

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-8

**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

BIOSCRIP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

05-0489664
(I.R.S. Employer
Identification Number)

BioScrip, Inc.
100 Clearbrook Road
Elmsford, New York 10523
(914) 460-1600

(Address of Registrant's Principal Executive Office) (Zip Code)

Chronimed Inc. 1994 Stock Option Plan
Chronimed Inc. 1997 Stock Option Plan
Chronimed Inc. 1999 Stock Option Plan
Chronimed Inc. 2001 Stock Incentive Plan
Chronimed Inc. 1994 Stock Option Plan For Directors
(Full title of the Plans)

Barry A. Posner
BioScrip, Inc.
100 Clearbrook Road
Elmsford, New York 10523
(914) 460-1600

(Name and Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

Copies requested to:
E. William Bates, II
King & Spalding LLP
1185 Avenue of the Americas.
New York, New York 10036
(212) 556-2100

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share (1)	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee
Common Stock, \$.0001 par value per share	2,612,146	\$7.1433	\$18,659,343	\$2,197

(1) The offering price is calculated by reference to the weighted average exercise price per share of outstanding options solely for the purpose of computing the registration fee pursuant to Rule 457(h) of the Securities Act of 1933, as amended.



PART I

INFORMATION REQUIRED IN THE SECTION 10(A) PROSPECTUS

This Registration Statement covers 2,612,146 shares of common stock, par value \$.0001 per share (the "Common Stock") of BioScrip, Inc. (the "Company"), issuable pursuant to the following plans: the Chronimed Inc. 1994 Stock Option Plan; the Chronimed Inc. 1997 Stock Option Plan; the Chronimed Inc. 1999 Stock Option Plan; the Chronimed Inc. 2001 Stock Incentive Plan; and the Chronimed Inc. 1994 Stock Option Plan For Directors.

The documents containing the information specified in Part I of Form S-8 will be sent or given to participating officers, employees, consultants, advisors, employees and directors as specified by Rule 428(b)(1) of the Securities Act of 1933, as amended (the "Securities Act"). These documents and the documents incorporated by reference in this Registration Statement pursuant to Item 3 of Part II of this Registration Statement, taken together, constitute the prospectus that meets the requirements of Section 10(a) of the Securities Act.

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. Incorporation of Documents by Reference

The following documents filed by the Company with the Securities and Exchange Commission are incorporated herein by reference:

- (a) The Company's Annual Report on Form 10-K for the year ended December 31, 2004;
- (b) The Company's Current Reports on Form 8-K filed March 9, 2005 and March 17, 2005; and
- (c) The description of the Company's common stock included in our Registration Statement on Form 8-A/A, dated May 20, 1999, including any amendment or report filed for the purpose of updating such description.

All documents subsequently filed by the Company pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act after the effective date of this Registration Statement and prior to the filing of a post-effective amendment that indicates that all securities offered hereby have been sold or deregisters all securities remaining unsold, shall be deemed to be incorporated by reference herein and to be a part hereof from the date of the filing of such documents. Any statement contained in a document incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Registration Statement to the extent that a statement herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Registration Statement.

Item 4. Description of Securities

Not applicable.

Item 5. Interests of Named Experts and Counsel

Barry A. Posner, the Company's General Counsel, has issued an opinion as to the validity of the common stock being offered hereby. As of the date of this Registration Statement, Mr. Posner owns an aggregate of 63,600 shares of common stock and options to purchase 220,666 shares of common stock.

Item 6. Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law ("DGCL") provides that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding whether civil, criminal or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. Section 145 further provides that a corporation similarly may indemnify any such person serving in any such capacity who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor, against expenses (including attorneys' fees) actually and reasonably incurred in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery or such other court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnify for such expenses which the Court of Chancery or such other court shall deem proper.

Section 102(b)(7) of the DGCL permits a corporation, in its certificate of incorporation, to limit or eliminate, subject to some statutory limitations, the liability of directors to the corporation or its stockholders for monetary damages for breaches of fiduciary duty, except for liability (a) for any breach of the director's duty of loyalty to the corporation or its stockholders, (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing

violation of law, (c) under Section 174 of the DGCL (relating to unlawful payment of dividends and unlawful stock purchase and redemption), or (d) for any transaction from which the director derived an improper personal benefit. The Company's Second Amended and Restated Certificate of Incorporation provides that the Company's directors will not be liable to the company or its stockholders for breach of fiduciary duty as a director, except for liability arising out of clauses (a) through (d) in the preceding paragraph. The Second Amended and Restated Certificate of Incorporation and the Company's Amended and Restated By-Laws further provide that the Company will indemnify its directors and officers to the fullest extent permitted by the DGCL.

In addition, the Company maintains director and officer liability insurance policies.

Item 8. Exhibits

The following exhibits are filed with or incorporated by reference into this Registration Statement pursuant to Item 601 of Regulation S-K:

<u>Exhibit No.</u>	<u>Description</u>
4.1	Second Amended and Restated Certificate of Incorporation of BioScrip, Inc. (incorporated by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K filed on March 17, 2005)
4.2	Certificate of Designations of Series A Junior Participating Preferred Stock (incorporated by reference to Exhibit 4.2 to the registrant's Current Report on Form 8-K filed on December 4, 1998)
4.3	Amended and Restated By-Laws of BioScrip, Inc. (incorporated by reference to Exhibit 3.2 to the registrant's Quarterly Report on Form 10-Q filed on May 15, 2003)
4.4	Amended and Restated Rights Agreement, dated as of December 3, 2003, between MIM Corporation and American Stock Transfer and Trust Company (incorporated by reference to Exhibit 4.1 to Post-Effective Amendment No. 3 to the registrant's Form 8-A/A dated May 20, 1999)
4.5	Chronimed Inc. 1994 Stock Option Plan
4.6	Chronimed Inc. 1997 Stock Option Plan
4.7	Chronimed Inc. 1999 Stock Option Plan
4.8	Chronimed Inc. 2001 Stock Incentive Plan
4.9	Chronimed Inc. 1994 Stock Option Plan for Directors
5.1	Opinion of Barry A. Posner, Esq.
23.1	Consent of Barry A. Posner (included as part of opinion filed as Exhibit 5.1)
23.2	Consent of Ernst & Young LLP

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Elmsford, State of New York, on this the 31st day of March 2005.

BIOSCRIP CORPORATION

By: /s/ Barry A. Posner
Barry A. Posner
Executive Vice President, Secretary and General
Counsel

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities indicated on the 31st day of March 2005.

<u>Signature</u>	<u>Title</u>
<u>/s/ Henry F. Blissenbach</u> Henry F. Blissenbach	Director and Chief Executive Officer (Principal Executive Officer)
<u>/s/ Gregory H. Keane</u> Gregory H. Keane	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
<u>/s/ Richard H. Friedman</u> Richard H. Friedman	Chairman of the Board
<u>/s/ Richard A. Cirillo</u> Richard A. Cirillo	Director
<u>Charlotte W. Collins</u>	Director
<u>/s/ Louis T. DiFazio</u> Louis T. DiFazio	Director

Signature

/s/ Myron Z. Holubiak

Myron Z. Holubiak

/s/ David R. Hubers

David R. Hubers

/s/ Michael Kooper

Michael Kooper

/s/ Richard L. Robbins

Richard L. Robbins

/s/ Stuart A. Samuels

Stuart A. Samuels

Title

Director

Director

Director

Director

Director

CHRONIMED INC.
1994 STOCK OPTION PLAN

Article I. Establishment and Purpose

1.1 Establishment. Cronies Inc., a Minnesota Corporation (“Company”), hereby establishes a stock option plan for employees and others providing services to the Company, as described herein, which shall be known as the “1994 STOCK OPTION PLAN” (“Plan”). The Plan permits the granting of Nonstatutory Stock Options and Incentive Stock Options.

1.2 Purpose. The purposes of this Plan are to enhance shareholder investment by attracting, retaining, and motivating key employees and consultants of the Company and to encourage stock ownership by such employees and consultants by providing them with a means to acquire a proprietary interest in the Company’s success.

Article II. Definitions

2.1 Definitions. Unless the context clearly requires otherwise, the following terms shall have the respective meanings set forth below, and when said meaning is intended, the term shall be capitalized.

- (a) “Board” means the Board of Directors of the Company.
 - (b) “Code” means the Internal Revenue Code of 1986, as amended.
 - (c) “Committee” shall mean the Committee, as specified in Article IV hereof, appointed by the Board to administer the Plan.
 - (d) “Company” means Cronies Inc., a Minnesota corporation (including any and all subsidiaries).
 - (e) “Consultant” means any person or entity, including an officer or director of the company who provides services (other than as an Employee) to the Company.
 - (f) “Date of Exercise” means the date the Company receives notice by an Optionee of the exercise of an Option pursuant to section 8.1 of this Plan. Such notice shall indicate the number of shares of Stock as to which the Optionee intends to exercise an Option.
 - (g) “Employee” means any person, including an officer or director of the Company, who is employed by the Company.
 - (h) “Exchange Act” means the Securities and Exchange Act of 1934, as amended.
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- (i) "Fair Market Value" means the closing price of the Stock as reported by NASDAQ on the applicable day, or if there has been no sale on that date, on the last preceding date on which a sale occurred, or such other value of the Stock as shall be specified by the Board.
- (j) "Incentive Stock Option" means an Option granted under this Plan which is designated as an Incentive Stock Option and is intended to qualify as an "incentive stock option" within the meaning of Section 422 of the Code.
- (k) "Insider" means a person who is, at the time of an Option grant hereunder, an officer, director or holder of more than ten percent of the outstanding shares of the Stock, as defined in Section 16 of the Exchange Act.
- (l) "Nonstatutory Option" means an Option granted under this Plan which is not intended to qualify as an incentive stock option within the meaning of Section 422 of the Code. Except as otherwise specified herein, Nonstatutory Options may be granted at such times and subject to such restrictions as the Board shall determine without conforming to the statutory rules of Section 422 of the Code applicable to incentive stock options.
- (m) "Option" means the right, granted under this Plan, to purchase Stock of the Company at the option price for a specified period of time. For purposes of this Plan, an Option may be either an Incentive Stock Option or a Nonstatutory Option.
- (n) "Optionee" means a person to whom an Option has been granted under the Plan.
- (o) "Parent Corporation" shall have the meaning set forth in Section 424(e) of the Code with the Company being treated as the employer corporation for purposes of this definition.
- (p) "Subsidiary Corporation" shall have the meaning set forth in Section 424(f) of the Code with the Company being treated as the employer corporation for purposes of this definition.
- (q) "Significant Shareholder" means an individual who, within the meaning of Section 422(b)(6) of the Code, owns Stock possessing more than ten percent of the total combined voting power of all classes of stock of the Company or of any Parent Corporation or Subsidiary Corporation of the Company. In determining whether an individual is a Significant Shareholder, an individual shall be treated as owning Stock owned by certain relatives of the individual and certain Stock owned by corporations in which the

individual is a shareholder, partnerships in which the individual is a partner, and estates or trusts of which the individual is a beneficiary, all as provided in Section 424(d) of the Code.

(r) "Stock" means the common stock of the Company.

2.2 Gender and Number. Except when otherwise indicated by the context, any masculine terminology when used in this Plan also shall include the feminine gender, and the definition of any term herein in the singular also shall include the plural.

2.3 Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

Article III. Eligibility and Participation

3.1 Eligibility. All Employees are eligible to participate in this Plan and receive Incentive Stock Options and/or Nonstatutory Options hereunder. All Consultants are eligible to participate in this Plan and receive Nonstatutory Options hereunder.

3.2 Actual Participation. Subject to the provisions of the Plan, the Committee may, from time to time, select from all Employees and Consultants those to whom Options shall be granted and shall determine the nature of and number of shares of Stock subject to each such Option.

Article IV. Administration

4.1 The Committee. The Plan shall be administered by a Committee appointed by the Board consisting of not fewer than two Directors who shall be appointed from time to time by, and shall serve at the discretion of, the Board of Directors. No member of the Committee shall receive any Option pursuant to the Plan or any similar plan of the Company or any of its subsidiaries while serving on the Committee, or shall have received any such Option at any time within one year prior to his or her service on the Committee, or, if different, for the time period just necessary to fulfill the then current Rule 16b-3 requirements under the Exchange Act, except for Options granted pursuant to a formula plan meeting the conditions of Rule 16b-3(c)(2)(ii). If for any reason the Committee does not qualify to administer the Plan disinterestedly as contemplated by Rule 16b-3 of the Exchange Act, or as may be required under applicable tax law to permit a deduction with respect to certain Options issued under the Plan, the Board of Directors may appoint a new Committee so as to comply with the disinterested administration requirements of Rule 16b-3 and such tax law.

4.2 Authority of the Committee. The Committee shall have full power except as limited by law or by the Articles of Incorporation or Bylaws of the Company, and subject to the provisions herein, to determine the size and types of Options; to determine the terms and conditions of such Options in a manner consistent with the Plan; to construe and interpret the Plan and any agreement or instrument entered into under the Plan; to establish, amend, or waive

rules and regulations for the Plan's administration; and (subject to the provisions of Article 12 herein) to amend the terms and conditions of any outstanding Option to the extent such terms and conditions are within the discretion of the Committee as provided in the Plan. Further, the Committee shall make all other determinations which may be necessary or advisable for the administration of the Plan. As permitted by law, the Committee may delegate its authorities as identified hereunder.

The discretion of the Committee shall be limited to the extent necessary to retain the status of the Committee members as "disinterested persons" pursuant to Rule 16b-3 of the Exchange Act.

4.3 Decisions Binding. All determinations and decisions made by the Committee pursuant to the provisions of the Plan and all related orders or resolutions of the Board of Directors shall be final, conclusive, and binding on all persons, including the Company, its shareholders, Employees, Consultants, Optionees, and their respective successors.

Article V. Stock Subject to the Plan

5.1 Number. Subject to adjustment as provided in Section 5.3 herein, the total number of shares of Stock hereby made available for grant and reserved for issuance under the Plan shall be 750,000. The aggregate number of shares of Stock available under this Plan shall be subject to adjustment as provided in section 5.3. The total number of shares of Stock may be authorized but unissued shares of Stock, or shares acquired by purchase as directed by the Board from time to time in its discretion, to be used for issuance upon exercise of Options granted hereunder.

5.2 Lapsed Options. If an Option shall expire or terminate for any reason without having been exercised in full, the unpurchased shares of Stock subject thereto shall (unless the Plan shall have terminated) become available for other Options under the Plan.

5.3 Adjustment in Capitalization. In the event of any change in the outstanding shares of Stock by reason of a stock dividend or split, recapitalization, reclassification, or other similar corporate change, the aggregate number of shares of Stock set forth in section 5.1 shall be appropriately adjusted by the Committee, whose determination shall be conclusive; provided, however, that fractional shares shall be rounded to the nearest whole share. In any such case, the number and kind of shares that are subject to any Option (including any Option outstanding after termination of employment) and the Option price per share shall be proportionately and appropriately adjusted without any change in the aggregate Option price to be paid therefor upon exercise of the Option.

Article VI. Duration of the Plan

6.1 Duration of the Plan. Subject to shareholder approval, the Plan shall be in effect for ten years from the date of its adoption by the Committee. Any Options outstanding at the end of said period shall remain in effect in accordance with their terms. The Plan shall terminate

before the end of said period if all Stock subject to it has been purchased pursuant to the exercise of Options granted under the Plan.

Article VII. Terms of Stock Options

7.1 Grant of Options. Subject to section 5.1, Options may be granted to Employees or Consultants at any time and from time to time as determined by the Committee; provided, however, that Consultants may receive only Nonstatutory Options, and may not receive Incentive Stock Options. The Committee shall have complete discretion in determining the number of shares of Stock subject to an Option and the number of Options granted to each Optionee. In making such determinations, the Committee may take into account the nature of services rendered by such Employees or Consultants, their present and potential contributions to the Company, and such other factors as the Committee in its discretion shall deem relevant. The Committee also shall determine whether an Option is to be an Incentive Stock Option or a Nonstatutory Option.

The aggregate Fair Market Value (determined at the date of grant) of shares of Stock with respect to which Incentive Stock Options are exercisable for the first time by the Optionee during any calendar year under all plans of the Company under which Incentive Stock Options may be granted (and all such plans of any Parent Corporations and any Subsidiary Corporations of the Company) shall not exceed \$100,000.

Nothing in this Article VII of the Plan shall be deemed to prevent the grant of Options in excess of the maximums established by the preceding paragraph where such excess amount is treated as a Nonstatutory Option. In no event, however, shall the number of shares of Stock with respect to which Nonstatutory Stock Options may be granted to any Employee exceed 250,000 in any fiscal year.

The Committee is expressly given the authority to issue amended Options with respect to shares of Stock subject to an Option previously granted hereunder. An amended Option amends the terms of an Option previously granted and thereby supersedes the previous Option.

7.2 No Tandem Options. Where an Option granted under this Plan is intended to be an Incentive Stock Option, the Option shall not contain terms pursuant to which the exercise of the Option would affect the Optionee's right to exercise another Option, or vice versa, such that the Option intended to be an Incentive Stock Option would be deemed a tandem stock option within the meaning of the regulations under Section 422 of the Code.

7.3 Option Agreement. As determined by the Committee on the date of grant, each Option shall be evidenced by an Option agreement (the "Option Agreement") that includes the nontransferability provisions of Section 10.2 hereof and specifies: whether the Option is an Incentive Stock Option or a Nonstatutory Option; the Option price; the duration of the Option; the number of shares of Stock to which the Option applies; any vesting or serial exercise restrictions which the Committee may impose; and any other terms or conditions which the Committee may impose.

All Option Agreements shall incorporate the provisions of this Plan by reference, with certain provisions to apply depending upon whether the Option Agreement applies to an Incentive Stock Option or to a Nonstatutory Option.

