

**WATSON PHARMACEUTICALS, INC.
COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS
CHARTER**

I. PURPOSE

The primary purpose of the Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of Watson Pharmaceuticals, Inc. (the “Company”) is:

(1) to discharge the Board’s responsibilities relating to compensation of the Company’s directors, executive officers and certain other members of senior management, including by designing, evaluating, approving and implementing the compensation plans, policies and programs of the Company;

(2) to oversee the administration of the Company’s equity plans, incentive programs and other compensation plans and programs; and

(3) to prepare and approve or cause to be prepared and approved the Compensation Committee report and the Compensation Discussion and Analysis section for inclusion in the Company’s annual proxy statement or annual report on Form 10-K in accordance with applicable rules and regulations.

The Committee’s goals are to ensure that the Company’s compensation programs are designed to provide a competitive level of compensation to attract and retain talented directors and executives, reward and encourage maximum corporate and individual performance, promote accountability and assure that employee and director interests are aligned with the interests of the Company’s stockholders.

II. COMPOSITION

The Committee will consist of three or more directors, with the exact number being determined by the Board. Each member of the Committee shall be an “independent director” as defined under the rules of the New York Stock Exchange, as they may be amended from time to time (the “Rules”), except as may otherwise be permitted by such Rules. It is also the intention of the Board that each member qualify as, (ii) a “non-employee director,” as defined in Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and (iii) an “outside director” under the regulations promulgated under Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”). All members of the Committee will be appointed by the Board on the recommendation of the Nominating and Governance Committee, and shall serve at the discretion of the Board. Committee members will serve during their respective term as a director, subject to earlier removal by the Board.

III. MEETINGS AND PROCEDURAL MATTERS

Unless a chair is elected by the Board, the members of the Committee may designate a Chair by majority vote of the Committee membership. The Chair (or in his or her absence, a member designated by the Chair) shall preside at each meeting of the Committee and set the agendas for Committee meetings. The agenda for each meeting shall be prepared by the

Secretary of the Committee and, whenever reasonably practicable, circulated to the Chairperson prior to the meeting date. The Committee shall have the authority to establish its own rules and procedures for notice and conduct of its meetings so long as they are not inconsistent with any provisions of the Company's bylaws that are applicable to the Committee.

The Committee shall meet on a regularly scheduled basis not less than twice per year, or more frequently as circumstances dictate. The Committee may meet by telephone or video conference and may take action by unanimous written consent. The Committee will meet at such times as shall be determined by the Chair or upon the request of any member of the Committee. The Committee will maintain written minutes of its meetings, and will file such minutes with the books and records of the Company. The Chair shall report to the Board regarding the meeting of the Committee and as otherwise requested by the Board.

A majority of the members of the Committee shall constitute a quorum. A majority of the members present at any meeting at which a quorum is present may act on behalf of the Committee.

All non-management directors who are not members of the Committee may attend and observe meetings of the Committee, but shall not participate in any discussion or deliberation unless invited to do so by the Committee, and in any event shall not be entitled to vote. The Committee may, at its discretion, include in its meetings members of the Company's management, representatives of the independent auditor, the internal auditor, any other financial personnel employed or retained by the Company or any other persons whose presence the Committee believes to be necessary or appropriate. Notwithstanding the foregoing, the Committee may also exclude from its meetings any persons it deems appropriate, including but not limited to, any non-management director who is not a member of the Committee.

The Committee shall have the sole authority to retain, replace and/or terminate any independent counsel, compensation and benefits consultants and other outside experts or advisors as the Committee believes to be necessary, desirable or appropriate. The Committee shall have sole authority to determine the fees and terms of retention of its consultants and advisors. The Committee may also utilize the services of the Company's regular legal counsel or other advisors to the Company. The Company shall provide for appropriate funding, as determined by the Committee in its sole discretion, for payment of compensation to any such persons retained by the Committee.

IV. RESPONSIBILITIES AND DUTIES

1. General Authority. The Committee shall, at least annually, review the compensation philosophy of the Company. The Committee will have the sole authority to determine and approve the form and amount of all compensation to be paid or awarded to (i) the Chief Executive Officer ("CEO"), (ii) Executives who report directly to the CEO; (iii) all Section 16 Reporting Officers; (iv) any employee who is recommended by management to receive an annual base salary of U.S. \$400,000 or more; and (v) any other officer of the Company or any of its subsidiaries who, due to the nature of his or her role or responsibilities, the Committee deems appropriate to include within its purview (collectively, the "Executives").

2. Evaluation. The Committee will annually review and approve the corporate goals and objectives relevant to each Executive's compensation. and shall evaluate each Executive's performance in light of these goals and objectives. The Committee shall establish procedures to evaluate the performance of the Chief Executive Officer and perform such evaluation. The Committee shall review the procedures for evaluation of the other Executives and shall review the results of such evaluations.

