

PharMerica CORP  
Form DEF 14A  
April 30, 2015  
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**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

Filed by the Registrant                       Filed by a party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under 240.14a-12

**PHARMERICA CORPORATION**

**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

- No fee required
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:



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**PHARMERICA CORPORATION**

**1901 Campus Place**

**Louisville, KY 40299**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD June 19, 2015**

PharMerica Corporation's Annual Meeting of Stockholders will be held on June 19, 2015, at 9:00 a.m. local time. We will meet at the Louisville Marriott located at 280 West Jefferson Street, Louisville, Kentucky 40202 (the Annual Meeting). If you owned common stock at the close of business on April 24, 2015, you may vote at the Annual Meeting or any adjournments or postponements thereof. At the Annual Meeting, we plan to:

1. elect the nine directors named in the accompanying proxy statement for a term to expire at the Annual Meeting of Stockholders in 2016;
2. ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2015;
3. take an advisory vote to approve the compensation paid to the Company's named executive officers ( Say on Pay );
4. approve and adopt the PharMerica Corporation 2015 Omnibus Incentive Plan; and
5. transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

The Board of Directors is not aware of any other proposals for the Annual Meeting.

It is important that your common stock be represented at the Annual Meeting regardless of the number of shares you hold. You are encouraged to specify your voting preferences by marking and dating the enclosed proxy card. If you attend the Annual Meeting, you may, if you wish, withdraw your proxy and vote in person.

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to Be Held on June 19, 2015**

The Proxy Statement and 2014 Annual Report to Stockholders are available at [www.pharmerica.com/proxy](http://www.pharmerica.com/proxy).

On behalf of the Board of Directors of

PharMerica Corporation,

GREGORY S. WEISHAR

Chief Executive Officer

Louisville, Kentucky

April 30, 2015

**YOUR VOTE IS IMPORTANT. PLEASE COMPLETE AND RETURN THE ENCLOSED  
PROXY PROMPTLY SO THAT YOUR VOTE MAY BE RECORDED  
AT THE ANNUAL MEETING IF YOU DO NOT ATTEND PERSONALLY.**

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**PHARMERICA CORPORATION**

**1901 Campus Place**

**Louisville, KY 40299**

**PROXY STATEMENT**

**ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held On June 19, 2015**

**INFORMATION ABOUT THE MEETING**

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors (the **Board**) of PharMerica Corporation ( **we**, **us**, **our**, or the **Company** ) for the Company's Annual Meeting of Stockholders to be held on Friday, June 19, 2015 at 9:00 a.m. local time, at the Louisville Marriott located at 280 West Jefferson Street, Louisville, Kentucky 40202 and thereafter as it may from time to time be adjourned or postponed (the **Annual Meeting** ). This proxy statement and the accompanying proxy are first being mailed to stockholders on or about April 30, 2015.

**Who May Vote**

Each stockholder of record at the close of business on April 24, 2015 (the **Record Date** ) is entitled to notice of and to vote at the Annual Meeting. On the Record Date, there were 30,388,065 shares of our common stock, par value of \$0.01 per share (the **common stock** ) outstanding. On the Record Date, there were no shares of Preferred Stock, par value \$0.01, outstanding. You may cast one vote for each share of common stock held by you on all matters presented at the Annual Meeting.

**How You May Vote**

You may vote (i) in person by attending the Annual Meeting or (ii) by mail by completing and returning a proxy. To vote your proxy by mail, mark your vote on the enclosed proxy card, then follow the instructions on the card.

Proxies duly executed and received in time for the Annual Meeting will be voted in accordance with your instructions. If no instructions are given, proxies will be voted as follows:

1. FOR the election of each of the nine nominees named herein to the Board of Directors for a term to expire at the Annual Meeting of Stockholders in 2016;
2. FOR the ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2015;
3. FOR the approval of the Say on Pay proposal;

4. FOR the approval and adoption of the PharMerica Corporation 2015 Omnibus Incentive Plan; and
5. In the discretion of the proxy holders, FOR or AGAINST such other business as may properly come before the Annual Meeting or any adjournment or postponements thereof.

**How You May Revoke or Change Your Vote**

Proxies may be revoked at any time prior to the Annual Meeting in the following ways:

by giving written notice of revocation to the Secretary of the Company;

by giving a later dated proxy; or

by attending the Annual Meeting and voting in person.

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### **Quorum Requirement**

The Company is required to have a quorum of stockholders present to conduct business at the Annual Meeting. A majority of the shares entitled to vote at the Annual Meeting, represented in person or by proxy, constitutes a quorum for the transaction of business at the Annual Meeting. Proxies received but marked as abstentions or treated as broker non-votes will be included in the calculation of the number of shares considered to be present at the Annual Meeting in determining a quorum. If a quorum is not present at the Annual Meeting, we will be forced to reconvene the Annual Meeting at a later date.

### **Required Vote**

Every holder of record of shares of common stock entitled to vote at a meeting of stockholders will be entitled to one vote for each share outstanding in his or her name on the books of the Company at the close of business on the Record Date. Votes cast by proxy or in person at the Annual Meeting will be tabulated by one or more inspectors of election, appointed for the Annual Meeting, who will also determine whether a quorum is present for the transaction of business.

With respect to the election of directors, a nominee for director will be elected to the Board by a vote of the majority of the votes cast. In other words, if the votes cast for the nominee's election exceed the votes cast against the nominee's election then that nominee will be elected as a director. However, the directors will be elected by a plurality of the votes cast at any stockholder meeting where (i) the Secretary of the Company receives a notice that a stockholder has nominated a person for election to the Board in compliance with the advance notice requirements for stockholder nominees for director and (ii) such nomination has not been withdrawn by such stockholder on or prior to the day next preceding the date the Company first mails its notice of meeting for the Annual Meeting to the stockholders. For the Annual Meeting, none of the nominees were nominated by stockholders.

The affirmative vote of at least a majority of the votes of the shares of common stock present, in person or by proxy, at the Annual Meeting and entitled to vote on the matter is required to approve all other matters to be voted upon at the Annual Meeting.

### **How Abstentions will be Treated**

Abstentions will have no effect on the election of directors. For all other proposals, abstentions will have the same effect as votes against a proposal.

### **How Broker-Non Votes will be Treated**

Your shares may be voted if they are held in the name of a brokerage firm or bank (a Broker), even if you do not provide the Broker with voting instructions. Brokers have the authority, under applicable rules, to vote shares on certain routine matters for which their customers do not provide voting instructions. The ratification of the appointment of the independent registered public accounting firm of the Company is considered a routine matter. The election of directors, the Say on Pay proposal and the Omnibus Incentive Plan proposal are not considered routine matters. Broker non-votes are shares held by brokers or nominees for which instructions have not been received from the beneficial owners, or persons entitled to vote, and the Broker is barred from exercising its discretionary authority to vote the shares because the proposal is a non-routine matter. With respect to the election of directors, the Say on Pay proposal and the Omnibus Incentive Plan proposal, Broker non-votes will not be counted as votes for or against these proposals. Broker non-votes also will not be counted in the determination of whether the total votes cast on a proposal represents over 50% of the outstanding common stock entitled to vote on the proposal.

**Advisory Proposals**

Because the vote on the Say on Pay proposal is advisory, it will not be binding on the Board of Directors or the Company. However, the Compensation Committee will take into account the outcome of the Say on Pay vote when considering future executive compensation arrangements.

**Table of Contents****PROPOSAL 1****ELECTION OF DIRECTORS**

Our Board currently consists of nine directors: Frank E. Collins, Esq., W. Robert Dahl, Jr., Marjorie W. Dorr, Thomas P. Gerrity, Ph.D., Patrick G. LePore, Thomas P. Mac Mahon, Robert A. Oakley, Ph.D., Geoffrey G. Meyers, and Gregory S. Weishar. Our Certificate of Incorporation, as amended, and By-laws provide that the number of directors constituting the Board will not be fewer than three, with the exact number to be fixed by a resolution adopted by the affirmative vote of a majority of the Board. The Board has fixed the number of directors at nine.

