

Notice to Employees of Cephalon, Inc.:

Application for Department of Labor Authorization - Prohibited Transaction Exemption 96-62 (as Amended)

You are hereby notified that Cephalon, Inc. ("Cephalon") and East End Insurance Ltd. ("East End"), a captive insurance company wholly owned by Cephalon, have applied to the U.S. Department of Labor ("DOL") for authorization of a reinsurance transaction. The transaction involves the reinsurance of risks and the receipt of premiums by East End from an insurance contract currently funding group term life, accidental death and dismemberment ("AD&D") and long-term disability ("LTD") insurance benefits offered under the Cephalon, Inc. Welfare Benefits Program (the "Plan"). The authorization is necessary because East End is an affiliate of Cephalon, and, as a consequence of this relationship between East End and Cephalon, such reinsurance might otherwise constitute a prohibited transaction under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). This notice (1) informs you of the application to the DOL, (2) summarizes certain improvements to the benefits offered under the Plan, and (3) describes your right to comment to the DOL about the proposed transaction.

Overview

The Plan's current benefits will continue to be insured with the Prudential Insurance Company of America ("Prudential"). Prudential will reinsure the risks with East End. The Plan Administrator of the Plan has determined that the transaction is in the best interest of the participants and beneficiaries of the Plan because of benefit improvements that will be provided to them if the transaction is authorized by the DOL. The DOL authorization will be subject to the conditions described below and set forth in more detail in Exhibit A.

We would like to emphasize that Prudential will continue to insure the current benefits provided to you under the Plan; this fact will not be affected by the reinsurance transaction. The reinsurance arrangement is simply an internal arrangement between East End and Prudential.

Parties to the Proposed Reinsurance Transaction

Cephalon

Cephalon is headquartered at 41 Moores Road, Frazer, Pennsylvania 19355. It is an international biopharmaceutical company dedicated to the discovery, development, and marketing of innovative products in the following core therapeutic areas: (1) central nervous system disorders, (2) pain, (3) cancer, and (4) addiction. In addition to conducting an active research and development program, Cephalon markets an array of products in the U.S. and Europe. Since its inception in 1987 by a small team of pioneering researchers, Cephalon has grown into a substantial corporate entity. For the fiscal year ending December 31, 2007, revenues were approximately \$1.8 billion. Cephalon is publicly traded on the NASDAQ, with a market capitalization (which is of course always continually subject to change) as of February 15, 2007 exceeding \$4 billion. Cephalon employs approximately 2,100 people in the U.S. and approximately

800 in Europe.

East End

Cephalon has a wholly-owned captive insurance subsidiary, East End. The Certificate of Incorporation of East End was issued in accordance with Bermuda's Companies Act 1981. Pursuant to the Certificate of Incorporation, the East End is empowered to carry on insurance and or reinsurance of all kinds. East End is licensed to reinsure employee benefit programs in the state of Vermont through a branch that East End has established in Vermont.

The Plan

The transactions will involve the reinsurance of a group term life and disability insurance policy of the Cephalon, Inc. Welfare Benefits Program (the "Plan"), which is an employee welfare benefit plan under Section 3(1) of ERISA. Cephalon sponsors the Plan, which covers all full-time employees of Cephalon and its subsidiaries. Benefits provided by the Plan are fully insured by Prudential and encompass Basic Life, Accidental Death and Dismemberment ("AD&D"), Optional Life, Dependent Optional Life, and Long-Term Disability ("LTD"). All of these benefits are treated as a single integrated Plan for insurance and reporting/disclosure purposes, and the Plan's identifying number for DOL reporting purposes is number 501. The employer identification number of Cephalon is 23-2484489.

