

**MEDCO HEALTH SOLUTIONS, INC.**  
**AUDIT COMMITTEE CHARTER**

This Audit Committee Charter is effective as of October 15, 2003.

The Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Medco Health Solutions, Inc. shall be comprised solely of independent directors, to serve at the pleasure of the Board.

The Chairperson of the Committee or, if not present, the senior outside Director present shall preside at all meetings of the Committee and provide an oral report to the Board on each meeting. The Company shall provide the Committee with adequate staff support and resources to discharge its responsibilities. The Committee may engage independent legal counsel and other advisors as the Committee deems advisable to carry out its responsibilities. The Company shall provide the Committee with full funding to engage the Company’s independent public accountants as well as to retain independent counsel and other advisors for the Committee.

The Committee shall hold a minimum of four meetings annually. The Committee shall meet privately with the internal auditors and the independent public accountants at least semi-annually and whenever else the Committee deems advisable.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company’s financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent public accountants. The Committee shall ensure that the independent public accountants are ultimately accountable to the Committee and the Board. The Committee’s performance shall be evaluated annually by the Board.

The Senior Vice President, General Counsel and Secretary of the Company is the Secretary of the Committee. The Chairman, President and Chief Executive Officer of the Company will meet with the Committee as the Committee determines is appropriate. Minutes of each meeting will be prepared by the Secretary and the Committee will report the results of its meetings to the Board.

**MEMBERSHIP REQUIREMENTS**

The Committee shall be comprised of at least three directors, each of whom is independent and “financially literate,” and at least one of whom is an “audit committee financial expert” with accounting or related financial management expertise, as such terms are defined in applicable New York Stock Exchange (NYSE) and Securities and Exchange Commission (SEC) rules and regulations.

Committee members may not simultaneously serve on the audit committee of more than three public companies, including the Company, unless the Board determines that such simultaneous

service does not impair efficacy of Board service, in which case, the Company shall disclose such determination in its annual proxy statement.

### **PURPOSE**

1. Oversee the accounting and financial reporting processes of the Company, internal controls and internal audits and external audits of the financial statements of the Company.
2. Assist in the Board oversight of:
  - The integrity of the Company's financial statements.
  - The Company's compliance with legal and regulatory requirements.
  - The independent public accountants' qualifications and independence.
  - The performance of the Company's internal audit function and the independent public accountants.
  - The accounting and financial reporting processes of the Company.
3. Prepare the Audit Committee report for inclusion in the proxy statement as required by the SEC.

### **DUTIES AND RESPONSIBILITIES**

1. Appoint, evaluate, and retain (subject to ratification by the stockholders) the Company's independent public accountants. The Committee shall have the sole authority to approve all audit engagement fees and terms. Maintain direct responsibility for termination, compensation and oversight of the Company's independent public accountants (including the resolution of disagreements between management and the independent public accountants regarding financial reporting). The Company's independent public accountants shall report directly to the Committee.
2. Pre-approve all audit services (including the provision of comfort letters in connection with securities underwritings) and non-audit services provided to the Company by the independent public accountants, in each case as required by and to the extent permitted under current law and regulation. Alternatively, establish policies and procedures for the pre-approval of services provided by the independent public accountants in a manner that complies with current federal securities laws and NYSE regulations. The Committee may delegate pre-approval authority to one or more members of the Committee. Any actions taken by such delegate shall be reported to the Committee at the next meeting following such action. Approval of non-audit services by the Committee must be disclosed in the Company's periodic reports.
3. The Committee shall be responsible for overseeing the compliance by the Company and

the independent public accountant with the requirements imposed by the Public Company Accounting Oversight Board (the "Oversight Board"). The Company should request and receive assurances from the independent public accountant that it has complied with the Securities Exchange Act of 1934, the rules and policies of the Oversight Board and all other applicable rules.