7.4 Option Price. No Incentive Stock Option granted pursuant to this Plan shall have an Option price that is less than the Fair Market Value of Stock on the date the Option is granted. Incentive Stock Options granted to Significant Shareholders shall have an Option price of not less than 110 percent of the Fair Market Value of Stock on the date of grant. The Option price for Nonstatutory Options shall be equal to the Fair Market Value of Stock on the date the Option is granted and shall not be subject to the restrictions applicable to Incentive Stock Options.

7.5 Term of Options. Each Option shall expire at such time as the Committee shall determine when it is granted, provided however that no Option shall be exercisable later than the tenth anniversary date of its grant. By its terms, an Incentive Stock Option granted to a Significant Shareholder shall not be exercisable after five years from the date of grant.

7.6 Exercise of Options. Options granted under the Plan shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve, which need not be the same for all Optionees. Notwithstanding any other provision of the Plan, however, in no event may any Option granted under this Plan to an Insider become exercisable prior to six months following the date of its grant, or following the date upon which the Plan is ratified, whichever is later.

7.7 Payment. Payment for all shares of Stock shall be made at the time that an Option, or any part thereof, is exercised, and no shares shall be issued until full payment therefor has been made. Payment shall be made (i) in cash, or (ii) if acceptable to the Committee, in Stock having a Fair Market Value at the time of the exercise equal to the exercise price (provided that, in the case of an Insider, the Stock that is tendered as payment upon exercise of the Option has been held by the Optionee for at least six months prior to its tender), or in some other form, including a combination of the above; provided, however, in the case of an Incentive Stock Option, that said other form of payment does not prevent the Option from qualifying for treatment as an "incentive stock option" within the meaning of the Code. In addition, the Company may establish a cashless exercise program in accordance with Federal Reserve Board Regulation T.

Article VIII. Written Notice, Issuance of Stock Certificates, Shareholder Privileges

8.1 Written Notice. An Optionee wishing to exercise an Option shall give written notice to the Chief Financial Officer of the Company, in the form and manner prescribed by the Committee. Except for approved "cashless exercises," full payment for the shares exercised pursuant to the Option must accompany the written notice.

8.2 Issuance of Stock Certificates. As soon as practicable after the receipt of written notice and payment, the Company shall deliver to the Optionee or to a nominee of the Optionee a certificate or certificates for the requisite number of shares of Stock. Such certificate may bear a legend restricting transfer thereof.

8.3 Privileges of a Shareholder. An Optionee or any other person entitled to exercise an Option under this Plan shall not have shareholder privileges with respect to any Stock covered by the Option until the date of issuance of a stock certificate for such stock.

Article IX. Termination of Employment

9.1 Death. If an Optionee's employment in the case of an Employee, or provision of services as a Consultant, in the case of a Consultant, terminates by reason of death, the Option may thereafter be exercised at any time prior to the expiration date of the Option or within 12 months after the date of such death, whichever period is the shorter, by the person or persons entitled to do so under the Optionee's will or, if the Optionee shall fail to make a testamentary disposition of an Option or shall die intestate, the Optionee's legal representative or representatives. The Option shall be exercisable only to the extent that such Option was exercisable as of the date of death.

9.2 Termination Other Than For Cause Or Due to Death. In the event of an Optionee's termination of employment, in the case of an Employee, or termination of the provision of services as a Consultant, in the case of a Consultant, other than by reason of death or for cause, the Optionee may exercise such portion of his Option as was exercisable by him at the date of such termination (the "Termination Date") at any time within three (3) months of the Termination Date; provided, however, that where the Optionee is an Employee, and is terminated due to disability within the meaning of Code Section 422(c) (6), such Optionee may exercise such portion of any Option as was exercisable by such Optionee on his or her Termination Date within one year of such Termination Date. In any event, the Option cannot be exercised after the expiration of the term of the Option. Options not exercised within the applicable period specified above shall terminate.

In the case of an Employee, a change of duties or position within the Company or an assignment of employment in a Subsidiary Corporation or Parent Corporation of the Company, if any, or from such a corporation to the Company, shall not be considered a termination of employment for purposes of this Plan. The Option Agreements may contain such provisions as the Committee shall approve with reference to the effect of approved leaves of absence upon termination of employment.

9.3 Termination for Cause. In the event of an Optionee's termination of employment, in the case of an Employee, or termination of the provision of services as a Consultant in the case of a Consultant, which termination is by the Company for cause, any Option or Options held by such Optionee under the Plan, to the extent not exercised before such termination, shall terminate immediately.

Article X. Rights of Optionees

10.1 Service. Nothing in this Plan shall interfere with or limit in any way the right of the Company to terminate any Employee's employment, or any Consultant's services, at any time, nor confer upon any Employee any right to continue in the employ of the Company, or upon any Consultant any right to continue to provide services to the Company.

10.2 Nontransferability. Except as otherwise determined by the Committee in the case of Nonstatutory Options, all Options granted under this Plan shall be nontransferable by the Optionee, other than by will or the laws of descent and distribution, and shall be exercisable during the Optionee's lifetime only by the Optionee.

Article XI. Optionee-Employee's
Transfer or Leave of Absence

11.1 Optionee-Employee's Transfer or Leave of Absence. For Plan purposes –

- (a) A transfer of an Optionee who is an Employee from the Company to a Subsidiary Corporation or Parent Corporation, or from one such corporation to another, or
- (b) a leave of absence for such an Optionee (i) which is duly authorized in writing by the Company, and (ii) if the Optionee holds an Incentive Stock Option, which qualifies under the applicable regulations under the Code which apply in the case of incentive stock options,

shall not be deemed a termination of employment. However, under no circumstances may an Optionee exercise an Option during any leave of absence, unless authorized by the Committee.

Article XII. Amendment,
Modification, and Termination of the Plan

12.1 Amendment Modification and Termination of the Plan. The Board may at any time terminate, and from time to time may amend or modify the Plan, provided, however, that

- (a) no such action of the Board, without approval of the shareholders, may –
 - (i) increase the total amount of Stock that may be purchased through Options granted under the Plan, except as provided in section 5.1; or
 - (ii) change the class of Employees or Consultants eligible to receive Options; and
- (b) without the approval of the shareholders of the Company (as may be required by the Code, by Section 16 of the Exchange Act, by any national securities exchange or system on which the Stock is then listed or reported, or by a regulatory body having jurisdiction with respect hereto) no such termination, amendment, or modification may:

- (i) materially increase the total number of shares that may be granted to Insiders under this Plan;
- (ii) materially modify the requirements as to eligibility for Insiders to participate in the Plan;
- (iii) materially increase the cost of the Plan related to Insiders or materially increase the benefits to Insiders;
- (iv) extend the period during which Options may be granted to or exercised by Insiders;
- (v) change the provisions of the Plan regarding Option price on grants to Insiders; or
- (vi) modify the Plan or the terms of Options in such a way that the members of the Committee lose their status as “disinterested persons” under Rule 16b-3 of the Exchange Act.

12.2 Options Previously Granted. No amendment, modification, or termination of the Plan shall in any manner adversely affect any outstanding Option under the Plan without the consent of the Optionee holding the Option.

Article XIII. Merger, Consolidation or Acceleration Event

13.1 Merger, Consolidation.

- (a) Subject to any required action by the shareholders, if the Company shall be the surviving corporation in any merger or consolidation, any Option granted hereunder shall pertain to and apply to the securities to which a holder of the number of shares of Stock subject to the Option would have been entitled in such merger or consolidation.
- (b) A dissolution or a liquidation of the Company or a merger and consolidation in which the Company is not the surviving corporation shall cause every Option outstanding hereunder to terminate as of the effective date of such dissolution, liquidation, merger or consolidation. However, the Optionee either (i) shall be offered a firm commitment whereby the resulting or surviving corporation in a merger or consolidation will tender to the Optionee an option (the “Substitute Option”) to purchase its shares on terms and conditions both as to number of shares and otherwise, which will substantially preserve to the Optionee the rights and benefits of the Option outstanding hereunder granted by the Company, or (ii) shall have the right immediately prior to such merger, or consolidation to exercise any unexercised Options whether or not then exercisable, subject to the provisions of this Plan. The Board shall have absolute and uncontrolled discretion to determine whether the Optionee has been offered a firm

commitment and whether the tendered Substitute Option will substantially preserve to the Optionee the rights and benefits of the Option outstanding hereunder. In any event, any Substitute Option for an Incentive Stock Option shall comply with the requirements of Code Section 424(a).

13.2 Impact of Acceleration Event. All options granted hereunder will become fully exercisable and vested in the event of a “Acceleration Event” as defined in Section 13.3 or a “Potential Acceleration Event” as defined in Section 13.4.

13.3 Definition of “Acceleration Event.” For purposes of Section 13.2, an “Acceleration Event” means the happening of any of the following:

- (a) When any “person” as defined in Section 3(a) (9) of the Exchange Act and as used in Sections 13(d) and 14(d) thereof, including a “group” as defined in Section 13(d) of the Exchange Act, but excluding the Company or any subsidiary or parent or any employee benefit plan sponsored or maintained by the Company or any subsidiary or parent (including any trustee of such plan acting as trustee), directly or indirectly, becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act, as amended from time to time), of securities of the Company representing 30 percent or more of the combined voting power of the Company’s then outstanding securities;
- (b) When, during any period of 24 consecutive months during the existence of the Plan, the individuals who, at the beginning of such period, constitute the Board (“Incumbent Directors”) cease for any reason other than death to constitute at least a majority thereof; provided, however, that a Director who was not a Director at the beginning of such 24-month period will be deemed to have satisfied such 24-month requirement (and be an Incumbent Director) if such Director was elected by, or on the recommendation or, or with the approval of, at least 60% of the Directors who then qualified as Incumbent Directors either actually (because they were Directors at the beginning of such 24-month period) or by prior operation of this Section 13.3(b); or
- (c) The approval by the shareholders of any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company or the adoption of any plan or proposal for the liquidation or dissolution of the Company.

13.4 Definition of “Potential Acceleration Event.” For purposes of Section 13.2, a “Potential Acceleration Event” means the approval by the Board of an agreement by the

Company the consummation of which would result in an Acceleration Event of the Company as defined in Section 13.3.

Article XIV. Securities Registration

14.1 Securities Registration. In the event that the Company shall deem it necessary or desirable to register under the Securities Act of 1933, as amended, or any other applicable statute, any Options or any Stock with respect to which an Option may be or shall have been granted or exercised, or to qualify any such Options or Stock under the Securities Act of 1933, as amended, or any other statute, then the Optionee shall cooperate with the Company and take such action as is necessary to permit registration or qualification of such Options or Stock.

Unless the Company has determined that the following representation is unnecessary, each person exercising an Option under the Plan may be required by the Company, as a condition to the issuance of the shares pursuant to exercise of the Option, to make a representation in writing (a) that he or she is acquiring such shares for his or her own account for investment and not with a view to, or for sale in connection with, the distribution of any part thereof, (b) that before any transfer in connection with the resale of such shares, he or she will obtain the written opinion of counsel for the Company, or other counsel acceptable to the Company, that such shares may be transferred. The Company may also require that the certificates representing such shares contain legends reflecting the foregoing.

Article XV. Tax Withholding

15.1 Tax Withholding. The Company shall have the power and the right to deduct or withhold, or require an Optionee to remit to the Company, an amount sufficient to satisfy Federal, state, and local taxes (including the Optionee's FICA obligation) required by law to be withheld with respect to any grant, exercise, or payment made under or as a result of the Plan.

15.2 Share Withholding. With respect to withholding required upon the exercise of Options, or upon any other taxable event hereunder, Optionees may elect, subject to the approval of the Committee, to satisfy the withholding requirement, in whole or in part, by having the Company withhold shares having a Fair Market Value, on the date the tax is to be determined, equal to the minimum marginal tax which could be imposed on the transaction.

Share withholding upon the exercise of an Option will be done if the Optionee makes a signed, written election and either of the following occurs:

- (a) The Option exercise occurs during a "window period" and the election to use such share withholding is made at any time prior to exercise. For this purpose, "window period" means the period beginning on the third business day following the date of public release of the Company's quarterly financial information and ending after the twelfth business day following such date. An earlier election can be revoked up until the exercise of the Option during the window period; or

- (b) An election to withhold shares is made at least six months before the Option is exercised. If this election is made, then the Option can be exercised and shares may be withheld outside of the window period.

Article XVI. Indemnification

16.1 Indemnification. To the extent permitted by law, each person who is or shall have been a member of the Committee or of the Board shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's articles of incorporation or bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

Article XVII. Requirements of Law

17.1 Requirements of Law. The granting of Options and the issuance of shares of Stock upon the exercise of an Option shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

17.2 Governing Law. To the extent not preempted by federal law, the Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Minnesota.

17.3 Compliance with the Code. Incentive Stock Options granted hereunder are intended to qualify as "incentive stock options" under Code Section 422. If any provision of this Plan is susceptible to more than one interpretation, such interpretation shall be given thereto as is consistent with Incentive Stock Options granted under this Plan being treated as incentive stock options under the Code.

Article XVIII. Effective Date of Plan

18.1 Effective Date. Subject to ratification by an affirmative vote of holders of a majority of shares present and entitled to vote at the 1994 Annual Meeting, the Plan shall be effective as of September 29, 1994, the date of its adoption by the Board.

Article XIX. No Obligation to Exercise Option

19.1 No Obligation to Exercise. The granting of an Option shall impose no obligation upon the holder thereof to exercise such Option.

**CHRONIMED INC.
1997 STOCK OPTION PLAN**

**ARTICLE I
ESTABLISHMENT AND PURPOSE**

SECTION 1.1. Establishment. Chronimed Inc., a Minnesota Corporation (“*Company*”), hereby establishes a stock option plan for employees and others providing services to the Company, as described herein, which shall be known as the “1997 STOCK OPTION PLAN” (“*Plan*”). The Plan permits the granting of Nonstatutory Stock Options and Incentive Stock Options.

SECTION 1.2. Purpose. The purposes of this Plan are to enhance shareholder investment by attracting, retaining, and motivating employees and consultants of the Company and to encourage stock ownership by such employees and consultants by providing them with a means to acquire a proprietary interest in the Company’s success.

**ARTICLE II
DEFINITIONS**

SECTION 2.1. Definitions. Unless the context clearly requires otherwise, the following terms shall have the respective meanings set forth below, and when said meaning is intended, the term shall be capitalized.

(a) “*Board*” means the Board of Directors of the Company.

(b) “*Code*” means the Internal Revenue Code of 1986, as amended.

(c) “*Committee*” shall mean the Committee, as specified in Article IV hereof, appointed by the Board to administer the Plan, or the Board if no Committee is appointed.

(d) “*Company*” means Chronimed Inc., a Minnesota corporation (including any and all subsidiaries).

(e) “*Consultant*” means any person or entity, including an officer or director of the Company who provides services (other than as an Employee) to the Company.

(f) “*Date of Exercise*” means the date the Company receives notice by an Optionee of the exercise of an Option pursuant to Section 8.1 of this Plan. Such notice shall indicate the number of shares of Stock as to which the Optionee intends to exercise an Option.

(g) “*Employee*” means any person, including an officer or director of the Company, who is employed by the Company.

(h) “*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

(i) “**Fair Market Value**” means the closing price of the Stock as reported by NASDAQ on the applicable day, or if there has been no sale on that date, on the last preceding date on which a sale occurred, or such other value of the Stock as shall be specified by the Board.

(j) “**Incentive Stock Option**” means an Option granted under this Plan which is designated as an Incentive Stock Option and is intended to qualify as an “incentive stock option” within the meaning of Section 422 of the Code.

(k) “**Insider**” means a person who is, at the time of an Option grant hereunder, an officer, director or holder of more than ten percent of the outstanding shares of the Stock, as defined in Section 16 of the Exchange Act.

(l) “**Nonstatutory Option**” means an Option granted under this Plan which is not intended to qualify as an incentive stock option within the meaning of Section 422 of the Code. Except as otherwise specified herein, Nonstatutory Options may be granted at such times and subject to such restrictions as the Board shall determine without conforming to the statutory rules of Section 422 of the Code applicable to incentive stock options.

(m) “**Option**” means the right, granted under this Plan, to purchase Stock of the Company at the option price for a specified period of time. For purposes of this Plan, an Option may be either an Incentive Stock Option or a Nonstatutory Option.

(n) “**Optionee**” means a person to whom an Option has been granted under the Plan.

(o) “**Parent Corporation**” shall have the meaning set forth in Section 424(e) of the Code with the Company being treated as the employer corporation for purposes of this definition.

(p) “**Subsidiary Corporation**” shall have the meaning set forth in Section 424(f) of the Code with the Company being treated as the employer corporation for purposes of this definition.

(q) “**Significant Shareholder**” means an individual who, within the meaning of Section 422(b)(6) of the Code, owns Stock possessing more than ten percent of the total combined voting power of all classes of stock of the Company or of any Parent Corporation or Subsidiary Corporation of the Company. In determining whether an individual is a Significant Shareholder, an individual shall be treated as owning Stock owned by certain relatives of the individual and certain Stock owned by corporations in which the individual is a shareholder, partnerships in which the individual is a partner, and estates or trusts of which the individual is a beneficiary, all as provided in Section 424(d) of the Code.

(r) “**Stock**” means the common stock of the Company.

SECTION 2.2. Gender and Number. Except when otherwise indicated by the context, any masculine terminology when used in this Plan also shall include the feminine gender, and the definition of any term herein in the singular also shall include the plural.

SECTION 2.3. Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

ARTICLE III ELIGIBILITY AND PARTICIPATION

SECTION 3.1. Eligibility. All Employees are eligible to participate in this Plan and receive Incentive Stock Options and/or Nonstatutory Options hereunder. All Consultants are eligible to participate in this Plan and receive Nonstatutory Options hereunder.

SECTION 3.2. Actual Participation. Subject to the provisions of the Plan, the Committee may, from time to time, select from all Employees and Consultants those to whom Options shall be granted and shall determine the nature of and number of shares of Stock subject to each such Option.

