

## Accredo Health Inc.

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2002

### Compensation of Directors

Employees of the Company who are members of the Board of Directors of the Company do not receive any compensation for serving on the Company's Board of Directors. The Company has historically designated an amount of cash compensation and fully-vested stock option awards to compensate its non-employee directors for a specified period of service. During the period November 16, 2000 to November 30, 2001 each non-employee director received a fee for serving as a director in the form of a cash payment of \$10,000.00, plus non-qualified stock options for 15,000 shares of Accredo common stock. These options were 100% vested on the date of grant and are exercisable at an exercise price of \$27.75 per share. The options expire on November 1, 2010. For the period November 16, 2001 to November 30, 2002, each non-employee member of the Board of Directors received options for 20,000 shares of Accredo common stock, plus a cash payment of \$10,000.00. These options are 100% vested on the date of grant and are exercisable at an exercise price per share equal \$35.36 per share. These options will expire on November 1, 2011. For the period November 16, 2002 to December 1, 2003 each non-employee member of the Board of Directors will receive options for 20,000 shares of Accredo common stock, plus a cash payment of \$15,000.00. These options will be 100% vested on the date of grant and will be exercisable at an exercise price per share equal to the fair market value of Accredo stock on the date of grant. These options will expire 10 years after the date of grant. Each non-employee member of the Audit Committee will receive a fee of \$1,250.00 per Audit Committee meeting attended. All directors of the Company, including members who are employees, receive reimbursement of out-of-pocket expenses incurred in connection with attending meetings of the Board of Directors or committees thereof.

In May 1996, the Company adopted the Nova Holdings, Inc. and its Subsidiaries Stock Option and Restricted Stock Purchase Plan ("1996 Option Plan") and in April 1999, the Company adopted the Accredo Health, Incorporated 1999 Long-Term Incentive Plan ("Long Term Incentive Plan"). In June 2002, the Company adopted the Accredo Health, Incorporated 2002 Long-Term Incentive Plan ("2002 Incentive Plan"). The 1996 Option Plan was amended in 1997. The 1996 Option Plan, the Long Term Incentive Plan and the 2002 Incentive Plan provide for the discretionary grant of options to officers, employees and Directors of the Company who are not employees of the Company (each an "Eligible Director").

In addition to the grants of fully vested stock options for specified periods of service, the Company has historically granted options that vest over four (4) years to its non-employee directors upon their initially becoming a director. Pursuant to the 1996 Option Plan each then Eligible Director was, in February 1998, awarded an initial grant of non-qualified options to purchase 45,000 shares. Mr. Masterson was granted non-qualified options to purchase 45,000 shares in April 1998. After being elected to the Board, Mr. Roberg was granted nonqualified options to purchase 22,500 shares on November 18, 1999. On November 16, 2000, Dr. Dick Gourley was granted nonqualified options to purchase 15,000 shares of Accredo stock. The Option Price for each option granted to a director under the 1996 Option Plan in 1998 was \$2.667, the Option Price for each option granted to Mr. Roberg on November 18, 1999, was \$13.056, and the Option Price for each option granted to Dr. Gourley on November 16, 2000 was \$28.208, each price respectively having been determined to be the fair market value per share at the time of the grant. Ms. DeParle, if elected to the Board, will be granted non-qualified options to purchase 10,000 shares of Accredo stock at an option price equal to the fair market value of the stock on the date of grant. All of these options are vested ratably each year on the anniversary of the grant date over the four-year period commencing on the grant date. Directors of the Company are eligible for future grants of stock awards under the 1996 Option Plan, the Company's 1999 Long-Term Incentive Plan and the 2002 Incentive Plan.

## 2003

### Compensation of Directors

Employees of the Company who are members of the Board of Directors of the Company do not receive any compensation for serving on the Company's Board of Directors. The Company has historically designated an amount of cash compensation and fully-vested stock option awards to compensate its non-employee directors for a specified period of service. For the period November 16, 2001 to November 30, 2002, each non-employee member of the Board of Directors received options for 30,000 shares of Accredo common stock, plus a cash payment of \$10,000. These options were 100% vested on the date of grant and are exercisable at an exercise price of \$23.57 per share. These options will expire on November 1, 2011. For the period November 16, 2002 to December 1, 2003 each non-employee member of the Board of Directors received options for 30,000 shares of Accredo common stock, plus a cash payment of \$15,000. These options were 100% vested on the date of grant and are exercisable at an exercise price equal to \$32.41 per share. These options will expire on November 1, 2012. During the period November 25, 2003 to November 30, 2004 each non-employee director will receive a fee for serving as a director in the form of a cash payment of \$20,000, plus non-qualified stock options for that number of shares of Accredo common stock determined by dividing \$200,000 by the fair market value per share of Accredo stock on November 25, 2003. These options will be 100% vested on the date of grant and are exercisable at an exercise price equal to the price per share at close of market on November 25, 2003. The options expire on November 25, 2013. Each non-employee member of the Audit Committee received a fee of \$1,250 per Audit Committee meeting attended. This fee was increased effective March 11, 2003 to \$1,500 per meeting attended. The Chairman of the Audit Committee also receives a \$5,000 annual retainer. Effective November 25, 2003, non-employee members of all other Committees of the Board will be paid \$1,000 per each Committee meeting attended. All directors of the Company, including members who are employees, receive reimbursement of out-of-pocket expenses incurred in connection with attending meetings of the Board of Directors or Committees thereof.