4. The Committee shall require the independent public accounting firm to rotate the lead partner at least every five years.
5. Review at least annually a written report of the independent public accountants describing the auditing firm's internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or 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 (to assess the independent public accountant's independence) all relationships between the independent public accountants and the Company, including the provision of non-audit services, if any. After reviewing the foregoing report and the independent public accountants' work, the Committee shall evaluate the independent public accountants' qualifications, performance and independence, including a review and evaluation of the lead partner of the independent public accountants. The Committee shall present its conclusions with respect to the independent public accountants to the Board of Directors.
6. Receive and review any other reports from the independent public accountants that are required under Generally Accepted Auditing Standards, other standards governing the independent public accountants or by the federal securities laws or NYSE.
7. Review the annual audited financial statements and quarterly financial statements, including the Company's disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations, and discuss with management and the independent public accountants. The Committee shall recommend to the Board of Directors whether the audited financial statements should be included in the Company's annual report on Form 10-K.
8. Discuss with management the type and presentation of information to be included in earnings press releases and financial information and earnings guidance provided to analysts and rating agencies. Review for compliance with regulations governing the use of *pro forma* information and non-Generally Accepted Accounting Principles financial measures and related disclosure requirements.
9. Engage independent legal, accounting and other advisors, as the Committee determines necessary to carry out its duties. The Committee is to obtain appropriate funding from the Company, as determined by the Committee, for compensating such advisors. In addition, the Company must provide appropriate funding for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.
10. Discuss policies with respect to risk assessment and risk management, including

guidelines and policies governing the process by which risk assessment and risk management are undertaken, the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures. The internal auditors must provide management and the Committee with ongoing assessments of the Company's risk management processes and system of internal control.

11. Meet separately with management, internal auditors (or other personnel responsible for the internal audit function) and independent public accountants on a periodic basis; consult with management, the internal auditors and the independent public accountants on matters related to the annual internal audit plan, audit procedures applied, significant findings and recommendations, adequacy of internal accounting and financial reporting controls, budget and staffing, audit and nonaudit fees, status of federal tax returns and related reserves, the published financial statements, the accounting and reporting principles and practices applied, and any material changes thereto.
12. Review with the independent public accountants any audit issues, problems or difficulties and management's response, including any restrictions on the scope of the independent public accountant's activities or on access to requested information, any significant disagreements with management, any accounting adjustments that were noted or proposed by the independent public accountant but were passed as immaterial or otherwise, any communications between the independent public accountant team and the independent public accountant firm's national office respecting auditing or accounting issues presented by the engagement, and any material written communication between the independent public accounting firm and the Company, such as any management letter, internal control letter or schedule of unadjusted differences issued, or proposed to be issued, by the independent public accounting firm to the Company. The Committee should discuss with the independent public accountants whether there are any accounting or disclosure issues not resolved to the satisfaction of the independent public accountants.
13. Set clear policies for the Company's hiring of employees or former employees of the independent public accountants.
14. Report regularly to the Board of Directors. The Audit Committee shall review with the Board of Directors any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent public accountants, or the performance of the internal audit function.
15. Review any significant issues concerning litigation and contingencies, regulatory matters, or claims that may have a material effect on the Company's financial statements and operations, with management, internal auditors, counsel and the independent public accountants.
16. Review and investigate any matters pertaining to the integrity of management, including conflicts of interest, or adherence to standards of business conduct and ethical business practices as required in the policies of the Company, and report on the same to the Board. Monitor compliance with the Foreign Corrupt Practices Act. Investigate any other matter

brought to the Committee's attention within the scope of its duties.

17. Establish procedures for the receipt, retention and treatment, on a confidential basis, of complaints received by the Company, including the Board and the Audit Committee, regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submissions by employees of the Company of concerns regarding questionable accounting or auditing matters.
18. Review and reassess the adequacy of the Committee charter annually and make changes as appropriate.
19. Review and evaluate the performance of the Committee and its members annually.
20. The Committee must review financial statements and disclosure items, including without limitation:
  - (i) all of the Company's critical accounting policies and practices;
  - (ii) major issues regarding accounting principles, financial statement presentations, including any significant changes in the company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies;
  - (iii) analyses prepared by management and/or the independent public accountants setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative treatments of financial information within Generally Accepted Accounting Principles;
  - (iv) the effect of regulatory and accounting initiatives on the financial statements of the Company;
  - (v) liquidity;
  - (vi) special purpose entities and off-balance sheet transactions;
  - (vii) related party transactions;
  - (viii) the nature of any material correcting adjustments identified by the independent public accountants; and
  - (ix) the methods used to account for significant unusual transactions.

## **QUORUM**

For the transaction of business at any meeting of the Committee, a majority of the members of the Committee shall constitute a quorum.