FORM 10-K/A

Annual report pursuant to section 13 and 15(d) [amend]

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FILER

OPTICARE HEALTH SYSTEMS INC
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A
(AMENDMENT NO.1)

(MARK ONE)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER 001-15223

OPTICARE HEALTH SYSTEMS, INC.
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE	76-0453392
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
87 GRANDVIEW AVENUE, WATERBURY, CONNECTICUT	06708
(Address of Principal Executive Offices)	(Zip Code)

(203) 596-2236
Registrant's Telephone Number, Including Area Code:

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.001 par value	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [ ] Yes [X] No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K/A or any amendment to this Form 10-K/A. [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). [ ] Yes [X] No

The aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant (without admitting that any person whose shares are not included in such calculation is an affiliate) computed by reference to the closing market price as reported on the American Stock Exchange on June 30, 2004, the last business day of the registrant's most recently completed second fiscal quarter, was $4,116,126.

The number of shares outstanding of the registrant's Common Stock, par value $.001 per share, as of March 1, 2005, was 30,521,066 shares.

DOCUMENTS INCORPORATED BY REFERENCE

NONE.

EXPLANATORY NOTE

The purpose of this Amendment No. 1 (the "Amendment") to the Annual Report on Form 10-K of OptiCare Health Systems, Inc. (the "Registrant") for the year ended December 31, 2004 (the "Original Form 10-K") is to include the disclosure required in Part III, Items 10, 11, 12, 13 and 14. Except for Items 10, 11, 12, 13 and 14 of Part III, no other information included in the Original Form 10-K is amended by this Amendment.

FORM 10-K/A

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

DIRECTORS AND EXECUTIVE OFFICERS

Our Certificate of Incorporation, as amended and Amended and Restated By-laws provide that the number of directors which shall constitute our entire Board of Directors shall be fixed and determined by resolution of the Board of Directors. At December 31, 2004, we had eight directors, as fixed by the Board of Directors pursuant to our By-laws.

Our directors are elected annually at the annual meeting of stockholders. Their respective terms of office continue until the next annual meeting of stockholders and until their successors have been elected and qualified in accordance with our By-laws.

Pursuant to a restructure agreement among us, Palisade Concentrated Equity Partnership, L.P., or Palisade and Dean J. Yimoyines, M.D. (the Chairman of the Board of Directors and our former Chief Executive Officer), dated as of December 17, 2001, as amended on January 5, 2002 and January 22, 2002, we have agreed that, so long as Palisade owns more than 50% of the voting power of our voting stock, it shall have the right to designate a majority of our Board of Directors. Pursuant to this provision, Messrs. Bertrand, Hoffman, Johnson, Meskin and Newman were nominated by the Board of Directors on the recommendation of Palisade.

Information regarding our directors and executive officers is included under the caption "Directors and Executive Officers of the Company" in Part I Item. 4 of the Original Form 10-K and is incorporated into this Item 10 by reference.

AUDIT COMMITTEE

The functions of the Audit Committee are to recommend to the Board of Directors the appointment of our independent auditors, to analyze the reports and recommendations of such auditors and to review our systems of internal controls. The Audit Committee also monitors the adequacy and effectiveness of our financial controls and reporting procedures. The Audit Committee is comprised of Messrs. Drubner, Huber and Newman (Chairman). All members of the Audit Committee are "independent directors" as required by the Securities and Exchange Commission and the applicable listing standards of the American Stock Exchange. Mr. Newman qualifies as an "audit committee financial expert" as required by the Securities and Exchange Commission.

PROCEDURES FOR STOCKHOLDER NOMINATIONS TO OUR BOARD OF DIRECTORS

No material changes to the procedures for nominating directors by our stockholders have been made in 2004.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Our records reflect that all reports which were required to be filed pursuant to Section 16(a) of the Exchange Act were filed on a timely basis, with the exception of one Form 4 report that was filed late by Dr. Yimoyines. The late Form 4 filing covered an aggregate of 1,123,720 shares of Series D preferred stock that are held indirectly by his spouse.

An Annual Statement of Beneficial Ownership on Form 5 is not required to be filed if there are no previously unreported transactions or holdings to report. Nevertheless, we are required to disclose the names of directors, officers and 10% shareholders who did not file a Form 5 unless we have obtained a written statement that no filing is required. At the date of this Form 10-K/A, we had not received a written statement from any of our board of directors, executive officers or greater than 10% shareholders, indicating that they did not have to file a Form 5; and none of these individuals or shareholders filed a Form 5.

CODE OF CONDUCT AND ETHICS

We have adopted a code of conduct and ethics that applies to all of our employees, including our chief executive officer and chief financial and accounting officer. The text of the code of conduct and ethics will be made available to stockholders without charge, upon request, in writing to the Corporate Secretary at OptiCare Health Systems, Inc., 87 Grandview Avenue, Waterbury, Connecticut, 06708. Disclosure regarding any amendments to, or waivers from, provisions of the code of conduct and ethics that apply to our directors, principal executive and financial officers will be included in a Current Report on Form 8-K within five business days following

the date of the amendment or waiver, unless website posting of such amendments or waivers is then permitted by the rules of the American Stock Exchange, Inc.

ITEM 11. EXECUTIVE COMPENSATION

COMPENSATION OF DIRECTORS

Effective January 1, 2003, independent, non-employee directors of on the Board of Directors as of the first day of the calendar year, receive an annual non-qualified stock option to purchase 30,000 shares of our Common Stock pursuant to our Amended and Restated 2002 Stock Incentive Plan (the "2002 Stock Plan"). Independent, non-employee directors serving as members of committees of the Board of Directors as of the first day of the calendar year receive an annual non-qualified stock option to purchase 10,000 shares of our Common Stock, pursuant to our 2002 Stock Plan, for each committee on which they serve. Options for both Board and committee membership are exercisable starting on the last calendar day of the calendar year provided the director is still serving on the Board of Directors at that time at an exercise price equal to the fair market value of the Common Stock on the date of grant. Directors who are also our employees do not receive any additional compensation for their service as directors.

SUMMARY COMPENSATION TABLE

The following summary compensation table sets forth information concerning the annual and long-term compensation earned by our chief executive officer and each of the five other most highly compensated executive officers whose annual salary and bonus during 2004 exceeded $100,000 (collectively, the

"Named Executive Officers").

