

AKORN, INC.
AUDIT COMMITTEE CHARTER

I. PURPOSE

The primary function of the Audit Committee (the “Audit Committee”) of Akorn, Inc. (the “Company”) is to assist the Board of Directors (the “Board”) in fulfilling its oversight responsibilities by reviewing: the financial reports and other financial information provided by the Company to designated regulatory bodies or the public; the Company’s systems of internal controls regarding finance, accounting, legal compliance and ethics that management has established; and the Company’s auditing, accounting and financial reporting processes.

Management is responsible for (a) the preparation, presentation and integrity of the Company’s financial statements; (b) accounting and financial reporting principles; and (c) the Company’s internal controls and procedures designed to promote compliance with accounting standards and applicable laws and regulations.

The Company’s independent registered public accounting firm is responsible for performing an independent audit of the consolidated financial statements in accordance with generally accepted auditing standards. The Company’s independent registered public accounting firm is also charged with attesting to, and reporting on, management’s assessment of the effectiveness of the internal control structure and procedures of the Company for financial reporting.

Regardless of whether the Audit Committee members are or have been professional accountants or auditors, their functions are not intended to duplicate or to certify the activities of management and the independent auditor. The Audit Committee serves a board level oversight role where it oversees the relationship with the independent auditor, as set forth in this Charter, and provides advice, counsel and general direction, as it deems appropriate, to management and the auditors on the basis of the information it receives, discussions with the auditor, and the experience of the Audit Committee’s members in business, financial and accounting matters.

II. MEMBERSHIP

The Audit Committee shall be comprised of three or more Directors as determined by the Board, each of whom shall be Directors who are independent of management, and 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 Audit Committee. All members of the Audit Committee shall be determined by the Board to meet the independence and financial literacy requirements of the American Stock Exchange (“Amex”) Company Guide or the NASDAQ Marketplace Rules, as applicable to the Company at such time, and applicable federal law, including Section 10A of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The Board shall review the number of audit committees of other public companies upon which each of the Audit Committee members serve, and shall make a determination as to

whether such service would prohibit each of the members from effectively serving on the Company's Audit Committee.

All members of the Audit Committee shall be "financially literate" under the rules of the Amex Company Guide or the NASDAQ Marketplace Rules, as applicable to the Company at such time, meaning they have the ability to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement. All members of the Audit Committee also shall not have participated in the preparation of the financial statements of the Company at any time during the past three years.

At least one member of the Audit Committee shall be an "audit committee financial expert" as defined by the rules and regulations of the Securities and Exchange Commission and shall be financially sophisticated under the Amex Company Guide or the NASDAQ Marketplace Rules, as applicable to the Company at such time, in that he or she has past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including but not limited to being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

The members of the Audit Committee shall be elected by the Board at the annual organizational meeting of the Board or until their successors shall be duly elected and qualified. Unless a Chair is elected by the Board, the members of the Audit Committee may designate a Chair by vote of the Audit Committee. Designation of any Audit Committee members as an "audit committee financial expert" shall be made on an annual basis by the full Board upon recommendation of the Nominating and Corporate Governance Committee.

III. RESPONSIBILITIES, DUTIES AND POWERS

- Evaluate whether management is setting the appropriate "tone at the top" by communicating the importance of the Company's ethical and business practice standards, including the importance of internal accounting controls. Establish, review and update periodically the Company's Code of Ethics and ensure that management has established a system to enforce this Code.
- Serve as an independent and objective party to monitor the Company's financial reporting process and internal control system.
- Review and approve all related-party transactions.
- Review and appraise the audit efforts of the Company's independent auditor, including the scope, fees and timing of the audit.
- Provide an open avenue of communication among the independent auditor, financial and senior management and the Board.
- Review and discuss reports from the independent auditor on (a) all critical accounting policies and practices used by the Company, (b) alternative accounting treatments within GAAP related to material items that have been discussed with management, including the ramifications of the use of the alternative treatments

and the treatment preferred by the independent auditor, and (c) other material written communications between the independent auditor and management.

- Review and discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit, including any difficulties encountered in the course of the audit work and management's responses, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.
- Review with the independent auditor its judgments as to the quality, not just the acceptability, of the Company's accounting principles and such matters as are required to be discussed with the Audit Committee under generally accepted auditing standards.
- (a) Discuss with management and the independent auditor (i) quarterly earnings press releases, including the interim financial information included therein, and (ii) all annual and quarterly reports to be filed with the Securities and Exchange Commission, (b) review the year-end audited financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and, (c) if deemed appropriate, recommend to the Board that the audited financial statements be included in the Annual Report on Form 10-K.
- Review and discuss with management and the independent auditor various topics and events that may have significant financial impact on the Company or that are the subject of discussions between management and the independent auditor.
- Review and discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
- Review and discuss with management and the independent auditor: (a) the adequacy and effectiveness of the Company's internal controls (including any significant deficiencies and significant changes in internal controls reported to the Audit Committee by the independent auditor or management; (b) the Company's internal audit procedures; and (c) the adequacy and effectiveness of the Company's disclosures controls and procedures, and management reports thereon.
- 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 concerns regarding questionable accounting or auditing matters.
- Receive reports on legal compliance and litigation matters and review the significant reports to management prepared by the internal auditors as well as management's responses thereto.
- Receive and review all significant reports and documents required to be produced by the Company under agreements with third parties.
- Appoint, replace, compensate and oversee the work of the Company's independent auditor (including resolutions of disagreements between management

and the independent auditor regarding financial reporting). The independent auditor shall report directly to the Audit Committee.

- Ensure the rotation of the audit partners as required by Section 10A(j) of the Exchange Act. Consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the independent registered public accounting firm on a regular basis.
- Publish the report of the Audit Committee required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement.
- Review and approve, in advance, all permissible non-audit services to be performed by the Company's independent auditor, with exceptions provided for de minimus amounts under certain circumstances as described by law.
- Review and discuss the written statement from the independent auditor concerning any relationship between the auditor and the Company or any other relationships that may adversely affect the independence of the auditor, and, based on such review, assesses the independence of the auditor.
- Set and periodically review a clear policy with respect to the hiring of employees and former employees of independent auditor.
- Obtain and review annually a report by the independent auditor describing such independent auditor's internal quality-control procedures; 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 firm, and any steps taken to deal with any such issues.
- Conduct an annual self-assessment, including a review of its Charter, and recommend any changes to the full Board.
- Engage independent legal, accounting and other advisers, as it determines necessary to carry out its duties, with the Audit Committee having sole authority to approve related fees and retention terms.
- Conduct or authorize investigations into matters within the Audit Committee's scope of responsibilities and retain independent counsel, accountants or others to assist it in the conduct of an investigation.

IV. MEETINGS

The Audit Committee shall meet in person or telephonically at least four times annually, or more frequently as circumstances dictate, however, at least one such meeting shall take place in person. As part of its job to foster open communications, the Audit Committee shall meet at least annually with management and the independent auditor in separate executive sessions to discuss any matters that the Audit Committee or either of these groups believe should be discussed.