

NEOPHARM, INC.

Code of Business Conduct and Ethics

I. Purpose

This Code of Business Conduct and Ethics (this "Code") provides a general statement of NeoPharm, Inc.'s (hereafter, "NeoPharm") policy regarding the ethical standards that each director, officer and employee should adhere to while acting on behalf of NeoPharm. Each director, officer and employee is expected to read and become familiar with the ethical standards described in this Code and may be required, from time to time, to affirm his or her agreement to adhere to such standards by signing the Compliance Certificate that appears at the end of this Code.

II. Administration

NeoPharm's Board of Directors is responsible for setting the standards of business conduct contained in this Code and updating these standards as it deems appropriate to reflect changes in the legal and regulatory framework applicable to the business practices within NeoPharm's industry, NeoPharm's own business practices, and the prevailing ethical standards of the communities in which NeoPharm operates. While NeoPharm's Chief Executive Officer will oversee the procedures designed to implement this Code to ensure that they are operating effectively, it is the individual responsibility of each director, officer and employee of NeoPharm to comply with this Code.

III. Compliance with Laws, Rules and Regulations

NeoPharm will comply with all laws and governmental regulations that are applicable to NeoPharm's activities, and expects that all directors, officers and employees acting on behalf of NeoPharm will obey the law. Specifically, NeoPharm is committed to:

- maintaining a safe and healthy work environment;
- promoting a workplace that is free from discrimination or harassment based on race, color, religion, sex or other factors that are unrelated to NeoPharm's business interests;
- maintaining skills important and relevant to NeoPharm's needs;
- proactively promoting ethical behavior among peers in the work environment;
- providing NeoPharm's employees, consultants, and other advisors with information that is accurate, complete, objective, relevant, timely and understandable;
- supporting fair competition and laws prohibiting restraints of trade and other unfair trade practices;
- conducting its activities in full compliance with all applicable environmental laws;

- keeping the political activities of NeoPharm's directors, officers and employees separate from NeoPharm's business;
- prohibiting any illegal payments to any government officials or political party representatives of any country; and
- complying with all applicable state and federal securities laws.

Directors, officers and employees are prohibited from illegally trading NeoPharm's securities while in possession of material, nonpublic ("inside") information about NeoPharm. NeoPharm's Insider Trading Policy, which describes the nature of inside information and the related restrictions on trading, is incorporated herein by reference and shall be deemed a part of this Code.

IV. Conflicts of Interest; Corporate Opportunities

Directors, officers and employees should avoid any activity that creates or gives the appearance of a conflict of interest between their personal interests and NeoPharm's interests. The types of situations in which conflicts of interest may arise, and which should therefor be avoided, would include, but not be limited to:

- being a consultant to, or a director, officer or employee of, or otherwise operating an outside business:
 - that markets products or services in competition with NeoPharm's current or potential products and services;
 - that supplies products or services to NeoPharm; or
 - that purchases products or services from NeoPharm;
- having a financial interest, including stock ownership, in any such outside business that might create or give the appearance of a conflict of interest (other than an ownership interest of less than 1% of a publicly traded company);
- seeking or accepting any personal loan or services from any such outside business, except from financial institutions or service providers offering similar loans or services to third parties under similar terms in the ordinary course of their respective businesses;
- being a consultant to, or a director, officer or employee of, or otherwise operating an outside business if the demands of the outside business would interfere with the director's, officer's or employee's responsibilities with NeoPharm;
- accepting any personal loan or guarantee of obligations from NeoPharm, except to the extent such arrangements are legally permissible;
- conducting business on behalf of NeoPharm with immediate family members, which include spouses, children, parents, siblings and persons sharing the same home whether or not legal relatives;
- using NeoPharm's property, information or position for personal gain; or

- taking for oneself opportunities that properly belong to NeoPharm or are discovered through the use of corporate property, information or position.