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION SALARY ($)	ANNUAL COMPENSATION BONUS ($)(4)	ANNUAL COMPENSATION OTHER ANNUAL COMPENSATION ($) (5)	LONG-TERM COMPENSATION AWARDS RESTRICTED STOCK AWARDS ($)	LONG-TERM COMPENSATION AWARDS SECURITIES UNDERLYING OPTIONS (#)	ALL OTHER COMPENSATION ($)(7)
Christopher J. Walls (1)	2004	191,846	85,500	-	-	600,000	3,839
Chief Executive Officer,	2003	159,731	50,000	-	-	20,000	3,673
President and General	2002	126,923	34,640	-	4,000 (6)	125,000	202
Counsel							
Dean J. Yimoyines, M.D. (2)	2004	354,808	-	45,906	-	150,000	26,663
Chairman of the Board of	2003	344,731	93,500	50,506	-	100,000	26,663
Directors and former Chief	2002	349,423	101,960	47,892	-	1,150,000	24,408
Chief Executive Officer							
William A. Blaskiewicz	2004	172,067	34,000	-	-	100,000	4,406
Vice President and	2003	149,866	50,000	-	-	20,000	4,134
Chief Financial Officer	2002	145,000	34,640	-	-	250,000	3,812
Jason M. Harrold	2004	180,000	48,000	-	-	7,000	2,478
President of the Managed	2003	179,865	14,200	-	-	22,500	3,375
Vision Division	2002	175,000	44,000	-	-	150,000	2,985
Gordon A. Bishop	2004	150,000	5,750	-	-		4,688
President of the Consumer	2003	132,500	40,000	-	-		4,525
Vision Division	2002	125,000	39,000	-	-		3,398
Lance A. Wilkes (3)	2004	200,596	-	-	-	100,000	4,187
Former President and Chief	2003	215,839	53,250	-	-	40,500	1,954
Operating Officer	2002	113,077	81,800	-	-	1,000,000	108

(1) Mr. Walls was hired as Vice President and General Counsel in February 2002. His annual base salary for 2002 was $150,000. In October 2004, Mr. Walls was named Chief Administrative Officer and his annual base salary was increased to $240,000. In January 2005, Mr. Walls was named Chief Executive Officer.

(2) Dr. Yimoyines was our Chief Executive Officer at December 31, 2004 but resigned this position in January 2005. He is currently the Chairman of the Board of Directors and is President and Chief Executive Officer of our medical affiliate, OptiCare, P.C.

(3) Mr. Wilkes was hired as President and Chief Operating Officer in June 2002.

His annual base salary for 2002 was $210,000. Mr. Wilkes employment with us was terminated in October 2004 and as a result, Mr. Wilkes was paid severance of $56,250 for the period November 2004 through February 2005.

(4) Bonuses are awarded in the form of cash and/or shares of our Common Stock. Awards of our Common Stock are valued at the market price as of the date of grant. Bonuses for 2004 were in the form of cash, except for Mr. Bishop's that was in the form of 25,000 shares of restricted stock that was valued at $5,750. The 2003 bonus includes a transaction bonus, related to the acquisition of Wise Optical and a performance bonus. The transaction bonus was awarded in the form of shares of our Common Stock to: Dr. Yimoyines - 30,000 shares valued at $19,500; Mr. Blaskiewicz - 20,000 shares valued at $13,000; Mr. Walls - 20,000 shares valued at $13,000; and Mr. Wilkes - 25,000 shares valued at $16,250. The 2003 performance bonus was awarded in the form of cash and our Common Stock as follows: Dr. Yimoyines - $40,000 in cash and 50,000 common shares valued at $34,000; Mr. Bishop - $23,000 in cash and 25,000 common shares valued at $17,000; Mr. Blaskiewicz - $20,000 in cash and 25,000 common shares valued at $17,000; Mr. Harrold - $4,000 in cash and 15,000 common shares valued at $10,200; Mr. Walls - $20,000 in cash and 25,000 common shares valued at $17,000; and Mr. Wilkes - $20,000 in cash and 25,000 common shares value at $17,000. Bonuses for 2002 were in the form of cash, except for Dr. Yimoyines' which consisted of cash of $36,960 and 100,000 common shares valued at $65,000.

(5) The amounts shown represent insurance premiums we paid for health and disability insurance on behalf of the Named Executive Officer and also includes automobile allowances.

(6) Represents an aggregate of 25,000 shares of restricted common stock valued at the market price of our Common Stock as of the date of grant. Vested 25% on March 19, 2003, 2004 and 2005. Vesting 25% on March 19, 2006. As of March 31, 2005, Mr. Walls had 6,250 shares of unvested restricted stock with a value of $1,750 based on the closing price of our Common Stock on March 31, 2005.

(7) The amounts shown include, for the year ended December 31, 2004: (i) matching contributions by us under a 401(k) retirement savings plan maintained by us for each of Mr. Walls ($3,318); Dr. Yimoyines ($4,000); Mr. Bishop ($3,571); Mr. Blaskiewicz ($3,931); Mr. Harrold ($2,217); and Mr. Wilkes ($4,000); and (ii) insurance premiums paid by us for life insurance on behalf of Mr. Walls ($521); Dr. Yimoyines ($22,663); Mr. Bishop ($1,117); Mr. Blaskiewicz ($475); Mr. Harrold ($261); and Mr. Wilkes ($187).

OPTIONS GRANTED IN 2004

The following table shows grants of stock that we made during the fiscal year ended December 31, 2004 to each of the Named Executive Officers.

INDIVIDUAL GRANTS

NAME	NUMBER OF SHARES UNDERLYING OPTIONS GRANTED (#)	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE PRICE ($/SH)	EXPIRATION DATE	GRANT DATE VALUE ($) (3)
Christopher J. Walls	100,000 (1)	6.4%	0.68	3/31/14	$38,000
	500,000 (2)	31.9%	0.29	10/06/14	$90,000
Dean J. Yimoyines, M.D.	150,000 (1)	9.6%	0.68	3/31/14	$57,000
Gordon A. Bishop	20,000 (1)	1.3%	0.68	3/31/14	$7,600
William A. Blaskiewicz	100,000 (1)	6.4%	0.68	3/31/14	$38,000
Jason M. Harrold	7,000 (1)	0.4%	0.68	3/31/14	$2,660
Lance A. Wilkes	100,000 (1)	6.4%	0.68	3/31/14	$38,000

(1) Vested 25% on March 31, 2005; Vesting 25% on March 31, 2006, March 31, 2007 and March 31, 2008.

(2) Vested 100% in January 2005 in connection with Mr. Walls' promotion to Chief Executive Officer.

(3) The estimated values reported are based on the Black-Scholes pricing model with the following assumptions: risk free interest rate of 3.3%, stock price volatility of 67.5%, no dividends and a holding period of five years. The estimated values are not intended as a forecast of the future appreciation in the price of the Common Stock. If the Common Stock does not increase in value above the exercise price of the stock options, then the grants described in the table will have no value. There is no assurance that the value realized by an executive will be at or near the values estimated.

AGGREGATE OPTION EXERCISES IN 2004 AND YEAR END OPTION VALUES

The following table contains certain information regarding options to purchase Common Stock held as of December 31, 2004, by each of the Named Executive Officers. Mr. Wilkes exercised 50,000 options on May 21, 2004 and realized value of $6,000 at the time of exercise. Mr. Wilkes was the only Named Executive Officer to exercise options in the fiscal year ended December 31, 2004.