ARTICLE IV ADMINISTRATION

SECTION 4.1. The Committee. The Plan shall be administered by the Committee. If the entire Board of Directors is not serving as the Committee, the Committee appointed by the Board shall meet the requirements of Rule 16b-3 so that Options granted under the Plan may be considered “exempt” under Rule 16b-3 and Section 16(b) of the Exchange Act. If for any reason the Committee does not qualify to administer the Plan as contemplated by Rule 16b-3 of the Exchange Act, or as may be required under applicable tax law to permit a deduction with respect to certain Options issued under the Plan, the Board may appoint a new Committee so as to comply with the requirements of Rule 16b-3 and such tax law.

SECTION 4.2. Authority of the Committee. The Committee shall have full power except as limited by law or by the Articles of Incorporation or Bylaws of the Company, and subject to the provisions herein, to determine the size and types of Options; to determine the terms and conditions of such Options in a manner consistent with the Plan; to construe and interpret the Plan and any agreement or instrument entered into under the Plan; to establish, amend, or waive rules and regulations for the Plan’s administration; and (subject to the provisions of Article XII herein) to amend the terms and conditions of any outstanding Option to the extent such terms and conditions are within the discretion of the Committee as provided in the Plan. Further, the Committee shall make all other determinations which may be necessary or advisable for the administration of the Plan. As permitted by law, the Committee may delegate its authorities as identified hereunder.

SECTION 4.3. Decisions Binding. All determinations and decisions made by the Committee pursuant to the provisions of the Plan and all related orders or resolutions of the Board of Directors shall be final, conclusive, and binding on all persons, including the Company, its shareholders, Employees, Consultants, Optionees, and their respective successors.

**ARTICLE V
STOCK SUBJECT TO THE PLAN**

SECTION 5.1. Number. Subject to adjustment as provided in Section 5.3 below, the total number of shares of Stock hereby made available for grant and reserved for issuance under the Plan shall be 1,000,000. The aggregate number of shares of Stock available under this Plan shall be subject to adjustment as provided in Section 5.3 below. The total number of shares of Stock may be authorized but unissued shares of Stock, or shares acquired by purchase as directed by the Board from time to time in its discretion, to be used for issuance upon exercise of Options granted hereunder.

SECTION 5.2. Lapsed Options. If an Option shall expire or terminate for any reason without having been exercised in full, the unpurchased shares of Stock subject thereto shall (unless the Plan shall have terminated) become available for other Options under the Plan.

SECTION 5.3. Adjustment in Capitalization. In the event of any change in the outstanding shares of Stock by reason of a stock dividend or split, recapitalization, reclassification, or other similar corporate change, the aggregate number of shares of Stock set forth in Sections 5.1 and 7.1 below shall be appropriately adjusted by the Committee, whose determination shall be conclusive; provided, however, that fractional shares shall be rounded to the nearest whole share. In any such case, the number and kind of shares that are subject to any Option (including any Option outstanding after termination of employment) and the Option price per share shall be proportionately and appropriately adjusted without any change in the aggregate Option price to be paid therefor upon exercise of the Option.

**ARTICLE VI
DURATION OF THE PLAN**

SECTION 6.1. Duration of the Plan. Subject to shareholder approval, the Plan shall be in effect for ten years from the date of its adoption by the Committee. Any Options outstanding at the end of said period shall remain in effect in accordance with their terms. The Plan shall terminate before the end of said period if all Stock subject to it has been purchased pursuant to the exercise of Options granted under the Plan.

**ARTICLE VII
TERMS OF STOCK OPTIONS**

SECTION 7.1. Grant of Options. (a) Subject to Section 5.1, Options may be granted to Employees or Consultants at any time and from time to time as determined by the Committee; provided, however, that Consultants may receive only Nonstatutory Options, and may not receive Incentive Stock Options. The Committee shall have complete discretion in determining the recipient of options among the Employees or Consultants, the number of shares of Stock subject to an Option and the number of Options granted to each Optionee. In making such determinations, the Committee may take into account the nature of services rendered by such Employees or Consultants, their present and potential contributions to the Company, and such other factors as the Committee in its discretion shall deem relevant. The Committee also shall determine whether an Option is to be an Incentive Stock Option or a Nonstatutory Option.

(b) The aggregate Fair Market Value (determined at the date of grant) of shares of Stock with respect to which Incentive Stock Options are exercisable for the first time by the Optionee during any calendar year under all plans of the Company under which Incentive Stock Options may be granted (and all such plans of any Parent Corporations and any Subsidiary Corporations of the Company) shall not exceed \$100,000.

(c) The preceding paragraph shall not be deemed to prevent the grant of Options in excess of the maximums established by the preceding paragraph where such excess amount is treated as a Nonstatutory Option; provided, however, no Optionee may be granted Options in any fiscal year to purchase an aggregate number of shares of Stock in excess of 250,000 shares per Optionee, subject to adjustment under Section 5.3 above.

(d) The Committee is expressly given the authority to issue amended Options with respect to shares of Stock subject to an Option previously granted hereunder. An amended Option amends the terms of an Option previously granted and thereby supersedes the previous Option.

(e) No Options granted under the Plan may be exercisable before the approval of the Plan by the shareholders of the Company pursuant to the Bylaws of the Company ("Shareholder Approval"). The granting and vesting of an Option under the Plan by the Committee and the exercise of such Option by the Optionee shall be subject to Shareholder Approval at the 1996 Annual Meeting of the Company. If Shareholder Approval of the Plan does not occur at the 1996 Annual Meeting of the Company any Option or Options held by any Optionee under the Plan shall terminate immediately and shall be unexercisable.

SECTION 7.2. No Tandem Options. Where an Option granted under this Plan is intended to be an Incentive Stock Option, the Option shall not contain terms pursuant to which the exercise of the Option would affect the Optionee's right to exercise another Option, or vice versa, such that the Option intended to be an Incentive Stock Option would be deemed a tandem stock option within the meaning of the regulations under Section 422 of the Code.

SECTION 7.3. Option Agreement. (a) As determined by the Committee on the date of grant, each Option shall be evidenced by an Option agreement (the "Option Agreement") that includes the nontransferability provisions of Section 10.2 hereof and specifies: whether the Option is an Incentive Stock Option or a Nonstatutory Option; the Option price; the duration of the Option; the number of shares of Stock to which the Option applies; any vesting or serial exercise restrictions which the Committee may impose; and any other terms or conditions which the Committee may impose.

(b) All Option Agreements shall incorporate the provisions of this Plan by reference, with certain provisions to apply depending upon whether the Option Agreement applies to an Incentive Stock Option or to a Nonstatutory Option.

SECTION 7.4. Option Price. No Incentive Stock Option granted pursuant to this Plan shall have an Option price that is less than the Fair Market Value of Stock on the date the Option is granted. Incentive Stock Options granted to Significant Shareholders shall have an Option price of not less than 110 percent of the Fair Market Value of Stock on the date of grant. The

Option price for Nonstatutory Options shall be equal to the Fair Market Value of Stock on the date the Option is granted and shall not be subject to the restrictions applicable to Incentive Stock Options.

SECTION 7.5. Term of Options. Each Option shall expire at such time as the Committee shall determine when it is granted, provided however that no Option shall be exercisable later than the tenth anniversary date of its grant. By its terms, an Incentive Stock Option granted to a Significant Shareholder shall not be exercisable after five years from the date of grant.

SECTION 7.6. Exercise of Options. Options granted under the Plan shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve, which need not be the same for all Optionees.

SECTION 7.7. Payment. Payment for all shares of Stock shall be made at the time that an Option, or any part thereof, is exercised, and no shares shall be issued until full payment therefor has been made. Payment shall be made (i) in cash, or (ii) if acceptable to the Committee, in Stock having a Fair Market Value at the time of the exercise equal to the exercise price (provided that, in the case of an Insider, the Stock that is tendered as payment upon exercise of the Option has been held by the Optionee for at least six months prior to its tender if such restriction is necessary to maintain the exemption of the Option under Rule 16b-3), or in some other form, including a combination of the above; provided, however, in the case of an Incentive Stock Option, that said other form of payment does not prevent the Option from qualifying for treatment as an “incentive stock option” within the meaning of the Code. In addition, the Company may establish a cashless exercise program in accordance with Federal Reserve Board Regulation T.

**ARTICLE VIII
WRITTEN NOTICE, ISSUANCE OF
STOCK CERTIFICATES, SHAREHOLDER PRIVILEGES**

SECTION 8.1. Written Notice. An Optionee wishing to exercise an Option shall give written notice to the Chief Financial Officer of the Company, in the form and manner prescribed by the Committee. Except for approved “cashless exercises,” full payment for the shares exercised pursuant to the Option must accompany the written notice.

SECTION 8.2. Issuance of Stock Certificates. As soon as practicable after the receipt of written notice and payment, the Company shall deliver to the Optionee or to a nominee of the Optionee a certificate or certificates for the requisite number of shares of Stock. Such certificate may bear a legend restricting transfer if required under Article XVI below.

SECTION 8.3. Privileges of a Shareholder. An Optionee or any other person entitled to exercise an Option under this Plan shall not have shareholder privileges with respect to any Stock covered by the Option until the date of issuance of a stock certificate for such stock.

**ARTICLE IX
TERMINATION OF EMPLOYMENT**

SECTION 9.1. Death. If an Optionee's employment in the case of an Employee, or provision of services as a Consultant, in the case of a Consultant, terminates by reason of death, the Option may thereafter be exercised at any time prior to the expiration date of the Option or within 12 months after the date of such death, whichever period is the shorter, by the person or persons entitled to do so under the Optionee's will or, if the Optionee shall fail to make a testamentary disposition of an Option or shall die intestate, the Optionee's legal representative or representatives. The Option shall be exercisable only to the extent that such Option was exercisable as of the date of death.

SECTION 9.2. Termination Other Than For Cause Or Due to Death. (a) Unless otherwise determined by the Board, in the event of an Optionee's termination of employment, in the case of an Employee, or termination of the provision of services as a Consultant, in the case of a Consultant, other than by reason of death or for cause (as defined in Section 9.3 below), the Optionee may exercise such portion of his Option as was exercisable by the Optionee at the date of such termination (the "Termination Date") at any time within three (3) months after the Termination Date; provided, however, that where the Optionee is an Employee, and is terminated due to disability within the meaning of Code Section 422(c)(6), such Optionee may exercise such portion of any Option as was exercisable by such Optionee on Optionee's Termination Date within one year after such Termination Date. In any event, the Option cannot be exercised after the expiration of the term of the Option. Options not exercised within the applicable period specified above shall terminate.

(b) In the case of an Employee, a change of duties or position within the Company or an assignment of employment in a Subsidiary Corporation or Parent Corporation of the Company, if any, or from such a corporation to the Company, shall not be considered a termination of employment for purposes of this Plan. The Option Agreements may contain such provisions as the Committee shall approve with reference to the effect of approved leaves of absence upon termination of employment.

SECTION 9.3. Termination for Cause. (a) In the event of an Optionee's termination of employment, in the case of an Employee, or termination of the provision of services as a Consultant in the case of a Consultant, which termination is by the Company for cause (as defined below), any Option or Options held by such Optionee under the Plan, to the extent not exercised before such termination, shall terminate immediately.

(b) The term "cause" means: (i) Optionee's conviction of a felony which would materially damage the reputation of the Company, (ii) material misappropriation by Optionee of the Company's property or other material acts of dishonesty by Optionee against the Company or (iii) Optionee's gross negligence or willful misconduct in the performance of Optionee's duties, which has a material adverse effect on the Company.

**ARTICLE X
RIGHTS OF OPTIONEES**

SECTION 10.1. Service. Nothing in this Plan shall interfere with or limit in any way the right of the Company to terminate any Employee's employment, or any Consultant's services, at any time, nor confer upon any Employee any right to continue in the employ of the Company, or upon any Consultant any right to continue to provide services to the Company.

SECTION 10.2. Nontransferability. Except as otherwise determined by the Committee in the case of Nonstatutory Options, all Options granted under this Plan shall be nontransferable by the Optionee, other than by will or the laws of descent and distribution, and shall be exercisable during the Optionee's lifetime only by the Optionee.

**ARTICLE XI
OPTIONEE-EMPLOYEE'S
TRANSFER OR LEAVE OF ABSENCE**

SECTION 11.1. Optionee-Employee's Transfer or Leave of Absence. For Plan purposes:

(a) A transfer of an Optionee who is an Employee from the Company to a Subsidiary Corporation or Parent Corporation, or from one such corporation to another, or

(b) a leave of absence for such an Optionee (i) which is duly authorized in writing by the Company, and (ii) if the Optionee holds an Incentive Stock Option, which qualifies under the applicable regulations under the Code which apply in the case of incentive stock options, shall not be deemed a termination of employment. However, under no circumstances may an Optionee exercise an Option during any leave of absence, unless authorized by the Committee.

**ARTICLE XII
AMENDMENT, MODIFICATION,
AND TERMINATION OF THE PLAN**

SECTION 12.1. Amendment, Modification, and Termination of the Plan. The Board may at any time terminate, and from time to time may amend or modify the Plan, provided, however, that no such action of the Board, without approval of the shareholders, may:

(a) increase the total amount of Stock that may be purchased through Options granted under the Plan, except as provided in Section 5.1 above; or

(b) change the class of Employees or Consultants eligible to receive Options; or

(c) change the provisions of Section 7.1 above to allow an Optionee to be granted Options in any fiscal year to purchase an aggregate number of shares of Stock in excess of 250,000 shares per Optionee, subject to adjustment under Section 5.3 above.

SECTION 12.2. Options Previously Granted. No amendment, modification, or termination of the Plan shall in any manner adversely affect any outstanding Option under the Plan without the consent of the Optionee holding the Option.

**ARTICLE XIII
MERGER, CONSOLIDATION OR ACCELERATION EVENT**

SECTION 13.1. Merger, Consolidation.

(a) Subject to any required action by the shareholders, if the Company shall be the surviving corporation in any merger or consolidation, any Option granted hereunder shall pertain to and apply to the securities to which a holder of the number of shares of Stock subject to the Option would have been entitled in such merger or consolidation.

(b) A dissolution or a liquidation of the Company or a merger and consolidation in which the Company is not the surviving corporation shall cause every Option outstanding hereunder to terminate as of the effective date of such dissolution, liquidation, merger or consolidation. However, unless the Optionee is offered a firm commitment whereby the resulting or surviving corporation in a merger or consolidation will tender to the Optionee an option (the "Substitute Option") to purchase its shares on terms and conditions as to number of shares, exercisability and otherwise, which will substantially preserve to the Optionee the rights and benefits of the Option outstanding hereunder granted by the Company, then the Optionee shall have the right immediately prior to such merger, or consolidation to exercise any unexercised Options whether or not then exercisable, subject to the provisions of this Plan. The Board shall have absolute and uncontrolled discretion to determine whether the Optionee has been offered a firm commitment and whether the tendered Substitute Option will substantially preserve to the Optionee the rights and benefits of the Option outstanding hereunder. In any event, any Substitute Option for an Incentive Stock Option shall comply with the requirements of Code Section 424(a).

SECTION 13.2. Impact of Acceleration Event. Subject to Shareholder Approval of the Plan, Options granted hereunder will become fully exercisable and vested in the event of a "Acceleration Event" as defined in Section 13.3 or a "Potential Acceleration Event" as defined in Section 13.4.

SECTION 13.3. Definition of "Acceleration Event." For purposes of Section 13.2, an "Acceleration Event" means the happening of any of the following:

(a) When any "person" as defined in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) of the Exchange Act, but excluding the Company or any subsidiary or parent or any employee benefit plan sponsored or maintained by the Company or any subsidiary or parent (including any trustee of such plan acting as trustee), directly or indirectly, becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act, as amended from time to time), of securities of the Company representing 20 percent or more of the combined voting power of the Company's then outstanding securities;

(b) When, during any period of 24 consecutive months during the existence of the Plan, the individuals who, at the beginning of such period, constitute the Board (“Incumbent Directors”) cease for any reason other than death to constitute at least a majority thereof; provided, however, that a Director who was not a Director at the beginning of such 24-month period will be deemed to have satisfied such 24-month requirement (and be an Incumbent Director) if such Director was elected by, or on the recommendation or, or with the approval of, at least 60% of the Directors who then qualified as Incumbent Directors either actually (because they were Directors at the beginning of such 24-month period) or by prior operation of this Section 13.3(b); or

(c) The approval by the shareholders of any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company or the adoption of any plan or proposal for the liquidation or dissolution of the Company.

SECTION 13.4. Definition of “Potential Acceleration Event.” For purposes of Section 13.2, a “Potential Acceleration Event” means the approval by the Board of an agreement by the Company the consummation of which would result in an Acceleration Event of the Company as defined in Section 13.3.

ARTICLE XIV SECURITIES REGISTRATION

SECTION 14.1. Securities Registration. (a) In the event that the Company shall deem it necessary or desirable to register under the Securities Act of 1933, as amended, or any other applicable statute, any Options or any Stock with respect to which an Option may be or shall have been granted or exercised, or to qualify any such Options or Stock under the Securities Act of 1933, as amended, or any other statute, then the Optionee shall cooperate with the Company and take such action as is necessary to permit registration or qualification of such Options or Stock.

(b) Unless the Company has determined that the following representation is unnecessary, each person exercising an Option under the Plan may be required by the Company, as a condition to the issuance of the shares pursuant to exercise of the Option, to make a representation in writing (a) that he or she is acquiring such shares for his or her own account for investment and not with a view to, or for sale in connection with, the distribution of any part thereof, (b) that before any transfer in connection with the resale of such shares, he or she will obtain the written opinion of counsel for the Company, or other counsel acceptable to the Company, that such shares may be transferred. The Company may also require that the certificates representing such shares contain legends reflecting the foregoing. The Company will only require the foregoing investment representation from an Optionee, inscription of a legend on the Optionee’s share certificate and placement of a stop order with the Company’s transfer agent if a registration statement is not in effect with respect to the shares issued pursuant to the Plan at the time the Optionee exercises the Option.

