

CEPHALON, INC.

CHARTER OF THE STOCK OPTION AND COMPENSATION COMMITTEE

I. Purpose

The purpose of the Stock Option and Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of Cephalon, Inc. (the “Company”) is to (i) discharge the Board’s responsibilities relating to the compensation of the Company’s executive officers, (ii) oversee the administration of the Company’s compensation and employee benefits plans, in particular the incentive compensation and equity-based plans of the Company, (iii) review the Company’s succession plans for the Chairman and Chief Executive Officer, and for the Senior Vice Presidents, and (iv) prepare the annual report on executive compensation required by the rules and regulations of the Securities and Exchange Commission (the “SEC”) to be included in the Company’s annual proxy statement.

II. Membership

The Committee shall consist of no fewer than three (3) members, the exact number to be determined from time to time by the Board.

The Committee shall consist of members:

- (1) each of whom shall meet the independence requirements imposed by the listing standards of the Nasdaq National Market (“Nasdaq”);
- (2) at least two of whom qualify as “Non-Employee Directors” under Rule 16b-3 of the Securities Exchange Act of 1934, as amended; and
- (3) at least two of whom qualify as “outside directors” for the purposes of Section 162(m) of the Internal Revenue Code, as in effect from time to time (“Section 162(m”).

The members of the Committee shall be appointed by a majority vote of the Board from among its members based on the recommendations of the Corporate Governance and Nominating Committee and shall serve until such member’s successor is duly appointed and qualified or until such member’s resignation or removal by a majority vote of the Board.

III. Authority and Responsibilities

The Committee shall have the following specific authority and responsibilities (in addition to any others that the Board may from time to time delegate to the Committee):

- The Committee shall periodically review and approve general compensation and benefit strategies and policies of the Company.

Executive Compensation

- The Committee shall at least annually (a) review and approve the corporate goals and objectives relevant to the compensation of the Company's Chief Executive Officer (the "CEO"), (b) evaluate the CEO's performance in light of these goals and objectives and (c) based on this evaluation, set the CEO's compensation level, including the CEO's (a) annual base salary, (b) annual incentive opportunity, (c) long-term incentive opportunity, and (d) any special or supplemental benefits or payments.
- The Committee shall at least annually review and approve the compensation for the other executive officers of the Company, including (a) annual base salaries, (b) annual incentive opportunities, (c) the long-term incentive opportunities, and (d) any special or supplemental benefits or payments.
- The Committee shall approve any employment agreements, consulting arrangements, severance or retirement arrangements and/or change-in-control agreements or provisions covering any current or former executive officer of the Company, including without limitation, the approval of all contracts of the Company with any executive officer for remuneration to be paid from the general funds of the Company after the termination of regular employment of such officer.

Succession Planning

- The Committee shall at least annually review and approve the Succession Plans for the Chairman and Chief Executive Officer, and for the Senior Vice Presidents.

Director Compensation

- The Committee shall periodically review and make recommendations to the Board regarding director compensation.

Equity Compensation Plans

- The Committee shall oversee the implementation and administration of the equity compensation plans of the Company.

- The Committee shall review and approve the adoption of (i) any new equity compensation plans for the Company or (ii) any amendments or modifications to existing equity compensation plans of the Company, subject to stockholder approval, as necessary.
- The Committee shall approve, or review and make recommendations to the Board with respect to, all awards of shares or share options pursuant to the Company's equity-based plans; provided, however, that only the full Board may award shares or share options pursuant to such plans to members of the Committee.

401(k) Plan

- The Committee shall annually review the investment management of the Company's principal retirement and savings plans.
- The Committee shall annually determine the amount and form of Company matching contributions, if any, to employee contributions.

Health and Welfare Plans

- The Committee shall consider amendments or modifications of the Company's health and welfare plans and adoption of new plans.

SEC Report

- The Committee shall produce the annual report on executive compensation required to be included in the Company's annual proxy statement in accordance with applicable SEC rules and regulations.

Performance Evaluation

- The Committee shall review its own performance at least annually in such manner as it deems appropriate, and submit such evaluation, including any recommendations for change, to the Corporate Governance and Nominating Committee for review.
- Reassess the adequacy of this Charter at least annually and submit any proposed modifications to the Board of Directors for approval.

Retention of Consultants and Advisors

- The Committee shall have authority to select, retain and terminate, and approve the fees and other retention terms of, special counsel or other

experts or consultants, as it deems appropriate, without seeking the approval of the Board or management.

- The Committee shall have the sole authority to select, retain and terminate, and approve the fees and other retention terms of, any compensation consultant to be used to assist the Committee in the evaluation of CEO or executive officer compensation.

IV. Structure and Operations

The Board shall designate one member of the Committee to act as its chairperson. The Committee shall meet in person or telephonically at least three (3) times a year at such times and places determined by the Committee chairperson, with further meetings to occur, or actions to be taken by unanimous written consent, when deemed necessary or desirable by the Committee or its chairperson. The chairperson, with input from the other members of the Committee, shall set the agendas for Committee meetings. Two members of the Committee shall constitute a quorum; when more than two members are present, the act of a majority of such members at a meeting at which a quorum exists shall be the act of the Committee, and when only two members are present, the unanimous vote of the two members shall constitute the act of the Committee.

The Committee may request that any directors, executive officers or other employees of the Company, or any other persons whose advice and counsel are sought by the Committee, attend any meeting of the Committee to provide such pertinent information as the Committee requests. The Committee may exclude from its meetings any persons it deems appropriate in order for it to fulfill its responsibilities.

The Committee may, in its discretion, delegate all or a portion of its duties, responsibilities and authority to subcommittees, whether or not such delegation is specifically contemplated under any plan or program.

The Committee shall maintain minutes or other records of its meetings and shall give regular reports to the Board summarizing these meetings. Reports to the Board may take the form of oral reports by the chairperson of the Committee or any other member of the Committee designated by the Committee to give such report.

Except as expressly provided in this Charter, the Company's bylaws or the Company's Corporate Governance Guidelines, or as required by law, regulation or Nasdaq listing standards, the Committee shall set its own rules of procedure.

Adopted: November 1993

Amended and Restated: May 2, 2003