	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT 12/31/04 (#)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT 12/31/04 ($) (1)	
NAME	EXERCISABLE	NON-EXERCISABLE	EXERCISABLE	NON-EXERCISABLE
Christopher J. Walls	67,500	677,500	$12,500	$47,500
Dean J. Yimoyines, M.D.	1,336,450	675,000	$90,750	$38,250
Gordon A. Bishop	108,500	60,500	$16,550	$6,050
William A. Blaskiewicz	195,868	190,000	$35,500	$14,500
Jason M. Harrold	170,479	67,625	$21,688	$8,563

Lance A. Wilkes (2)	485,125	605,375	$27,500	$27,500

(1) The value of the in-the-money options was calculated as the difference between the closing price of our Common Stock as reported on the American Stock Exchange on December 31, 2004 and the exercise price of the options.

(2) Mr. Wilkes' employment with us was terminated in October 2004. All of Mr. Wilkes options included in the above table were subsequently cancelled in January 2005.

Compensation Committee Interlocks and Insider Participation

Messrs. Bertrand, Drubner, and Johnson served on the Compensation Committee during 2004. Mr. Bertrand relinquished his seat on the Compensation Committee to Mr. Huber on April 1, 2004. During 2004, none of our executive officers (i) served as a member of the Compensation Committee (or other committee of the Board of Directors performing similar functions or, in the absence

of any such committee, the Board of Directors) of another entity, one of whose executive officers served on our Compensation Committee, (ii) served as director of another entity, one of whose executive officers served on our Compensation Committee, or (iii) served as member of the Compensation Committee (or other committee of the Board of Directors performing similar functions or, in the absence of any such committee, the Board of Directors) of another entity, one of whose executive officers served as a member of our Board of Directors.

REPORT ON EXECUTIVE COMPENSATION BY THE COMPENSATION COMMITTEE

Compensation Policy

The policy of the Compensation Committee is to determine or recommend compensation of our officers reflecting the contribution of such officers to growth in revenue and earnings, the implementation of strategic plans consistent with long term growth objectives and the enhancement of stockholder value. Contributions to the specific corporate and business unit objectives are evaluated in setting compensation policy, including growth in revenue and earnings in the development of new business opportunities and other strategic initiatives. Our compensation program consists of base salary; bonus and long-term incentive compensation comprised of the award of stock options and restricted stock under our Amended and Restated 2002 Stock Incentive Plan and our 2003 Incentive Compensation Plan. Compensation decisions, other than base compensation for executive officers with multi-year contracts, are generally made on a calendar year basis.

Compensation of the Chief Executive Officer

During the year ended December 31, 2004, Dr. Yimoyines, our former Chief Executive Officer, received no compensation other than pursuant to his employment agreement with us, which was approved by the Compensation Committee and the Board of Directors during 1999. However, in connection with our Capital Restructuring Transactions in January 2002, Dr. Yimoyines agreed in principle to an adjustment to his annual base salary and guaranteed bonus, which, when later implemented, reduced that salary from $410,000 to $335,000, effective March 4, 2002. Effective January 1, 2004, his annual base salary was increased to $355,000.

During 2004, the Board of Directors awarded stock options and stock to Dr. Yimoyines and certain of our other executive officers and key employees. The options and stock, which were awarded under terms of the Amended and Restated 2002 Stock Incentive Plan and were intended to: (1) align executive interest with stockholder interest by creating a direct link between compensation and stockholder return; (2) assure that executives maintain a significant long-term interest in our success; and (3) help retain key employees in a competitive market.

On January 12, 2005, in connection with our sale of the Distribution Division, Dr. Yimoyines resigned as our Chief Executive Officer and from all other positions with our subsidiaries. Dr. Yimoyines continues to serve as the Chairman of the Board of Directors and as President and Chief Executive Officer of our medical affiliate, OptiCare P.C. Upon Dr. Yimoyines' resignation, Christopher J. Walls was named Chief Executive Officer, in addition to his duties as our President and General Counsel. In October 2004, Mr. Walls entered into an employment agreement with us. Pursuant to such agreement, Mr. Walls' annual salary was increased to $240,000 upon his appointment as our Chief Administrative Officer.

Respectfully Submitted,

Clark A. Johnson (Chairman)
Richard Huber
Norman S. Drubner, Esq.

PERFORMANCE GRAPH

The following graph compares the performance of an investment of $100.00 in our Common Stock with the performance of an investment of $100.00 in the CRSP NASDAQ Health Index (a published industry index), and the American Stock Exchange Composite Index, for the five year period from December 31, 1999 through December 31, 2004. The stock price performance shown on the graph is not necessarily indicative of future price performance.

Comparison of Five - Year Cumulative Total Returns
Performance Graph for
OptiCare Health Systems, Inc.

[LINE CHART OMITTED]

Date	Company Index	Market Index	Peer Index

12/31/1999	100.000	100.000	100.000
01/31/2000	98.214	96.988	102.574
02/29/2000	92.857	106.590	107.027
03/31/2000	100.000	110.018	104.004
04/28/2000	85.714	101.247	95.336
05/31/2000	71.429	99.304	97.671
06/30/2000	57.143	103.081	106.121
07/31/2000	51.786	101.960	109.709
08/31/2000	35.714	107.238	113.093
09/29/2000	19.643	104.990	117.814
10/31/2000	26.786	99.760	119.575
11/30/2000	10.714	89.884	113.938
12/29/2000	14.286	92.760	137.271
01/31/2001	16.714	98.339	126.563
02/28/2001	13.714	91.401	135.957
03/30/2001	9.143	86.986	126.026
04/30/2001	7.429	94.161	130.956
05/31/2001	7.429	94.660	134.176
06/29/2001	7.429	93.385	151.433
07/31/2001	7.429	89.462	150.351
08/31/2001	7.429	85.154	151.756
09/28/2001	7.429	75.799	144.733
10/31/2001	7.429	79.904	131.490
11/30/2001	7.429	84.488	138.133
12/31/2001	12.381	86.341	148.409
01/31/2002	31.695	85.351	145.083
02/28/2002	13.470	83.844	141.255
03/28/2002	10.301	88.150	154.941
04/30/2002	16.640	85.811	168.993
05/31/2002	31.695	84.276	154.969
06/28/2002	25.356	77.910	148.709
07/31/2002	23.771	71.425	134.766
08/30/2002	21.790	72.131	131.206
09/30/2002	18.225	66.698	130.834
10/31/2002	20.998	70.409	133.066
11/29/2002	26.941	74.114	133.637
12/31/2002	30.111	70.573	127.876
01/31/2003	25.356	69.513	132.056
02/28/2003	51.505	69.135	122.498
03/31/2003	70.522	69.597	126.928
04/30/2003	59.429	74.685	129.853
05/30/2003	55.467	80.380	146.242
06/30/2003	41.204	82.008	156.548
07/31/2003	45.958	83.276	167.577
08/29/2003	48.335	85.867	170.724
09/30/2003	52.297	85.513	175.705
10/31/2003	64.183	89.775	185.894
11/28/2003	55.467	91.375	195.631
12/31/2003	60.221	95.522	195.548
01/30/2004	63.391	98.088	210.989
02/27/2004	56.259	99.207	218.568
03/31/2004	53.882	99.215	217.442
04/30/2004	40.411	95.692	223.499
05/28/2004	35.657	96.928	223.802
06/30/2004	33.280	99.455	232.449
07/30/2004	19.810	96.475	211.194