**ARTICLE XV
TAX WITHHOLDING**

SECTION 15.1. Tax Withholding. The Company shall have the power and the right to deduct or withhold, or require an Optionee to remit to the Company, an amount sufficient to satisfy Federal, state, and local taxes (including the Optionee's FICA obligation) required by law to be withheld with respect to any grant, exercise, or payment made under or as a result of the Plan.

SECTION 15.2. Share Withholding. With respect to withholding required upon the exercise of Options, or upon any other taxable event hereunder, Optionees may elect, subject to the approval of the Committee, to satisfy the withholding requirement, in whole or in part, by having the Company withhold shares having a Fair Market Value, on the date the tax is to be determined, equal to the minimum marginal tax which could be imposed on the transaction.

Share withholding upon the exercise of an Option will be done if the Optionee makes a signed, written election and either of the following occurs:

(a) The Option exercise occurs during a "window period" and the election to use such share withholding is made at any time prior to exercise. For this purpose, "window period" means the period beginning on the third business day following the date of public release of the Company's quarterly financial information and ending after the twelfth business day following such date. An earlier election can be revoked up until the exercise of the Option during the window period; or

(b) An election to withhold shares is made at least six months before the Option is exercised. If this election is made, then the Option can be exercised and shares may be withheld outside of the window period.

**ARTICLE XVI
INDEMNIFICATION**

SECTION 16.1. Indemnification. To the extent permitted by law, each person who is or shall have been a member of the Committee or of the Board shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's articles of incorporation or bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

**ARTICLE XVII
REQUIREMENTS OF LAW**

SECTION 17.1. Requirements of Law. The granting of Options and the issuance of shares of Stock upon the exercise of an Option shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

SECTION 17.2. Governing Law. To the extent not preempted by federal law, the Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Minnesota.

SECTION 17.3. Compliance with the Code. Incentive Stock Options granted hereunder are intended to qualify as "incentive stock options" under Code Section 422. If any provision of this Plan is susceptible to more than one interpretation, such interpretation shall be given thereto as is consistent with Incentive Stock Options granted under this Plan being treated as incentive stock options under the Code.

**ARTICLE XVIII
EFFECTIVE DATE OF PLAN**

SECTION 18.1. Effective Date. Subject to Shareholder Approval of the Plan, the Plan shall be effective as of July 1, 1996, the date of its adoption by the Board.

**ARTICLE XIX
NO OBLIGATION TO EXERCISE OPTION**

SECTION 19.1. No Obligation to Exercise. The granting of an Option shall impose no obligation upon the holder thereof to exercise such Option.

**CHRONIMED INC.
1999 STOCK OPTION PLAN**

**ARTICLE I
ESTABLISHMENT AND PURPOSE**

SECTION 1.1. Establishment. Chronimed, Inc., a Minnesota Corporation (“*Company*”), hereby establishes a stock option plan for employees and others providing services to the Company, as described herein, which shall be known as the “1999 STOCK OPTION PLAN” (“*Plan*”). The Plan permits the granting of Nonstatutory Stock Options and Incentive Stock Options.

SECTION 1.2. Purpose. The purposes of this Plan are to enhance shareholder investment by attracting, retaining, and motivating employees and consultants of the Company and to encourage stock ownership by such employees and consultants by providing them with a means to acquire a proprietary interest in the Company’s success.

**ARTICLE II
DEFINITIONS**

SECTION 2.1. Definitions . Unless the context clearly requires otherwise, the following terms shall have the respective meanings set forth below, and when said meaning is intended, the term shall be capitalized.

(a) “*Board*” means the Board of Directors of the Company.

(b) “*Code*” means the Internal Revenue Code of 1986, as amended.

(c) “*Committee*” shall mean the Committee, as specified in Article IV hereof, appointed by the Board to administer the Plan, or the Board if no Committee is appointed.

(d) “*Company*” means Chronimed Inc., a Minnesota corporation (including any and all subsidiaries).

(e) “*Consultant*” means any person or entity, including an officer or director of the Company who provides consulting or advisory services (other than as an Employee) to the Company.

(f) “*Date of Exercise*” means the date the Company receives notice by an Optionee of the exercise of an Option pursuant to Section 8.1 of this Plan. Such notice shall indicate the number of shares of Stock as to which the Optionee intends to exercise an Option.

(g) “*Employee*” means any person, including an officer or director of the Company, who is employed by the Company.

(h) “*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

(i) “**Exercise Price**” means the amount for which one share of Stock may be purchased upon exercise of an Option, as specified in the applicable Option Agreement.

(j) “**Fair Market Value**” means the closing price of the Stock as reported by NASDAQ on the applicable day, or if there has been no sale on that date, on the last preceding date on which a sale occurred, or such other value of the Stock as shall be specified by the Committee.

(k) “**Incentive Stock Option**” means an Option granted under this Plan which is designated as an Incentive Stock Option and is intended to qualify as an “incentive stock option” within the meaning of Section 422 of the Code.

(l) “**Nonstatutory Option**” means an Option granted under this Plan which is not intended to qualify as an incentive stock option within the meaning of Section 422 of the Code. Except as otherwise specified herein, Nonstatutory Options may be granted at such times and subject to such restrictions as the Board shall determine without conforming to the statutory rules of Section 422 of the Code applicable to incentive stock options.

(m) “**Option**” means the right, granted under this Plan, to purchase Stock of the Company at the Exercise Price for a specified period of time. For purposes of this Plan, an Option may be either an Incentive Stock Option or a Nonstatutory Option.

(n) “**Optionee**” means a person to whom an Option has been granted under the Plan.

(o) “**Parent Corporation**” shall have the meaning set forth in Section 424(e) of the Code with the Company being treated as the employer corporation for purposes of this definition.

(p) “**Subsidiary Corporation**” shall have the meaning set forth in Section 424(f) of the Code with the Company being treated as the employer corporation for purposes of this definition.

(q) “**Significant Shareholder**” means an individual who, within the meaning of Section 422(b)(6) of the Code, owns Stock possessing more than ten percent of the total combined voting power of all classes of stock of the Company or of any Parent Corporation or Subsidiary Corporation of the Company. In determining whether an individual is a Significant Shareholder, an individual shall be treated as owning Stock owned by certain relatives of the individual and certain Stock owned by corporations in which the individual is a shareholder, partnerships in which the individual is a partner, and estates or trusts of which the individual is a beneficiary, all as provided in Section 424(d) of the Code.

(r) “**Stock**” means the common stock of the Company.

SECTION 2.2. Gender and Number. Except when otherwise indicated by the context, any masculine terminology when used in this Plan also shall include the feminine gender, and the definition of any term herein in the singular also shall include the plural.

SECTION 2.3. Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

ARTICLE III ELIGIBILITY AND PARTICIPATION

SECTION 3.1. Eligibility. All Employees are eligible to participate in this Plan and receive Incentive Stock Options and/or Nonstatutory Options hereunder. All Consultants are eligible to participate in this Plan and receive Nonstatutory Options hereunder.

SECTION 3.2. Actual Participation. Subject to the provisions of the Plan, the Committee may, from time to time, select from all Employees and Consultants those to whom Options shall be granted and shall determine the nature of and number of shares of Stock subject to each such Option.

ARTICLE IV ADMINISTRATION

SECTION 4.1. The Committee. The Plan shall be administered by the Committee. If the entire Board of Directors is not serving as the Committee, the Committee appointed by the Board shall consist of two or more directors of the Company, as selected by the Board. The Board may also authorize one or more officers or directors of the Company to administer the plan, acting as a secondary committee within guidelines established from time to time by the Board. Within the limitations of this Section 4.1, any reference in the Plan to the Committee shall include such secondary committee.

SECTION 4.2. Authority of the Committee. The Committee shall have full power except as limited by law or by the Articles of Incorporation or Bylaws of the Company, and subject to the provisions herein, to determine the size and types of Options; to determine the terms and conditions of such Options in a manner consistent with the Plan; to construe and interpret the Plan and any agreement or instrument entered into under the Plan; to establish, amend, or waive rules and regulations for the Plan's administration; and (subject to the provisions of Article XII herein) to amend the terms and conditions of any outstanding Option to the extent such terms and conditions are within the discretion of the Committee as provided in the Plan. Further, the Committee shall make all other determinations which may be necessary or advisable for the administration of the Plan. As permitted by law, the Committee may delegate its authorities as identified hereunder.

SECTION 4.3. Decisions Binding. All determinations and decisions made by the Committee pursuant to the provisions of the Plan and all related orders or resolutions of the Board of Directors shall be final, conclusive, and binding on all persons, including the Company, its shareholders, Employees, Consultants, Optionees, and their respective successors.

**ARTICLE V
STOCK SUBJECT TO THE PLAN**

SECTION 5.1. Number. Subject to adjustment as provided in Section 5.3 below, the total number of shares of Stock hereby made available for grant and reserved for issuance under the Plan shall be 1,500,000. The aggregate number of shares of Stock available under this Plan shall be subject to adjustment as provided in Section 5.3 below. The total number of shares of Stock may be authorized but unissued shares of Stock, or shares acquired by purchase as directed by the Board from time to time in its discretion, to be used for issuance upon exercise of Options granted hereunder.

SECTION 5.2. Lapsed Options. If an Option shall expire or terminate for any reason without having been exercised in full, the unpurchased shares of Stock subject thereto shall (unless the Plan shall have terminated) become available for other Options under the Plan.

SECTION 5.3. Adjustment in Capitalization. In the event of any change in the outstanding shares of Stock by reason of a stock dividend or split, recapitalization, reclassification, or other similar corporate change, the aggregate number of shares of Stock set forth in Sections 5.1 and 7.1 below shall be appropriately adjusted by the Committee, whose determination shall be conclusive; provided, however, that fractional shares shall be rounded to the nearest whole share. In any such case, the number and kind of shares that are subject to any Option (including any Option outstanding after termination of employment) and the Exercise Price per share shall be proportionately and appropriately adjusted without any change in the aggregate Exercise Price to be paid therefor upon exercise of the Option.

**ARTICLE VI
DURATION OF THE PLAN**

SECTION 6.1. Duration of the Plan. Subject to shareholder approval, the Plan shall be in effect for ten years from the date of its adoption by the Committee. Any Options outstanding at the end of said period shall remain in effect in accordance with their terms. The Plan shall terminate before the end of said period if all Stock subject to it has been purchased pursuant to the exercise of Options granted under the Plan.

**ARTICLE VII
TERMS OF STOCK OPTIONS**

SECTION 7.1. Grant of Options. (a) Subject to Section 5.1, Options may be granted to Employees or Consultants at any time and from time to time as determined by the Committee; provided, however, that Consultants may receive only Nonstatutory Options, and may not receive Incentive Stock Options. The Committee shall have complete discretion in determining the recipient of options among the Employees or Consultants, the number of shares of Stock subject to an Option and the number of Options granted to each Optionee. In making such determinations, the Committee may take into account the nature of services rendered by such Employees or Consultants, their present and potential contributions to the Company, and such other factors as the Committee in its discretion shall deem relevant. The Committee also shall determine whether an Option is to be an Incentive Stock Option or a Nonstatutory Option.

(b) The aggregate Fair Market Value (determined at the date of grant) of shares of Stock with respect to which Incentive Stock Options are exercisable for the first time by the Optionee during any calendar year under all plans of the Company under which Incentive Stock Options may be granted (and all such plans of any Parent Corporations and any Subsidiary Corporations of the Company) shall not exceed \$100,000.

(c) The preceding paragraph shall not be deemed to prevent the grant of Options in excess of the maximums established by the preceding paragraph and any such excess will be treated as a Nonstatutory Option; provided, however, no Optionee may be granted Options in any fiscal year to purchase an aggregate number of shares of Stock in excess of 250,000 shares per Optionee, subject to adjustment under Section 5.3 above.

(d) The Committee is expressly given the authority to issue amended Options with respect to shares of Stock subject to an Option previously granted hereunder. An amended Option amends the terms of an Option previously granted and thereby supersedes the previous Option.

(e) No Options granted under the Plan may be exercisable before the approval of the Plan by the shareholders of the Company pursuant to the Bylaws of the Company (“*Shareholder Approval*”). The granting and vesting of an Option under the Plan by the Committee and the exercise of such Option by the Optionee shall be subject to Shareholder Approval at the 1998 Annual Meeting of the Company. If Shareholder Approval of the Plan does not occur at the 1998 Annual Meeting of the Company any Option or Options held by any Optionee under the Plan shall terminate immediately and shall be unexercisable.

SECTION 7.2. No Tandem Options. Where an Option granted under this Plan is intended to be an Incentive Stock Option, the Option shall not contain terms pursuant to which the exercise of the Option would affect the Optionee’s right to exercise another Option, or vice versa, such that the Option intended to be an Incentive Stock Option would be deemed a tandem stock option within the meaning of the regulations under Section 422 of the Code.

SECTION 7.3. Option Agreement. (a) As determined by the Committee on the date of grant, each Option shall be evidenced by an Option agreement (the “*Option Agreement*”) that includes the nontransferability provisions of Section 10.2 hereof and specifies: whether the Option is an Incentive Stock Option or a Nonstatutory Option; the Exercise Price; the duration of the Option; the number of shares of Stock to which the Option applies; any vesting or serial exercise restrictions which the Committee may impose; and any other terms or conditions which the Committee may impose. The Committee may require an Optionee to sign the Option Agreement.

(b) All Option Agreements shall incorporate the provisions of this Plan by reference, with certain provisions to apply depending upon whether the Option Agreement applies to an Incentive Stock Option or to a Nonstatutory Option.

SECTION 7.4. Exercise Price. No Incentive Stock Option granted pursuant to this Plan shall have an Exercise Price that is less than the Fair Market Value of Stock on the date the Option is granted. Incentive Stock Options granted to Significant Shareholders shall have an

Exercise Price of not less than 110 percent of the Fair Market Value of Stock on the date of grant. The Exercise Price for Nonstatutory Options shall be equal to the Fair Market Value of Stock on the date the Option is granted and shall not be subject to the restrictions applicable to Incentive Stock Options.

SECTION 7.5. Term of Options. Each Option shall expire at such time as the Committee shall determine when it is granted, provided however that no Option shall be exercisable later than the tenth anniversary date of its grant. By its terms, an Incentive Stock Option granted to a Significant Shareholder shall not be exercisable after five years from the date of grant.

SECTION 7.6. Exercise of Options. Options granted under the Plan shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve, which need not be the same for all Optionees.

SECTION 7.7. Payment. Payment for all shares of Stock shall be made at the time that an Option, or any part thereof, is exercised, and no shares shall be issued until full payment therefor has been made. Payment shall be made in cash, cash equivalents, or other form acceptable to the Committee, including without limitation, in Stock having a Fair Market Value at the time of the exercise equal to the Exercise Price; provided, however, in the case of an Incentive Stock Option, that said other form of payment does not prevent the Option from qualifying for treatment as an “incentive stock option” within the meaning of the Code. In addition, the Company may establish a cashless exercise program in accordance with Federal Reserve Board Regulation T.

**ARTICLE VIII
WRITTEN NOTICE, ISSUANCE OF
STOCK CERTIFICATES, SHAREHOLDER PRIVILEGES**

SECTION 8.1. Written Notice. An Optionee wishing to exercise an Option shall give written notice to the Chief Financial Officer of the Company, in the form and manner prescribed by the Committee. Except for approved “cashless exercises,” full payment for the shares exercised pursuant to the Option must accompany the written notice.

SECTION 8.2. Issuance of Stock Certificates. As soon as practicable after the receipt of written notice and payment, the Company shall deliver to the Optionee or to a nominee of the Optionee a certificate or certificates for the requisite number of shares of Stock. Such certificate may bear a legend restricting transfer if required under Article XVI below.

SECTION 8.3. Rights of a Shareholder. An Optionee or any other person entitled to exercise an Option under this Plan shall not have dividend rights, voting rights or other rights or privileges of a shareholder with respect to any Stock covered by an Option until the date of issuance of a stock certificate for such Stock. No adjustment shall be made for cash dividends or other rights for which the record date is prior to such date of issuance, except as expressly provided in the Plan.

**ARTICLE IX
TERMINATION OF EMPLOYMENT**

SECTION 9.1. Death. Unless otherwise determined by the Committee, if an Optionee's employment in the case of an Employee, or provision of services as a Consultant, in the case of a Consultant, terminates by reason of death, the Option may thereafter be exercised at any time prior to the expiration date of the Option or within 12 months after the date of such death, whichever period is the shorter, by the person or persons entitled to do so under the Optionee's will or, if the Optionee shall fail to make a testamentary disposition of an Option or shall die intestate, the Optionee's legal representative or representatives. The Option shall be exercisable only to the extent that such Option was exercisable as of the date of death.

SECTION 9.2. Termination Other Than For Cause Or Due to Death. (a) Unless otherwise determined by the Committee, in the event of an Optionee's termination of employment, in the case of an Employee (except when an Employee becomes a Consultant), or termination of the provision of services as a Consultant, in the case of a Consultant, other than by reason of death or for cause (as defined in Section 9.3 below), the Optionee may exercise such portion of his Option as was exercisable by the Optionee at the date of such termination (the "Termination Date") at any time within three (3) months after the Termination Date; provided, however, when the termination occurs due to disability, as defined in the Code, such Optionee may exercise such portion of any Option as was exercisable by such Optionee on Optionee's Termination Date within one year after such Termination Date. In any event, the Option cannot be exercised after the expiration of the term of the Option. Options not exercised within the applicable period specified above shall terminate.