3. Establish and Review Executive Compensation. Based on its evaluations, the Committee will review and approve the following: (i) annual base salary paid to each Executive, (ii) the grant of all cash-based bonuses or incentive payments and all equity-based compensation to each Executive, (iii) the entering into or amendment or extension of any employment contract or similar arrangement with any Executive, (iv) any Executive severance or change in control arrangement, (v) any supplemental or retirement benefits payable to each Executive, and (vi) any other Executive compensation matters as from time to time directed by the Board. In determining the Executive's compensation, the Committee will consider, among other things, the Company's performance and relative shareholder return, the compensation of executive officers at companies that the Committee determines comparable based on factors it selects and the compensation paid to the Company's Executive in prior years.

4. Role of the CEO and Management. The Committee shall consider the recommendations of the CEO in determining the compensation of the Executives other than the CEO. The CEO may not be present during the voting for or deliberations about the CEO's compensation but may be present for the voting or deliberations regarding the compensation of the other Executives.

5. Policies and Perquisites. The Committee shall establish and periodically review policies and programs concerning perquisite benefits, and non-cash or other benefits for the Executives. The Committee shall manage and review executive officer and director indemnification and insurance matters. The Committee shall periodically review the Company's policy regarding compensation paid to the Company's executives in excess of limits deductible under Section 162(m) of the Code. The Committee shall periodically review the Company's policies and procedures with respect to employee loans, and will not approve any arrangement in which the Company, directly or indirectly, extends or maintains credit, arranges for the extension of credit or renews an extension of credit, in the form of a personal loan to or for any director or Executive (or equivalent thereof) of the Company.

6. Reports and Disclosure. Consistent with the rules and regulations of the Securities and Exchange Commission and the New York Stock Exchange, the Committee shall prepare and approve, or cause to be prepared and approved, the Compensation Committee report and the Compensation Discussion and Analysis section to be included as part of the Company's annual proxy statement or annual report on Form 10-K. The Committee shall report regularly to the Board.

7. Director Compensation. The Committee will periodically review and make recommendations to the Board regarding the fees, equity awards, perquisites and benefits payable to non-employee directors of the Company for their service on the Board and on

Committees of the Board. The Committee will consider the cash and equity compensation and benefits payable to directors for companies of comparable size and complexity.

8. Human Resources. The Committee shall ensure appropriate oversight of the Company's human resources policies, including periodically reviewing strategies established to fulfill the Company's ethical and legal human resources responsibilities. The committee shall consult with senior management and other appropriate persons regarding appropriate human resources planning and incentives for a high-performing workforce.

9. Annual Performance Review. The Committee will at least annually review its own performance, including its compliance with this Charter, and provide the Board with a summary of its review any recommendations. The Committee shall conduct such evaluation and review in such manner as it deems appropriate. The Committee will review this Charter at least annually and recommend to the Board any changes it determines are appropriate.

10. Other Duties and Authority. The Committee will perform any other activities required by applicable law, rules or regulations, including the rules of the Securities and Exchange Commission and any exchange or market on which the Company's capital stock is traded, and perform other activities that are consistent with this charter, the Company's certificate of incorporation and bylaws, and governing laws, as the Committee or the Board deems necessary or appropriate. While acting within the scope of the powers and responsibilities delegated to it, the Committee shall have and may exercise all the powers and authority of the Board. To the fullest extent permitted by law, the Committee shall have the power to determine which matters are within the scope of the powers and responsibilities delegated to it.

V. DELEGATION OF DUTIES

In fulfilling its responsibilities, the Committee shall be entitled to delegate any or all of its responsibilities to a subcommittee comprised of members of the Board or one or more executive officers, except that it shall not delegate its responsibilities for any matters that involve Executive or director compensation or any matters where it has determined such compensation is intended to comply with Section 162(m) of the Code by virtue of being approved by a committee of "outside directors" or is intended to be exempt from Section 16(b) under the 1934 Act pursuant to Rule 16b-3 by virtue of being approved by a committee of "non-employee directors." In addition, such delegation shall be consistent with all requirements of applicable law.

The Committee shall be entitled to delegate its responsibilities with respect to the administration of the incentive compensation, equity compensation, deferred compensation, and employee pension and welfare benefit plans to the Company's officers and employees, as consistent with applicable law, who may also utilize the services of third-party administrators, record keepers, consultants, and other service providers.

VI. MISCELLANEOUS

Nothing contained in this Charter is intended to expand applicable standards of liability under statutory or regulatory requirements for the directors of the Company or members of the Committee. The purposes and responsibilities outlined in this Charter are meant to serve as guidelines rather than as inflexible rules and the Committee is encouraged to adopt such

additional procedures and standards as it deems necessary or advisable from time to time to fulfill its responsibilities or comply with applicable laws, rules or regulations. In addition, the Committee may amend any procedures or standards set forth in this Charter as it deems necessary from time to time to comply with applicable laws, rules or regulations. This Charter, and any amendments thereto, shall be displayed on the Company's web site and a printed copy of such shall be made available to any stockholder of the Company who requests it.