08/31/2004	20.602	96.412	203.279
09/30/2004	21.394	99.083	205.394
10/29/2004	19.017	101.171	210.067
11/30/2004	24.564	106.537	233.382
12/31/2004	28.526	110.380	246.443

LEGEND

CRSP Total Returns Index for:	12/1999	12/2000	12/2001	12/2002	12/2003	12/2004
OptiCare Health Systems, Inc.	100.0	14.3	12.4	30.1	60.2	28.5
AMEX Stock Market (US Companies)	100.0	92.8	86.3	70.6	95.5	110.4
Nasdaq Health Services Stocks SIC 8000-8099 U.S & Foreign	100.0	137.3	148.4	127.9	195.5	246.4

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

SECURITY OWNERSHIP

As of March 31, 2005, there were 30,633,566 shares of our Common Stock outstanding. In addition, there were 3,204,960 shares of Series B Preferred Stock outstanding entitled to voting power equivalent to an aggregate of 46,664,555 shares of Common Stock (i.e., one vote for each of the ten shares of Common Stock into which a share of Series B Preferred Stock and related accrued dividends are convertible), 406,158 shares of Series C Preferred Stock outstanding entitled to voting power equivalent to an aggregate of 20,307,900 shares of Common Stock (i.e., one vote for each of the 50 shares of Common Stock into which a share of Series C Preferred Stock is convertible) and 280,618 shares of Series D Preferred Stock outstanding entitled to voting power equivalent to an aggregate of 11,224,720 shares of Common Stock (i.e., one vote for each of the 40 shares of Common Stock into which a share of Series D Preferred Stock is convertible). Therefore, as of March 31, 2005, the aggregate voting power of the outstanding Common Stock, Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock which were entitled to notice of, and to vote, is equivalent to 108,830,741 shares of Common Stock.

The following table sets forth, as of March 31, 2005, certain information regarding the beneficial ownership of the outstanding Voting Stock by: (i) each person who is known by us to own 5% or more of any class of our Voting Stock (the holdings of certain unrelated entities listed below are based on shareholdings disclosed in their public filings), (ii) each of our current directors, (iii) each Named Executive Officer set forth in the Summary Compensation Table on page 11 and (iv) all of our current executive officers and directors as a group. Unless otherwise indicated, each of the stockholders shown in the table below has sole voting and investment power with respect to the shares beneficially owned. Unless otherwise indicated, the address of each person named in the table below is c/o OptiCare Health Systems, Inc., 87 Grandview Avenue, Waterbury, Connecticut 06708.

NAMES OF EXECUTIVE OFFICERS, DIRECTORS, NOMINEES AND 5% STOCKHOLDERS	COMMON STOCK (1)		SERIES B PREFERRED STOCK (2)		SERIES C PREFERRED STOCK (3)		SERIES D PREFERRED STOCK (4)	
	SHARES	PERCENT	SHARES	PERCENT	SHARES	PERCENT	SHARES	PERCENT
Palisade Concentrated Equity Partnership, L.P. (5)	91,980,638	89.2%	2,880,600	89.9%	403,256	99.3%	252,525	90.0%
Dean J. Yimoyines, M.D., Chairman and former Chief Executive Officer (6)	8,157,912	21.4%	324,360	10.1%	2,902	0.7%	28,093	10.0%
Nicholas Berggruen (7)	2,454,026	7.4%	--	--	--	--	--	--
Eric J. Bertrand, Director (8)	92,034,938	89.2%	2,880,600	89.9%	403,256	99.3%	252,525	90.0%
Gordon A. Bishop (19)	194,500	*	--	--	--	--	--	--
William A. Blaskiewicz, Vice President and Chief Financial Officer (9)	335,155	1.1%	--	--	--	--	--	--
Norman S. Drubner, Esq., Director (10)	574,489	1.9%	--	--	--	--	--	--
Jason M. Harrold, President, Managed Vision Division (11)	230,354	*	--	--	--	--	--	--
Mark S. Hoffman, Director (12)	91,980,638	89.2%	2,880,600	89.9%	403,256	99.3%	252,525	90.0%
Richard L. Huber, Director (13)	250,000	*	--	--	--	--	--	--
Clark A. Johnson, Director (14)	266,000	*	--	--	--	--	--	--
Melvin Meskin, Director (15)	230,000	*	--	--	--	--	--	--
Mark S. Newman, Director (16)	240,000	*						
Christopher J. Walls, Esq., Chief Executive Officer, President and General Counsel (17)	705,000	2.2%	--	--	--	--	--	--
Lance A. Wilkes, former President and Chief Operating Officer (18)	75,000	*	--	--	--	--	--	--
All current executive officers and directors as a group--13 persons.	103,272,648	91.4%	3,204,960	100.0%	406,158	100.0%	280,618	100.0%

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* Less than 1%

(1) As used in this table, a beneficial owner of a security includes any person who, directly or indirectly, through contract, arrangement, understanding, relationship or otherwise, has or shares (a) the power to vote, or direct the voting of, such security or (b) investment power which includes the power to dispose, or to direct the disposition of, such security. In addition, a person is deemed to be the beneficial owner of a security if that person has the right to acquire beneficial ownership of such security within 60 days. Shares not outstanding but deemed beneficially owned by virtue of the right of an individual to acquire them within 60 days upon the exercise of an option are treated as outstanding for purposes of determining beneficial ownership and the percent beneficially owned by such individual and for the executive officers and directors as a group. The percentage of outstanding Common Stock set forth opposite the name of each stockholder has been determined in accordance with Securities and Exchange Commission Rule 13d-3(d)(1), without regard to Common Stock acquirable within 60 days hereafter under options, warrants, and convertible securities beneficially owned by persons other than such stockholder.

(2) Each share of Series B Preferred Stock entitles the holder to one vote for each of the ten shares of Common Stock into which it is convertible.

(3) Each share of Series C Preferred Stock entitles the holder to one vote for each 50 shares of Common Stock into which it is convertible.

(4) Each share of Series D Preferred Stock entitles the holder to one vote for each 40 shares of Common Stock into which it is convertible.