(b) In the case of an Employee, a change of duties or position within the Company or an assignment of employment in a Subsidiary Corporation or Parent Corporation of the Company, if any, or from such a corporation to the Company, shall not be considered a termination of employment for purposes of this Plan. The Option Agreements may contain such provisions as the Committee shall approve with reference to the effect of approved leaves of absence upon termination of employment.

SECTION 9.3. Termination for Cause. (a) In the event of an Optionee's termination of employment, in the case of an Employee, or termination of the provision of services as a Consultant in the case of a Consultant, which termination is by the Company for cause (as defined below), any Option or Options held by such Optionee under the Plan, to the extent not exercised before such termination, shall terminate immediately.

(b) The term "cause" means: (i) Optionee's conviction of a felony which would materially damage the reputation of the Company, (ii) material misappropriation by Optionee of the Company's property or other material acts of dishonesty by Optionee against the Company or (iii) Optionee's gross negligence or willful misconduct in the performance of Optionee's duties, which has a material adverse effect on the Company.

**ARTICLE X
RIGHTS OF OPTIONEES**

SECTION 10.1. Service. Nothing in this Plan shall interfere with or limit in any way the right of the Company to terminate any Employee's employment, or any Consultant's services, at any time, nor confer upon any Employee any right to continue in the employ of the Company, or upon any Consultant any right to continue to provide services to the Company.

SECTION 10.2. Restrictions on Transfer. (a) Except as otherwise provided by this Section 10.2, all Options granted under this Plan shall be nontransferable by the Optionee, other than by will or the laws of descent and distribution, and shall be exercisable during the Optionee's lifetime only by the Optionee. The Committee may, in its sole discretion and with the consent of the Optionee: (i) grant Nonstatutory Options which are transferable within the restrictions of this Section 10.2, (ii) amend a then existing Nonstatutory Option to allow for transferability of such Option within the restrictions of this Section 10.2 or (iii) amend a then existing Incentive Stock Option (whereby such Option will become a Nonstatutory Option) to allow for transferability of such Option within the restrictions of this Section 10.2 (collectively, the "Transferable Options").

(b) The Committee may, in its sole discretion, authorize all or a portion of the Transferable Options to be on terms which permit transfer of such Option by the initial Optionee of such Option (the "Initial Optionee") to (i) the spouse, children, step-children, grandchildren, step-grandchildren, siblings or parents of the Initial Optionee ("Immediate Family Members"), (ii) a trust or trusts for the exclusive benefit of such Immediate Family Members, (iii) a partnership or other entity in which such Immediate Family Members are the only partners or equity owners (iv) a former spouse of the Initial Optionee pursuant to a qualified domestic relations order (collectively, a "Permitted Transferee"), provided that:

(1) there may be no consideration for any such transfer;

(2) the stock option agreement pursuant to which such Options are granted, or any amendment thereto, must be approved by the Committee, and must expressly provide for transferability in a manner consistent with this Section 10.2;

(3) any option or portion thereof transferred by an Initial Optionee to a Permitted Transferee may be exercised by the Permitted Transferee only to the same extent as the Initial Optionee would have been entitled to exercise it, and shall remain subject to all of the terms and conditions that would have applied to such Option under the provisions of the Plan and option agreement, if the Initial Optionee had not transferred such option or portion thereof to the Permitted Transferee;

(4) subsequent transfers of transferred Options (including sale, assignment, pledge or other transfer) shall be prohibited except by will or the laws of descent and distribution;

(5) the Initial Optionee shall remain subject to applicable withholding taxes upon exercise of options transferred to a Permitted Transferee;

(6) the Company shall have no obligation to notify the Permitted Transferee of the expiration or early termination of any option;

(7) the Committee may, in its sole discretion, require as a condition to the transfer of an option, that the Permitted Transferee execute an agreement under which the Permitted Transferee would become a party to the applicable option agreement and agree that in the event the Company merges into or consolidates with another entity, the Company sells all or a substantial part of its assets, or the Company's common stock is subject to a tender or exchange offer, the Permitted Transferee will consent to the transfer or assumption of the option, or accept a new option in substitution therefor, if the Company requests the Permitted Transferee to do so; and

(8) such transfer shall not be effective unless and until the Initial Optionee has furnished the Committee written notice of the transfer, copies of all requested documents evidencing the transfer, and such other agreements as may be required by the Committee.

**ARTICLE XI
OPTIONEE-EMPLOYEE'S
TRANSFER OR LEAVE OF ABSENCE**

SECTION 11.1. *Optionee-Employee's Transfer or Leave of Absence.* For Plan purposes:

(a) A transfer of an Optionee who is an Employee from the Company to a Subsidiary Corporation or Parent Corporation, or from one such corporation to another, or

(b) a leave of absence for such an Optionee (i) which is duly authorized in writing by the Company, and (ii) if the Optionee holds an Incentive Stock Option, which qualifies under the applicable regulations under the Code which apply in the case of incentive stock options, shall not be deemed a termination of employment. However, under no circumstances may an Optionee exercise an Option during any leave of absence, unless authorized by the Committee.

**ARTICLE XII
AMENDMENT, MODIFICATION,
AND TERMINATION OF THE PLAN**

SECTION 12.1. *Amendment, Modification, and Termination of the Plan.* The Board may at any time terminate, and from time to time may amend or modify the Plan, provided, however, that no such action of the Board, without approval of the shareholders, may:

(a) increase the total amount of Stock that may be purchased through Options granted under the Plan, except as provided in Section 5.1 above; or

(b) change the class of Employees or Consultants eligible to receive Options; or

(c) change the provisions of Section 7.1 above to allow an Optionee to be granted Options in any fiscal year to purchase an aggregate number of shares of Stock in excess of 250,000 shares per Optionee, subject to adjustment under Section 5.3 above.

SECTION 12.2. Options Previously Granted. No amendment, modification, or termination of the Plan shall in any manner adversely affect any outstanding Option under the Plan without the consent of the Optionee holding the Option.

**ARTICLE XIII
MERGER, CONSOLIDATION OR
ACCELERATION EVENT**

SECTION 13.1. Merger, Consolidation.

(a) Subject to any required action by the shareholders, if the Company shall be the surviving corporation in any merger or consolidation, any Option granted hereunder shall pertain to and apply to the securities to which a holder of the number of shares of Stock subject to the Option would have been entitled in such merger or consolidation.

(b) A dissolution or a liquidation of the Company or a merger and consolidation in which the Company is not the surviving corporation shall cause every Option outstanding hereunder to terminate as of the effective date of such dissolution, liquidation, merger or consolidation. However, unless the Optionee is offered a firm commitment whereby the resulting or surviving corporation in a merger or consolidation will tender to the Optionee an option (the "Substitute Option") to purchase its shares on terms and conditions as to number of shares, exercisability and otherwise, which will substantially preserve to the Optionee the rights and benefits of the Option outstanding hereunder granted by the Company, then the Optionee shall have the right immediately prior to such merger, or consolidation to exercise any unexercised Options whether or not then exercisable, subject to the provisions of this Plan. The Board shall have absolute and uncontrolled discretion to determine whether the Optionee has been offered a firm commitment and whether the tendered Substitute Option will substantially preserve to the Optionee the rights and benefits of the Option outstanding hereunder. In any event, any Substitute Option for an Incentive Stock Option shall comply with the requirements of Code Section 424(a).

SECTION 13.2. Impact of Acceleration Event. Subject to Shareholder Approval of the Plan, Options granted hereunder will become fully exercisable and vested in the event of a "Acceleration Event" as defined in Section 13.3 or a "Potential Acceleration Event" as defined in Section 13.4.

SECTION 13.3. Definition of "Acceleration Event." For purposes of Section 13.2, an "Acceleration Event" means the happening of any of the following:

(a) When any "person" as defined in Section 3(a) (9) of the Exchange Act and as used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) of the Exchange Act, but excluding the Company or any subsidiary or parent or any employee benefit plan sponsored or maintained by the Company or any subsidiary or parent (including any trustee

of such plan acting as trustee), directly or indirectly, becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act, as amended from time to time), of securities of the Company representing 20 percent or more of the combined voting power of the Company’s then outstanding securities;

(b) When, during any period of 24 consecutive months during the existence of the Plan, the individuals who, at the beginning of such period, constitute the Board (“*Incumbent Directors*”) cease for any reason other than death to constitute at least a majority thereof; provided, however, that a Director who was not a Director at the beginning of such 24-month period will be deemed to have satisfied such 24-month requirement (and be an Incumbent Director) if such Director was elected by, or on the recommendation or, or with the approval of, at least 60% of the Directors who then qualified as Incumbent Directors either actually (because they were Directors at the beginning of such 24-month period) or by prior operation of this Section 13.3(b); or

(c) The approval by the shareholders of any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company or the adoption of any plan or proposal for the liquidation or dissolution of the Company.

SECTION 13.4. Definition of “Potential Acceleration Event.” For purposes of Section 13.2, a “Potential Acceleration Event” means the approval by the Board of an agreement by the Company the consummation of which would result in an Acceleration Event of the Company as defined in Section 13.3.

ARTICLE XIV SECURITIES REGISTRATION

(a) In the event that the Company shall deem it necessary or desirable to register under the Securities Act of 1933, as amended, or any other applicable statute, any Options or any Stock with respect to which an Option may be or shall have been granted or exercised, or to qualify any such Options or Stock under the Securities Act of 1933, as amended, or any other statute, then the Optionee shall cooperate with the Company and take such action as is necessary to permit registration or qualification of such Options or Stock.

(b) Unless the Company has determined that the following representation is unnecessary, each person exercising an Option under the Plan may be required by the Company, as a condition to the issuance of the shares pursuant to exercise of the Option, to make a representation in writing (a) that he or she is acquiring such shares for his or her own account for investment and not with a view to, or for sale in connection with, the distribution of any part thereof, (b) that before any transfer in connection with the resale of such shares, he or she will obtain the written opinion of counsel for the Company, or other counsel acceptable to the Company, that such shares may be transferred. The Company may also require that the certificates representing such shares contain legends reflecting the foregoing. The Company will only require the foregoing investment representation from an Optionee, inscription of a legend on the Optionee’s share certificate and placement of a stop order with the Company’s transfer

agent if a registration statement is not in effect with respect to the shares issued pursuant to the Plan at the time the Optionee exercises the Option.

ARTICLE XV TAX WITHHOLDING

SECTION 15.1. Tax Withholding. The Company shall have the power and the right to deduct or withhold, or require an Optionee to remit to the Company, an amount sufficient to satisfy Federal, state, and local taxes (including the Optionee's FICA obligation) required by law to be withheld with respect to any grant, exercise, or payment made under or as a result of the Plan. The Company shall not be required to issue any Stock under the Plan until such obligations are satisfied.

SECTION 15.2. Share Withholding. With respect to withholding required upon the exercise of Options, or upon any other taxable event hereunder, Optionees may elect, subject to the approval of the Committee and compliance with applicable laws and regulation, to satisfy the withholding requirement, in whole or in part, by having the Company withhold shares having a Fair Market Value, on the date the tax is to be determined, equal to the minimum marginal tax which could be imposed on the transaction.

ARTICLE XVI INDEMNIFICATION

SECTION 16.1. Indemnification. To the extent permitted by law, each person who is or shall have been a member of the Committee or of the Board shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's articles of incorporation or bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

ARTICLE XVII REQUIREMENTS OF LAW

SECTION 17.1. Requirements of Law. The granting of Options and the issuance of shares of Stock upon the exercise of an Option shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

SECTION 17.2. Governing Law. To the extent not preempted by federal law, the Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Minnesota.

SECTION 17.3. Compliance with the Code. Incentive Stock Options granted hereunder are intended to qualify as “incentive stock options” under Code Section 422. If any provision of this Plan is susceptible to more than one interpretation, such interpretation shall be given thereto as is consistent with Incentive Stock Options granted under this Plan being treated as incentive stock options under the Code.

**ARTICLE XVIII
EFFECTIVE DATE OF PLAN**

SECTION 18.1. Effective Date. Subject to Shareholder Approval of the Plan, the Plan shall be effective as of August 11, 1998, the date of its adoption by the Board.

**ARTICLE XIX
NO OBLIGATION TO EXERCISE OPTION**

SECTION 19.1. No Obligation to Exercise. The granting of an Option shall impose no obligation upon the holder thereof to exercise such Option.

**CHRONIMED INC.
2001 STOCK INCENTIVE PLAN**

ARTICLE I

THE PURPOSE; EFFECT ON PRIOR PLANS

The purpose of this Plan is to promote the success of the Company by providing an additional means to attract, motivate and retain employees and, through the grant of Options and other Awards that provide added long term incentives for high levels of performance, to improve the financial performance of the Company. The Plan is intended to replace prior stock option plans that have been previously approved by the shareholders of the Company. The Company will not issue additional options under such plans except that the Company may, in accordance with such plans, issue new options to the extent that any currently issued options are unexercised at the time they terminate or are forfeited.

ARTICLE II

DEFINITIONS

SECTION 2.1. Definitions.

(a) "Administrator" shall mean the Compensation Committee or any other Committee of directors appointed by the Board for purposes of serving as the Committee under this Plan.

(b) "Award" shall mean a Nonqualified Stock Option, an Incentive Stock Option, a Performance Stock Option, a Reload Option, a Stock Appreciation Right, a Restricted Stock Award, a Performance Share Award, or any other stock award granted under this Plan.

(c) "Award Agreement" shall mean a written agreement setting forth the terms of an Award.

(d) "Award Date" shall mean the date upon which the Administrator took the action granting an Award or such later date as is prescribed by the Administrator.

(e) "Award Period" shall mean the period beginning on an Award Date and ending on the expiration date of such Award.

(f) "Beneficiary" shall mean the person, persons, trust or trusts entitled by will or the laws of descent and distribution to receive the benefits specified under this Plan in the event of a Participant's death, and shall mean the Award holder's executor or administrator in such circumstances if no other Beneficiary is identified and able to act.

(g) "Board" shall mean the Board of Directors of the Corporation.

(h) "Change in Control" shall be deemed to have occurred if (A) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing 20% or more of the combined voting power of the Corporation's then outstanding securities; or (B) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by the Corporation's shareholders, of each new Board member was approved by a vote of at least three-fourths of the Board members then still in office who were Administrator members at the beginning of such period.

(i) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(j) "Commission" shall mean the Securities and Exchange Commission.

(k) "Committee" shall mean a committee appointed by the Board of Directors.

(l) "Common Stock" shall mean the Common Stock of the Corporation.

(m) "Company" shall mean, collectively, Chronimed Inc. and its Subsidiaries.

(n) "Consultant" means any person or entity, other than an officer or director of the Company, who provides consulting or advisory services (other than as an Employee) to the Company.

(o) "Corporation" shall mean Chronimed Inc. and its successors.

(p) "Eligible Employee" shall mean an officer or employee of the Company.

(q) "Event" shall mean any of the following:

(1) Approval by the shareholders of the Corporation of the dissolution or liquidation of the Corporation;

(2) Approval by the shareholders of the Corporation of an agreement to merge or consolidate, or otherwise reorganize, with or into one or more entities which are not Subsidiaries, as a result of which less than 50% of the outstanding voting securities of the surviving or resulting entity are, or are to be, owned by former shareholders of the Corporation;

(3) Approval by the shareholders of the Corporation of the sale of substantially all of the Corporation's business and/or assets to a person or entity which is not a Subsidiary; or

(4) A Change in Control.

(r) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(s) "Fair Market Value" shall mean (i) if the stock is listed or admitted to trade on a national securities exchange, the closing price of the stock on the Composite Tape, as published in the Midwest Edition of The Wall Street Journal, of the principal national securities exchange on which the stock is so listed or admitted to trade, on such date, or, if there is no trading of the stock on such date, then the closing price of the stock as quoted on such Composite Tape on the next preceding date on which there was trading in such shares; (ii) if the stock is not listed or admitted to trade on a national securities exchange, the last price for the stock on such date, as furnished by the National Association of Securities Dealers, Inc. ("NASD") through the NASDAQ National Market Reporting System or a similar organization if the NASD is no longer reporting such information; (iii) if the stock is not listed or admitted to trade on a national securities exchange and is not reported on the National Market Reporting System, the mean between the bid and asked price for the stock on such date, as furnished by the NASD; or (iv) if the stock is not listed or admitted to trade on a national securities exchange, is not reported on the National Market Reporting System and if bid and asked prices for the stock are not furnished by the NASD or a similar organization, the values established by the Administrator for purposes of the Plan.

(t) "Incentive Stock Option" shall mean an option which is designated as an incentive stock option within the meaning of Section 422 of the Code, the award of which contains such provisions as are necessary to comply with that section.

(u) "Nonqualified Stock Option" shall mean an option which is designated as a Nonqualified Stock Option or an option that fails (or to the extent that it fails) to satisfy the applicable requirements under the Code for an Incentive Stock Option.

(v) "Option" shall mean an option to purchase Common Stock under this Plan. An Option shall be designated by the Administrator as a Nonqualified Stock Option, an Incentive Stock Option, or a Performance Stock Option.

(w) "Optionee" shall mean the person to whom an Option is granted.

(x) "Participant" shall mean an Eligible Employee who has been granted an Award.

(y) "Performance Share Award" shall mean an award of shares of Common Stock, issuance of which is contingent upon attainment of performance objectives specified by the Administrator.

(z) "Performance Stock Option" shall mean an option granted under Section 4.6 of this Plan, the exercise of which is contingent upon the attainment of specified performance objectives.

(aa) "Personal Representative" shall mean the legal representative or representatives who, upon the disability or incompetence of a Participant, shall have acquired on behalf of the Participant by legal proceeding or otherwise the power to exercise the rights and receive the benefits specified in this Plan.

(bb) "Plan" shall mean this 2001 Stock Incentive Plan.

(cc) "Reload Option" shall have the meaning set forth in Section 4.8 of this Plan.

(dd) "Restricted Stock" shall mean those shares of Common Stock issued pursuant to a Restricted Stock Award which are subject to the restrictions set forth in the related Award Agreement.