The Nominating and Corporate Governance Committee has recommended that the nine directors listed in the table below be nominated for election for a one-year term expiring at the 2016 Annual Meeting of Stockholders and until their successors are duly elected and qualified. Each of the nominees has consented to be named in this proxy statement and to serve as a member of our Board if elected. In the event that a nominee withdraws or for any reason is not able to serve as a director, the proxy will be voted for such other person as may be designated by the Board, but in no event will the proxy be voted for more than nine nominees as directors. Our management has no reason to believe that the nominees will not serve if elected. There is no family relationship between any of the current directors or persons nominated to become a director.

**NOMINEES FOR ELECTION AT THE ANNUAL MEETING**

The following table sets forth the name, age and position with the Company of each of the nine nominees up for election as a director of the Company:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Frank E. Collins, Esq.	61	Director
W. Robert Dahl, Jr.	58	Director
Marjorie W. Dorr	53	Director
Thomas P. Gerrity, Ph.D.	73	Director
Patrick G. LePore	60	Director
Thomas P. Mac Mahon	68	Director
Geoffrey G. Meyers	71	Director, Chairman
Robert A. Oakley, Ph.D.	68	Director
Gregory S. Weishar	60	Chief Executive Officer and Director
<b>Nominees</b>		

**Frank E. Collins, Esq.** Mr. Collins has served as a director since July 31, 2007. Mr. Collins serves as Chair of the Nominating and Governance Committee of the Board and served as a member of the Compensation Committee from June 2008 to June 2009. Mr. Collins was the Senior Vice President, Legal and Administration and Secretary of Sierra Health Services, Inc. ( Sierra ) from 2001 to February 2008. Sierra was acquired by United Health Group Incorporated ( United ) in February 2008. Mr. Collins served as the Deputy General Counsel of United from February 2008 to July 2012. Mr. Collins joined Sierra in 1986 as General Counsel and Secretary. From 1981 to 1986, Mr. Collins was employed by Blue Cross and Blue Shield of Kansas City, originally as Staff Legal Counsel and in early 1986 as Associate General Counsel. Mr. Collins also served as counsel for the Missouri Division of Insurance from 1979 to 1981, where he was responsible for providing legal advice on insurance and HMO-related regulatory issues. Mr. Collins received his Juris Doctor from the University of Missouri at Kansas City School of Law and is a member

of the Missouri Bar Association.

As a result of Mr. Collins' experiences as General Counsel at a public managed healthcare organization, he possesses expertise in the areas of corporate governance, human resources and regulatory compliance and brings experience in the healthcare industry.

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**W. Robert Dahl, Jr.** Mr. Dahl has served as a director since July 24, 2008. Mr. Dahl serves as a member of the Audit Committee. Mr. Dahl is currently a private investor. He was the Chief Operating Officer of Arrowhawk Capital Partners, an investment company, from September 2009 until March 2012. Previously, from May 2007 to November 2009 he was the Vice President of Strategic Business Development and Vice Chairman of the Board of Directors of Golden Pond Healthcare, Inc. From April 1999 until June 2006, Mr. Dahl served as the head of Global Healthcare for the Carlyle Group, a leading private equity firm, where he was responsible for the firm's investments in the healthcare field. Prior to Carlyle, Mr. Dahl served as co-head of healthcare investment banking in North America at Credit Suisse First Boston. Mr. Dahl is also a director of Applied Science, Inc., Pharm Blue Holdings LLC, Remedy Partners, Sprout Pharmaceuticals, Inc. and Virtual Office Works, LLC all of which are private companies. Mr. Dahl received a BA from Middlebury College and an MBA from the Harvard Graduate School of Business Administration.

Mr. Dahl's experience as a certified public accountant, investment banker, financial advisor and healthcare private equity investor provides him with financial literacy and expertise and knowledge of the healthcare industry, along with expertise in mergers and acquisitions.

**Marjorie W. Dorr.** Ms. Dorr has served as a director since January 22, 2009. Ms. Dorr serves as a member of the Audit Committee and served on the Compensation Committee between 2010 and 2013. Ms. Dorr served as Executive Vice President and Chief Strategy Officer for WellPoint, Inc. from 2005 to 2007. Ms. Dorr held various executive positions while at WellPoint including President and Chief Executive Officer of WellPoint's Northeast Region SBU, where she was responsible for operations in several states. Ms. Dorr joined WellPoint through the merger in 2004 of WellPoint and Anthem, Inc. At the time of the merger, Ms. Dorr served as President of Anthem Blue Cross and Blue Shield's East region. Ms. Dorr received her bachelor of business administration degree from the University of Iowa and her master of business administration degree from the University of Chicago Graduate School of Business.

Ms. Dorr's experience as a senior executive of a large health benefits company equips her with expertise in pharmacy reimbursement practices and strategic planning.

**Thomas P. Gerrity, Ph.D.** Mr. Gerrity has served as a director since July 31, 2007. Mr. Gerrity serves as a member of the Compensation Committee and the Nominating and Corporate Governance Committee of the Board. Mr. Gerrity served as interim Chair of the Audit Committee from November 2007 to March 2008. Mr. Gerrity was the Dean of the Wharton School of the University of Pennsylvania from July 1990 to June 1999. Since then he has been Professor of Management and Dean Emeritus at the Wharton School of the University of Pennsylvania. Mr. Gerrity also serves as a director of Actua Corporation (ACTA), since 1998, and served as a member of the Corporation of the Massachusetts Institute of Technology from 2001-2011. Mr. Gerrity is the Chairman of the Board and General Partner of the Arden Fund I and Fund II, a private real estate investment fund managed by the Arden Group in Philadelphia, Pennsylvania. Mr. Gerrity served as a director of Sunoco, Inc. from 1990 to May 2010. Mr. Gerrity served as a director of Federal National Mortgage Association from September 1991 until December 2006. He was also a director of Knight-Ridder, Inc. from 1998 to 2006; CVS Corporation from 1995 to 2007; and Hercules, Inc. from 2003 to 2008. Mr. Gerrity was the founder and Chief Executive Officer for 19 years of The Index Group, a leader in consulting to many corporations regarding IT strategy and overall corporate strategy and change management.

Mr. Gerrity, by virtue of his top management experience, his strategy consulting expertise, and his positions at the University of Pennsylvania, and by virtue of his education, possesses financial literacy and expertise, as well as strategic planning and management, information systems and technology, organizational change management and corporate governance experience.

**Patrick G. LePore.** Mr. LePore was appointed to the Board on January 14, 2013. Mr. LePore serves as a Member of the Compensation Committee. From 2007 to 2012, Mr. LePore served as the Chairman of the Board of Par

Pharmaceutical Companies, Inc. He was also their Chief Executive Officer until its acquisition by private



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equity investor TPG, in 2012. Mr. LePore was President of Cardinal Health, Inc.'s healthcare marketing group prior to joining Par Pharmaceutical Companies Inc. Mr. LePore earned a B.A. degree from Villanova University, where he is also a trustee. Mr. LePore earned his MBA degree from Fairleigh Dickinson University.

Mr. LePore's experience as a former Chairman of the Board, and as a Chief Executive Officer at a successful pharmaceutical company makes him a valuable addition to the Board, especially with respect to pharmaceutical distribution. By virtue of his management experience, Mr. LePore will bring important insight to the Board. Mr. LePore is a member of the Compensation Committee.

**Thomas P. Mac Mahon.** Mr. Mac Mahon has served as a director since July 31, 2007. Between July 31, 2007 and December 31, 2010, Mr. Mac Mahon served as a director of Laboratory Corporation of America Holdings ( LabCorp ) from 1995 to April 2013. In addition, Mr. Mac Mahon served as a non-executive Chairman of the Board of LabCorp from January 2007 to May 2009; and Executive Chairman of the Board from April 1996 to December 2006. From January 1997 until his retirement in December, 2006, Mr. Mac Mahon served as President and Chief Executive Officer. Mr. Mac Mahon was Senior Vice President of Hoffmann La Roche, Inc. from 1993 to December 1996 and President of Roche Diagnostics Group and a director and member of the Executive Committee of Hoffmann La Roche from 1988 to December 1996. Mr. Mac Mahon is a director and Corporate Governance Committee Chairperson of Express Scripts, Inc. and is a member of the Board of two private companies, SynapDx Corporation and Aushon BiosyStems, Inc.