(5) Common Stock beneficially owned by Palisade Concentrated Equity Partnership, L.P., or Palisade, consists of 19,375,000 shares of Common Stock presently issued and outstanding; 400,000 shares of Common Stock issuable upon exercise of warrants; 41,941,838 shares of Common Stock issuable upon conversion of Series B Preferred Stock; 20,162,800 shares of Common Stock issuable upon conversion of Series C Preferred Stock; and 10,101,000 shares of Common Stock issuable upon conversion of Series D Preferred Stock. Palisade ownership represents 84.2% of the Voting Stock. The address of Palisade is One Bridge Plaza, Suite 695, Fort Lee, NJ 07024.

(6) Includes 180,000 shares of Common Stock and 1,561,450 shares of Common Stock issuable upon the exercise of outstanding options owned by Dr. Yimoyines. Also includes the following securities held by Linda Yimoyines, wife of Dr. Yimoyines: 374,925 shares of Common Stock; 4,722,717 shares of Common Stock issuable upon conversion of Series B Preferred Stock; 145,100 shares of Common Stock issuable upon conversion of Series C Preferred Stock; 1,123,720 shares of Common Stock issuable upon conversion of Series D Preferred Stock; and 50,000 shares issuable upon exercise of warrants. Dr. Yimoyines disclaims beneficial ownership of securities held by his wife. Dr. Yimoyines ownership represents 0.2% of the Voting Stock and Ms. Yimoyines ownership represents 5.8% of the Voting Stock.

(7) Consists of 2,300,000 shares of Common Stock issuable upon exercise of warrants held by Medici I Investment Corp. and 154,026 shares of Common Stock held by Alexander Enterprise Holdings Corp. Mr. Nicholas Berggruen acts as an investment advisor to both Medici I Investment Corp. and

Alexander Enterprise. Mr. Berggruen disclaims beneficial ownership of such shares. The address of Alexander Enterprise Holdings Corp. is: c/o Alpha Investment Management, Inc., 499 Park Ave., 24th Floor, New York, NY 10022.

(8) Common Stock beneficially owned by Mr. Bertrand consists of 54,300 shares of Common Stock held directly by Mr. Bertrand; 19,375,000 shares of Common Stock owned by Palisade; 400,000 shares of Common Stock issuable upon exercise of warrants held by Palisade; 41,941,838 shares of Common Stock issuable upon conversion of Series B Preferred Stock owned by Palisade; 20,162,800 shares of Common Stock issuable upon conversion of Series C Preferred Stock owned by Palisade; and 10,101,000 shares of Common Stock issuable upon conversion of Series D Preferred Stock. Mr. Bertrand is a director of Palisade Capital Management, LLC, an affiliate of Palisade.

(9) Includes 288,368 shares of Common Stock issuable upon the exercise of outstanding options held by Mr. Blaskiewicz.

(10) Includes 280,000 shares of Common Stock issuable upon the exercise of outstanding options held by Mr. Drubner.

(11) Includes of 215,354 shares of Common Stock issuable upon the exercise of outstanding options held by Mr. Harrold.

(12) Common Stock beneficially owned by Mr. Hoffman consists of 19,375,000 shares of Common Stock owned by Palisade; 400,000 shares of Common Stock issuable upon exercise of warrants held by Palisade; 41,941,838 shares of Common Stock issuable upon conversion of Series B Preferred Stock owned by Palisade; 20,162,800 shares of Common Stock issuable upon conversion of Series C Preferred Stock owned by Palisade; and 10,101,000 shares of Common Stock issuable upon conversion of Series D Preferred Stock. Mr. Hoffman is a managing director of Palisade Capital Management, LLC, an affiliate of Palisade.

(13) Consists of 250,000 shares of Common Stock issuable upon the exercise of outstanding options held by Mr. Huber.

(14) Includes 40,000 shares of Common Stock issuable upon the exercise of outstanding options held by Mr. Johnson.

(15) Includes 80,000 shares of Common Stock issuable upon the exercise of outstanding options held by Mr. Meskin.

(16) Consists of 240,000 shares of Common Stock issuable upon the exercise of outstanding options held by Mr. Newman.

(17) Consists of 57,500 shares of common stock, 18,750 shares of restricted common stock and 628,750 shares of Common Stock issuable upon the exercise of outstanding options held by Mr. Walls.

(18) Mr. Wilkes employment with us terminated in October 2004.

(19) Includes 144,500 shares of Common Stock issuable upon the exercise of outstanding options held by Mr. Bishop.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides certain aggregate information with respect to all of our equity compensation plans in effect as of December 31, 2004.

	(a)	(b)	(c)
Plan category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)	6,638,443	$0.90	1,721,348
Equity compensation plans not approved by security holders (2)	--	--	--
Total	6,638,443	$0.90	1,721,348

(1) These plans consist of the 1999 Performance Stock Program, the Amended and Restated 1999 Employee Stock Purchase Plan, the 2000 Professional Employee Stock Purchase Plan and the Amended and Restated 2002 Stock Incentive Plan.

(2) There are no equity compensation plans that have not been approved by stockholders.

EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT AND CHANGE OF CONTROL ARRANGEMENTS

Key provisions of the employment agreements with the Named Executive Officers are summarized below.

Christopher J. Walls, Chief Executive Officer, President and General Counsel. We entered into an employment agreement with Mr. Walls on February 18, 2002 and on October 6, 2004; the agreement was amended and restated. Pursuant to the amended and restated agreement, Mr. Walls served as our Chief Administrative Officer until January 12, 2005. Under the amended and restated agreement, Mr. Walls' initial base salary is $240,000 per year and he was entitled a bonus of $46,000 for the fiscal year ending December 31, 2004, and thereafter, an annual bonus based on performance measures, and additional bonus payments based on the occurrence of certain specified events. In addition, pursuant to the amended and restated agreement, Mr. Walls was granted an option to purchase up to 500,000 shares of our Common Stock at an exercise price equal to $0.29 per share. The option will vest according to the terms set forth in the amended and restated agreement and shall become fully vested upon a change of control. The amended and restated agreement continues until otherwise terminated by us or Mr. Walls with or without cause with at least thirty (30) days notice. If Mr. Walls is terminated by us other than for cause or due to death or disability, he shall be entitled to (i) continuation of salary for six months, (ii) continued benefits for him and his family for six months, (iii) the immediate full vesting of the options granted under the amended and restated agreement and (iv) the right to exercise such options for up to one year following termination. Upon his joining us in 2002, Mr. Walls received, pursuant to the 2002 Stock Incentive Plan, options to purchase up to 125,000 shares of our Common Stock at an exercise price of $0.16 per share, which options vest at the rate of 25% per year over four years commencing March 19, 2003. Mr. Walls also received 25,000 shares of restricted Common Stock, which shares vest at the rate of 25% per year over four years commencing March 19, 2003.