(ee) "Restricted Stock Award" shall mean an award of a fixed number of shares of Common Stock to the Participant subject, however, to payment of such consideration, if any, and such forfeiture provisions, as are set forth in the Award Agreement.

(ff) "Retirement" shall mean retirement at age 65.

(gg) "Rule 16b-3" means Rule 16b-3 under Section 16 of the Exchange Act, as applicable to this Plan (taking into consideration relevant transition period provisions) and as the same may be amended from time to time.

(hh) "Section 16 Person" means a person subject to the reporting requirements of Section 16(a) of the Exchange Act.

(ii) "Securities Act" shall mean the Securities Act of 1933.

(jj) "Stock Appreciation Right" shall mean a right to receive a number of shares of Common Stock or an amount of cash, or a combination of shares and cash, determined as provided in the applicable Section of this Plan or in the Award Agreement with respect thereto.

(kk) "Subsidiary" shall mean any corporation or other entity a majority or more of whose outstanding voting stock or voting power is beneficially owned directly or indirectly by the Corporation.

(ll) "Tax-Offset Bonus" shall mean a bonus payable upon exercise of a nonstatutory Option or upon a disqualifying disposition of Common Stock acquired pursuant to the exercise of an Incentive Stock Option, determined as provided in the applicable Section of this Plan or in an Award Agreement providing for such Bonus.

(mm) "Total Disability" shall mean a "permanent and total disability" within the meaning of Section 22(e)(3) of the Code.

ARTICLE III

THE PLAN

SECTION 3.1. Administration.

(a) This Plan shall be administered by the Administrator. The Administrator may delegate ministerial, nondiscretionary functions to individuals who are officers or employees of the Company.

(b) Subject to the express provisions of this Plan, the Administrator shall have the authority to construe and interpret this Plan and any agreements defining the rights and obligations of the Company and Participants under this Plan; to identify among Eligible Employees and Consultants those to whom Awards will be granted and (consistent with express limits of this Plan) the terms of such Awards; to further define the terms used in this Plan and prescribe, amend and rescind rules and regulations relating to the administration of this Plan; either generally or on a case by case base to establish terms and conditions pertaining to termination of employment, modify or amend any outstanding Award or waive any condition or restriction of an Award, or extend (up to a maximum term of ten (10) years after the initial Award Date) the term or post-termination exercise period of any outstanding Award, or reduce (subject to Sections 4.4, 5.2(d) and 8.5) the minimum vesting period after initial grant to a Participant; to determine the duration and purposes of leaves of absence which may be granted to Participants without constituting a termination of their employment for purposes of this Plan; and to make all other determinations necessary or advisable for the administration of this Plan. The determinations of the Administrator on the foregoing matters shall be conclusive.

(c) Any action taken by, or inaction of, the Corporation, any Subsidiary, the Board or the Administrator relating to this Plan shall be within the absolute discretion of that entity or body. No member of the Administrator, or officer of the Corporation or any Subsidiary, shall be liable for any such action or inaction.

SECTION 3.2. Participation. Awards of Incentive Stock Options may be granted only to Eligible Employees. All other Awards may be granted to Eligible Employees and Consultants. Any individual who has been granted an Award may, if otherwise eligible, be granted additional Awards if the Administrator shall so determine.

SECTION 3.3. Stock Subject to the Plan. The maximum aggregated amount of Common Stock that may be issued pursuant to Awards granted under this Plan shall not exceed 1,760,296 shares, subject to adjustment as set forth in Section 8.2. Reload Options, however, may be granted pursuant to Section 4.8 without regard to the limit in the preceding sentence. The maximum aggregate amount of Common Stock includes 760,296 shares previously authorized for issuance by the shareholders under prior stock option plans for which awards have not been granted.

SECTION 3.4. Grant of Awards. Subject to the express provisions of the Plan, the Administrator shall determine from the class of Eligible Employees and Consultants those

individuals to whom Awards under the Plan shall be granted, the terms of Awards (which need not be identical) and the number of shares of Common Stock subject to each Award. Each Award shall be subject to the terms and conditions set forth in the Plan and such other terms and conditions established by the Administrator as are not inconsistent with the purpose and provisions of the Plan.

SECTION 3.5. Exercise of Awards. Notwithstanding any other provision of this Plan, the Administrator may impose, by rule and in Award Agreements, such conditions upon the exercise of Awards (including, without limitation, conditions limiting the time of exercise to specified periods) as may be required to satisfy applicable regulatory requirements, including without limitation Rule 16b-3.

SECTION 3.6. Share Reservation. No Award may be granted under this Plan unless, on the date of grant, the sum of (i) the maximum number of shares issuable at any time pursuant to such Award, plus (ii) the number of shares that previously have been issued pursuant to Awards granted under this Plan, other than reacquired shares available for reissue consistent with any applicable limitations under Rule 16b-3, plus (iii) the maximum number of shares that may be issued after such date of grant pursuant to Awards granted under this Plan that remain outstanding on such date, does not exceed the share limit in Section 3.3.

SECTION 3.7. Provisions for Certain Cash Awards. The number of Awards under this Plan that are payable solely in cash that would constitute derivative securities (“Cash Only Awards”) shall be determined by reference to the number of shares referenced for purpose of determining the value or price of the Cash Only Award (the “underlying shares”). The maximum number of Cash Only Awards under this Plan shall not, together with the number of shares previously issued and subject to then outstanding Awards payable (or deemed payable) in shares under this Plan, exceed the share limit in Section 3.3. To the extent that any Cash Only Awards expire or are terminated without the cash payment being made, the underlying shares shall again be available under this Plan.

SECTION 3.8. Reissue of Awards and Shares. Other Awards payable in cash or payable in cash or shares that are forfeited or for any reason are not so paid under this Plan, as well as shares subject to Awards that expire or for any reason are terminated and are not issued, shall again, to the extent permitted under Rule 16b-3, be available for subsequent Awards under the Plan. The foregoing shall not apply to any forfeited or unexercised Reload Options.

SECTION 3.9. Plan Not Exclusive. Nothing in this Plan shall limit or be deemed to limit the authority of the Board or the Administrator to grant awards or authorize any other compensation, with or without reference to the Common Stock, under any other plan or authority.

ARTICLE IV

OPTIONS

SECTION 4.1. Grants. One or more Options may be granted to any Eligible Employee or Consultant. Each Option so granted shall be designated by the Administrator as either a Nonqualified Stock Option, an Incentive Stock Option (but only if the Award is to an Eligible

Employee) or a Performance Stock Option. The maximum number of shares underlying Options that may be granted to any one person during any given fiscal year of the Corporation shall be 300,000 shares.

SECTION 4.2. Option Price.

(a) Subject to applicable law, the purchase price per share of the Common Stock covered by each Option shall be determined by the Administrator, but in the case of any Incentive Stock Option, unless otherwise permitted under the Code, shall not be less than 100% (or 110% in the case of a Participant who owns or under applicable Code provisions is deemed to own more than 10% of the total combined voting power of all classes of stock of the Company) of the Fair Market Value of the Common Stock on the date the Incentive Stock Option is granted. The purchase price of any shares purchased on exercise of any Option shall be paid in full at the time of each purchase in one or a combination of the following methods:

(i) in cash, or by check payable to the order of the Corporation,

(ii) if authorized by the Administrator or specified in the Option being exercised, by a promissory note made by the Participant in favor of the Corporation, upon the terms and conditions determined by the Administrator, bearing interest at a rate sufficient to avoid imputed interest under the Code, and secured by the Common Stock issuable upon exercise in compliance with applicable law (including, without limitation, state corporate law and federal margin requirements), or

(iii) by shares of Common Stock of the Corporation already owned by the Participant; provided, however, the Administrator may in its absolute discretion limit the Participant's ability to exercise an Option by delivering shares, and any shares delivered which were initially acquired upon exercise of a stock option must have been owned by the Participant at least six months as of the date of delivery.

Shares of Common Stock used to satisfy the exercise price of an Option shall be valued at their Fair Market Value on the date of exercise.

(b) In addition to the payment methods described in subsection (a), the Option may provide that the Option can be exercised and payment made by delivering a properly executed exercise notice together with irrevocable instructions to a bank or broker to promptly deliver to the Corporation the amount of sale or loan proceeds necessary to pay the exercise price and, unless otherwise allowed by the Administrator, any applicable tax withholding under Section 8.6. The Corporation shall not be obligated to deliver certificates for the shares unless and until it receives full payment of the exercise price therefor.

(c) An Option shall be deemed to be exercised when the Secretary of the Corporation receives written notice of such exercise from the Participant, together with payment of the purchase price made in accordance with Section 4.2(a) and satisfaction of any applicable tax withholding under Section 6.6, except to the extent payment may be permitted to be made following delivery of written notice of exercise in accordance with Section 4.2(b).

(d) At the discretion of the Committee, an Optionee may also arrange to have the appropriate number of shares otherwise issuable upon exercise withheld or sold to cover the withholding tax liability associated with the Option exercise.

(e) Notwithstanding any other provision of the Plan, at the sole discretion of the Committee, an Optionee may, at least six months before exercising any Nonqualified Stock Option granted to him or her under the Plan, elect to defer the receipt of any shares upon the exercise of such Option by entering into a deferred compensation agreement approved by the Committee.

SECTION 4.3. Option Period. Each Option and all rights or obligations thereunder shall expire on such date as shall be determined by the Administrator, but not later than 10 years after the Award Date, and shall be subject to earlier termination as hereinafter provided.

SECTION 4.4. Exercise of Options. Except as otherwise provided in Section 8.4 or in the case of death or Total Disability, no Option shall be exercisable for at least six months after the Award Date. The Administrator may, at any time after grant of the Option and from time to time, increase the number of shares purchasable on or after any particular date so long as the total number of shares then subject to the Option is not increased. No Option shall be exercisable except in respect of whole shares, and fractional share interests shall be disregarded. Not less than 10 shares of Common Stock may be purchased at one time unless the number purchased is the total number at the time available for purchase under the terms of the Option.

SECTION 4.5. Limitations on Grant of Incentive Stock Options.

(a) To the extent that the aggregate Fair Market Value of stock with respect to which an Option intended as an Incentive Stock Option first exercisable by a Participant in any calendar year exceeds \$100,000, such options shall be treated as Nonqualified Stock Options. To the extent any discretionary action is necessary to meet any such limits, the Administrator on behalf of the Corporation may, in the manner and to the extent permitted by law, take such action.

(b) There shall be imposed in any Award Agreement relating to Incentive Stock Options such terms and conditions as are required in order that the Option be an "incentive stock option" as that term is defined in Section 422 of the Code.

(c) Unless otherwise permitted under applicable provisions of the Code, no Incentive Stock Option may be granted to any person who, at the time the Incentive Stock Option is granted, owns or under applicable Code provisions is deemed to own shares of outstanding Common Stock possessing more than 10% of the total combined voting power of all classes of stock of the Company, unless the exercise price of such Option is at least 110% of the Fair Market Value of the stock subject to the Option and such Option by its terms is not exercisable after the expiration of five years from the date such Option is granted.

Performance Stock Options. The Administrator may grant Performance Stock Options to Eligible Employees and Consultants who are deemed by the Administrator to be members of senior management whose performance has a direct relationship to improvement of the earnings of the Company. Vesting of such Options shall be contingent upon attainment of performance

objectives measured by compounded earnings growth and such other criteria as may be established by the Administrator.

Tax Offset Bonuses. In its discretion the Administrator may, in the Award Agreement, provide for a Tax-Offset Bonus to Participants upon exercise of Nonqualified or Performance Stock Options or to any Participant who elects to make a disqualifying disposition (as defined in Section 422(a)(1) of the Code) of Common Stock acquired pursuant to the exercise of an Incentive Stock Option. The Tax-Offset Bonus shall be in the form of a cash payment equal to a percentage of the difference between the exercise price and the Fair Market Value on the date of exercise of the Common Stock with respect to which the Bonus is payable. Such percentage shall be designed to offset the impact of additional taxes which result from the exercise of the Option or the disqualifying disposition, as the case may be.

SECTION 4.8. Reload Options. If an Optionee tenders shares of Common Stock to pay the exercise price of an Option in accordance with Section 4.2(a) (iii) or arranges to have a portion of the shares otherwise issuable upon exercise withheld or sold to pay the applicable withholding taxes in accordance with Section 4.2(d), the Optionee may receive, at the discretion of the Committee, a new "Reload Option" equal to the number of shares tendered to pay the exercise price and the number of shares used to pay withholding taxes. Reload Options shall be issued only as Nonqualified Stock Options and will be granted under such terms, conditions, restrictions and limitations as may be determined by the Committee from time to time. Reload Options may also be granted in connection with the exercise of options granted under any other plan of the Company which may be designated by the Committee from time to time, except as to Incentive Stock Options which have already been granted.

ARTICLE V

STOCK APPRECIATION RIGHTS.

SECTION 5.1. Grants.

In its discretion, the Administrator may grant Stock Appreciation Rights concurrently with the grant of Options. A Stock Appreciation Right shall extend to all or a portion of the shares covered by the related Option. A Stock Appreciation Right shall entitle the Participant who holds the related Option, upon exercise of the Stock Appreciation Right and surrender of the related Option, or portion thereof, to the extent the Stock Appreciation Right and related Option each were previously unexercised, to receive payment of an amount determined pursuant to Section 5.3. Any Stock Appreciation Right granted in connection with an Incentive Stock Option shall contain such terms as may be required to comply with the provisions of Section 422 of the Code and the regulations promulgated thereunder. In its discretion, the Administrator may also grant Stock Appreciation Rights independently of any Option subject to such conditions as the Administrator may in its absolute discretion provide.

SECTION 5.2. Exercise of Stock Appreciation Rights.

(a) A Stock Appreciation Right granted concurrently with an option shall be exercisable only at such time or times, and to the extent, that the related Option shall be exercisable and only when the Fair Market Value of the stock subject to the related Option exceeds the exercise price of the related Option.

(b) In the event that a Stock Appreciation Right granted concurrently with an Option is exercised, the number of shares of Common Stock subject to the related Option shall be charged against the maximum amount of Common Stock that may be issued or transferred pursuant to Awards under this Plan. The number of shares subject to the Stock Appreciation Right and the related Option of the Participant shall also be reduced by such number of shares.

(c) If a Stock Appreciation Right granted concurrently with an Option extends to less than all the shares covered by the related Option and if a portion of the related Option is thereafter exercised, the number of shares subject to the unexercised Stock Appreciation Right shall be reduced only if and to the extent that the remaining number of shares covered by such related Option is less than the remaining number of shares subject to such Stock Appreciation Right.

(d) A Stock Appreciation Right granted independently of any Option shall be exercisable pursuant to the terms of the Award Agreement but in no event earlier than six months after the Award Date, except in the case of death or Total Disability.

SECTION 5.3. Payment.

(a) Upon exercise of a Stock Appreciation Right and surrender of an exercisable portion of the related Option, the Participant shall be entitled to receive payment of an amount determined by multiplying:

(1) the difference obtained by subtracting the exercise price per share of Common Stock under the related Option from the Fair Market Value of a share of Common Stock on the date of exercise of the Stock Appreciation Right, by

(2) the number of shares with respect to which the Stock Appreciation Right shall have been exercised.

(b) The Administrator, in its sole discretion, may settle the amount determined under paragraph (a) above solely in cash, solely in shares of Common Stock (valued at Fair Market Value on the date of exercise of the Stock Appreciation Right), or partly in such shares and partly in cash, provided that the Administrator shall have determined that such exercise and payment are consistent with applicable law. In any event, cash shall be paid in lieu of fractional shares. Absent a determination to the contrary, all Stock Appreciation Rights shall be settled in cash as soon as practicable after exercise. The exercise price for the Stock Appreciation Right shall be the exercise price of the related Option. Notwithstanding the foregoing, the Administrator may, in the Award Agreement, determine the maximum amount of cash or stock or a combination thereof which may be delivered upon exercise of a Stock Appreciation Right.

(c) Upon exercise of a Stock Appreciation Right granted independently of any Option, the Participant shall be entitled to receive payment of an amount based on a percentage, specified in the Award Agreement, of the difference obtained by subtracting the Fair Market Value per share of Common Stock on the Award Date from the Fair Market Value per share of Common Stock on the date of exercise of the Stock Appreciation Right. Such amount shall be paid as described in paragraph (b) above.

ARTICLE VI

RESTRICTED STOCK AWARDS.

SECTION 6.1. Grants. Subject to Section 3.3, the Administrator may, in its discretion, grant one or more Restricted Stock Awards to any Eligible Employee or Consultant. Each Restricted Stock Award Agreement shall specify the number of shares of Common Stock to be issued to the Participant, the date of such issuance, the consideration to be paid for such shares by the Participant and the restrictions imposed on such shares, which restrictions shall not terminate earlier than six (6) months nor later than ten (10) years after the Award Date.

SECTION 6.2. Restrictions.

(a) Except as provided in or pursuant to Section 8.12, shares of Common Stock comprising Restricted Stock Awards may not be sold, assigned, transferred, pledged or otherwise disposed of or encumbered, either voluntarily or involuntarily, until such shares have vested.

(b) Unless the Administrator otherwise provides, Participants receiving Restricted Stock shall be entitled to dividend and voting rights for the shares issued even though they are not vested, provided that such rights shall terminate immediately as to any forfeited Restricted Stock.

(c) In the event that the Participant shall have paid cash in connection with the Restricted Stock Award, the Award Agreement shall specify whether and to what extent such cash shall be returned upon a forfeiture (with or without an earnings factor).

(d) Restricted Stock Awards may include performance or other conditions to vesting as the Administrator deems appropriate.

ARTICLE VII

PERFORMANCE SHARE AWARDS

SECTION 7.1. Grants. The Administrator may, in its discretion, grant other types of performance-based Awards related to equity of the Company or any part thereof (“Performance Share Awards”) to Eligible Employees or Consultants based upon such factors as the Administrator shall determine. A Performance Share Award Agreement shall specify the number of shares of Common Stock subject to the Performance Share Award, the price, if any, to be paid

for such shares by the Participant and the conditions upon which issuance to the Participant shall be based, which issuance shall not be earlier than six (6) months nor later than ten (10) years after the Award Date.