In May 1996, the Company adopted the Nova Holdings, Inc. and its Subsidiaries Stock Option and Restricted Stock Purchase Plan ("1996 Option Plan") and in April 1999, the Company adopted the Accredo Health, Incorporated 1999 Long-Term Incentive Plan ("Long Term Incentive Plan"). In June 2002, the Company adopted the Accredo Health, Incorporated 2002 Long-Term Incentive Plan ("2002 Incentive Plan"). The 1996 Option Plan was amended in 1997. The 1996 Option Plan, the Long Term Incentive Plan and the 2002 Incentive Plan provide for the discretionary grant of options to officers, employees and Directors of the Company who are not employees of the Company (each an "Eligible Director").

In addition to the grants of fully vested stock options for specified periods of service, the Company has historically granted options that vest over four (4) years to its non-employee directors upon their initially becoming a director. Pursuant to the 1996 Option Plan each then Eligible Director was, in February 1998, awarded an initial grant of non-qualified options to purchase 67,500 shares. Mr. Masterson was granted non-qualified options to purchase 67,500 shares in April 1998. After being elected to the Board, Mr. Roberg was granted nonqualified options to purchase 33,750 shares on November 18, 1999. On November 16, 2000, Dr. Dick Gourley was granted nonqualified options to purchase 22,500 shares of Accredo stock. On November 19, 2002, Ms. DeParle was granted nonqualified options to purchase 15,000 shares of Accredo stock. The exercise price for each option granted to a director under the 1996 Option Plan in 1998 was \$1.778, the exercise price for each option granted to Mr. Roberg on November 18, 1999, was \$8.704, the exercise price for each option granted to Dr. Gourley on November 16, 2000 was \$18.805, and the exercise price for each option granted to Ms. DeParle on November 19, 2002 was \$35.8067, each price respectively having been determined to be the fair market value per share at the time of the grant. Mr. Evans and Mr. Rotherham, if elected to the Board, will be granted non-qualified options for that number of shares of Accredo Common Stock determined by dividing \$100,000 by the fair market value per share of Accredo stock on November 25, 2003. The exercise price for each of these options will be equal to the price per share at the close of market on

November 25, 2003. All of these options are vested ratably each year on the anniversary of the grant date over the four-year period commencing on the grant date and the options expire ten years from the date of grant. Directors of the Company are eligible for future grants of stock awards under the 1996 Option Plan, the Company's 1999 Long-Term Incentive Plan and the 2002 Incentive Plan.

## **2004**

### **Compensation of Directors**

Employees of the Company do not receive any compensation for serving on the Board of Directors. The Company has historically designated an amount of cash compensation and fully-vested stock option awards to compensate its non-employee directors for a specified period of service. The stock options have an exercise price equal to the fair market value of Accredo Common Stock on the date of grant. For the period November 16, 2002 to December 1, 2003 each non-employee director received stock options for 30,000 shares of Accredo Common Stock, plus a cash payment of \$15,000. These options are exercisable at an exercise price equal to \$32.41 per share and will expire on November 1, 2012. For the period November 25, 2003 to November 30, 2004, each non-employee director serving on November 28, 2003 received a cash payment of \$20,000, and stock options for 6,595 shares of Accredo Common Stock. These options are exercisable at an exercise price equal to \$30.33 and will expire on November 25, 2013. J. Martin Carroll, who became a director on January 27, 2004 received a cash payment of \$20,000, plus stock options for 6,074 shares of Accredo Common Stock. These options are exercisable at an exercise price equal to \$32.93 and will expire January 27, 2014. For the period November 22, 2004 to November 30, 2005, each non-employee director will receive a cash payment of \$20,000, and stock options for 25,000 shares of Accredo Common Stock, or their equivalent in the event that the Company's option plan does not have a sufficient number of options on the date of grant. These options are exercisable at an exercise price equal to the price per share at close of market on November 22, 2004 and will expire on November 22, 2014. In addition, each member of the Audit Committee received a fee of \$1,500 per Audit Committee meeting attended. The Chairman of the Audit Committee receives a \$5,000 annual retainer. Effective November 25, 2003, members of all other Committees of the Board were paid \$1,000 for each Committee meeting attended. Effective November 22, 2004, these fees will be increased to \$1,500 for each meeting attended and a \$5,000 retainer will be paid to the chairman of each Committee. The Lead Director receives a cash payment of \$25,000 per year. All directors of the Company, including members who are employees, receive reimbursement of out-of-pocket expenses incurred in connection with attending meetings of the Board of Directors or Committees thereof.

In addition to the grants of fully vested stock options for specified periods of service, the Company has historically granted stock options that vest over four years to its non-employee directors upon their initially becoming a director. On November 25, 2003, Dr. Evans and Mr. Rotherham were granted stock options to purchase 3,298 shares of Accredo Common Stock, and on January 27, 2004, Mr. Carroll was granted stock options to purchase 3,037 shares of Accredo Common Stock. The exercise price for each stock option granted to Dr. Evans and Mr. Rotherham was \$30.33, and the exercise price for each option granted to Mr. Carroll was \$32.93. The options expire ten years from the date of grant.