

## Corporate Governance Principles

The following principles have been approved by the Nominating and Corporate Governance Committee and the full Board of Directors (the “Board”) and, along with the charters of the various Board committees, provide the framework for the governance of AlphaPharma.

1. Role of Board and Management. AlphaPharma’s business is conducted by its employees, managers and officers, with the leadership of the chief executive officer (the “CEO”) and the direction and oversight of the Board. The Board is elected by the stockholders to provide effective governance over the affairs of AlphaPharma for the benefit of its stockholders. Both the Board and management recognize that the interests of stockholders are advanced by responsibly considering concerns of other stakeholders and interested parties including employees, recruits, customers, suppliers, communities where AlphaPharma operates, government officials and the public at large.

2. Functions of Board. The Board shall have at least 4 scheduled meetings a year at which it reviews and discusses reports by management on the performance of the company, its plans and prospects, as well as immediate issues facing the company. Directors are expected to attend all scheduled Board and committee meetings. In addition to its general oversight of management, the Board also performs a number of specific functions, including:

- a. reviewing, approving and monitoring fundamental financial and business strategies and major corporate actions;
- b. assessing major risks facing the company---and considering/approving options for their mitigation; and
- c. ensuring processes are in place for maintaining the integrity of the company---the integrity of the financial statements, the integrity of compliance with law and ethics, the integrity of relationships with customers and suppliers, and the integrity of relationships with other stakeholders.

3. Qualifications. Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the interests of the stockholders. They must also have an inquisitive and objective perspective, practical wisdom and mature judgment. We endeavor to have a Board representing diverse experience at policy-making levels in business, government, education and technology, and in areas that are relevant to the company's global activities.

Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively, and should be committed to serve on the Board for an extended

period of time. Directors should offer their resignation in the event of any significant change in their personal or business circumstances.

The Board does not believe that arbitrary term limits on Directors' service are appropriate, nor does it believe that Directors should expect to be routinely re-nominated on an annual basis. The Directors shall be entitled to expect the company to purchase reasonable directors' and officers' liability insurance on their behalf and to extend to each of them corporate indemnification to the fullest extent permitted by law.

4. Independence of Directors. At least fifty percent of the Directors will be "independent directors" under the New York Stock Exchange (NYSE) rules. However, it is recognized that Directors who do not meet the NYSE's independence standards also make valuable contributions to the Board and to the company by reason of their experience and wisdom.

To be considered "independent" under the NYSE rules, the Board considers whether Directors or Director nominees have a material relationship with the company. When assessing materiality, the Board weighs all relevant facts and circumstances, using the following categorical standards to determine director independence:

- a. Whether the Director or nominee, or his or her immediate family member<sup>1</sup>, is currently, or in the past three years has been:
  - (i) An employee or executive officer of Alparma;
  - (ii) Receiving more than \$100,000 per year in direct compensation from Alparma (other than Director and committee fees and pension or other forms of deferred compensation for prior service - unless such compensation is contingent in any way on continued service);
  - (iii) Affiliated with or employed in a professional capacity by, a present or former internal or external auditor of Alparma;
  - (iv) Employed as an executive officer of another company where any of Alparma's present executive officers serves as a member of such other company's compensation committee; or
  - (v) An executive officer or an employee of another company that makes payments to, or receives payments from, Alparma for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues; and

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<sup>1</sup> "Immediate family member" includes a Director or nominee's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such Director or nominee's home.

- b. Whether certain other factors or circumstances external to Alpharma exist that would materially interfere with the Director or nominee making decisions without regard to such factors or circumstances.

The Board shall determine which of its Directors are independent at its Annual Directors Meeting following its Annual Stockholders Meeting each year, and at such other times as Directors shall be elected. Each such independence determination shall be set forth in the Proxy Statement for the next succeeding Annual Stockholders Meeting.

5. Loans. The company will not make any personal loans or extensions of credit to Directors or executive officers.

6. Size of Board and Selection Process. The Directors are elected each year by the stockholders at the annual meeting of stockholders. The Nominating and Corporate Governance Committee recommends a slate of nominees to the Board for election by the stockholders in accordance with the procedures and rules established in the Alpharma's Certificate of Incorporation. The Board determines the number of Directors on the Board within the limits set forth in the Certificate of Incorporation. Between annual stockholder meetings, the Board may elect Directors to serve until the next annual meeting.

7. Board Committees. The Board has established the following committees to assist the Board in discharging its responsibilities: (i) Audit; (ii) Compensation; and (iii) Nominating and Corporate Governance. Each committee shall have a charter. Each committee shall have a Chairman and such other Director members recommended by the Chairman of the Board and approved by the Board. The Board may, from time to time, create additional committees as appropriate.