Dean J. Yimoyines, Chairman and former Chief Executive Officer. The Company entered into an employment agreement with Dr. Yimoyines on August 10, 1999. In connection with our sale of our Distribution Division, on January 12, 2005, we entered into a transition agreement with Dr. Yimoyines pursuant to which Dr. Yimoyines resigned as our Chief Executive Officer and from all other positions with us and our subsidiaries, except for his position as Chairman of our Board of Directors and his position as the President and Chairman of our medical affiliate, OptiCare P.C. Pursuant to the transition agreement, our existing employment agreement with Dr. Yimoyines was terminated and Dr. Yimoyines and we generally released each other from any and all claims we may have had against each other, subject to certain exceptions. In addition, Dr. Yimoyines generally agreed not to compete with us while employed at OptiCare P.C. and for the 18-month period following the end of his employment at OptiCare P.C.

In addition, on January 12, 2005, simultaneously with the closing of our sale of our Distribution Division and the execution and delivery of the transition agreement, OptiCare P.C., our medical affiliate, entered into an employment agreement with Dr. Yimoyines. Pursuant to the terms of the employment agreement, Dr. Yimoyines serves as OptiCare P.C.'s President and Chief Executive Officer on an at will basis. Dr. Yimoyines initial base salary under this agreement is $245,000 per year.

Gordon A. Bishop, President, Consumer Vision Division. We entered into an employment agreement with Mr. Bishop on September 8, 1999, and on April 29, 2005, the agreement was amended. Pursuant to the agreement, as amended, Mr. Bishop serves as the President of our Consumer Vision Division. Under the agreement, as amended, Mr. Bishop's base salary is $150,000 per year and he is entitled to bonuses as authorized by our Board of Directors. In addition, pursuant to the agreement, Mr. Bishop was granted an option to purchase up to 25,000 shares of our Common Stock at an exercise price equal to $5.85 per share. The agreement continues until February 28, 2006 unless otherwise terminated by us for cause or without cause or by Mr. Bishop. If Mr. Bishop terminates his employment or if we terminate his employment other than for cause, he shall be entitled to continuation of salary until February 28, 2006, provided, that if we terminate Mr. Bishop's employment other than for cause before August 31, 2005, he shall be entitled to continuation of salary until August 31, 2006. In addition, pursuant to the agreement, as amended, Mr. Bishop agreed not to compete with us for a period of ten months.

William A. Blaskiewicz, Vice President, Chief Financial Officer. Mr. Blaskiewicz' employment agreement began on September 1, 2001, and continues until terminated by either party. Effective January 1, 2004, his base annual salary, excluding the cost of certain perquisites, is $172,500. As provided in our 2003 Incentive Compensation Plan, Mr. Blaskiewicz may receive discretionary bonuses as authorized by the Board of Directors and as determined by the Chief Executive Officer. Mr. Blaskiewicz may terminate the agreement for any reason upon 90 days' notice. It shall be deemed a termination of the agreement if, during the term of the agreement, we: (a) require Mr. Blaskiewicz to relocate permanently outside of Connecticut, (b) require Mr. Blaskiewicz to render services other than those customarily

performed by chief financial officers or (c) materially increase or decrease his duties or responsibilities. In the event of a deemed termination, or if we terminate Mr. Blaskiewicz' employment agreement without cause, then he shall receive: (a) a severance payment equal to his base salary for 12 months from the date of termination, and (b) payment for any benefits which are required to be continued under COBRA during the 12 months from the date of termination. Additionally, during the term of the agreement and for a period of 18 months after termination, subject to certain exceptions, Mr. Blaskiewicz may not render services directly or indirectly to any organization that competes with any of our product, processes or services.

Jason M. Harrold, President, Managed Vision Division. We entered into an employment agreement with Mr. Harrold on July 1, 2000. The initial term of this agreement was two years, but it is automatically renewable for subsequent one year terms unless either party gives the other six months' notice prior to the renewal date. Pursuant to its terms, Mr. Harrold's employment agreement was automatically renewed for one year to June 30, 2005. Effective January 1, 2004, Mr. Harrold's annual base salary is $180,000. As provided in our 2003 Incentive Compensation Plan, Mr. Harrold may receive discretionary bonuses of up to 100% of base salary, as authorized by the Board of Directors and as determined by the Chief Executive Officer. Mr. Harrold may terminate the agreement without cause upon six months' notice and we may terminate the agreement without cause at any time upon notice. If Mr. Harrold is terminated without cause, he is entitled to: (a) a lump sum payment of 12 months' base salary, and (b) benefits for a 12-month period. If Mr. Harrold becomes disabled, he is entitled to full base salary for the first three months, and, thereafter, as allowed by a long-term disability policy provided by us, 60% of base salary plus performance-based bonus earned as of the date of disability. During the term of the agreement and for a period of 18 months after termination, subject to certain exceptions, Mr. Harrold may not render services directly or indirectly to any organization which is engaged in: (i) the managed eye care business, (ii) the optical buying group business, or (iii) the business of owning or managing the practice of ophthalmologists, optometrists, opticians, ambulatory or refractive surgery facilities or providing services to such organizations. If, during the one year period following a change in control, Mr. Harrold's duties are materially diminished, his principal place of employment is moved more than 50 miles, or his employment is terminated by us without cause or by non-renewal of the agreement, he shall receive a lump sum payment equal to his annual base salary.

Lance A. Wilkes, former President and Chief Operating Officer. We entered into an employment agreement with Mr. Wilkes on May 21, 2002 and he terminated his employment with us on October 22, 2004 pursuant to the terms of our employment agreement with him. Mr. Wilkes' employment began on June 10, 2002. Effective January 1, 2004, Mr. Wilkes' annual base salary, excluding the cost of certain perquisites, is $225,000. As provided in the Company's 2003 Incentive Compensation Plan, Mr. Wilkes may receive discretionary bonuses as authorized by the Board of Directors and as determined by the Chief Executive Officer. Following Board of Director approval, Mr. Wilkes received, pursuant to the Amended and Restated 2002 Stock Incentive Plan, options to purchase up to 600,000 shares of the Company's Common Stock at an exercise price of $0.26 per share; options to purchase up to 200,000 shares of the Company's Common Stock at an exercise price equal to $1.00 per share; and options to purchase up to 200,000 shares of the Company's Common Stock at an exercise price equal to $2.00 per share, all of which options vest at the rate of 25% per year over four years commencing June 27, 2003. If the Company terminates Mr. Wilkes' employment agreement without cause, then he shall receive: (a) a severance payment equal to his base salary for three months from the date of termination, and (b) payment for any benefits which are required to be continued under COBRA during such period as is then mandated by law commencing with the date of termination. In the event of a change in control of the Company, Mr. Wilkes' stock option grant shall become immediately vested. During the term of the agreement and for a period of 18 months after termination, subject to certain exceptions, Mr. Wilkes may not render services directly or indirectly to any organization which is engaged in: (i) the managed eye care business, (ii) the optical buying group business, or (iii) the business of managing, owning or affiliating with the practices of ophthalmologists, optometrists, opticians, ambulatory or refractive surgery facilities or providing services to such facilities; and shall not, without the prior written consent of the Company, render services to any individual or organization which is engaged in researching, marketing or selling any process or service which competes or would compete with a product, process or service of the Company, its subsidiaries and affiliates.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