Changes to the Plan

Cephalon desires to utilize East End for the reinsurance of employee benefits and will make improvements, described below, to the Plan if the DOL authorization is granted. Prudential will continue to insure the Plan's current benefits, as well as a number of the benefit improvements described below. However, Prudential will reinsure the Plan risks with East End. The following improvements are intended to become effective as soon as practicable following the transaction's approval by the DOL:

Enhancements-Life Insurance
Life Insurance
Accelerated Death Benefit - Increase maximum life expectancy from 6 months to 12 months (applies to Basic and Optional Coverage)
Increase employee Optional Coverage evidence of insurability threshold from \$100,000 to \$150,000 (new hires)
Enhancements- Accidental Death and Dismemberment ("AD&D") [The Following Enhancements Would Become Available Upon Occurrence of an AD&D Loss]
Tuition Reimbursements
Dependent Spouse - least of:
• Tuition for trade/professional program
Enhancements - AD&D (Cont'd)

- 5% of Amount of Insurance
- \$5,000

Dependent Child - least of:

- Four consecutive years' tuition up to age 23 (exclusive of room and board) for full-time enrollment at higher education institution
- 5% of Amount of Insurance
- \$5,000

(\$1,000 benefit paid in absence of eligible qualified dependent child.)

Day Care Expenses for Dependent Child

Least of:

- Day care center's actual annual charges (up to four consecutive years, but not beyond child's attainment of age seven).
- 5% of Amount of Insurance
- \$5,000

(\$1,000 benefit paid in absence of eligible qualified dependent child.)

Felonious Assault Losses

10% of the amount payable under the coverage for the loss that results from a felonious assault.

Exposure to the Elements & Disappearance

- Exposure to the elements considered an accidental injury.
- Loss of life presumed if body has not been found within one year of event leading to disappearance

Coma

- Losses attributable to coma are included in the definition of "loss."
- By definition, coma:
 - Begins within 90 days after the accident; and
 - Continues for six consecutive months; and
 - Is total, continuous and permanent at the end of that six-month period.
- Any benefit for a loss due to coma will not begin until the end of the six-month period.
- Benefit amount payable for a loss due to coma is equal to 1% of Amount of Insurance per month, up to 100 months.

Enhancements - AD&D (Cont'd)

Through the International SOS program, Cephalon will provide travel assistance to employees covered under the Prudential AD&D plan. The International SOS service offers employees and their dependents medical, travel, legal and financial assistance services, 24 hours a day, 365 days a year worldwide. Employees will have access to assistance services when faced with an emergency while traveling internationally or domestically.

Key services include:

- Medical referrals & appointments
- Hospital admission guarantee
- Emergency evacuation
- Critical care monitoring
- Medically supervised repatriation
- Legal referrals
- Lost document & luggage assistance
- Political evacuation

As stated above, Prudential will continue to insure the current benefits provided under the Plan, and, except for the International SOS travel assistance program, Prudential will also insure the improved benefits.

Independent Fiduciary

In connection with the application to the DOL, Cephalon has retained, at its expense, Milliman, Inc. ("Milliman"), which is an international firm of consultants and actuaries with expertise in all facets of employee benefits, including insurance, to serve as an Independent Fiduciary for this transaction. Milliman has analyzed the transaction and rendered an opinion indicating compliance with requirements "a" through "g" set forth in the requested authorization at Exhibit A. In addition, Milliman will represent the interests of the Plan as Independent Fiduciary at all times with respect to the transaction. Milliman will monitor compliance by the parties with the term and conditions of the transaction, and will take whatever action is necessary and appropriate to safeguard the interests of the Plan and its participants and beneficiaries with respect thereto, and to insure that the proposed transaction remains in the interest of the Plan and its participants and beneficiaries.

Overview of Exemption Conditions

The following is a summary of the principal conditions that would be imposed pursuant to the DOL authorization (a full version of which is attached as Exhibit A):

- The Plan will pay no more than adequate consideration for the insurance contracts.

- No commissions will be paid by the Plan with respect to the direct sale of such contracts or the reinsurance thereof;
- In the initial year of any such contract involving East End, there will be an immediate and objectively determined benefit to the participants and beneficiaries of the Plan in the form of increased benefits.
- Cephalon has retained an independent fiduciary, at its sole expense, to analyze the transaction and render an opinion that the requirements of subsections (a) through (g) of Exhibit A have been satisfied.