Mr. Mac Mahon's experience as a former Chief Executive Officer and Chairman of the Board, and as a board member at premier clinical laboratory and pharmacy benefits management services companies provides him with in-depth knowledge of the healthcare and pharmacy services and distribution industries. Mr. Mac Mahon, by virtue of his previous senior-level executive positions and current board experiences, also possesses executive compensation experience.

**Geoffrey G. Meyers.** Mr. Meyers has served as a director since November 17, 2009 and as Chairman of the Board since January 1, 2011. On February 1, 2010, Mr. Meyers became a member of the Nominating and Governance Committee. Mr. Meyers is the retired Chief Financial Officer and Executive Vice President and Treasurer for Manor Care, Inc. where he had responsibility for administration and financial management from 1988 until 2006 and was a director of Health Care and Retirement Corp., a predecessor of Manor Care, Inc., from 1991 to 1998. Mr. Meyers has been a director of HCA Holdings, Inc. and Chairman of its audit committee since March 2011; and he is a director of Health Care REIT and a member of its Compensation, Investment and Planning Committee since 2014. Mr. Meyers is also the Chairman of the Board of the Trust Company of Toledo, a northwestern Ohio trust bank. He received his BA from Northwestern University and his MBA from The Ohio State University.

Mr. Meyers has over two decades of experience in the long term care industry, which provides us with valuable insight into the needs and operations of our customer base. Having served as the Chief Financial Officer of a large public company he also has expertise in finance and accounting matters, investor relations, human resources, information technologies, purchasing, corporate communications, risk management, reimbursement, strategic planning and development and acquisitions.

**Robert A. Oakley, Ph.D.** Mr. Oakley has served as a director since March 24, 2008. Mr. Oakley serves as the Chairman of the Audit Committee. In 2003, Mr. Oakley retired as Executive Vice President Finance/CFO after more than 25 years service with the Columbus, Ohio-based Nationwide Companies, one of the largest diversified insurance and financial services organizations in the world. Mr. Oakley served on the boards of Ohio Casualty Corporation from March 2003 to September 2008, First Mercury Financial Corporation from January 2008 to August 2009 and the Physicians Assurance Corporation from January 2008 to August 2009. He received his BS from Purdue University

and both an MBA and Ph.D. in Finance from The Ohio State University.

Mr. Oakley possesses financial literacy and expertise from his experiences as a former Chief Financial Officer and chair of audit committees at leading insurance and financial services companies, along with expertise in investor relations, risk management and strategic planning.

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**Gregory S. Weishar.** Mr. Weishar has served as our Chief Executive Officer since January 14, 2007. He has over 20 years experience in the pharmacy services industry. Prior to joining the Company, he was Chief Executive Officer and President of PharmaCare Management Services, a prescription benefit management firm and a wholly-owned subsidiary of CVS Corporation, since 1994.

Mr. Weishar has substantial senior executive experience in the pharmacy services industry and as Chief Executive Officer of the Company has intimate knowledge of our industry and business.

**Recommendation of Our Board of Directors**

Our Board recommends a vote FOR the nine directors listed above to hold office until the 2016 Annual Meeting of Stockholders and until their successors have been duly elected and qualified.

**Required Vote**

A nominee for director will be elected to the Board by a vote of the majority of the votes cast.

**CORPORATE GOVERNANCE**

**Meetings**

During 2014, the Board held a total of six meetings. Each director attended at least 75% of the aggregate of (i) the total number of meetings of the Board during the period which he/she was a director and (ii) the total number of meetings of all Board Committees on which he/she served during the period which he/she was a director. The non-management members of the Board have met in executive session at all of the regularly scheduled meetings of the Board. In addition, if this group of non-management directors includes directors who do not satisfy the independence requirements of the New York Stock Exchange (the NYSE ), an executive session including only independent directors is scheduled at least once a year. The non-executive Chairman of the Board presides at meetings of the non-management directors and independent directors to the extent that he is present at the meetings.

It is the policy of the Board to encourage its members to attend the Company's Annual Meeting of Stockholders. All of the Company's directors attended the Company's 2014 Annual Meeting of Stockholders in person.

**Board Committees**

The Board has three standing Committees: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. Copies of the charters of each of the Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee setting forth the responsibilities of the committees can be found under the For Investors Corporate Governance section of our website at [www.pharmerica.com](http://www.pharmerica.com) and such information is also available in print to any stockholder who requests it through our Investor Relations department. We periodically review and revise the committee charters. A summary of the composition of each committee and its responsibilities is set forth below.

Name	Audit	Nominating and Corporate Governance	Compensation
------	-------	---	--------------

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Frank E. Collins, Esq.		Chairman	
W. Robert Dahl, Jr.	Member		
Marjorie W. Dorr	Member		
Thomas P. Gerrity, Ph.D.		Member	—
Patrick G. LePore		—	Member
Thomas P. Mac Mahon			Chairman
Geoffrey G. Meyers		Member	
Robert A. Oakley, Ph.D.	Chairman		
Gregory S. Weishar			

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### **Audit Committee**

The Company has a standing Audit Committee established by the Board for the purpose of overseeing the Company's accounting and financial reporting processes and audits of the Company's financial statements. The Audit Committee held a total of ten meetings in 2014. The Board has determined that Mr. Dahl, Ms. Dorr, and Mr. Oakley are each qualified as an audit committee financial expert as such term is defined in Item 407(d)(5) of Regulation S-K and that they are independent within the meaning of the listing standards of the NYSE and applicable rules and regulations of the Securities and Exchange Commission (the SEC) relating to directors serving on audit committees.

### **Compensation Committee**

The Compensation Committee is responsible for administering the Company's executive and director compensation programs, including executive base salaries, bonuses, performance based awards and other equity awards, and for administering the Company's equity compensation plans. Pursuant to its charter, the Compensation Committee has authority to delegate any of its responsibilities to subcommittees as the Compensation Committee may deem appropriate. The Compensation Committee held a total of four meetings in 2014. The Compensation Committee reviews periodic reports from the CEO and other officers as to the performance and compensation of the officers, employees and directors.

Pursuant to its charter, the Compensation Committee has the sole authority, at the Company's expense, to retain, oversee, and terminate a consulting firm to assist in the evaluation of director, CEO or executive officer compensation, and in furtherance thereof to retain legal counsel and other advisors.

Since April 2008, the Compensation Committee has retained Frederic W. Cook & Co. (Cook) to serve as the Company's outside compensation consultant with respect to setting each year's executive compensation. See the discussion under Compensation Discussion and Analysis for more information on Cook's role in assisting the Company with its compensation policies and programs.

Cook is retained only by the Compensation Committee to assist in the determination, amount and form of executive and non-employee director compensation. Neither Cook nor any of its affiliates provides any additional services to the Company or its affiliates. The Compensation Committee has determined that the work of Cook did not raise any conflicts of interest in 2014. In making this assessment, the Compensation Committee considered the independence factors enumerated in Rule 10C-1(b) under the Securities Exchange Act of 1934, as amended (the Exchange Act), including the fact that Cook does not provide any other services to the Corporation, the level of fees received from the Corporation as a percentage of Cook's total revenue, policies and procedures employed by Cook to prevent conflicts of interest, and whether the individual Cook advisers to Compensation Committee own any stock of the Corporation or have any business or personal relationships with members of the Compensation Committee or our executive officers.

### **Nominating and Corporate Governance Committee**

The purpose of the Nominating and Corporate Governance Committee of the Board is to (i) identify individuals qualified to become members of the Board (consistent with criteria approved by the Board); (ii) select, or recommend that the Board select, the director nominees for the next annual meeting of stockholders and nominees to fill vacancies on the Board; (iii) develop and recommend to the Board a set of corporate governance guidelines applicable to the Company; (iv) oversee the evaluation of the Board, its committees and management; and (v) oversee, in concert with the Audit Committee, compliance rules, regulations and ethical standards for the Company's directors, officers and employees, including corporate governance issues and practices. While the Nominating and Corporate Governance Committee has no formal process for identifying nominees, if it is deemed appropriate, the Nominating and Corporate

Governance Committee may consider candidates recommended by any other source, including stockholders and business and other organizational networks. The Nominating and Corporate Governance Committee may retain and compensate third parties, including executive search firms, to identify or evaluate candidates for consideration. The Nominating and Corporate Governance Committee held four meetings in 2014.

