



Par Pharmaceutical Companies, Inc.

CORPORATE GOVERNANCE

AUDIT COMMITTEE CHARTER

Purpose

The purpose of the Audit Committee is to assist the Board of Directors (the “Board”) in its oversight and evaluation of:

- the integrity of the Company’s financial statements;
- the Company’s compliance with certain legal and regulatory requirements;
- the qualifications, independence and performance of the Company’s independent auditors; and
- the performance of the Company’s internal audit function.

In addition, the Audit Committee is charged with preparing an audit committee report as required by the Securities and Exchange Commission (the “SEC”) to be included in the Company’s annual proxy statements.

While certain duties and responsibilities of the Audit Committee are more specifically set forth below, the principal function of the Audit Committee is oversight. Management of the Company is responsible for the preparation, presentation and integrity of the Company’s financial statements. In addition, management is responsible for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures designed to ensure compliance with applicable accounting standards, laws and regulations.

Each member of the Audit Committee may rely, to the extent reasonable, on the information, opinions, reports and statements of the Company’s management, independent auditors and other advisors.

The independent auditors for the Company are ultimately accountable to the Board and the Audit Committee. The independent auditors shall submit to the Audit Committee and the Company annually a formal written statement delineating all relationships between the independent auditors and the Company (“Statement as to Independence”), and addressing, at a minimum, the matters set forth in Independence Standard No. 1 adopted by the Independence Standards Board.

Organization

The Audit Committee shall consist of at least three directors, all of whom shall have no other material relationship to the Company and shall otherwise satisfy the applicable membership and independence requirements under Section 303A of the Listed Company Rules of the New York Stock Exchange, Inc. (the “NYSE”) and applicable laws, including but not limited to Rule 10A-3 promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and related SEC rules and guidance. All members of the Committee shall be financially literate in the business judgment of the Board, and at



least one member shall have, in the business judgment of the Board, accounting or financial management expertise.

Appointment and Removal

The members of the Audit Committee shall be appointed annually by the Board on the recommendation of the Nominating-Corporate Governance Committee of the Board. In each case, on the recommendation of the Nominating-Corporate Governance Committee, the Board may from time to time remove (with or without cause) members of the Audit Committee and fill any resulting vacancies.

Meetings

The Audit Committee shall hold at least four meetings per year and such additional meetings as the Audit Committee or its Chairperson shall determine.

In addition, the Audit Committee periodically should meet separately with representatives of the Company's management, the director of the Company's internal audit department (or other person, persons or outside firm responsible for the Company's internal audit function) and the Company's independent auditors to review and discuss the annual and quarterly financial reporting process and such other appropriate matters and to discuss any matters that the Audit Committee or any of those persons or firm believes should be discussed privately.

The Audit Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditors to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee.

Duties and Responsibilities

The Audit Committee shall have the following duties and responsibilities:

Independent Auditor. The Audit Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of the registered independent public accounting firm engaged by the Company for the purpose of preparing or issuing an audit report or performing other audit review or attest services for the Company, including the resolution of any disagreements between the Company's management and the accounting firm regarding financial reporting. Each such accounting firm shall report directly to the Audit Committee. In this oversight role, the Audit Committee shall:

- ensure that the Company's independent auditors prepare and deliver annually the Statement as to Independence (it being understood that the independent auditors are responsible for the accuracy and completeness of this Statement);
- actively engage the Company's independent auditors in a dialogue with respect to, and review of, any relationships or services disclosed in this Statement that may impact the objectivity and independence of the auditors and take appropriate action (or recommend that the full Board take appropriate action) to satisfy itself of the auditors' independence;
- at least annually, obtain, review and provide to the full Board a report by the Company's independent auditors describing:

- o the internal quality control procedures maintained by the outside auditing firm serving as the Company's independent auditors;
 - o any material issues raised by the most recent internal quality control review or peer review of such outside auditing firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding year, respecting one or more independent audits carried out by such outside auditing firm, and any steps taken to address any such issues; and
 - o all relationships between such outside auditing firm and the Company (in order to assess the auditor's independence).
- maintain a clear understanding with Company management and the internal audit department (or other person, persons or outside firm responsible for the Company's internal audit function), on the one hand, and the Company's independent auditors, on the other, regarding the ultimate accountability of the independent auditors;
 - meet with the Company's independent auditors to discuss the planning, timing and staffing of the annual audit and the results of their examination and evaluation of the Company's internal controls and the overall quality of its financial reporting;
 - evaluate, and discuss with the lead partner of the independent auditors, the qualifications, performance and independence of the Company's independent auditors, and determine whether they appear adequate, in each case taking into account the opinions of Company management;
 - discuss the regular rotation of the independent auditors' lead and concurring audit partners serving on the Company's audit engagement team, as well as the rotation of any other persons on the Company's audit engagement team who fall within the definition of "audit partner," as defined by applicable SEC regulations, in each case as required by applicable law and/or regulations;
 - consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the Company's independent auditing firm itself on a regular basis;
 - recommend to management policies for the Company's hiring of employees or former employees of the Company's independent auditors who were engaged on the Company's account, consistent with any restrictions on such employment imposed by applicable SEC regulations or law;
 - review the Company's policies with respect to risk assessment and risk management; and
 - present its conclusions with respect to the independent auditors to the full Board.

Internal Audit Function. With respect to the Company's internal audit function, the Audit Committee shall:

- review the appointment and/or replacement of the director of the internal audit department (or other person, persons or outside firm responsible for the Company's internal audit function)

or, at the discretion of the Board, select and contract with an outside accounting firm to serve as the Company's internal auditors and to perform the Company's internal audit function;

- advise the director of the internal audit department (or other person, persons or outside firm responsible for the Company's internal audit function) that he or she is expected to provide to the Audit Committee summaries of and, as appropriate, the significant reports to management prepared by the internal audit department (or other person, persons or outside firm responsible for the Company's internal audit function) and management's responses thereto and review such reports; and
- discuss with the Company's independent auditors responsibilities of the internal audit department (or such other person, persons or outside firm responsible for the Company's internal audit function), the budget and staffing relative to the Company's internal audit function and any recommended changes in the planned scope of the Company's internal audit.

Financial and Disclosure Matters. As a general matter, while the ultimate responsibility for the Company's financial statements and disclosure rests with Company management and the Company's independent auditors, the Audit Committee shall review:

- major issues regarding accounting principles and financial statement presentation, including any significant changes in the Company's selection or application of accounting principles and policies;
- any major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of any control deficiencies;
- analyses prepared by Company management and/or the Company's independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any analyses of the effects of alternative GAAP methods on the financial statements;
- the effect of regulatory and accounting initiatives, as well as off-balance sheet structures and transactions, on the financial statements of the Company;
- the type and presentation of information to be included in the earnings press releases of the Company; and
- any financial information and earnings guidance (and re-guidance) provided by the Company, consistent with Regulation FD, to analysts and rating agencies.

The Audit Committee shall meet with the Company's independent auditors, with and (where deemed necessary) without representatives of management and the internal audit department (or other person, persons or outside firm responsible for the Company's internal audit function) present, to:

- discuss the scope of the annual audit;
- review with the independent auditors any problems or difficulties encountered by the auditors in the course of the audit work and management's response, including with respect to:

- o any restrictions on the scope of the independent auditors' activities or access to requested information or personnel;
 - o any significant disagreements with Company management;
 - o any accounting adjustments that were noted or proposed by the auditors but were "passed"; and
 - o any "management" or "internal controls" letter issued or proposed to be issued.
- review and discuss the Company's annual audited financial statements and the Company's disclosure in its Management's Discussion and Analysis of Financial Condition and Results of Operations disclosure ("MD&A");
 - review and discuss the Company's quarterly financial statements reasonably prior to the filing of each of its Form 10-Qs, including the results of the independent auditors' review of the quarterly financial statements, and the Company's disclosures in its MD&A;
 - review any disclosure relating to non-audit services performed for the Company by the Company's independent auditors required to be included in the Company's periodic reports;
 - review and discuss any reports or communications (and Company management's and/or the internal audit department's responses, or the response of any other person, persons or outside firm responsible for the Company's internal audit function, thereto) submitted to the Audit Committee by the Company's independent auditors required by or referred to in SAS 61 (as codified by AU Section 380), as the same may be modified or amended;
 - discuss any other significant matters arising from any audit, report or communication, whether raised by Company management, the internal audit department (or other person, persons or outside firm responsible for the Company's internal audit function) or the Company's independent auditors, relating to the Company's financial statements;
 - determine whether any accounting restatement resulted from material non-compliance with SEC financial reporting requirements;
 - discuss any significant changes to the Company's accounting principles, policies, controls, procedures and practices proposed or suggested by the Company's independent auditors, the internal audit department or management;
 - inquire about significant risks and exposures, if any, and the steps taken to monitor and minimize such risks and exposures; and
 - review the form of opinion that the Company's independent auditors propose to render to the Board and the Company's stockholders.