Tentative Authorization of Proposed Transaction

Authorization of the DOL was requested under a procedure, Prohibited Transaction Exemption ("PTE") 96-62, which permits a party to base its submission on substantially similar transactions described in either: (1) two individual Prohibited Transaction Exemptions granted within the past 60 months, or (2) one individual Prohibited Transaction Exemption granted within the past 120 months and one transaction which received final authorization under PTE 96-62 (an "Authorized Transaction") within the past 60 months. The Proposed Transactions are substantially similar to the transactions indicated as follows, and relief is requested from the same restrictions: Prohibited Transaction Exemption 2004-12, 69 Fed. Reg. 40978 (July 7, 2004), granted to Svenska Cellulosa Aktiebolaget ("SCA"); and Authorized Transaction 2006-11E (May 1, 2006), granted to AGL Resources Inc. ("AGL"). In those cases, each respective employer proposed using its captive insurance company to reinsure employee benefits, and agreed to provide improved benefits, retain an independent fiduciary, contract only with insurers with an A rating or better from A.M. Best Company or a similar rating agency, and arrange the transaction with the captive as indemnity insurance only. Moreover, in each of those cases, the captive was domiciled in a jurisdiction outside the U.S., and established a U.S. branch to effectuate the reinsurance transaction. Based on these representations, the Department granted SCA and AGL exemptions from the prohibited transaction restrictions under Sections 406(a) and (b) of ERISA.

The proposed transaction described in this notice has met the requirements for tentative authorization from the DOL under PTE 96-62. Unless the DOL otherwise notifies Cephalon, a final authorization would be effective May 9th, 2008.

Your Right to Comment on Tentative Authorization

As an interested party, you have the right to submit comments to the DOL on the tentative authorization. If you decide to do so, you should submit your comments to the following address:

Employee Benefits Security Administration
Office of Exemption Determinations, Division of Individual
Exemptions
U.S. Department of Labor
200 Constitution Avenue, N.W.
Room N-5700
Washington, D.C. 20210
Attn: Gary Lefkowitz
Re: Cephalon, Inc. (Submission Number E-00579)

Be sure to refer to the submission number, which is E-00579. Comments must be received by the DOL no later than May 4th, 2008.

Comments may be faxed or e-mailed to the DOL. The fax number is (202) 219-0204, and the e-mail address is lefkowitz.gary@dol.gov. If you have questions regarding your right to comment on this tentative authorization, you may call Gary Lefkowitz at (202) 693-8546.

We expect to implement the benefit improvements and the reinsurance program as soon as practicable following the date of final authorization.

If you have any questions about any information in this notice, including the terms of your benefits under the plans maintained by Cephalon, please contact:

Leslie Barringer
Human Resources
Cephalon, Inc.
41 Moores Road
Frazer, PA 19355
Phone: (610)727-6255
Fax: (610)738-6312
lbarring@cephalon.com

Exhibit A

Pending Authorization
Cephalon, Inc.

The restrictions of sections 406(a) and (b) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") shall not apply to the reinsurance of risks and the receipt of premiums therefrom by East End Insurance Ltd. ("Captive") in connection with an insurance contract sold by Prudential Insurance Company of America ("Prudential"), or any successor insurance company to Prudential which is unrelated to Cephalon, Inc. ("Cephalon") to provide Basic, Optional, and Dependent Life; Accidental Death and Dismemberment ("AD&D"); and Long-Term Disability ("LTD") insurance benefits to participants in programs maintained by Cephalon to provide such benefits to Cephalon's employees through a single integrated plan maintained by Cephalon (the "Plan"), provided the following conditions are met:

- a. Captive
 1. Is a party in interest with respect to the Plans by reason of a stock or partnership affiliation with Cephalon that is described in section 3(14)(E) or (G) of ERISA;
 2. Is licensed to sell insurance or conduct reinsurance operations in at least one State as defined in section 3(10) of ERISA;
 3. Has obtained a Certificate of Authority from the Insurance Commissioner of its domiciliary state, which has neither been revoked nor suspended;
 4. Will undergo an examination by an independent certified public accountant for its last completed taxable year immediately prior to the taxable year of the reinsurance transaction. Such accountant must furnish a satisfactory report to the Department of Labor within 6 months of the end of the taxable year. In addition, the independent certified public accountant will examine Captive's reserves on an annual basis in connection with the employee benefit business to be reinsured by Captive to ensure that appropriate reserve levels are maintained. Further, such accountant must prepare and furnish its report to the independent plan fiduciary within 6 months after the end of the taxable year.
 5. Is licensed to conduct reinsurance transactions by a State whose law requires that an actuarial review of reserves be conducted annually by an independent firm of actuaries, and reported to the appropriate regulatory authority.
- b. The Plan pays no more than adequate consideration for the insurance contracts;
- c. No commissions are paid to any parties in interest with respect to the direct sale of the insurance contracts that are to be reinsured to the Captive, or the reinsurance thereof;

- d. In the initial year of any contract involving Captive, there will be an immediate and objectively determined benefit to the participants and beneficiaries affected by that contract in the form of increased benefits;
- e. In subsequent years, the formula used to calculate premiums by Prudential or any successor insurer will be similar to the formulae used by other insurers providing comparable coverage under similar programs. Furthermore, the premium charge calculated in accordance with the formula will be reasonable and will be comparable to the premium charged by the insurer and its competitors with the same or a better rating providing the same coverage under comparable programs;
- f. The Plan only contracts with insurers with a rating of A or better from A.M. Best Company. The reinsurance arrangements between Prudential and Captive will be indemnity reinsurance only, i.e., the insurer will not be relieved of liability to the Plans should Captive be unable or unwilling to cover any liability arising from the reinsurance arrangement;
- g. The Plan retains an independent fiduciary (the "Independent Fiduciary"), at Cephalon's sole expense, to analyze the transaction and render an opinion that the requirements of sections (a) through (f) have been met. For purposes of this exemption, the Independent Fiduciary is a person who:
 - 1. Is not directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with Cephalon, Captive or Prudential (this relationship hereinafter referred to as an "Affiliate");
 - 2. Is not an officer, director, employee of, or partner in, Cephalon, Captive, or Prudential (or any Affiliate thereof);
 - 3. Is not a corporation or partnership in which Cephalon, Captive, or Prudential has an ownership interest or is a partner;
 - 4. Does not have an ownership interest in Cephalon, Captive, Prudential, or any Affiliate thereof;
 - 5. Is not a fiduciary with respect to the Plan prior to the appointment; and
 - 6. Has acknowledged in writing acceptance of fiduciary responsibility and has agreed not to participate in any decision with respect to any transaction in which the Independent Fiduciary has an interest that might affect its best judgments as a fiduciary.

For purposes of this definition of an "Independent Fiduciary", no organization or individual may serve as an Independent Fiduciary for any fiscal year if the gross income received by such organization or individual (or partnership or corporation of which such individual is an officer, director, or 10 percent or more partner or shareholder) from Cephalon, Captive, Prudential, or their Affiliates (including amounts received for service as Independent

Fiduciary under any prohibited transaction exemption granted by the Department) for that fiscal year exceeds 5 percent of that organization or individual's annual gross income from all sources for such fiscal year.

In addition, no organization or individual who is an Independent Fiduciary, and no partnership or corporation of which such organization or individual is an officer, director, or 10 percent or more partner or shareholder, may acquire any property from, sell any property to, or borrow funds from Cephalon, Captive, Prudential, or their Affiliates during the period that such organization or individual serves as Independent Fiduciary, or negotiates any such transaction during the period that such organization or individual serves as an Independent Fiduciary, and continuing for a period of six months after such organization or individual ceases to be an Independent Fiduciary.

The benefit enhancements are not required as part of a legal proceeding, court order, or judgment under state or federal law, or mandatory benefit to be provided under state law.