

**NOVEN PHARMACEUTICALS, INC.  
COMPENSATION AND STOCK OPTION COMMITTEE**

**CHARTER  
MAY 20, 2005**

**Organization**

There shall be a committee of the Board of Directors to be known as the Compensation and Stock Option Committee (the "Committee"). The Committee shall be comprised of not less than two members of the Board, each of whom shall be independent, as defined by all applicable rules and regulations, and each of whom shall be "outside directors", as defined in Section 162(m) of the Internal Revenue Code of 1986, as amended ("Section 162(m)"). To the extent that any Committee member is not an outside director, such member shall abstain from voting on any matter to the extent that voting by such member would result in any compensation not qualifying as "performance-based compensation", as defined in Section 162(m). Examples of such matters include stock option grants, establishing and administering performance goals under incentive compensation plans and determining whether such performance goals were attained. The members of the Committee shall be appointed by the Board at the annual organizational meeting of the Board and shall serve until the next annual meeting or until their successors shall be duly elected and qualified. Unless a Chair is appointed by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

**Statement of Policy**

The Committee shall provide assistance to the Board in fulfilling its responsibility to oversee and participate in the creation and administration of executive compensation programs and practices. The Committee shall hold at least three meetings per year and shall review the adequacy of this Charter annually. The Committee shall have the authority to retain and approve fees and other retention terms of legal and other advisors, as it deems necessary in the fulfillment of its responsibilities. The Chief Executive Officer shall not be present during any voting or deliberations by the Committee with respect to the compensation of the Chief Executive Officer.

**Responsibilities**

The following shall be the principal recurring processes of the Committee in carrying out its responsibilities. The processes are set forth as a guide with the understanding that the Committee may supplement or diverge from them as appropriate.

- Review and determine the annual salary, bonus, stock options and other benefits, direct and indirect, of the executive officers of the Corporation;

- Review, approve and, if appropriate, negotiate all employment, termination and other compensation-related agreements with the executive officers of the Corporation;
- Make recommendations to the Board concerning performance goals for the Chief Executive Officer and for evaluating his or her performance against such goals;
- Make recommendations to the Board about Chief Executive Officer succession planning, including crisis plans in the event of an emergency or the unexpected retirement of the Chief Executive Officer;
- Review the annual report from the Chief Executive Officer to the Board regarding his or her assessment of senior managers and their potential to succeed him or her;
- Periodically review the operation of the Corporation's executive compensation programs; review and implement new executive compensation programs; and establish and periodically review policies for the administration of executive compensation programs;
- If appropriate, engage independent compensation consultants to assist the Committee with its activities;
- Administer the Corporation's various stock option plans, and take all actions with respect to the plans that may be taken by the Board of Directors, including, subject to the terms of the plans, the approval of amendments to the plans;
- Based on recommendations of management, make all decisions required or permitted by the Corporation as sponsor of the Corporation's various employee savings plans, including, without limitation, amending or terminating each of the plans, appointing a new trustee for each of the plans, and authorizing matching contributions under each of the plans; and
- Prepare and adopt any reports relating to the Committee's activities that are required to be included in the Corporation's filings with the Securities and Exchange Commission.