OPTICARE, P.C. PROFESSIONAL SERVICES AND SUPPORT AGREEMENT

OptiCare Eye Health Centers, Inc. is party to a Professional Services and Support Agreement, dated December 1, 1995 with OptiCare, P.C., a Connecticut professional corporation. Dr. Yimoyines, the Chairman of the Board and our former Chief Executive Officer, and a beneficial holder of 18.5% of our outstanding Voting Stock, is the sole stockholder of OptiCare, P.C. Pursuant to that agreement, OptiCare, P.C. employs medical personnel and performs all ophthalmology and optometry services at our facilities in Connecticut. We select and provide the facilities at which the services are performed and the exclusive provider of all administrative and support services for

the facilities for which OptiCare, P.C. provides medical personnel and performs all ophthalmology and optometry services pursuant to this agreement. We bill and receive payment for the services rendered by the medical personnel of OptiCare, P.C., which totaled approximately $20.0 million in 2004, and OptiCare P.C. pays its physicians compensation for such medical services rendered, which totaled approximately $8.3 million in 2004. These amounts were included in consolidated revenue and expense, respectively, for the year ended December 31, 2004.

On January 12, 2005, simultaneously with the closing of our sale of our Distribution Division and the execution and delivery of the employment agreement between OptiCare, P.C. and Dr. Yimoyines, we, together with our wholly-owned subsidiary, OptiCare Eye Health Centers, Inc., entered into Amendment No. 1 to Professional Services and Support Agreement. The Amendment amends the terms of the Professional Services and Support Agreement to reduce the annual service fee payable by OptiCare P.C. to us by $245,000. Under the Professional Services and Support Agreement, as amended, if the annual service fee payable by OptiCare P.C. is below $245,000, we must pay the amount of any shortfall to OptiCare P.C.

We own all the rights to the "OptiCare" name and, under the terms of the agreement, if the agreement with OptiCare, P.C. is terminated, OptiCare, P.C. must change its name and discontinue using the OptiCare name. The agreement expired on December 1, 2002, but automatically renews for successive two year terms unless either party terminates the agreement at least 180 days before the next renewal date.

CERTAIN LEASES

We, through our subsidiaries, were, during 2004, party to certain leases with entities in which present or former officers of ours have ownership interests. All such leases which were in effect during all or part of 2004 are listed below.

1. OptiCare Eye Health Centers, Inc. is the tenant under a Lease Agreement dated September 1, 1995 with O.C. Realty Associates Limited Partnership, as landlord. The leased premises are located in New Milford, Connecticut and are used for the practice of ophthalmology and optometry and incidental activities such as the sale of eyeglasses and corrective lenses. The term of the lease is 15 years. Dr. Yimoyines, Chairman of the Board and our former Chief Executive Officer of the Company and John Yimoyines, brother of Dr. Yimoyines each owns a 4.11% interest in O.C. Realty Associates Limited Partnership. In 2004, OptiCare Eye Health Centers, Inc. paid $50,400 under the lease.

2. OptiCare Eye Health Centers, Inc. is the tenant under a Lease Agreement dated September 1, 1995 with French's Mill Associates, as landlord. The leased premises are located in Waterbury, CT and are used for the practice of ophthalmology and optometry, an ambulatory surgery center, and incidental activities such as the sale of eyeglasses and corrective lenses. The term of the lease is fifteen years. In addition, OptiCare Eye Health Centers, Inc. pays all taxes, assessments, utilities and insurance related to the property being leased. Linda Yimoyines, wife of Dr. Yimoyines, and John Yimoyines each owns a 14.28% interest in French's Mill Associates. In 2004, OptiCare Eye Health Centers, Inc. paid $816,209 under the lease.

3. OptiCare Eye Health Centers, Inc. is the tenant under a Lease dated September 30, 1997 with French's Mill Associates II, LLP, as landlord. The leased premises are located in Waterbury, CT and are the location of our main headquarters. The term of the lease is fifteen years. Linda Yimoyines and John Yimoyines each own a 12.5% interest in French's Mill Associates II, LLP. In 2004, OptiCare Eye Health Centers, Inc. paid $207,150 under the lease.

4. OptiCare Eye Health Centers, Inc. is also the tenant under a second Lease Agreement dated September 1, 1995 with French's Mill Associates

II, L.L.P. as landlord. The leased premises are located in Waterbury, CT and are also part of our main headquarters. The term of the lease is fifteen years. In addition, OptiCare Eye Health Centers, Inc. pays all taxes, assessments, utilities and insurance related to the property being leased. Linda Yimoyines and John Yimoyines each own a 12.5% interest in French's Mill Associates II, LLP. In 2004, OptiCare Eye Health Centers, Inc. paid $58,960 under the lease.

5. O.N.B. Associates owns approximately a 25% interest in Cross Street Medical Building Partnership, the landlord under a lease dated March 1, 2001. The leased premises are located in Norwalk, CT and are used for the practice of ophthalmology and optometry and incidental activities such as the sale of eyeglasses and corrective lenses. The term of the lease is five years. Linda Yimoyines and John Yimoyines each own an 11% interest in O.N.B. Associates. In 2004, OptiCare Eye Health Centers, Inc. paid $129,033 under the lease.

6. PrimeVision Health, Inc., as a result of a merger with Cohen Systems, Inc. (now known as CC Systems), was a tenant under a Lease Agreement with Stephen Cohen, a former officer of ours, and Bente Jensen, Mr. Cohen's wife. We sold the CC Systems, Inc. business to Stephen Cohen on September 10, 2004. The leased premises were located in Largo, FL and were used as the office for CC Systems' operations. The lease term was five years beginning October 1, 1999. In 2004, PrimeVision Health, Inc. paid $20,250 under the lease through September.

One of our subsidiaries remains a guarantor with respect to two leases where the lessee is an entity owned by Drs. Harrold and Barker, two of our former officers. The leased premises are used for the practice of optometry and for the sale of eyeglasses and corrective lenses and expire in 2005. Aggregate annual rent under the leases is $194,392. Each of the guarantees and its underlying lease involved the professional optometry practice locations and retail optical business we owned or operated in the State of North Carolina which were sold to Optometric Eye Care Center, P.A. in August 2002. Although, in connection with that sale, Optometric Eye Care Center, P.A. assumed from us any obligations we or our subsidiaries or our affiliates may have had as lessee under those leases, Optometric Eye Care Center, P.A. and we were unable to obtain landlord consent to the assignment of our guarantees with respect to the leases.

