

Charter of the Audit Committee  
of the  
Board of Directors  
of  
Barr Pharmaceuticals, Inc.

As Adopted by the Board on May 12, 2004

1. PURPOSE

The Audit Committee (the "Committee") of the Board of Directors (the "Board") of Barr Pharmaceuticals, Inc., a Delaware corporation (the "Company"), is a standing committee of the Board and is established pursuant to Article III, Section 9 of the Company's By-laws. The Committee's purpose is to:

- assist the Board's oversight of: (i) the integrity of the Company's financial statements; (ii) the Company's compliance with legal and regulatory requirements; (iii) the outside auditor's qualifications and independence; and (iv) the performance of the Company's internal audit function and the Company's outside auditor; and
- prepare the report required by the rules of the Securities and Exchange Commission ("SEC") to be included in the Company's annual proxy statement.

It is the objective of the Committee to maintain free and open means of communications among the Board, the outside auditor, the internal auditor and the financial and senior management of the Company.

2. AUTHORITY

The Committee will be directly responsible, in its capacity as a committee of the Board, for the appointment, compensation, retention and oversight of the work of the outside auditor (including the resolution of disagreements between management and the outside auditor regarding financial reporting). In this regard, the Committee shall appoint and retain, compensate, evaluate, and terminate when appropriate, the outside auditor. The outside auditor will report directly to the Committee.

The Committee shall have the authority to retain such outside counsel, accountants, experts and other advisors as it determines appropriate to assist it in the performance of its functions and shall receive appropriate funding, as determined by the Committee, from the Company for payment of compensation to any such advisors and to the outside auditor.

3. STRUCTURE AND COMPOSITION OF THE COMMITTEE

The Committee shall comprise at least three directors, all of whom shall qualify as "independent" directors. The Board shall designate one member as chairperson or delegate the

authority to designate a chairperson to the Committee. For purposes hereof, the term "independent" shall mean a director who meets the New York Stock Exchange ("NYSE") standards of independence for directors and audit committee members, as determined by the Board. All members of the Committee must be financially literate, or must become financially literate within a reasonable period of time after his or her appointment to the Committee. In addition, at least one member of the Committee must have accounting or related financial management expertise, as determined by the Board. In addition, it is desirable that at least one member of the Committee be an Audit Committee financial expert within the meaning of item 401(e) of Regulation S-K.

Consistent with the appointment of other Board committees, the members of the Committee shall be appointed by the Board at the annual organizational meeting of the Board or at such other time as may be determined by the Board. The presence in person or by telephone of a majority of the Committee's members will 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.

#### 4. MEETINGS OF THE COMMITTEE

The Committee will meet, either in person or telephonically, with such frequency and at such intervals as it determines is necessary to carry out its responsibilities, but not less frequently than quarterly. As part of its purpose to foster open communications, periodically, the Committee will meet separate with management, the internal auditor and the outside auditor in executive sessions to discuss any matters that the Committee or any of these groups or persons believe should be discussed privately. In addition, the Committee will meet or confer with the outside auditor and management quarterly to review (a) the Company's periodic financial statements prior to their filing with the SEC and (b) any press release to be issued in connection with such quarterly financials prior to its issuance. 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 will maintain minutes of its meetings and records relating to those meetings and the Committee's activities. The Committee will report regularly to the Board on its activities and provide copies of its minutes to the Board. The Committee will annually review and evaluate its own performance with the Board.

#### 5. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

In carrying out its responsibilities, the Committee's policies and procedures are intended to be and remain flexible, so that it may be in a position to best react or respond to changing circumstances or conditions. The Committee will review and reassess annually the adequacy of the Committee's Charter and recommend any proposed changes to the Board for its approval. The Committee's authority shall include, without limitation, the following:

***A. Appointment and Evaluation of the Outside Auditor and Related Matters***

- (1) Appoint the outside auditor to audit the books and accounts of the Company and its subsidiaries for each fiscal year.
- (2) Review and approve the Company's outside auditor's annual engagement letter, including the proposed fees contained therein;
- (3) Review and discuss with the outside auditor: (A) the scope of the audit, the results of the annual audit examination by the auditor, and any problems or difficulties the auditor encountered in the course of its audit work and management's response; and (B) any reports of the outside auditor with respect to interim periods;
- (4) Review the performance of the outside auditor and, when circumstances warrant, replace or terminate the outside auditor;
- (5) Establish policies for the hiring of employees and former employees of the outside auditor (whether or not such employees served as members of the Company's audit engagement team);
- (6) Approve in advance all audit and permissible non-audit services to be provided by the outside auditor, and establish policies and procedures for the pre-approval of audit and permissible non-audit services to be provided by the outside auditor.
- (7) Consider, at least annually, the independence of the outside auditor, including whether the outside auditor's performance of permissible non-audit services is compatible with the auditor's independence, by, among other things:
  - (a) requiring the outside auditor to deliver to the Committee on a periodic basis a formal written statement delineating all relationships between the outside auditor and the Company; and
  - (b) actively engaging in a dialogue with the outside auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the outside auditor and recommending that the Board take appropriate action to satisfy itself of the auditor's independence; and
- (8) Obtain and review, at least annually, a report by the outside auditor describing: (1) the independent auditing firm's internal quality-control procedures and (2) any material issues raised by the most recent internal quality-control review or peer review, 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 outside auditor, and any steps taken to address any such issues.
- (9) Ensure the five-year rotation of audit lead and concurring partners of the independent auditors as required by law;

(10) Review all critical accounting policies.

***B. Oversight of Financial Reporting, Annual Audit and Quarterly Reviews***

(1) Review and discuss with management and the outside auditor, prior to their filing with the SEC, the annual audited and quarterly financial statements of the Company, including: (A) an analysis of the auditor's judgment as to the quality of the Company's accounting principles, setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements; (B) the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," including accounting policies that may be regarded as critical; and (C) major issues regarding the Company's accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles and financial statement presentations.

(2) Review and discuss earnings press releases and corporate policies with respect to financial information and earnings guidance provided to analysts and ratings agencies;

(3) Review with management and the outside auditor such accounting policies (and changes therein) of the Company, including any financial reporting issues which could have a material impact on the Company's financial statements, as the Committee deems appropriate for its review prior to any interim or year-end filings with the SEC or other regulatory body;

(4) Receive reports (oral or written) of the outside auditor and management regarding, and review and discuss the adequacy and effectiveness of, the Company's internal controls, including any significant deficiencies in internal controls and significant changes in internal controls reported to the Committee by the outside auditor or management;

(5) Review the results of the year-end audit of the Company including (as applicable):

(a) the audit report, the published financial statements, the management representation letter, any auditor's letter or other similar memorandum prepared by the Company's independent auditors regarding accounting procedures and internal controls, and any other pertinent reports and management's responses concerning the same;

(b) the qualitative judgments of the internal auditors about the appropriateness, not just the acceptability, of accounting principles and financial disclosure practices used or proposed to be adopted by the Company 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 those estimates;
- (f) significant recorded and unrecorded audit adjustments;
- (g) significant risks and exposures and the plans to minimize such risks, including the Company's risk assessment and risk management policies;
- (h) any material accounting issues among management and the independent auditors, including those with respect to audit adjustments; and
- (i) other matters required to be communicated by the independent auditors to the Committee under generally accepted auditing standards, as amended.

### ***C. Oversight of Internal Controls***

- (1) Review the Company's accounting, disclosure and internal control policies and procedures through inquiry and discussions with the outside auditor, internal auditor and management;
- (2) Review with management at least annually the Company's administrative, operational, accounting and disclosure internal controls insofar as the same relate to accounting and financial reporting, including controls and security of the computerized information systems;
- (3) Receive periodic reports from the outside auditor and management to assess the impact on the Company 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 Company;
- (4) Review with management significant findings on internal audits;
- (5) Require that the independent auditors, internal auditors and management keep the Committee informed about fraud, illegal acts, deficiencies in internal control, and similar matters;
- (6) Consider whether internal control recommendations made by internal auditors and independent auditors have been implemented by management.

### ***D. Oversight of Internal Audit Functions***

- (1) Review the appointment, replacement or dismissal of the internal auditor;

- (2) Review significant reports to management prepared by the internal auditor and management's responses thereto;
- (3) Discuss with the outside auditor and management the internal audit responsibilities of the appropriate senior finance department executives, budget and staffing of the internal audit functions, and any recommended changes in the planned scope of the internal audit function;

***E. Other Responsibilities***

- (1) Meet periodically 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 Company;
- (2) Establish and maintain 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 concerns regarding questionable accounting or auditing matters;
- (3) 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;
- (4) Oversee the Company's compliance with the Company's codes of conduct and programs to monitor compliance with such codes;
- (5) Review with management policies regarding expense accounts; and
- (6) 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.