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The Nominating and Corporate Governance Committee will consider director candidates recommended by stockholders. Stockholders wishing to suggest a candidate for director for inclusion in the Company's proxy statement must submit a written notice to the Company's Corporate Secretary at PharMerica Corporation, 1901 Campus Place, Louisville, Kentucky 40299. The written notice must include:

- (1) The name, address, and telephone number of the stockholder who is recommending a candidate for consideration;
- (2) The class and number of shares of the Company which the recommending stockholder owns;
- (3) The name, address, telephone number and other contact information of the candidate;
- (4) The consent of each candidate to serve as director of the Company if so elected;
- (5) The candidate's knowledge of matters relating to the Company's industry, the candidate's experience as a director or senior officer of other public or private companies and the candidate's educational and work background;
- (6) The candidate's involvement in legal proceedings within the past five years; and
- (7) The candidate's and the candidate's family members' relationship with the Company, the Company's competitors, creditors or other persons with special interests regarding the Company.

In considering candidates recommended by stockholders, the Nominating and Corporate Governance Committee will use the same evaluation criteria and process as that used by the Nominating and Corporate Governance Committee for other candidates. The Nominating and Corporate Governance Committee evaluates the candidates in accordance with its Policy for Evaluation for Nominees to the Board of Directors, which sets forth the following factors to be considered:

Whether the candidate is independent and does not, and has not, had a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director;

Whether the candidate is an audit committee financial expert and/or financially literate ;

Whether the candidate has the personal attributes necessary for successful service on the Board, such as character and integrity, a high level of education and business experience, broad based business acumen, an understanding of the Company's business and the institutional pharmacy industry generally, strategic

thinking, a willingness to share ideas, a network of contacts and diversity of experiences and expertise;

Whether the candidate has been the chief executive officer or a senior executive officer of a public company or another complex organization;

Whether the candidate serves on other boards of directors; directors employed in a full-time position may not sit on the boards of directors of more than two other public companies and directors employed part-time or full-time in academia may not sit on the boards of directors of more than three other public companies. There is no limit on the number of non-public company boards on which directors may sit;

Whether the candidate will add value to the Board or a committee thereof by virtue of particular knowledge, experience, technical expertise, specialized skills or contacts;

Whether the candidate, if an existing director, is suitable for continued service;

Whether the candidate is under the age of 75;

Whether the candidate's responses to the directors and officers questionnaire reveal areas of potential problems or concerns; and

Whether there are any other relevant issues with respect to the candidate.

The Policy for Evaluation for Nominees to the Board of Directors specifies that diversity of experiences and expertise is a factor to be considered by the Nominating and Governance Committee in the director identification and nomination process. The Nominating and Governance Committee seeks nominees with a broad diversity of



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experience, professions, skills, geographic representation and backgrounds. The Committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees. The Company believes that the backgrounds and qualifications of the directors, considered as a group, should provide a significant composite mix of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities. Nominees are not discriminated against on the basis of race, religion, national origin, sexual orientation, disability or any other basis proscribed by law.

The Committee has the authority under its charter to hire and pay a fee to consultants or search firms to assist in the process of identifying and evaluating candidates.

## **Board Independence**

Our Corporate Governance Guidelines provide for director independence standards consistent with those of the NYSE and the federal securities laws. These standards require the Board to affirmatively determine that each independent director has no material relationship with the Company (directly or as a partner, stockholder or officer of an organization that has a relationship with the Company) other than as a director. The Board has determined that the following directors are independent as required by the NYSE listing standards and the Company's Corporate Governance Guidelines: Mr. Collins, Mr. Dahl, Ms. Dorr, Mr. Gerrity, Mr. LePore, Mr. Mac Mahon, Mr. Meyers and Mr. Oakley.

All members of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee are independent directors as defined in the NYSE listing standards and in the standards in the Company's Corporate Governance Guidelines.

## **Compensation Committee Interlocks and Insider Participation**

The members of the Compensation Committee are Mr. Mac Mahon, who serves as Chair, Mr. LePore, and Mr. Gerrity, each of whom is independent under NYSE listing standards. None of the members of the Compensation Committee is a former or current officer or employee of the Company or has any interlocking relationship as set forth in SEC rules.

## **Section 16(a) Beneficial Ownership Reporting Compliance**

Based solely upon a review of the copies of the forms furnished to the Company and written representations from officers and directors of the Company that no other reports were required, during the year ended December 31, 2014, all filing requirements under Section 16(a) of the Exchange Act, applicable to its officers, directors and greater than 10% beneficial owners were complied with on a timely basis.

## **Code of Ethics**

The Company has a Code of Conduct and Ethics that applies to all directors, officers and employees of the Company, including its principal executive officer, principal financial officer and principal accounting officer.

The Code of Conduct and Ethics is available on the Company's website at [www.pharmerica.com](http://www.pharmerica.com) and may also be obtained in print upon request from the Company's Secretary. The Company will post amendments to or waivers from the Code of Conduct and Ethics to the extent applicable to the Company's principal executive officer, principal financial officer and principal accounting officer on its website.

**Corporate Governance Guidelines**

The Board has adopted the PharMerica Corporation Corporate Governance Guidelines (the Guidelines ). The Guidelines reflect the principles by which the Company will operate. The Guidelines cover various topics, including, but not limited to, Board size, director independence and other qualification standards, Board and

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committee composition, Board operations, director compensation and continuing education, director responsibilities, management succession, and annual performance evaluations. A copy of the Guidelines is available at the Company's website at [www.pharmerica.com](http://www.pharmerica.com) and may also be obtained in print upon request from the Company's Secretary.

## **Board Leadership Structure and Role in Risk Oversight**

The Company's Board is comprised of nine directors, eight of whom are considered independent. Our Chief Executive Officer, Gregory S. Weishar, is our only employee-director. Outside director Geoffrey G. Meyers serves as Chairman of the Board. The Board delegates certain duties as described above to its Audit, Nominating and Corporate Governance, and Compensation Committees. The Chairmen of these committees, respectively, are independent directors Robert A. Oakley, Frank E. Collins and Thomas P. Mac Mahon. We separate the roles of CEO and Chairman of the Board in recognition of the differences between the two roles. The CEO is responsible for setting the strategic direction for the Company and the day to day leadership and performance of the Company, while the Chairman of the Board is responsible for leading the Board in the execution of its fiduciary duties. The Chairman presides over meetings of the full Board.

The full Board is responsible for the Company's risk oversight process. The Board delegates to appropriate committees the oversight of particular subject areas of risk that are under the purview of those committees. For example, financial risk is overseen by the Audit Committee, while utilizing compensation strategies addressing Section 162(m) of the Internal Revenue Code is within the purview of the Compensation Committee. Strategic risks are overseen by the full Board. The Board (or appropriate Committee) receives regular reports from senior management on areas of material risk to the Company, including operational, financial, legal and regulatory compliance, and strategic risk. The chairman of each Committee reports to the full Board during the Committee reports portion of the next Board meeting each of the material matters considered by the Committee. This reporting process enables the Board and its Committees to coordinate the risk oversight role, particularly with respect to risk interrelationships. As part of the Board's risk oversight responsibilities it has established an enterprise risk management program, which at the management level, is overseen by the Company's Chief Financial Officer. Enterprise risks are identified and prioritized by management and the Board and a mitigation plan is developed. Management regularly reports on risk mitigation to the relevant Committee or the Board. Additional review or reporting on enterprise risks is conducted as needed or as requested by the Board or Committee.