CONSULTING AGREEMENTS

In June 2002, we entered into a consulting agreement with Melvin Meskin, a member of our Board of Directors. The consulting agreement expired on February 28, 2003 and a new agreement was entered into effective March 1, 2003. The March 1, 2003 agreement continued through 2004 under the same terms unless either party provides 30 days prior written notice of a desire to terminate. The consulting agreement was terminated on February 28, 2005 by mutual consent of the parties. In 2004, we paid an aggregate of $72,000 to Mr. Meskin in consideration of consulting services under these agreements.

CONVERSION OF LOANS TO SERIES C PREFERRED STOCK

In January 2002, Linda Yimoyines, wife of Dr. Yimoyines, participated in our

January 2002 capital restructuring by lending us $100,000 on a subordinated basis. On May 12, 2003, Ms. Yimoyines exchanged the entire amount of principal and interest due to her under that loan, totaling approximately $116,000 for 2,902 shares of Series C Preferred Stock.

Mr. Hoffman, a current director, is also an officer of Palisade Capital Management, LLC, an affiliate of Palisade Concentrated Equity Partnership, LP, or Palisade. Palisade, a holder of approximately 63% of our Common Stock and which now holds approximately 84% of the voting power of our Voting Stock, also participated in the January 2002 capital restructuring by lending us $13,900,000 on a subordinated basis. On May 12, 2003, Palisade exchanged the entire amount of principal and interest due to them under that loan, totaling an aggregate of approximately $16,135,000, for a total of 403,256 shares of Series C Preferred Stock. Our director Mr. Bertrand was also an officer of Palisade Capital Management, LLC until January 2005.
Rider 19

ISSUANCE AND SALE OF SERIES D PREFERRED STOCK

On January 12, 2005, pursuant to the terms of a Series B Preferred Stock Purchase Agreement, we sold Palisade Concentrated Equity Partnership, L.P., for approximately $4.0 million in cash, 252,525 shares of our newly created Series D Preferred Stock, which were initially convertible into 10,101,000 shares of our Common Stock and Linda Yimoyines, for approximately $0.445 million in cash, 28,093 shares of our Series D Preferred Stock, which were initially convertible into 1,123,720 shares of our Common Stock. Each holder of Series D Preferred Stock is entitled to vote, on an as converted basis, on all matters with the holders of Common Stock and receive dividends equally and ratably with the holders of Common Stock in an amount equal to the dividends such holder would receive if it had converted its Series D Preferred Stock into Common Stock on the date the dividends are declared.

SALE OF OUR DISTRIBUTION DIVISION

On January 12, 2005, our wholly-owned subsidiary, OptiCare Acquisition Corp., entered into an Asset Purchase Agreement with Wise Optical, LLC and AECC/Pearlman Buying Group, LLC, both entities formed by Dr. Yimoyines, pursuant to which we sold, effective as of December 31, 2004, substantially all of the assets and certain liabilities of our Distribution Division, which consisted of our contact lens distributor, Wise Optical, and our Optical Buying Group, for an aggregate purchase price of $4,150,000, less a working capital adjustment. The assets disposed of include, but were not limited to, to the extent transferable, all of the inventory, accounts receivable, equipment, leases, contracts, intellectual property, deposits, business records, government approvals, claims and goodwill of the Distribution Division.

In connection with our sale of the Distribution Division on January 12, 2005, we entered into a Supply Agreement with AECC/Pearlman Buying Group, LLC and Wise Optical LLC. The Supply Agreement is a four year commitment to purchase, on a non-exclusive basis, $4,200,000 of optical products per year through AECC/Pearlman Buying Group, LLC from certain designated manufacturers and suppliers. This annual commitment includes the purchase of $1,275,000 of contact lenses a year from Wise Optical LLC. Under the Supply Agreement, we are also obligated to pay AECC/Pearlman Buying Group, LLC an annual fee based on the total of all purchases we make under the Supply Agreement. If the Supply Agreement is terminated because of our default, we must make a buyout payment of between $800,000 and $200,000 depending on when the Supply Agreement is terminated.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Deloitte & Touche LLP has served as our independent accountants since August 1999. Deloitte & Touche audited our financial statements for the fiscal year ended December 31, 2004.

AUDIT AND NON-AUDIT FEES

The following table presents fees for professional audit services rendered by Deloitte & Touche LLP for the audit of our consolidated financial statements for the years ended December 31, 2004, and December 31, 2003, and fees billed for other services rendered by Deloitte & Touche LLP during those periods:

	2004	2003
Audit fees	$ 430,000	$ 401,200
Audit-related fees	220,300	120,400
Tax fees	48,400	55,800
Total	$ 698,700	$ 577,400

Audit Fees. Consists of fees we paid Deloitte & Touche LLP for professional services for the audit of our consolidated financial statements included in our Annual Report on Form 10-K and review of financial statements included in our Quarterly Reports on Form 10-Q, or for services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements.

Audit-related fees. Represents fees billed by Deloitte & Touche LLP for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and primarily represent services provided in connection with the restatement of the financial statements in 2004. In 2003, the services provided relate to our acquisition of Wise Optical. In addition, 2004 included fees paid to UHY LLP of $70,300 in connection with Sarbanes-Oxley implementation and the audit of our 401(k) retirement plan.

Tax fees. Represents fees billed by UHY LLP for tax compliance and related services.

All other fees. For the fiscal years ended December 31, 2004 and 2003, there were no services provided by Deloitte & Touche LLP or UHY LLP in this category.

The Audit Committee has considered whether the provision of non-audit services by Deloitte & Touche LLP is compatible with maintaining their independence and has concluded that it is.

The Audit Committee approves in advance all audit and permissible non-audit services (including the fees and terms thereof) to be provided to us and our subsidiaries by our independent accountants, subject to the de minimus exceptions for non-audit services under the Securities Exchange Act of 1934.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(c) Exhibits

The following exhibits are filed herewith:

EXHIBIT NUMBER	DESCRIPTION
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

May 2, 2005

OPTICARE HEALTH SYSTEMS, INC.

By: /s/ Christopher J. Walls

Christopher J. Walls
Chief Executive Officer,
President and General Counsel

EXHIBIT INDEX

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.1

CERTIFICATIONS UNDER SECTION 302

I, Christopher J. Walls, certify that:

1. I have reviewed this Amendment No. 1 to Annual Report on Form 10-K/A of OptiCare Health Systems, Inc.; and

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

Date: May 2, 2005

/s/ Christopher J. Walls

Christopher J. Walls
Chief Executive Officer,
President and General Counsel
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS UNDER SECTION 302

I, William A. Blaskiewicz, certify that:

1. I have reviewed this Amendment No. 1 to Annual Report on Form 10-K/A of OptiCare Health Systems, Inc.; and

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

Date: May 2, 2005

/s/ William A. Blaskiewicz

William A. Blaskiewicz
Chief Financial Officer
(Principal Financial Officer)