8. Independence and other qualifications of Committee Members. All members of the Audit, Nominating and Corporate Governance, and Compensation Committees must be independent Directors as defined in 4 above and at least one member of the Audit Committee shall be a Director elected by the holders of Class A Common Stock. The Chairman of the Audit Committee shall have sufficient executive financial background to be considered a "financial expert" under the rules of the Securities and Exchange Commission. In addition, the members of the Audit Committee must also satisfy an additional NYSE independence requirement. Specifically, they may not directly or indirectly receive any compensation from the company other than their Directors' compensation. Furthermore, the Board may set additional independence criteria to serve on the Compensation Committee.

9. Meetings of Non-Employee Directors. The Board will have regular meetings (which may constitute portions of meetings of the full Board) for the non-employee Directors without management present. The non-employee Directors may also meet without management present at such other times as determined by the Chairman of the

Board. The Chairman of the Board shall preside at meetings of Non-Employee Directors (provided that such Chairman shall not be an employee of the company).

10. Setting Board Agenda. The Chairman of the Board shall be responsible for establishing the Board's agenda. Prior to the establishment of each meeting agenda, the CEO will suggest specific agenda items for the meeting with the Chairman of the Board. The CEO shall suggest the nature and extent of information that shall be provided regularly to the Directors before each scheduled Board or committee meeting. Directors shall have the authority to suggest specific additional agenda items, or additional pre-meeting materials to the Chairman of the Board or CEO at any time. Directors are expected to review all provided materials prior to the Board meeting.

11. Ethics and Conflicts of Interest. The Board expects Alharma Directors, as well as officers and employees, to act ethically at all times and to acknowledge their adherence to the policies comprising Alharma's Business Conduct Guidelines. Each Director and all officers and employees at the level of manager or above of Alharma and its affiliates will annually certify in writing to compliance with the Business Conduct Guidelines. The Nominating and Corporate Governance Committee may consider any waiver or exception requests to such certification provided that it will not permit any waiver of or exception to the Business Conduct Guidelines for any Director or executive officer unless approved by a majority vote of disinterested Directors. All Directors will recuse themselves from any discussion or decision affecting their personal, business or professional interests. The Board shall resolve any conflict of interest question involving any director or the CEO and the CEO shall resolve any conflict of interest issue involving any other officer of the company.

12. Reporting of Concerns to the Audit Committee. Anyone who has a concern about Alharma's conduct under the Business Conduct Guidelines, or about the company's accounting, internal accounting controls or auditing matters, may communicate that concern directly to the chairman of the Audit Committee. Such communications, if from employees, may be confidential or anonymous, and may be submitted pursuant to a suitable system adopted and maintained under the direction of the Audit Committee. The status of all outstanding concerns addressed to the Chairman of the Audit Committee will be reported to Board on a regular basis. The Chairman of the Audit and Corporate Governance Committee may direct that certain matters be presented to the full committee or the Board and may direct special treatment, including use of the company's inside counsel or the retention of outside advisors or counsel, for any concern addressed to them. No company employee shall retaliate or take any adverse action against anyone for raising or helping to resolve an integrity concern.

13. Compensation of Board. The Compensation Committee shall have the responsibility for recommending to the Board compensation and benefits for non-employee Directors. In discharging this duty, the committee shall be guided by three

goals: compensation should fairly pay Directors for work required in a company of Alharma's size and scope; compensation should align Directors' interests with the long-term interests of stockholders; and the structure of the compensation should be simple, transparent and easy for stockholders to understand.

14. Access to Senior Management. Non-employee Directors are encouraged to contact and discuss any issue of concern with any employee of the company without senior corporate management present.

15. Access to Independent Advisors. The Board and its committees shall have the right at any time to retain independent outside financial, legal or other advisors.

16. Director Orientation and Continuing Education. Materials and briefings shall be provided to new Directors, on an individualized basis, to permit them to become familiar with the Company's business, industry and corporate governance practices. The Company shall also provide additional formal and informal opportunities to all Directors on an ongoing basis to enable them to better perform their duties and to recognize and deal appropriately with issues that arise.

17. Succession Planning. The Compensation Committee shall make a report on succession planning to the Board from time to time as appropriate. The entire Board shall work with the Compensation Committee to nominate and evaluate potential successors to the Chief Executive Officer.

18. Annual Performance Evaluation. The Board will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The Nominating and Corporate Governance Committee shall receive comments from all Directors and report annually to the Board with an assessment of the Board's performance. The assessment will focus on the Board's contribution to Alharma and specifically focus on the areas in which the Board or management believes the Board can improve.