## **Communication with the Board of Directors**

It is the policy of the Company to facilitate communications of stockholders with the Board. Communications to the directors must be in writing and sent Certified Mail to the Board of Directors c/o the Chief Financial Officer to the Company's headquarters at PharMerica Corporation, 1901 Campus Place, Louisville, Kentucky 40299. All communications must be accompanied by the following information:

if the person submitting the communication is a stockholder, a statement of the type and amount of shares of the Company that the person holds;

if the person submitting the communication is not a stockholder and is submitting the communication to the non-management directors as an interested party, the nature of the person's interest in the Company; and

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the address, telephone number and e-mail address, if any, of the person submitting the communication.

The following types of communications are not appropriate for delivery to Directors under the Company's policy:

communications regarding individual grievances or other interests that are personal to the party submitting the communication and could not reasonably be construed to be of concern to stockholders or other constituencies of the Company (such as employees, members of the communities in which the Company operates its businesses, customers and suppliers) generally;

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communications that advocate the Company engaging in illegal activities;

communications that, under community standards, contain offensive, scurrilous or abusive content; and

communications that have no rational relevance to the business or operations of the Company.

Upon receipt, each communication will be entered into an intake record maintained for this purpose, including the name of the person submitting the communication, the date and time of receipt of the communication, the information concerning the person submitting the communication required to accompany the communication and a brief statement of the subject matter of the communication. The record will also indicate the action taken with respect to the communication. The personnel responsible for receiving and processing the communications will review each communication to determine whether the communication satisfies the procedural requirements for submission under the Policy and Procedures for Stockholder Communication with Directors and the substance of the communication is of a type that is appropriate for delivery to the directors under the criteria set forth above. Communications determined to be appropriate for delivery to directors will be assembled by the responsible personnel for delivery and delivered to the directors on a periodic basis, generally in advance of each regularly scheduled meeting of the Board. Communications directed to the Board as a whole, but relating to the area of competence of one of the Board's committees, will be delivered to that committee, with a copy to the Chairman of the Board.

**Table of Contents****DIRECTOR COMPENSATION FOR 2014**

The following table sets forth certain information regarding the compensation paid to the Company's non-employee directors for their service during the fiscal year ended December 31, 2014.

Name	Fees Earned or Paid in		Stock Awards (1)(2)	Total
	Cash			
Frank E. Collins (3)	\$ 78,000	\$	125,001	\$ 203,001
W. Robert Dahl, Jr. (3)(4)	\$ 77,000	\$	125,001	\$ 202,001
Marjorie W. Dorr (3)	\$ 77,000	\$	125,001	\$ 202,001
Thomas P. Gerrity, Ph.D. (3)	\$ 74,000	\$	125,001	\$ 199,001
Patrick LePore (3)	\$ 67,500	\$	125,001	\$ 192,501
Thomas P. MacMahon (3)	\$ 79,500	\$	125,001	\$ 204,501
Geoffrey G. Meyers (3)	\$ 143,000	\$	125,001	\$ 268,001
Robert A. Oakley, Ph.D. (3)	\$ 92,000	\$	125,001	\$ 217,001

- (1) All stock awards are restricted stock units and are in shares of the Company's common stock. These amounts represent the aggregate grant date fair value computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation - Stock Compensation ( FASB ASC Topic 718 ). The assumptions used in calculating the amounts are discussed in Note 10 of the Company's audited financial statements for the year ended December 31, 2014, included in the Company's Annual Report on Form 10-K filed with the SEC on March 2, 2015.
- (2) The table below sets forth the grant date fair value of each equity award granted in 2014 computed in accordance with FASB ASC Topic 718:

Name	Restricted Stock	
	Number of Awards Granted	Grant Date Fair Value
Frank E. Collins	4,300	\$ 125,001
W. Robert Dahl, Jr.	4,300	\$ 125,001
Marjorie W. Dorr	4,300	\$ 125,001
Thomas P. Gerrity, Ph.D.	4,300	\$ 125,001
Patrick G. LePore	4,300	\$ 125,001
Thomas P. Mac Mahon	4,300	\$ 125,001
Geoffrey G. Meyers	4,300	\$ 125,001
Robert A. Oakley, Ph.D.	4,300	\$ 125,001

- (3) The table below sets forth the aggregate number of shares of restricted stock units and the aggregate number of stock options held by each non-employee director as of December 31, 2014:

<b>Name</b>	<b>Aggregate Awards Outstanding at December 31, 2014</b>	
	<b>Restricted Stock Units (6)</b>	<b>Stock Options</b>
Frank E. Collins	4,300	
W. Robert Dahl, Jr. (5)	39,510	9,568
Marjorie W. Dorr (5)	31,679	13,831
Thomas P. Gerrity, Ph.D.	4,300	
Patrick G. LePore	4,300	
Thomas P. Mac Mahon	4,300	
Geoffrey G. Meyers (5)	26,786	29,268
Robert A. Oakley, Ph.D.	4,300	

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- (4) All Board of Director cash fees earned in fiscal year 2014 for W. Robert Dahl, Jr. were deferred at the Director's election per his deferred fee agreement.
- (5) Includes the following restricted stock units that have been deferred at the Director's election pursuant to his/her deferred fee agreement: W. Robert Dahl, Jr., 39,510; Marjorie W. Dorr, 31,679; and Geoffrey G. Meyers, 26,786.
- (6) Restricted Stock Units Aggregate Awards Outstanding, as presented in the chart, represent outstanding and deferred shares.

Our compensation program for non-employee members of the Board is as follows:

*Annual Retainer* Each director receives an annual retainer of \$50,000. Directors may, in their discretion, elect to receive the annual retainer, in whole or in part, in cash or shares of the Company's common stock.

*Chairman Retainer* The Chairman of the Board currently receives an additional retainer of \$75,000 per year.

*Committee Chair Retainer* The Chairman of the Nominating and Governance Committee and the Chairman of the Compensation Committee each currently receive an additional annual retainer of \$10,000. The Chairman of the Audit Committee currently receives an additional annual retainer of \$15,000.

*Board Meeting Fee* Directors receive \$2,000 for each meeting of the Board attended.

*Committee Meeting Fee* Committee members receive \$1,500 for each committee meeting attended.

*Annual Restricted Stock Unit Grant* Each director receives an annual award of restricted stock units valued at \$125,000. The restricted stock units vest the earlier of the first anniversary of the grant date or the next annual stockholder meeting.

*Exceptions* Gregory Weishar, as a member of management, does not receive separate compensation for service on the Board.

*Deferred Compensation* In 2008, we adopted the PharMerica Corporation Deferred Fee Plan for Directors. Under the plan, directors may elect to defer up to 100% of their cash fees and their stock fees in any one year. If a director elects to defer his/her restricted stock units, the stock will be deferred as it vests. The minimum deferral period for an in-service distribution of any deferred amount is five years from the end of the year to which each such deferred fee agreement relates. Cash and stock deferred pursuant to the plan may, at the director's election in his/her deferred fee agreement, be distributed in a lump-sum or in up to ten annual installments. Notwithstanding the foregoing, in each deferred fee agreement, a director may elect to commence distributions of all deferred cash and stock earlier, in the event of a separation from service, the death or disability of the director, or upon a change in control of the Company.

Deferred amounts are recorded in the form of bookkeeping entries only. Deferred cash bookkeeping accounts will be adjusted for gains or losses based on investment elections made by the director. A director may choose to invest their deferred cash amounts in the same general investments offered under the PharMerica Corporation 401(k) Retirement Savings Plan. Directors may change their investment elections at any time. Deferred stock fees will be paid out of the plan in the form of shares of stock, which shall remain issued and outstanding until distributed to the director pursuant to his deferred fee agreement. Deferred amounts are unfunded and the directors would be unsecured creditors of the Company if the Company became insolvent or otherwise unable to pay the balances due under the plan.



