

# **NeoPharm, Inc.**

## *Compensation Committee Charter*

**NEOPHARM, INC.  
COMPENSATION COMMITTEE  
CHARTER**

**Purpose**

The Compensation Committee of the Board of Directors (the "Committee") is responsible for working with management to establish appropriate compensation practices for NeoPharm, Inc. (the "Company") and determining the compensation and other benefits for the Chief Executive Officer, the Chief Financial Officer and for other officers also considered Executive Officers of the Company as determined by the Board of Directors (as a group "Executive Officers"). The Committee is also responsible for administering the incentive and equity participation plans that may from time to time make up the variable compensation, if any, paid to Executive Officers; administering Company employee stock option plans and such other benefit plans as responsibility for which shall be delegated by the Board of Directors to the Committee from time to time; and producing the annual report on executive officer compensation for inclusion in the Company's proxy statement.

**Composition**

The Committee shall be comprised of at least three (3) members who shall be appointed by the Board of Directors upon the recommendation of the Governance Committee and each of whom shall meet the independence requirements of The Nasdaq Stock Market, Inc. ("Nasdaq"), and qualify as an "outside director" under Section 162(m) of the Internal Revenue Code and as a "non-employee director" under Rule 16b-3 promulgated under the Securities and Exchange Act of 1934, as amended. The Board of Directors, upon receiving the recommendation of the Governance Committee, shall appoint a new member or members in the event that there is a vacancy on the Committee that reduces the number of members below three (3), or in the event that the Board, upon receiving the recommendation of the Governance Committee, determines that the number of members on the Committee should be increased. The Board shall designate one of the Committee members to act as Chair of the Committee.

**Meetings**

The Committee shall meet at least 4 times each fiscal year, and may hold additional meetings in person or telephonically as often as may be necessary or

appropriate, in the discretion of the Chair of the Committee. A majority of the members of the Committee shall constitute a quorum of the Committee. Prior to each meeting, the Chair of the Committee will circulate or discuss the agenda for the meeting with each member of the Committee. Members of the Committee are expected to use all reasonable efforts to attend each meeting.

Minutes of each Committee meeting shall be prepared under the direction of the Chair of the Committee and circulated to each member of the Committee for review and approval.

### **Committee Authority and Responsibilities**

The specific authority and responsibilities of the Committee shall include the following:

1. Conduct an annual review of and recommend to the Board of Directors the Company's compensation packages for each Executive Officer of the Company. In connection therewith, the Committee shall review and recommend: (a) the annual base salary level, (b) the annual cash bonus opportunity level, if any, and (c) the long term incentive opportunity level, if any, for each Executive Officer.
2. Have authority to retain, at the Company's expense, and terminate, if necessary, any compensation consultant or firm to be used to assist the Committee in benchmarking, evaluating and setting appropriate compensation levels and policies and to approve such consultant's or firm's fees and other retention terms.
3. Annually establish the objective performance measures and the performance targets for Executive Officers.
4. Annually review the performance of the Company's Executive Officers in light of the goals and performance measures previously established for each of the Executive Officers, and certify the variable portion, if any, of each Executive Officers' compensation based upon such performance.
5. Annually review the performance of the Chief Executive Officer and meet with such officer to share the findings of such review.
6. Review and approve employment terms and agreements for new Executive Officers, any severance arrangements for Executive Officers, and any change of control,

indemnification or other employment or compensation related agreements to be entered into with Executive Officers.

7. Approve, modify and administer the Company's equity incentive stock option plans, and such other benefit plans as shall be adopted by the Company from time to time and the responsibility for which shall be assigned to the Committee by the Board.

8. Form and delegate responsibilities to subcommittees of the Committee, as may be necessary or appropriate.

9. Review and approve the Committee's report regarding executive compensation and other compensation information that is required to be set forth in the Company's proxy statement for its annual meeting of shareholders.

10. Make regular reports of its activities to the Board of Directors.

11. Periodically evaluate and take steps to improve the effectiveness of the Committee in meeting its responsibilities under this Charter. In conjunction therewith, the Committee shall review the adequacy of this Charter and, as appropriate, recommend to the Board any proposed changes to the Charter for Board approval.

**Nothing in this Charter is intended to alter in any way the standard of conduct that applies to any of the Directors of the Company under the Delaware General Corporation Law, as from time to time amended, and this Charter does not impose, nor shall it be interpreted to impose, any duty on any Director greater than, or in addition to, the duties or standard established by the Delaware General Corporation Law.**