The appearance of a conflict of interest may exist if an immediate family member of a director, officer or employee of NeoPharm is a consultant to, or a director, officer or employee of, or has a significant financial interest in, a competitor, supplier or customer of NeoPharm, or otherwise does business with NeoPharm.

Directors and officers shall notify NeoPharm's General Counsel and employees who are not directors or officers shall notify their immediate supervisor of the existence of any actual or potential conflict of interest.

While it is often a common business practice to extend business courtesies, such as gifts, entertainment and favors to a business associate and to be the recipient of the same, these activities must be limited in nature, conform to this Code and never appear to or actually influence decisions on behalf of NeoPharm.

V. Confidentiality; Protection and Proper Use of NeoPharm's Assets

Directors, officers and employees shall maintain the confidentiality of all information entrusted to them by NeoPharm or its suppliers, customers or other business partners, except when NeoPharm authorizes disclosure or is legally required to disclose the information.

Confidential information includes (1) information marked "Confidential," "Private," "For Internal Use only," or similar legends, (2) technical or scientific information relating to current and future products, services or research, (3) business or marketing plans or projections, (4) earnings and other internal financial data, (5) personnel information, (6) supply and customer lists and (7) other non-public information that, if disclosed, might be of use to NeoPharm's competitors, or harmful to NeoPharm or its suppliers, customers or other business partners.

To avoid inadvertent disclosure of confidential information, directors, officers and employees shall not discuss confidential information with or in the presence of any unauthorized persons, including family members and friends.

Directors, officers and employees are personally responsible for protecting those NeoPharm assets that are entrusted to them and for helping to protect NeoPharm's assets in general.

Directors, officers and employees shall use NeoPharm's assets for NeoPharm's legitimate business purposes only.

VI. Use of Electronic Media

All electronic media and communication systems such as voice mail, e-mail, commercial software, and the Internet are the property of NeoPharm and are to be used primarily for the organization's business activities.

Communications by directors, officers and employees on NeoPharm's systems are not private and may create permanent records. Even when an e-mail is deleted, there may still be a record of that e-mail in the system. These communications are business records

and, as such, NeoPharm reserves the right to limit, read, access, intercept, and disclose the contents of these communications.

Any director, officer or employee who uses NeoPharm's systems must ensure that there are no electronic and/or voice mail communications of NeoPharm proprietary information, confidential information, copyrighted information, or any other information that could create potential legal liability for the organization.

These systems may never be used to knowingly, recklessly, or maliciously post, store, transmit, download, or distribute any threatening, abusive, libelous, defamatory, or obscene materials of any kind constituting a criminal offense, giving rise to civil liability, or otherwise violating any laws. Failure of any director, officer or employee to adhere to these requirements will be disciplined, which may include demotion or immediate dismissal.

VII. Fair Dealing; Gifts and Entertainment

NeoPharm is committed to promoting the values of honesty, integrity and fairness in the conduct of its business and sustaining a work environment that fosters mutual respect, openness and individual integrity. Directors, officers and employees are expected to deal honestly and fairly with NeoPharm's customers, suppliers, competitors and other third parties. To this end, directors, officers and employees shall not:

- make false or misleading statements to customers, suppliers or other third parties;
- make false or misleading statements about competitors;
- solicit or accept any fee, commission or other compensation for referring customers to third-party vendors; or
- otherwise take unfair advantage of NeoPharm's customers or suppliers, or other third parties, through manipulation, concealment, abuse of privileged information or any other unfair-dealing practice.

In addition, NeoPharm desires to treat fairly all persons and companies with whom it does business, such as its customers and suppliers. Giving or accepting gifts or entertainment may be construed as an improper attempt to influence the relationship. In this regard:

- A gift of money should never be given or accepted;
- A gift of nominal value may be given or accepted if it is a common business courtesy, however, a gift or favor should not be accepted or given if it might create a sense of obligation, compromise professional judgment or create the appearance that it might; and
- While no director, officer or employee should encourage or solicit meals or entertainment from anyone with whom NeoPharm does business or from anyone who desires to do business with NeoPharm, directors, officers and employees may offer or accept meals and entertainment if it is reasonable and customary, occurs infrequently and is not expensive.