*Stock Ownership Guidelines* We encourage our directors to own stock in the Company. The Compensation Committee adopted stock ownership guidelines to align long-term interests of directors with those of our

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stockholders and provide a continuing incentive to foster the Company's success. The stock ownership guidelines became effective July 1, 2008 and were updated on December 2, 2012, for directors. Under the stock ownership guidelines, directors are expected to own Company stock in the amount of 400% of their annual retainer (exclusive of board meeting fees), or \$200,000. There is no required time period within which Director must attain the applicable stock ownership level under the guidelines, whether joining before or after the adoption of the guidelines. The following count towards meeting the stock ownership guidelines: all shares and vested options held but not unvested and unearned restricted stock/restricted stock units/performance shares and unvested stock options. Shares are valued at fair market value and options are valued at the spread between the exercise price and the fair market value of the underlying shares. As of April 21, 2015, all directors own shares of the Company and the value of the directors ownership in the Company is as follows: Frank Collins - \$1,335,852; Robert Dahl - \$1,593,452; Marjorie Dorr - \$1,454,768; Thomas Gerrity - \$1,243,620; Patrick G. LePore - \$443,968; Thomas Mac Mahon - \$1,391,852; Geoffrey Meyers - \$1,793,288; and Robert Oakley - \$1,219,708.

Table of Contents**EXECUTIVE OFFICERS AND KEY EMPLOYEES****Executive Officers**

The following table sets forth information with respect to executive officers of the Company as of April 24, 2015.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Gregory S. Weishar	60	Chief Executive Officer and Director
David W. Froesel, Jr.	63	Executive Vice President, Chief Financial Officer and Treasurer
Suresh Vishnubhatla	46	Executive Vice President of Long-term Care Operations
Mark R. Lindemoen	48	Senior Vice President of Sales and Client Services
Robert A. McKay	53	Senior Vice President of Purchasing and Trade Relations
Thomas A. Caneris	52	Senior Vice President, General Counsel, Chief Compliance Officer and Secretary
Berard E. Tomassetti	59	Senior Vice President and Chief Accounting Officer

Set forth below are the names, positions held and business experience, including during the past five years, of the Company's executive officers. Officers serve at the discretion of the Board. There is no family relationship between any of the directors, nominees to become a director or executive officers.

**Gregory S. Weishar.** Mr. Weishar has served as our Chief Executive Officer since January 14, 2007. He has over 20 years experience in the pharmacy services industry. Prior to joining the Company, he was Chief Executive Officer and President of PharmaCare Management Services, a prescription benefit management firm and a wholly-owned subsidiary of CVS Corporation, since 1994.

**David W. Froesel, Jr.** Mr. Froesel has served as our Executive Vice President, Chief Financial Officer and Treasurer since August 1, 2013, after serving as the Interim Chief Financial Officer beginning on April 12, 2013. Prior to that time, Mr. Froesel had been the principal of Froesel Consulting LLC since 2011. Mr. Froesel was Chief Financial Officer of Bio Script, Inc., from December 2010 to January 2011. Before that he was also Senior Vice President and Chief Financial Officer of Omnicare, Inc., from 1996 to 2009. He received a B.S. in Accounting from the University of Missouri-St. Louis and an M.S. in Accounting from St. Louis University, and he is a Certified Public Accountant.

**Suresh Vishnubhatla.** Mr. Vishnubhatla currently serves as the Company's Executive Vice President of Long Term Care Operations and from March 2011 to December 2013 served as Chief Technology Officer. Prior to joining the Company, he served as Senior Vice President and Chief Technology Officer of Millennium Pharmacy Systems, Inc. from January 2007. Prior to joining Millennium Pharmacy Systems, Inc., Mr. Vishnubhatla held various positions with BodyMedia, Inc. from 2000 to 2006, finally serving as Senior Vice President, Products.

**Mark R. Lindemoen.** Mr. Lindemoen joined the Company as Senior Vice President of Sales and Client Services on September 27, 2012. Mr. Lindemoen is responsible for leading the Company's sales and client retention initiatives. Prior to joining the Company, Mr. Lindemoen was Vice President of Sales for Gulf South Medical Supply in Jacksonville, Florida. Prior to Gulf South, Mr. Lindemoen was the Vice President, Regional Segment Sales Health Systems for AmerisourceBergen in Thorofare, New Jersey, where he directed a \$3.0 billion sales territory. Mr. Lindemoen previously served as a vice president for McKesson Medical Surgical and SCA Incontinence Care in Atlanta, Georgia.

**Robert A. McKay.** Mr. McKay has served as our Senior Vice President of Purchasing and Trade Relations since July 2010. He had previously served as Senior Vice President of Sales and Marketing from July 2007 to June 2010. Prior to joining the Company in July 2007, Mr. McKay was Vice President of Marketing and Trade Relations for PharmaCare Management Services, a prescription benefit management firm and a wholly-owned subsidiary of CVS Corporation and held various positions with PharmaCare since 1995. Mr. McKay is a retired United States Army (Reserve) officer.

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**Thomas A. Caneris.** Mr. Caneris has served as our Senior Vice President, General Counsel, Chief Compliance Officer and Secretary since August 2007 and Chief Compliance Officer since 2010. Prior to joining the Company, Mr. Caneris served as counsel to Convergys Corporation from September 2004.

**Berard E. Tomassetti.** Mr. Tomassetti has served as our Senior Vice President and Chief Accounting Officer since July 2007. Prior to joining the Company, Mr. Tomassetti served as the Chief Financial Officer of the Kindred Healthcare, Inc. ( Kindred ) pharmacy business for over 6 years. Prior to joining Kindred s pharmacy business, Mr. Tomassetti was affiliated with Aperture, a credentials verification organization. Mr. Tomassetti was an auditor with Ernst & Young LLP for 7 years.

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**COMPENSATION DISCUSSION AND ANALYSIS**

**Executive Summary**

Our executive compensation program is primarily structured to be competitive within the institutional pharmacy industry and focus our executives on enhancing revenues and increasing profitability by providing quality services, managing costs and making appropriate acquisitions. The Compensation Committee has adopted a compensation strategy in which total direct compensation is generally targeted at the 40<sup>th</sup> percentile and is expected to be achieved through a combination of below median base salary and median to above-median annual and long-term incentive opportunities. This approach supports the Company's pay-for-performance philosophy by providing a compensation package that is generally weighted toward variable, performance-based incentives, thus ensuring a high degree of accountability at the senior levels of the organization. Fifty-two percent (52%) of the CEO's pay is at risk and the at risk pay for the remaining Named Executives ranges from 44% to 47%.

PharMerica had a strong 2014 as the Company focused on improving client retention and operating margins. Key accomplishments during 2014 were:

successful implementation of a restructuring plan; and

completion of acquisitions with revenues aggregating \$220 million.

The Company's adjusted EBITDA of \$122.6 million in 2014 was above the target set for the Company's 2014 short term incentive program, and funded an annual bonus pool of 117.6% of target for the Company EBITDA component of the plan. The performance share unit component of our 2012-2014 long-term incentive program vested at 111.3% of target for adjusted EBITDA and 105.1% for adjusted diluted earnings per share ( Adjusted Diluted EPS ), respectively.

The 2014 long-term incentives were delivered in a combination of performance shares and restricted stock unit awards (weighted 50%/50%) to focus executives on long-term operating performance and support executive retention. For 2015, performance shares and restricted stock awards will remain equally weighted.

The Compensation Committee is composed solely of independent directors. Over the years, the Company has adopted many contemporary best practices. These include the following:

elimination of excise tax gross-up for change in control related payments for the CEO; and other new executives post-2008;

adoption of anti-hedging/pledging policy;

adoption of double trigger equity vesting for the CEO; and other new executives post-2008; in the event of a change in control;

adoption of Stock Ownership Guidelines;

adoption of clawback provision for the Named Executives;

adoption of the following severance practices for the CEO for involuntary termination without cause or voluntary termination with good reason in non-change in control situations;

reduction in non-change in control severance multiple from 3X to 2X;

conditioning severance payments and equity vesting on compliance with restrictive covenants (i.e., non-compete, non-solicitation, confidentiality and non-disparagement); cessation of severance payments and other benefits if CEO violates restrictive covenants; and

the total direct compensation our Named Executives received in fiscal year 2014 set forth in the Summary Compensation Table on page 27 is consistent with and reflects our compensation objectives.