ARTICLE VIII

OTHER PROVISIONS

SECTION 8.1. Rights of Eligible Employees, Participants and Beneficiaries.

(a) Adoption of this Plan shall not be construed as a commitment that any Award will be made under this Plan to an Eligible Employee or to Eligible Employees generally.

(b) Nothing contained in this Plan (or in Award Agreements or in any other documents related to this Plan or to Awards) shall confer upon any Eligible Employee or Participant any right to continue in the employ of the Company or constitute any contract or agreement of employment, or interfere in any way with the right of the Company to reduce such person's compensation or other benefits or to terminate the employment of such Eligible Employee or Participant, with or without cause. Nothing contained in this Plan or any document related thereto shall affect any other contractual right of any Eligible Employee or Participant.

SECTION 8.2. Adjustments Upon Changes in Capitalization.

(a) If the outstanding shares of Common Stock are changed into or exchanged for cash or a different number or kind of shares or securities of the Corporation or of another issuer, or if additional shares or new or different securities are distributed with respect to the outstanding shares of the Common Stock, through a reorganization or merger to which the Corporation is a party, or through a combination, consolidation, recapitalization, reclassification, stock split, stock dividend, reverse stock split, stock consolidation or other capital change or adjustment, an appropriate proportionate, equitable adjustment shall be made in the number and kind of shares or other consideration that is subject to or may be delivered under this Plan and pursuant to outstanding Awards. Corresponding adjustments to the consideration payable with respect to Awards granted prior to any such change and to the price, if any, paid in connection with or the criteria applicable to Restricted Stock Awards or Performance Share Awards shall also be made. Any such adjustments, however, shall be made without change in the total payment, if any, applicable to the portion of the Award not exercised but with a corresponding adjustment in the price for each share. Corresponding adjustments shall be made with respect to Stock Appreciation Rights based upon the adjustments made to the Options to which they are related or, in the case of Stock Appreciation Rights granted independently of any Option, based upon the adjustments made to Common Stock.

(b) Upon the dissolution or liquidation of the Corporation, or upon a reorganization, merger or consolidation of the Corporation with one or more corporations as a result of which the Corporation is not the surviving corporation, the Plan shall terminate. The Administrator may provide in writing in connection with, or in contemplation of, any such transaction for any or all of the following alternatives (separately or in combination): (i) for the assumption by the

successor corporation (if any) of the Awards theretofore granted or the substitution by such corporation for such Awards of grants covering the stock of the successor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of securities and/or other property and prices; (ii) for the continuance of the Plan by such successor corporation in which event the Plan and the Awards shall continue in the manner and under the terms so provided; or (iii) for the payment in cash, securities and/or other property in lieu of and in complete satisfaction of such Awards.

(c) In adjusting Awards to reflect the changes described in this Section 8.2, or in determining that no such adjustment is necessary, the Administrator may rely upon the advice of independent counsel and accountants of the Corporation, and the determination of the Administrator shall be conclusive. No fractional shares of stock shall be issued under this Plan on account of any such adjustment.

SECTION 8.3. Termination of Employment. Unless the Administrator otherwise expressly provides, either in the applicable Award Agreement or by subsequent modification thereof:

(a) If the Participant's employment by the Company terminates for any reason other than Retirement (except in cases involving Incentive Stock Options), death or Total Disability, the Participant shall have, subject to earlier termination pursuant to or as contemplated by Section 4.3, three (3) months from the date of termination of employment to exercise any Option to the extent it shall have become exercisable on the date of termination of employment, and any Option not exercisable on that date shall terminate. Notwithstanding the preceding sentence, in the event the Participant is discharged for cause as determined by the Administrator in its sole discretion, all Options shall terminate immediately upon receipt of the notice of termination of employment.

(b) If the Participant's employment by the Company terminates as a result of Retirement (except in cases involving Incentive Stock Options) or Total Disability, the Participant or Participant's Personal Representative, as the case may be, shall have, subject to earlier termination pursuant to or as contemplated by Section 4.3, twelve (12) months from the date of termination of employment to exercise any Option to the extent it shall have become exercisable by the date of termination of employment, and any Option not exercisable on that date shall terminate.

(c) If the Participant dies while employed by the Company or during the twelve (12) month period referred to in subsection (b) above, the Participant's Option shall be exercisable by the Participant's Beneficiary, subject to earlier termination pursuant to or as contemplated by Section 4.3, during the twelve (12) month period following the Participant's death, as to all or any part of the shares of Common Stock covered thereby to the extent exercisable on the date of death (or earlier termination).

(d) Each Stock Appreciation Right granted concurrently with an Option shall have the same termination provisions and exercisability periods as the Option to which it relates. The termination provisions and exercisability periods of any Stock Appreciation Right granted independently of an Option shall be established in accordance with Section 5.2(d). The

exercisability period of a Stock Appreciation Right shall not exceed that provided in Section 4.3 or in the related Award Agreement and the Stock Appreciation Right shall expire at the end of such exercisability period.

(e) In the event of termination of employment with the Company for any reason, (i) shares of Common Stock subject to a Participant's Restricted Stock Award shall be forfeited in accordance with the provisions of the related Award Agreement to the extent such shares have not become vested on that date; and (ii) shares of Common Stock subject to the Participant's Performance Share Award shall be forfeited in accordance with the provisions of the related Award Agreement to the extent such shares have not been issued or become issuable on that date.

(f) In the event of (or in anticipation of) a Participant's termination of employment with the Company for any reason, other than discharge for cause, the Administrator may, in its discretion, accelerate the exercisability of or increase the portion of the Participant's Award available to the Participant, or Participant's Beneficiary or Personal Representative, as the case may be, or (subject to the ten (10)-year limit) extend the period after termination during which the Award may continue to vest and/or be exercisable upon such terms and subject to such conditions as the Administrator shall determine.

(g) If an entity ceases to be a Subsidiary, such action shall be deemed for purposes of this Section 8.3 to be a termination of employment of each employee of that entity who does not continue as an employee of another entity within the Company.

SECTION 8.4. Acceleration of Awards. Upon the occurrence of an Event (i) each Option and each related Stock Appreciation Right shall become immediately exercisable to the full extent theretofore not exercisable, (ii) Restricted Stock shall immediately vest free of restrictions and (iii) the number of shares covered by each Performance Share Award shall be issued to the Participant; subject, however, to compliance with applicable regulatory requirements, including without limitation Rule 16b-3 promulgated by the Commission pursuant to the Exchange Act and Section 422 of the Code.

SECTION 8.5. Government Regulations. This Plan, the granting of Awards under this Plan and the issuance or transfer of shares of Common Stock (and/or the payment of money) pursuant thereto are subject to all applicable federal and state laws, rules and regulations and to such approvals by any regulatory or governmental agency (including without limitation "no action" positions of the Commission) which may, in the opinion of counsel for the Corporation, be necessary or advisable in connection therewith. Without limiting the generality of the foregoing, no Awards may be granted under this Plan, and no shares shall be issued by the Corporation, nor cash payments made by the Corporation, pursuant to or in connection with any such Award, unless and until, in each such case, all legal requirements applicable to the issuance or payment have, in the opinion of counsel to the Corporation, been complied with. In connection with any stock issuance or transfer, the person acquiring the shares shall, if requested by the Corporation, give assurances satisfactory to counsel to the Corporation in respect of such matters as the Corporation may deem desirable to assure compliance with all applicable legal requirements.

SECTION 8.6. Tax Withholding. (a) Upon the disposition by a Participant or other person of shares of Common Stock acquired pursuant to the exercise of an Incentive Stock Option prior to satisfaction of the holding period requirements of Section 422 of the Code, or upon the exercise of a Nonqualified Stock Option or a Performance Stock Option, the exercise of a Stock Appreciation Right, the vesting of a Restricted Stock Award, the payment of a Performance Share Award, payment pursuant to a Stock Depreciation Right or payment of a Tax-Offset Bonus, the Company shall have the right to require such Participant or such other person to pay by cash, or certified or cashier's check payable to the Company, the amount of any taxes which the Company may be required to withhold with respect to such transactions.

The above notwithstanding, in any case where a tax is required to be withheld in connection with the issuance or transfer of shares of Common Stock under this Plan, the Participant may elect, pursuant to such rules as the Administrator may establish, to have the Company reduce the number of such shares issued or transferred by the appropriate number of shares to accomplish such withholding; provided, the Administrator may impose such conditions on the payment of any withholding obligation as may be required to satisfy applicable regulatory requirements, including, without limitation, Rule 16b-3 promulgated by the Commission pursuant to the Exchange Act.

(b) The Administrator may, in its discretion, permit a loan from the Company to a Participant in the amount of any taxes which the Company may be required to withhold with respect to shares of Common Stock received pursuant to a transaction described in subsection (a) above. Such a loan will be for a term, at a rate of interest and pursuant to such other terms and rules as the Administrator may establish.

SECTION 8.7. Amendment, Termination and Suspension.

(a) The Board may, at any time, terminate or, from time to time, amend, modify or suspend this Plan. The amendment shall be approved by the stockholders to the extent then required by Rule 16b-3, Section 424 of the Internal Revenue Code or any successors thereto, or any other applicable law or rules.

(b) In the case of Awards issued before the effective date of any amendment, suspension or termination of this Plan, such amendment, suspension or termination of this Plan shall not, without specific action of the Administrator and the consent of the Participant, in any manner materially adverse to the Participant, modify, amend, alter or impair any rights or obligations under any Award previously granted under this Plan.

(c) No Awards may be granted during any suspension of this Plan or after its termination, but Awards theretofore granted may be amended to the same extent as if this Plan had not been terminated or suspended, provided no additional shares become the subject of the Award by reasons of the amendment.

(d) The Administrator may, subject to the consent of the Participant in the case of an amendment that might have a material adverse effect on the Participant, make such modifications of the terms and conditions of such Participant's Award as it shall deem advisable, including an amendment to the terms of any Option to provide that the Option price of the shares remaining

subject to the original Award shall be established at a price not less than 100% of the Fair Market Value of the Common Stock on the effective date of the amendment. No modification of any other term or provision of any Option which is amended in accordance with the foregoing shall be required, although the Administrator may, in its discretion, make such other modifications of any such Option as are not inconsistent with or prohibited by this Plan.

(e) Adjustments pursuant to Section 8.2 shall not be deemed amendments requiring the consent of the Participant.

SECTION 8.8. Privileges of Stock Ownership; Nondistributive Intent. A Participant shall not be entitled to the privilege of stock ownership as to any shares of Common Stock not actually issued to him or her. Upon the issuance and transfer of shares to the Participant, unless a registration statement is in effect under the Securities Act, relating to such issued and transferred Common Stock and there is available for delivery a prospectus meeting the requirements of Section 10 of the Securities Act, the Common Stock may be issued and transferred to the Participant only if he or she represents and warrants in writing to the Corporation that the shares are being acquired for investment and not with a view to the resale or distribution thereof. No shares shall be issued and transferred unless and until there shall have been full compliance with any then applicable regulatory requirements (including those of exchanges upon which any Common Stock of the Corporation may be listed).

SECTION 8.9. Effective Date of the Plan. This Plan shall be effective upon its approval by the shareholders of the Corporation.

SECTION 8.10. Term of the Plan. Unless previously terminated by the Board, this Plan shall terminate at the close of business on November 12, 2010, and no Awards shall be granted under it thereafter, but such termination shall not affect any Award theretofore granted or the authority of the Administrator with respect to then outstanding Awards.

SECTION 8.11. Governing Law. This Plan and the documents evidencing Awards and all other related documents shall be governed by, and construed in accordance with, the laws of the State of Minnesota. If any provision shall be held by a court of competent jurisdiction to be invalid and unenforceable, the remaining provisions of this Plan shall continue to be fully effective.

SECTION 8.12. Transfer Restrictions.

(a) Awards constituting derivative securities shall be exercisable only by, and shares, cash or other property payable pursuant to such Awards shall be paid only to, the Participant (or, in the event of the Participant's death, to the Participant's Beneficiary or, in the event of the Participant's Total Disability, to the Participant's Personal Representative or, if there is none, to the Participant). Other than by will or the laws of descent and distribution, no such Awards, or interest in or under any such Award or this Plan, shall be transferable or subject in any manner to encumbrance or other charge and any such attempted transfer or charge shall be void.

(b) The restrictions on exercise, transfer and payment in Section 8.12 (a) shall not be deemed to prohibit (i) "cashless exercise" procedures through unaffiliated third parties which provide financing for the purpose of exercising an Award consistent with applicable legal

restrictions and Rule 16b-3, nor (2) to the extent permitted by the Administrator and expressly set forth in the Award Agreement or an amendment thereto, transfers (other than transfers of Incentive Stock Options) without consideration for estate or financial planning purposes, notwithstanding that the inclusion of such features may render the particular Awards ineligible for the benefits of Rule 16b-3, nor (3) in the case of Participants who are not Section 16 Persons, transfers in such other circumstances as the Administrator may (to the extent consistent with Rule 16b-3, applicable provisions of the Code and applicable securities or other laws) in the applicable Award Agreement or other writing expressly provide, nor (4) the subsequent transfer of shares issued on exercise of a derivative security or the vesting of a Restricted Stock or Performance Share Award (except to the extent that the Award, this Plan or the Administrator otherwise expressly provides).

(c) No Participant, Beneficiary or other person shall have any right, title or interest in any fund or in any specific asset (including shares of Common Stock) of the Company by reason of any Award granted hereunder. Neither the provisions of this Plan (or of any documents related hereto), nor the creation or adoption of this Plan, nor any action taken pursuant to the provisions of this Plan shall create, or be construed to create, a trust of any kind or a fiduciary relationship between the Company and any Participant, Beneficiary or other person. To the extent that a Participant, Beneficiary or other person acquires a right to receive an Award hereunder, such right shall be no greater than the right of any unsecured general creditor of the Company.

SECTION 8.13. Limitations as to Section 16 Persons; Plan Construction.

It is the intent of the Corporation that this Plan and Awards hereunder satisfy and be interpreted in a manner that in the case of persons who are or may be subject to Section 16 of the Exchange Act satisfies the applicable plan requirements of Rule 16b-3, so that such persons will be entitled (unless otherwise expressly acknowledged in writing) to the benefits of the Rule 16b-3 or other exemptive rules under Section 16 Exchange Act and will not be subjected to avoidable liability thereunder. In furtherance of such intent, any provision of this Plan or of any Award would otherwise frustrate or otherwise conflict with the intent expressed above, that provision to the extent possible shall be interpreted and deemed amended so as to avoid conflict, but to the extent of any remaining irreconcilable conflict with such intent as to such persons in the circumstances, such provision may be deemed void.

CHRONIMED INC.
1994 STOCK OPTION PLAN FOR DIRECTORS

Article I. Establishment and Purpose

1.1 Establishment. Chronimed Inc., a Minnesota Corporation (“Company”), hereby establishes a stock option plan for members of its Board of Directors, as described herein, which shall be known as the “1994 STOCK OPTION PLAN FOR DIRECTORS” (“Plan”).

1.2 Purpose. The purpose of this Plan are to enhance shareholder investment by attracting, retaining, and motivating Directors of the Company and to encourage stock ownership by such Directors by providing them with a means to acquire a proprietary interest in the Company’s success.

Article II. Definitions

2.1 Definitions. Unless the context clearly requires otherwise, the following terms shall have the respective meanings set forth below, and when said meaning is intended, the term shall be capitalized.

(a) “Board” means the Board of Directors of the Company.

(b) “Code” means the Internal Revenue Code of 1986, as amended.

(c) “Committees” shall mean the Committee, as specified in Article IV hereof, appointed by the Board to administer the Plan.

(d) “Company” means Chronimed Inc., a Minnesota corporation (including any and all subsidiaries).

(e) “Date of Exercise” means the date the Company receives notice, by an Optionee, of the exercise of an Option pursuant to section 8.1 of this Plan. Such notice shall indicate the number of shares of Stock as to which the Optionee intends to exercise an Option.

(f) “Director” means any person, including an officer or employee of the Company, who has been elected to the Board of Directors of the Company and is currently serving on the Board.

(g) “Exchange Act” means the Securities and Exchange Act of 1934, as amended.

(h) “Fair-Market Value” means the close price of the Stock as reported by NASDAQ on the applicable day, or if there has been no sale on that date, on

the last preceding date on which a sale occurred, or such other value of the Stock as shall be specified by the Board.

(i) "Option" means the right, granted under this Plan, to purchase Stock of the Company at the option price for a specified period of time. For purposes of this Plan, an Option is a nonstatutory option and is not intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

(j) "Optionee" means a person to whom an Option has been granted under the Plan.

(k) "Option Price" means the exercise price per share of Stock purchasable under an Option.

(l) "Option Shares" means the total number of shares of Stock to which an Option applies.

(m) "stock" means the Common Stock of the Company.

2.2 Gender and Number. Except when otherwise indicated by the context, any masculine terminology when used in this Plan also shall include the feminine gender, and the definition of any term herein in the singular shall also include the plural.

2.3 Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

Article III. Eligibility and Participation

3.1 Eligibility. Options will be granted only to persons who at the time of the grant are Directors of the Company.

Article IV. Administration

4.1 The Committee. The Plan shall be administered by a Committee consisting of such persons as are appointed by the Board from time to time, and such persons shall serve at the discretion of the Board of Directors.

4.2 Authority of the Committee. The Committee will have full authority to interpret the Plan, to promulgate such rules and regulations with respect to the Plan as it deems desirable, and to make all other determinations necessary or appropriate for the administration of the Plan. Such determinations will be final and binding upon all persons having an interest in the Plan.

