

CURATIVE HEALTH SERVICES, INC. COMPENSATION COMMITTEE CHARTER

Purpose

The purpose of the Compensation Committee (the “Committee”) is to act on behalf of the Board of Directors (the “Board”) of Curative Health Services, Inc. (the “Company”) to (i) assume oversight responsibility for the director and executive compensation, benefits and perquisites policies and strategies of the Company, (ii) review and determine all forms of compensation to be provided to the executive officers of the Company, including equity compensation, benefits and perquisites, and to recommend to the Board of Directors forms of compensation to be provided to directors of the Company, (iii) review and provide general guidance with respect to the bonus and equity compensation of all employees, and (iv) make all determinations regarding the administration of the Company’s equity compensation plans and awards.

Membership

The Committee shall consist of at least three members, the specific number of such members to be determined from time to time by the Board. The members of the Committee shall be nominated by the Governance Committee of the Board, and appointed by and serve at the discretion of the Board.

The Committee shall be composed solely of directors of the Company, each of whom shall be (i) an “outside director,” as such term is defined with respect to Section 162(m) of the Internal Revenue Code of 1986, as amended, and (ii) a “non-employee director,” within the meaning of Rule 16b-3(c)(2)(i) of the rules promulgated under the Securities Exchange Act of 1934, as amended.

Operating Principles

The Committee shall fulfill its responsibilities with the following aims in mind: (i) to align the economic interests of executive officers with both the short- and long-term interests of the Company’s shareholders; (ii) to motivate executive officers to undertake strategic business initiatives and reward them for the successful development and implementation of those initiatives; (iii) to attract and retain key executive officers who will contribute to the long-term success of the Company; (iv) to attract and retain independent board members who will contribute to the long term success of the Company; and (v) to provide for compensation of all of the Company’s employees at fair and competitive levels.

Duties and Responsibilities

The Committee shall have the following duties and responsibilities, in addition to any other duties and responsibilities prescribed by the Board from time to time:

- Provide guidance with respect to general compensation goals and operating principles for the Company’s employees at all levels, including general performance and measurement guidelines for the determination of bonuses and other forms of incentive compensation.

- Periodically review market data to assess the Company's competitive position for the three major components of executive compensation (i.e., base salary, annual incentives and long-term incentives) by reviewing executive compensation surveys and/or other general industry compensation information.
- Select and engage independent third party consultants (including without limitation, legal or accounting consultants) with respect to compensation issues, as the Committee deems necessary or appropriate, and determine the compensation and compensation criteria for such consultants.
- Review and determine the compensation (including base salary, incentive compensation and other benefits and perquisites), and compensation criteria of the executive officers of the Company.
- Review and make recommendations from time to time to the Board regarding general equity and cash compensation for the outside directors on the Board.
- Review and approve employment agreements, severance arrangements and change in control agreements and other similar arrangements for the Chief Executive Officer and the Company's other executive officers.
- Administer the Company's equity compensation plans. In its administration of the plans, the Committee may, pursuant to authority delegated by the Board (i) interpret the provisions of the Company's plans and exercise any other rights granted to the Committee under the terms of such plans, (ii) grant stock options or stock purchase rights to directors and executive officers eligible for such grants (in accordance with any procedures and guidelines as may be established by the Board), (iii) delegate to one or more officers of the Company the right to grant awards under the Company's equity compensation plans, except with respect to executive officers or directors of the Company, or any affiliate of the Company, and (iv) impose limitations, restrictions and conditions upon, and amend, any such stock options or stock purchase rights. The Committee shall also make recommendations to the Board with respect to amendments to the plans and changes in the number of shares reserved for issuance thereunder.
- Administer the Company's non-equity incentive compensation plans. In its administration of the plans, the Committee may, pursuant to authority delegated by the Board (i) interpret the provisions of the Company's plans and exercise any other rights granted to the Committee under the terms of such plans, (ii) grant cash bonuses or other non-equity incentive awards to directors and executive officers eligible for such grants (in accordance with any procedures and guidelines as may be established by the Board), (iii) delegate to one or more officers of the Company the right to grant awards under the Company's incentive compensation plans, except with respect to executive officers or directors of the Company, or any affiliate of the Company, and (iv) impose limitations, restrictions and conditions upon, and amend, any such incentive awards. The Committee shall also make recommendations to the Board with respect to amendments to the plans.

- Review reports from management on the status of equity plans, including options and other awards granted, vested, exercised and canceled.
- Review and make recommendations to the Board regarding other plans that are proposed for adoption or modification or are adopted or modified by the Company in connection with the compensation of, or benefits or perquisites provided to, employees of the Company.
- Review an annual report by management on the determination of executive officers of the Company, and the determination of individuals named in the Company's annual proxy statement in connection with the disclosure of executive compensation.
- Prepare an annual report on executive compensation at the Company for the last completed fiscal year, which report shall be prepared in accordance with the rules and regulations of the Securities and Exchange Commission for inclusion in the Company's annual proxy statement.
- Review the executive compensation disclosures in the Company's annual proxy statement, and consult with legal counsel as may be appropriate to assure such disclosures are adequate.
- Review the Committee's charter annually to determine whether any modifications to such charter are necessary or appropriate, and recommend to the Board any such modifications.

Meetings

It is anticipated that the Committee will meet from time to time as determined to be necessary or appropriate by the Committee, but no less frequently than annually.

At least once each year, the Committee will review the Company's stock plans, performance goals and incentive awards, as well as the overall coverage and composition of the Company's compensation programs and practices.

Minutes

The Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

Reports

The Committee will report to the Board of the Company regarding (i) all determinations made or actions taken pursuant to its duties and responsibilities, as set forth above, (ii) any recommendations of the Committee submitted to the Board for action, and (iii) overall compensation programs and practices of the Company.