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### **Introduction**

The Compensation Committee of the Board of Directors is principally responsible for reviewing, administering and approving the Company's compensation policies and practices regarding the executive officers. The Compensation Committee is composed of three members, each of whom is (i) an independent director, (ii) qualified as a non-employee director, as defined under Section 16 of the Securities Exchange Act of 1934, as amended, and (iii) qualified as an outside director under Section 162(m) of the Internal Revenue Code. Pursuant to the terms of the Compensation Committee's written charter, which has been approved by the Board and is reviewed annually to ensure that it properly reflects the Compensation Committee's responsibilities, the Compensation Committee has the responsibility for establishing the compensation structure for the Company's executive officers. The Compensation Committee makes its decisions after extensive review and consideration, including an annual review of our peer compensation practices.

This Compensation Discussion and Analysis provides information on our executive compensation philosophy, how and why compensation decisions are made and how the decisions align with the Company's and individual performance.

Cook has served as the Compensation Committee's outside Compensation Consultant since April 2008. Cook assisted the Compensation Committee in setting 2014 compensation levels and developing the structure of various incentive plans, providing the Committee with information on emerging trends and regulatory developments in executive and non-employee director compensation. Cook has recently provided input to the Company in establishing its 2015 Compensation program and advising the Committee in connection with the CEO's employment agreement. In its role as outside consultant, Cook provides the Compensation Committee with objective analyses, advice and information with respect to CEO and other executive compensation. Cook maintains no other direct or indirect business relationships with the Company.

Our 2014 named executive officers (referred to herein as the "Named Executives") are the following executives: Mr. Weishar, our Chief Executive Officer; Mr. Froesel, our Executive Vice President, Chief Financial Officer and Treasurer; Mr. Vishnubhatla, Executive Vice President of Long Term Care Operations; Mr. McKay, our Senior Vice President of Purchasing and Trade Relations; and Mr. Caneris, our Senior Vice President, General Counsel, Chief Compliance Officer and Secretary.

### **Executive Compensation Program Objectives**

Our executive compensation program is primarily structured to be competitive within the institutional pharmacy industry and focuses our executives on enhancing revenues and increasing profitability by providing quality services, managing costs and making appropriate acquisitions. Our executive compensation program is designed to balance our overall compensation philosophy of promoting programs that are simple and flexible, and sufficiently robust to permit us to attract and retain a high quality and stable executive management team. In addition, the program is designed to provide transparency to both our employees and stockholders. Each of these performance objectives is critical to our success.

The goals of our executive compensation program are to:

provide competitive and fiscally responsible compensation that enables us to successfully attract and retain highly-qualified executives with the leadership skills and experience necessary to promote our long-term



success;

provide incentive compensation that places an emphasis on financial performance, thereby ensuring a strong correlation between the achievement of critical financial and strategic objectives and realized compensation; and

provide an appropriate link between compensation and the creation of stockholder value through awards tied to our long-term performance and share price appreciation.

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The three primary elements of compensation used to support the above goals are base salary, annual cash incentive awards and long-term incentive awards:

**Base Salaries.** The objective of base salary is to provide a compensation level that delivers cash income to the Named Executives and reflects their job responsibilities, experience and value to the Company.

**Annual Cash Incentive Awards.** This component of the compensation program rewards corporate and individual performance against pre-established annual goals.

**Long-Term Incentive Awards.** Our long-term incentive program is designed to align the interests of our Named Executives with those of our stockholders by motivating these officers to manage the Company in a manner that fosters long-term performance, as reflected in changes in stock price and achievement of profitability objectives. Long-term incentives also serve as essential tools to promote executive retention through time-based vesting requirements.

## **Benchmarking Process**

As discussed previously, we target Named Executives' total direct compensation to fall slightly below the median range for equivalent positions at peer group companies. The actual positioning of target compensation for individual executives may range above or below the median based on executive skill set experience and performance, as well as responsibilities of the roles compared to similar positions in the market.

For 2014 compensation planning purposes, the Compensation Committee approved the use of a peer group composed of 14 companies that are relatively comparable in size as measured by annual revenue, operate within the same general industry space, or are competitors for customers and/or executive talent. The 2014 peer group consists of the following companies:

Amedisys, Inc.

Bio Script Inc.

Emeritus Corporation

Fred s, Inc.

Gentiva Health Services

Healthsouth Corporation

Henry Schein, Inc.

Invacare Corporation

Kindred Healthcare Inc.

Magellan Health Services, Inc.

MEDNAX, Inc.

Omnicare, Inc.

Triple-S Management Corp.

Universal American Corporation

In 2015, the Company retained the same peer group. Our revenues approximate the 25<sup>th</sup> percentile of the peer companies; and our EBITDA, market cap and enterprise values are between the 25<sup>th</sup> percentile and 50<sup>th</sup> percentile.

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**Table of Contents****Components of the Executive Compensation Program**

Our Named Executive compensation program consists of base salary, annual cash incentives and long-term incentives. For our Named Executives, our program is structured so that variable, or at risk, compensation are targeted to range from approximately 44% to 52% of total compensation. This ensures that the executives with the highest degree of responsibility to stockholders are held most accountable for results and changes in stockholder value.

**Base Salary**

Base salaries for our Named Executives were generally targeted to below the median range for equivalent positions at the peer group companies. Actual salary for individual executives is positioned to reflect differences in job content, performance and experience. Competitive base salaries are essential to attracting and retaining executive management talent, and also serve to mitigate pressure that might otherwise exist to support high-risk business strategies if base salary was set materially below market rates.

The Compensation Committee reviews base salaries at least annually and more frequently when promotions or changes in responsibility occur within our executive management. Salary increases are generally based on factors such as competitive market data, assessment of individual performance, promotions, level of responsibility, skill set relative to external counterparts, general economic conditions and input from our CEO for Named Executives other than himself. A merit increase budget of two percent was adopted for 2014 for executives and employees.

**Annual Cash Incentives**

Pursuant to the Company's annual incentive program, our Named Executives have the opportunity to earn annual cash incentives for meeting annual performance goals. The Company utilizes cash incentives as a method of tying a portion of annual compensation to our annual financial performance, as well as non-financial objectives that are designed to lead to increases in long-term stockholder value. The specific objective performance criteria that must be obtained in order for bonuses to be paid are approved each year by the Compensation Committee and are subject to change from year to year to reflect changes in strategic priorities.

*Mr. Weishar*

In 2014, the incentive opportunity for Mr. Weishar was based upon an incentive formula tied to our adjusted EBITDA which is equal to our earnings before interest, taxes, depreciation and amortization, and other amounts as reported in the Corporation's disclosures in its Form 10-K as of and for the year ended December 31, 2014, except that there shall not be an add-back for stock based and deferred compensation; and Adjusted Diluted EPS. Adjusted EBITDA and Adjusted Diluted EPS were selected as the objective performance criterion because it is critical to focus our Named Executives on earnings and the achievement of cost savings.

Mr. Weishar's incentive formula was 2.2% of adjusted EBITDA for 2014, provided that adjusted EBITDA was at least \$93.68 million for the year (but in no event could the incentive exceed \$2 million). The minimum EBITDA level was set to correspond to the threshold level of adjusted EBITDA under the annual bonus program described below. The EBITDA incentive formula, which was adopted to enable tax deductibility for Mr. Weishar's annual bonus, established the maximum amount payable to Mr. Weishar for 2014; but he was not assured of earning this maximum amount. Based on 2014 adjusted EBITDA of \$122.6 million, Mr. Weishar's maximum incentive award was \$2 million. The Compensation Committee reduced the size of the award under the EBITDA incentive formula to the amount payable under the annual bonus program to equal a payout equal to the amount payable under the short-term incentive program, as described below. The annual short-term incentive program rewards company and individual performance.



**Table of Contents***Annual Cash Incentive*

The Compensation Committee established target award opportunities for the Named Executives under the 2014 annual bonus program, which were expressed as a percentage of base salary. These target award opportunities were individually negotiated with our Named Executives prior to their accepting employment with our Company, and in certain cases have been adjusted by the Compensation Committee in prior years to move the executives' target compensation towards the median to above median range.