In addition, the Audit Committee shall discuss with the Company's management including, as appropriate, the director of its internal audit department (or such other person, persons or outside firm responsible for the Company's internal audit function):

- the results of management's quarterly evaluation of the effectiveness of the Company's disclosure controls and procedures, including any weaknesses and deficiencies in such controls and procedures identified by the Company's management, and the proposed responses by management to any such weaknesses and deficiencies, and management's disclosure regarding the effectiveness of such controls and procedures to the extent required by applicable SEC regulations to be included in the Company's quarterly or annual reports;
- the results of management's annual evaluation of the effectiveness of the Company's internal controls over financial reporting, including any weaknesses and deficiencies in such controls identified by the Company's management, and proposed responses by management to any such weaknesses and deficiencies;
- the form and content of management's report on internal controls of financial reporting and any other disclosure regarding internal controls to the extent required by applicable SEC regulations to be included in the Company's annual reports; and
- the results of management's quarterly evaluation of the Company's internal controls over financial reporting, including the extent to which any such changes have materially affected, or are reasonably likely to materially effect, the Company's internal controls over financial reporting and any related disclosure.

Also, the Audit Committee shall discuss with the Company's legal counsel any significant legal matters that may have a material effect on the Company's financial statements, the Company's compliance policies, including material notices to or inquiries received from governmental agencies, and any other significant legal matters that the Committee or its counsel deems relevant.

The Audit Committee shall annually recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K.

Compliance Oversight. In addition to the foregoing responsibilities, to help ensure the Company's compliance with applicable SEC and other rules and regulations, the Audit Committee shall:

- obtain from the Company's independent auditors assurance that the audit was conducted in a manner consistent with Section 10A of the Exchange Act;
- obtain reports from management, the Company's senior auditing executive and the Company's independent auditors that the Company and its affiliated entities are in conformity with the applicable requirements of the Company's Code of Business Conduct and Ethics;
- review any reports and disclosures from management, the internal audit department and external auditors and internal auditors of any insider and/or affiliated party transactions; and
- generally advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's Code of Business Conduct and Ethics.

Complaints. In accordance with Rule 10A-3 of the Exchange Act, the Audit Committee shall establish and maintain procedures for:

- the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls and/or auditing matters; and
- the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Investigations. The Audit Committee shall have the authority to conduct any investigation appropriate to fulfilling its responsibilities, including with respect to any matter brought to its attention with respect to compliance with the Company's Code of Business Conduct and Ethics or Code of Ethics for senior financial officer, through the complaint procedures described above.

Audit Committee Charter. The Audit Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Charter shall be made available on the Company's website at www.parpharm.com.

Self-Evaluation. The Audit Committee shall conduct an annual performance self-evaluation.

Authority to Engage Outside Advisors. The Audit Committee shall have the authority to engage independent counsel and other advisors, as it deems necessary to carry out its duties, at the Company's expense.

Other Duties. The Audit Committee also shall perform such additional duties and have such additional responsibilities and functions as the Board from time to time may determine and delegate to the Committee.

Funding

The Board shall provide for appropriate funding, as determined by the Audit Committee, in its capacity as a committee of the Board, for payment of:

- compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report and/or performing other audit, review or attest services for the Company;
- compensation to any outside firm(s) engaged to perform the Company's internal audit function;
- compensation of any advisors employed by the Audit Committee to assist the Audit Committee in carrying out its duties; and
- ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

Reports of the Committee

- At each regular meeting of the Board, the Audit Committee shall report the substance of all actions taken by the Audit Committee since the date of its last report to the Board. Each report shall be filed with the minutes of the Board Meeting at which it is presented, as a part of the Company's corporate records.