NeoPharm explicitly prohibits offering, giving, soliciting or receiving any form of bribe or kickback. There are serious penalties, including criminal sanctions, for engaging in this conduct. Any director, officer or employee who engages in such conduct will be disciplined, which may include immediate dismissal.

VII. Accurate and Timely Periodic Reports

NeoPharm is committed to providing investors with full, fair, accurate, timely and understandable disclosure in the periodic reports that it is required to file. To this end, NeoPharm, with the assistance and cooperation, as appropriate, of each director, officer and employee, shall:

- comply with generally accepted accounting principles at all times;
- maintain a system of internal accounting controls that will provide reasonable assurances to management that all transactions are properly recorded;
- maintain books and records that accurately and fairly reflect NeoPharm's transactions;
- prohibit the establishment of any undisclosed or unrecorded funds or assets;
- maintain a system of internal controls that will provide reasonable assurances to management that material information about NeoPharm is made known to management, particularly during the periods in which NeoPharm's periodic reports are being prepared;
- ensure full, fair, accurate, timely and understandable disclosure in reports and documents that NeoPharm files with or submits to, the SEC, the FDA, and all other appropriate regulatory agencies, as well as in all other public communications; and
- present information in a clear and orderly manner and avoid the use of legal and financial jargon in NeoPharm's periodic reports.

VIII. Reporting and Effect of Violations; Accounting Complaints

Directors and officers shall report, in person or in writing, any known or suspected violations of laws, governmental regulations or this Code to NeoPharm's General Counsel or as described in NeoPharm's Code of Conduct Grievance Procedure which describes methods for reporting violations and is incorporated herein by reference and shall be deemed a part of this Code.

Employees who are not directors or officers shall report such violations to their immediate supervisor, any member of management, or as described in NeoPharm's Code of Conduct Grievance Procedure. Additional copies of NeoPharm's Conduct Grievance Procedure may be obtained by contacting NeoPharm's Human Resources Department or by calling the toll-free number listed in the Conduct Grievance Procedure. NeoPharm will not allow any retaliation against any employee who acts in good faith in reporting any such violation.

Complaints and concerns by anyone regarding questionable accounting, internal accounting controls or auditing matters should be reported to the Chair of the Board of Directors Audit Committee either directly or through the Code of Conduct Grievance Procedure. Reports may be made on an anonymous and confidential basis.

Complaints will be investigated as outlined in the Code of Conduct Grievance Procedure. Directors, officers and employees that violate any laws, governmental regulations or this Code will face appropriate, case specific disciplinary action, which may include demotion or discharge.

IX. Waivers.

The provisions of this Code may be waived for directors or executive officers only by a resolution of NeoPharm's Board of Directors which is supported by a majority of the independent directors. The provisions of this Code may be waived for employees who are not directors or executive officers by NeoPharm's Chief Executive Officer. Any waiver of this Code granted to a director or executive officer will be publicly disclosed as required by law or by the regulations of the securities exchange or association on which NeoPharm's securities are listed for trading at that time.

COMPLIANCE CERTIFICATE

I have read and understand NeoPharm's Code of Business Conduct and Ethics, including those documents incorporated by reference (collectively the "Code"). I will adhere in all respects to the ethical standards described in the Code. I further confirm my understanding that any violation of the code will subject me to appropriate disciplinary action, which may include demotion or discharge.

I certify to NeoPharm that I am not in violation of the Code, unless I have noted such violation in a signed Statement of Exceptions attached to this Compliance Certificate.

Date:

Name:

Title/Position:

Check one of the following:

- A Statement of Exceptions is attached.
- No Statement of Exceptions is attached.