONSIBILITIES AND DUTIES.

The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The Committee should take appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices, and ethical behavior. The following shall be the principal duties and responsibilities of the Audit Committee. These are set forth as a guide with the understanding that the Committee may supplement them as appropriate.

When appropriate, the Audit Committee will, without limitation to the listed matters, engage in the following activities:

6.01 REVIEW PROCEDURES.

(1) Submit the Charter to the Board of Directors for approval, and review and reassess the adequacy of this Charter at least annually. Include the Charter as an appendix to the

Company's proxy statement at least every 3 years, in accordance with Securities and Exchange Commission ("SEC") regulations.

(2) Review the Company's annual audited financial statements and discuss with management and the independent auditors all significant issues regarding accounting principles, practices and judgments, including their judgment about the quality, not just the acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements. Also, the Committee shall discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards, prior to filing or distribution of those statements. Specifically, review the results of each audit, including any qualifications in the independent auditors' opinion, any related management letter, management's responses to recommendations made by the independent auditors in connection with the audit, reports submitted to the Committee by the internal audit department that are material to the Company as a whole, and management's responses to those reports. Also, the Committee should consider management's judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting and the independent auditor's consideration of those judgments, and discuss any significant changes to the Company's accounting principles. Recommend to the Board of Directors whether or not the audited financial statements should be included in the Company's annual report on Form 10-K.

(3) Require the independent auditors to perform timely reviews of the Company's quarterly financial results prior to the release of earnings, and discuss the Company's annual and quarterly financial statements with the independent auditors prior to filing or distribution.

(4) Review periodic filings with the SEC; specifically, review Management's Discussion and Analysis before publication in the annual and quarterly reports, and review the Statement of Management's Responsibility for Financial Statements as signed by senior management and included in any published document.

6.02 INDEPENDENT AUDITORS.

(1) The independent auditors are ultimately accountable to the Audit Committee and the Board of Directors. The Audit Committee shall review and, when appropriate, approve the terms of engagement and the fees and other significant compensation to be paid to the independent auditors. The Committee shall pre-approve all audit and non-audit services provided by the independent auditors and shall not engage the independent auditors to perform the specific non-audit services proscribed by law or regulation. The Committee may delegate pre-approval authority to a member of the Audit Committee. The decisions of any Audit Committee member to whom pre-approval authority is delegated must be presented to the full Audit Committee at its next scheduled meeting. The Audit Committee shall also review the independence and performance of the auditors and annually recommend to the Board of Directors and approve the appointment of the independent auditors, or recommend and approve any discharge of auditors.

(2) At least annually, the committee shall obtain and review a report by the independent auditors describing: i) the firm's internal quality control procedures; 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 auditor and the Company (to assess the auditor's independence).

(3) The Committee shall set clear hiring policies for employees or former employees of the independent auditors.

(4) The Committee shall receive regular reports from the independent auditor on the critical policies and practices of the Company, and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.

(5) The Committee shall review and discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.

(6) Meet with the independent auditors and financial management of the Company during the planning of each annual audit to review the audit plan and to discuss the scope of the audit, staffing, locations, reliance upon management, and the internal and general audit procedures to be used, and accounting principles and practices to be followed when preparing the Company's financial statements.

(7) When necessary or appropriate, meet with the internal and independent auditors without members of management present. Among the items to be discussed in these meetings are the independent auditors' evaluation of the Company's financial, accounting, and auditing personnel, and the cooperation that the independent auditors received during the course of the audit.

(8) In consultation with the Company's independent auditors and the senior internal audit executive, review and consider the adequacy and effectiveness of the Company's internal accounting and financial controls in order to ensure that these controls are designed to provide reasonable assurance that the Company's publicly reported financial statements are presented fairly and in conformity with generally accepted accounting principles. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper. The Committee shall review management's assertion on its assessment of the effectiveness of internal controls as of the end of the most recent fiscal year and the independent auditors' report on management's assertion.

6.03 INTERNAL AUDIT AND LIMITED LEGAL COMPLIANCE.

(1) Review the appointment, performance and termination or replacement of the Company's senior internal audit executive.

(2) Review the internal audit function of the Company, including the independence and authority of its participants and their reporting obligations, the proposed internal audit plans for the coming year, and the coordination of those plans with the external audit.

(3) Receive, at least annually, a summary of findings from completed internal audits and an internal audit progress report, with explanations for any deviations from the original plan, and review significant reports prepared by the internal audit department, together with management's responses and follow-up to the reports.

(4) Whenever appropriate, at least annually, review with the Company's legal counsel any inquiries received from regulators or governmental agencies and any legal matters or proceedings that could have a significant impact on the Company's financial statements or its compliance with applicable laws and regulations.

6.04 OTHER DUTIES.

(1) Report annually through the Board to the shareholders, in the Company's annual proxy statement, the existence of the Audit Committee, the responsibilities assigned to it by the Board, the independence of its members and the manner in which the Committee has fulfilled its duties, as required by the SEC.

(2) Annually review a summary of directors' and officers' related- party transactions and potential conflicts of interest, and review policies and procedures, as well as any specific audit results, associated with directors' and officers' expense accounts and perquisites.

(3) Review the procedures established to monitor compliance by the Company with any loan and indenture covenants and restrictions.

(4) The Committee shall establish procedures for the receipt, retention, and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.

(5) The Committee shall perform an evaluation of its performance at least annually to determine whether it is functioning effectively.

(6) Maintain minutes of meetings and periodically report to the Board of Directors on significant Audit Committee activities.

7. **EFFECTIVE DATE AND CHARTER AMENDMENTS.**

This Charter is effective as of the date it is adopted by the Board, and it will remain in effect until modified, superseded or cancelled by appropriate Board action. In accordance with the Charter and Bylaws of the Company, this Charter may be amended at any time by the Board.