Article V. Stock Subject to the Plan

5.1 Number. Subject to adjustment as provided in Section 5.3 herein, the total number of shares of Stock hereby made available for grant and reserved for issuance under the Plan shall be 300,000. The aggregate number of shares of Stock available under this Plan shall be subject to adjustment as provided in section 5.3. The total number of shares of Stock may be authorized but uninsured shares of Stock, or shares acquired by purchase as directed by the Board from time to time in its discretion, to be used for issuance upon exercise of Options granted hereunder.

5.2 Lapsed Options. If an Option shall expire or terminate for any reason without having been exercised in full, the unpurchased shares of Stock subject thereto shall (unless the Plan shall have terminated) become available for other Options under the Plan.

5.3 Adjustment in Capitalization. In the event of any change in the outstanding shares of Stock by reason of a stock dividend or split, recapitalization, reclassification, or other similar corporate change, the aggregate number of shares of Stock set forth in section 5.1 shall be appropriately adjusted by the Committee, whose determination shall be conclusive; provided, however, that fractional shares shall be rounded to the nearest whole share. In any such case, the number and kind of shares that are subject to any Option (including any Option outstanding after termination of service as a Director) and the Option price per share shall be proportionately and appropriately adjusted without any change in the aggregate Option price to be paid therefor upon exercise of the Option.

Article VI. Duration of the Plan

6.1 Duration of the Plan. Subject to shareholder approval, the Plan shall be in effect for ten years from the date of its adoption by the Board. Any Options outstanding at the end of said period shall remain in effect in accordance with their terms. The Plan shall terminate before the end of said period if all Stock subject to it has been purchased pursuant to the exercise of Options granted under the Plan.

Article VII. Terms of Stock Options

7.1 Grant of Options. Pursuant to this Plan, each person serving as a Director of the Company will be granted an Option to purchase Thirty Thousand (30,000) shares of Stock. Except as otherwise may be provided herein and subject to the approval of this Plan by the Company's shareholders, each such Option: (i) will, without any further action, be granted to the members of the Board as of the date this Plan is adopted by the Board and as to directors first elected after the date of this Plan, as of the date of their election to the Board (whether by Board vote or shareholder vote); (ii) will be subject to all terms of this Plan; and (iii) will vest and become exercisable on the seventh (7th) anniversary of the date of the grant of the Option, if Optionee is then a Director of the Company, unless vesting is accelerated pursuant to the provisions of Section 7.5 or Article XII.

7.2 Option Agreement. As determined by the Committee on the date of grant, each

Option shall be evidenced by an Option agreement which shall incorporate the terms of this plan by reference.

7.3 Option Price. The Option Price of an Option granted pursuant to Section 7.1 is the Fair Market Value on the day the Option is granted to the Optionee.

7.4 Exercise of Options. Options granted under the Plan shall be exercisable in accordance with the terms of this Plan. Notwithstanding any other provision of the Plan, however, in no event may any Option granted under this Plan become exercisable prior to six months following the date of its grant, or following the date upon which the Plan is ratified, whichever is later.

7.5 Vesting and Term of Options. Each Option shall expire on the tenth anniversary date of its grant, or, if earlier, on the date five years after the last date on which the Option fully vests under Subsection (a) through (c) below. The Option will vest on the seventh anniversary of the date of grant unless vesting is accelerated as follows:

(a) If for five days during any consecutive 30-day period ending on or before the third anniversary of the date hereof, the Fair Market Value of the Stock has been equal to or greater than a price which is 20 percent greater than the Option Price, then, on the first date that this requirement is satisfied, if Optionee is then a Director of the Company, this Option shall become exercisable as to 5,000 Shares. If this requirement has not been satisfied on or before the third anniversary, then these 5,000 Shares shall not vest before the seventh anniversary hereof.

(b) If for five days during any consecutive 30-day period ending on or before the fourth anniversary of the date hereof, the Fair Market Value of the Stock has been equal to or greater than a price which is 60 percent greater than the Option Price, then, on the first date that this requirement is satisfied, if Optionee is then a Director of the Company, this Option shall become exercisable as to an additional 10,000 Shares. If this requirement has not been satisfied on or before the fourth anniversary, then these 10,000 Shares shall not vest before the seventh anniversary hereof.

(c) If for five days during any consecutive 30-day period ending on or before the fifth anniversary of the date hereof, the Fair Market Value of the Stock has been equal to or greater than a price which is 100 percent greater than the Option Price, then, on the first date that this requirement is satisfied, if Optionee is then a Director of the Company, this Option shall become exercisable as to an additional 15,000 Shares. If this requirement has not been satisfied on or before the fifth anniversary, then these 15,000 Shares shall not vest before the seventh anniversary hereof.

7.6 Payment. Payment for all shares of Stock shall be made at the time that an Option, or any part thereof, is exercised, and no shares shall be issued until full payment therefor has been made. Payment shall be made (i) in cash, or (ii) if acceptable to the Committee, in

Stock having a Fair Market Value at the time of the exercise equal to the exercise price (provided that the Stock that is tendered as payment upon exercise of the Option has been held by the Optionee for at least six months prior to its tender), or in some other form, including a combination of the above. In addition, the Company may establish a cashless exercise program in accordance with Federal Reserve Board Regulation T.

Article VIII. Written Notice, Issuance of
Stock Certificates, Shareholder Privileges

8.1 Written Notice. An Optionee wishing to exercise an Option shall give written notice to the Chief Financial Officer of the Company, in the form and manner prescribed by the Committee. Except for approved “cashless exercises,” full payment for the shares exercised pursuant to the Option must accompany the written notice.

8.2 Issuance of Stock Certificates. As soon as practicable after the receipt of written notice and payment, the Company shall deliver to the Optionee or to a nominee of the Optionee a certificate or certificates for the requisite number of shares of Stock. Such certificate may bear a legend restricting transfer thereof.

8.3 Privileges of a Shareholder. An Optionee or any other person entitled to exercise an Option under this Plan shall not have shareholder privileges with respect to any Stock covered by the Option until the date of issuance of a stock certificate for such stock.

Article IX. Termination of Service as Director

9.1 Death. If an Optionee’s service on the Board terminates by reason of death, the Option may thereafter be exercised at any time prior to the expiration date of the Option or within 12 months after the date of such death, whichever period is the shorter, by the person or persons entitled to do so under the Optionee’s will or, if the Optionee shall fail to make a testamentary disposition of an Option or shall die intestate, the Optionee’s legal representative or representatives. The Option shall be exercisable only to the extent that such Option was exercisable as of the date of death.

9.2 Termination Other Than For Cause Or Due to Death. In the event of an Optionee’s termination of service on the Board, in the case of a Director, other than by reason of death or for cause, the Optionee may exercise such portion of his Option as was exercisable by him at the date of such termination (the “Termination Date”) at any time within three (3) months of the Termination Date; provided, however, that where the Optionee is a Director, and is terminated due to disability within the meaning of Code Section 422(c)(6), such Optionee may exercise such portion of any Option as was exercisable by such Optionee on his or her Termination Date within one year of such Termination Date. In any event, the Option cannot be exercised after the expiration of the term of the Option. Options not exercised within the applicable period specified above shall terminate.

9.3 Termination for Cause. In the event of an Optionee’s termination of service on the Board, in the case of a Director, which termination is by the Company for cause, any Option

or Options held by such Optionee under the Plan, to the extent not exercised before such termination, shall terminate immediately.

Article X. No transferability

All Options granted under this Plan shall be nontransferable by the Optionee, other than by will or the laws of descent and distribution, and shall be exercisable during the Optionee's lifetime only by the Optionee.

Article XI. Amendment,
Modification and Termination of the Plan

The Board may suspend or terminate the Plan or any portion thereof at any time, and the Board may amend the Plan from time to time as may be deemed to be in the best interests of the Company; provided, however, that no such amendment, alteration, or discontinuation will be made (a) that would impair the rights of a Director with respect to an Option theretofore awarded, without such person's consent, or (b) without the approval of the shareholders, if such approval is necessary to comply with any legal, tax, or regulatory requirement, including any approval requirement that is a prerequisite for exemptive relief from Section 16(b) of the Exchange Act. No amendment will be made that will change the terms of the Options to be granted hereunder with regard to amount, exercise price, vesting or date of grant more than once every six months other than to comport to changes in the Code, Employee Retirement Income Security Act, or the rules thereunder.

Article XII. Merger, Consolidation or Acceleration Fund

12.1 Merger of Consolidation.

(a) Subject to any required action by the shareholders, if the Company shall be the surviving corporation in any merger or consolidation, any Option granted hereunder shall pertain to and apply to the securities to which a holder of the number of shares of Stock subject to the Option would have been entitled in such merger or consolidation.

(b) A dissolution or a liquidation of the Company or a merger and consolidation in which the Company is not the surviving corporation shall cause every Option outstanding hereunder to terminate as of the effective date of such dissolution, liquidation, merger or consolidation. However, the Optionee either (i) shall be offered a firm commitment whereby the resulting or surviving corporation in a merger or consolidation will tender to the Optionee an option (the "Substitute Option") to purchase its shares on terms and conditions both as to number of shares and otherwise, which will substantially preserve to the Optionee the rights and benefits of the Option outstanding hereunder granted by the Company, or (ii) shall have the right immediately prior to such merger, or

consolidation to exercise any unexercised Options whether or not then exercisable, subject to the provisions of this Plan.

12.2 Impact of Acceleration Event. All options granted hereunder will become fully exercisable and vested in the event of an “Acceleration Event” as defined in Section 12.3 or a “Potential Acceleration Event” as defined in Section 12.4.

12.3 Definition of “Acceleration Event.” For purposes of Section 12.2, an “Acceleration Event” means the happening of any of the following:

(a) When any “person” as defined in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d) and 14(d) thereof, including a “group” as defined in Section 13(d) of the Exchange Act, but excluding the Company or any subsidiary or parent or any employee benefit plan sponsored or maintained by the Company or any subsidiary or parent (including any trustee of such plan acting as trustee), directly or indirectly, becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act, as amended from time to time), of securities of the Company representing 30 percent or more of the combined voting power of the Company’s then outstanding securities;

(b) When, during any period of 24 consecutive months during the existence of the Plan, the individuals who, at the beginning of such period, constitute the Board (“Incumbent Directors”) cease for any reason other than death to constitute at least a majority thereof; provided, however, that a Director who was not a Director at the beginning of such 24-month period will be deemed to have satisfied such 24-month period requirement (and be an Incumbent Director) if such Director was elected by, or on the recommendation or, or with the approval of, at least 60% of the Directors who then qualified as Incumbent Directors either actually (because they were Directors at the beginning of such 24-month period) or by prior operation of this Section 12.3(b); or

(c) The approval by the shareholders of any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company or the adoption of any plan or proposal for the liquidation or dissolution of the Company.

12.4 Definition of “Potential Acceleration Event.” For purposes of Section 12.2, a “Potential Acceleration Event” means the approval by the Board of an agreement by the Company the consummation of which would result in an Acceleration Event of the Company as defined in Section 12.3.

Article XIII. Securities Registration

13.1 Securities Registration. In the event that the Company shall deem it necessary or desirable to register under the Securities Act of 1933, as amended, or any other applicable statute, any Options or any Stock with respect to which an Option may be or shall have been granted or exercised, or to qualify any such Options or Stock under the Securities Act of 1933, as

amended, or any other statute, then the Optionee shall cooperate with the Company and take such action as is necessary to permit registration or qualification of such Options or Stock.

Unless the Company has determined that the following representation is unnecessary, each person exercising an Option under the Plan may be required by the Company, as a condition to the issuance of the shares pursuant to exercise of the Option, to make a representation in writing (a) that he or she is acquiring such shares for his or her own account for investment and not with a view to, or for sale in connection with, the distribution of any part thereof, (b) that before any transfer in connection with the resale of such shares, he or she will obtain the written opinion of counsel for the Company, or other counsel acceptable to the Company, that such shares may be transferred. The Company may also require that the certificates representing such shares contain legends reflecting the foregoing.

Article XIV. Tax Withholding

14.1 Tax Withholding. The Company shall have the power and the right to deduct or withhold, or require an Optionee to remit to the Company, an amount sufficient to satisfy Federal, state, and local taxes (including the Optionee's FICA obligation), if any, required by law to be withheld with respect to any grant, exercise, or payment made under or as a result of the Plan.

14.2 Share Withholding. With respect to withholding required upon the exercise of Options, or upon any other taxable event hereunder, Optionees may elect, subject to the approval of the Committee, to satisfy the withholding requirement, in whole or in part, by having the Company withhold shares having a Fair Market Value, on the date the tax is to be determined, equal to the minimum marginal tax which could be imposed on the transaction.

Share withholding upon the exercise of an Option will be done if the Optionee makes a signed, written election and either of the following occurs:

(a) The Option exercise occurs during a "window period" and the election to use such share withholding is made at any time prior to exercise. For this purpose, "window period" means the period beginning on the third (3rd) business day following the date of public release of the Company's quarterly financial information and ending after the twelfth (12th) business day following such date. An earlier election can be revoked up until the exercise of the Option during the window period; or

(b) An election to withhold shares is made at least six months before the Option is exercised. If this election is made, then the Option can be exercised and shares may be withheld outside of the window period.

Article XV. Indemnification

15.1 Indemnification. To the extent permitted by law, each person who is or shall have been a member of the Committee or of the Board shall be indemnified and held harmless by the

Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's articles of incorporation or bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

Article XVI. Requirements of Law

16.1 Requirements of Law. The granting of Options and the issuance of shares of Stock upon the exercise of an Option shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

16.2 Governing Law. To the extent not preempted by federal law, the Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Minnesota.

Article XVII. Effective Date of Plan

17.1 Effective Date. Subject to ratification by an affirmative vote of holders of a majority of shares present and entitled to vote at the 1994 Annual Meeting, the Plan shall be effective as of September 29, 1994, the date of its adoption by the Board.

Article XVIII. No Obligation to Exercise Option

18.1 No Obligation to Exercise. The granting of an option shall impose no obligation upon the holder thereof to exercise such Option.

Article XIX. Nonexclusivity of the Plan

19.1 Nonexclusivity of the Plan. The adoption of this Plan will not be construed as limiting the power of the Board to adopt such other incentive arrangements as it may deem desirable, including the granting of stock options otherwise than under this Plan. Such arrangements may be either generally applicable or applicable only in specific cases.

March 31, 2005

BioScrip, Inc.
100 Clearbrook Road
Elmsford, New York 10523

Re: BioScrip, Inc. — Registration Statement on Form S-8

Ladies and Gentlemen:

As an executive vice president and the secretary and general counsel of BioScrip, Inc., a Delaware corporation (the “Company”), I have participated in the preparation by the Company of a Registration Statement on Form S-8 (the “Registration Statement”) to be filed with the Securities and Exchange Commission relating to the registration under the Securities Act of 1933, as amended, of 2,612,146 shares (collectively, the “Shares”) of the Company’s Common Stock, par value \$.0001 per share (“Common Stock”), that may be issued pursuant to the Chronimed Inc. 1994 Stock Option Plan, the Chronimed Inc. 1997 Stock Option Plan, the Chronimed Inc. 1999 Stock Option Plan, the Chronimed Inc. 2001 Stock Incentive Plan and the Chronimed Inc. 1994 Stock Option Plan for Directors (collectively, the “Chronimed Plans”).

As general counsel, I have examined and relied upon such records, documents, certificates and other instruments as in my judgment are necessary or appropriate to form the basis for the opinions hereinafter set forth. In all such examinations, I have assumed the genuineness of signatures on original documents and the conformity to such original documents of all copies submitted to me as certified, conformed or photographic copies, and as to certificates of public officials, I have assumed the same to have been properly given and to be accurate.

For purposes of the opinion set forth in clause (ii) below, I have assumed that the Shares that may be issued under the Chronimed Plans will continue to be duly authorized on the dates of such issuance.

I am authorized to practice law in the states of New York and Connecticut. The opinions expressed herein are limited in all respects to the corporate law of the State of Delaware, and no opinion is expressed with respect to the laws of any other jurisdiction or any effect that such laws may have on the opinions expressed herein. This opinion is limited to the matters stated herein, and no opinion is implied or may be inferred beyond the matters expressly stated herein.

Based upon the foregoing, and subject to the assumptions, qualifications and limitations set forth herein, I am of the opinion that:

(i) the Shares have been duly authorized; and

(ii) when issued in accordance with the provisions of the Chronimed Plans, the Shares will be validly issued, fully paid and non-assessable.

This opinion is given as of the date hereof, and I assume no obligation to advise you after the date hereof of facts or circumstances that come to my attention or changes in law that occur that could affect the opinions contained herein. This opinion is being rendered solely for the benefit of BioScrip, Inc. in connection with the matters addressed herein. This opinion may not be furnished to or relied upon by any person or entity for any purpose without my prior written consent.

I am an officer and director of each subsidiary of the Company. I own an aggregate of 63,600 shares of common stock of the Company and options to purchase 220,666 shares of common stock of the Company.

I consent to the filing of this opinion as an Exhibit to the Registration Statement.

Very truly yours,

/s/ Barry A. Posner

Barry A. Posner
General Counsel

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-00000) pertaining to the Chronimed Inc. 1994 Stock Option Plan, the Chronimed Inc. 1997 Stock Option Plan, the Chronimed Inc. 1999 Stock Option Plan, the Chronimed Inc. 2001 Stock Incentive Plan and the Chronimed Inc. 1994 Stock Option Plan for Directors of our reports dated March 3, 2005, with respect to the consolidated financial statements of MIM Corporation included in its Annual Report (Form 10-K) for the year ended December 31, 2004, and MIM Corporation management's assessment of the effectiveness of internal control over financial reporting, the effectiveness of internal control over financial reporting of MIM Corporation, and the related financial statement schedule of MIM Corporation included therein, filed with the Securities and Exchange Commission.

/s/Ernst & Young LLP

MetroPark, New Jersey
March 30, 2005