**2014 Target Annual Bonus Award**

<b>Named Executive</b>	<b>Opportunity (% of Base Salary)</b>
Mr. Weishar	125%
Mr. Froesel	80%
Mr. Vishnubhatla	80%
Mr. McKay	65%
Mr. Caneris	70%

For Messrs Weishar, Froesel and Vishnubhatla, annual bonuses are paid based on a combination of company financial performance as measured by adjusted EBITDA, Adjusted Diluted EPS and individual performance relative to pre-established financial and non-financial objectives. The Company must at least meet the threshold level of adjusted EBITDA in order for any payment to be made under the individual/group performance-based components. Under the program, (i) the bonus of Messrs Weishar, Froesel and Vishnubhatla is based 70% on Company performance (50% adjusted EBITDA and 20% Adjusted Diluted EPS) and 30% on individual performance, however, no payments are made under the program if the Company fails to meet the threshold amount under the annual bonus program.

For Messrs Caneris and McKay, annual bonuses are paid based on a combination of company financial performance as measured by adjusted EBITDA and individual performance relative to pre-established financial and non-financial objectives. The Company must at least meet the threshold level of adjusted EBITDA in order for any payment to be made under the individual/group performance-based components. Under the program, (i) the bonus of Messrs Caneris and McKay is based 50% on Company performance and 50% on individual performance; however, no payments are made under the program if the Company fails to meet the threshold amount under the annual bonus program.

For the Named Executives, the threshold performance level was set at 80% of the target performance and the maximum performance level was set at 120% of target performance; the same as in 2013.

<b>Executive</b>	<b>Title</b>	<b>Company Performance</b>	<b>Individual/ Group Performance</b>
Gregory Weishar	Chief Executive Officer	70%	30%
David Froesel	Executive Vice President, Chief Financial Officer and Treasurer	70%	30%
Suresh Vishnubhatla	Executive Vice President, Long Term Care Operations	70%	30%

Robert McKay	Senior Vice President of Purchasing and Trade Relations	50%	50%
Thomas Caneris	Senior Vice President, General Counsel, Chief Compliance Officer and Secretary	50%	50%

For the Named Executives, the performance and payout levels for the Company adjusted EBITDA goals were as follows; with actual bonus amounts interpolated between the percentages set forth in the chart based on actual results if performance was above the threshold:

	<b>Threshold:</b>	<b>Target:</b>	<b>Maximum:</b>
<b>Company Adjusted EBITDA Performance Level</b>	<b>\$93.7 million</b>	<b>\$117.1 million</b>	<b>\$140.5 million</b>
<b>Payout Level</b>	<b>80% of Award Target</b>	<b>100% of Award Target</b>	<b>120% of Award Target</b>

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For the Named Executives, the performance and payout levels for the Company adjusted Diluted EPS goals were as follows; with actual bonus amounts interpolated between the percentages set forth in the chart based on actual results if performance was above the threshold:

<b>Company Adjusted</b>	<b>Threshold:</b>	<b>Target:</b>	<b>Maximum:</b>
<b>Diluted EPS Level</b>	<b>\$1.18</b>	<b>\$1.39</b>	<b>\$1.60</b>
Payout Level	85% of Award Target	100% of Award Target	115% of Award Target

Individual goals were established at the beginning of 2014 and were tailored to reflect priorities for each executive for 2014. Individual goals related to factors such as completing acquisitions, increasing sales and client retention, achieving annualized restructuring and savings objectives, implementing inventory management processes, lowering costs for procuring drug inventory, meeting departmental budgets, increasing cash flows, and other strategic initiatives.

For 2014, the Company achieved adjusted EBITDA of \$122.6 million, which resulted in a 117.6% payout for the adjusted EBITDA financial component and adjusted Diluted EPS of \$1.50, which resulted in a 126.4% payout for the adjusted Diluted EPS financial component of the award opportunities. Payouts for the individual components for the Named Executives ranged from 84% to 130% of target, resulting in total bonus payments of 101% to 123% of target.

No discretion was used in funding the bonus pool or in allocating the bonus pool.

For more information on the 2014 annual incentive opportunities for our Named Executives, please refer to the Grants of Plan-Based Awards section of this proxy statement on page 29.

**Long-Term Incentives***The Company's 2014 Long-Term Incentive Grants*

Long-term target incentive opportunities are expressed as a percentage of base salary and vary among our Named Executives. Fiscal year 2014, long-term incentive opportunities for Messrs Weishar, Froesel, Vishnubhatla, McKay and Caneris were set to generally bring each executive's total direct compensation at the 40<sup>th</sup> percentile compared to equivalent positions in peer companies and are shown above. The long-term incentive opportunities are in the median to above median range when compared to the peer group:

<b>Named Executive</b>	<b>2014 Long-Term Incentive Award Opportunity (% of Base Salary)</b>
Mr. Weishar	299%
Mr. Froesel	175%
Mr. Vishnubhatla	150%
Mr. McKay	115%
Mr. Caneris	138%

In fiscal year 2014, the long-term component of our executive compensation program for the Named Executives consisted of a combination of restricted stock units and performance share units. The Compensation Committee used



performance share units to focus executives on longer-term operating performance expected to drive long-term stockholder value creation. Restricted stock units were granted to bolster the retention features of the executive compensation plan and further the goals of the Company's stock ownership guidelines. These restricted stock units, and all prior restricted stock awards granted to the Named Executives vest in three equal annual installments. All restricted stock units which have been granted to the Named Executives under the Omnibus Incentive Plan have had a requirement that no restricted stock units may vest sooner than one year from the date of the grant. The performance shares vest at the end of a three year performance period subject to achievement of pre-established goals. The long-term incentive awards were granted in the following amounts as

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a percentage of each of the Named Executive's long-term incentive target award: 50% restricted stock units and 50% performance share units to balance executive retention with a focus on long-term stock price and operating performance.

The performance share units granted to our Named Executives are based 70% on the achievement of an adjusted EBITDA target and 30% on the achievement of an Adjusted Diluted EPS target. Adjusted Diluted EPS is the net income for the applicable full year period and adding to net income the net of tax effect of certain amounts as reported in the Corporation's disclosures in its Form 10-K as of and for the year ended December 31, 2014, divided by the weighted average of outstanding common stock shares and diluted equivalents on the last day of the applicable year. Adjusted EBITDA was selected as the performance measure for the 2014 performance share units to reinforce the importance of achievement of cost savings and earnings in the creation of long-term stockholder value. Adjusted Diluted EPS is used because we believe that in addition to EBITDA, our stockholders use EPS to assess the Company's performance. We believe the combination of adjusted EBITDA and Adjusted Diluted EPS ensures that executives consider the impact on margins in executing strategies to fuel the Company's profitable growth. For the 2014 performance share unit grants, performance will be measured based on 2016 adjusted EBITDA and Adjusted Diluted EPS performance. The adjusted EBITDA and Adjusted Diluted EPS performance objectives were set based on the Company's longer-range plan, and at the time of grant were viewed to be challenging, but achievable. The actual number of performance share units earned can range from 50% at threshold performance to 150% of the target award at maximum performance, depending upon performance relative to the predetermined adjusted EBITDA and/or Adjusted Diluted EPS goals.

*The 2012-2014 Performance Share Units*

In fiscal year 2012, the long-term component of our executive compensation program for Messrs. Weishar, Vishnubhatla, Caneris and McKay consisted of a combination of restricted stock units and performance share units, with performance share units consisting of the 50% of the grant date fair value at target performance. Mr. Froesel was not employed with the Company in 2012. The Compensation Committee used Adjusted EBITDA for the Named Officers, other than Mr. Weishar, and Adjusted EBITDA and Adjusted Diluted EPS (70%/30% split) for Mr. Weishar as of December 31, 2014 as the performance measurement for the 2012-2014 long-term performance incentive.

	<b>Threshold:</b>	<b>Target:</b>	<b>Maximum:</b>
<b>Adjusted EBITDA Performance Level</b>	<b>\$95.2 million</b>	<b>\$119 million</b>	<b>\$142.8 million</b>
Payout Level	80% of Award Target	100% of Award Target	120% of Award Target

	<b>Threshold:</b>	<b>Target:</b>	<b>Maximum:</b>
<b>Adjusted Diluted EPS</b>	<b>\$1.18</b>	<b>\$1.48</b>	<b>\$1.78</b>
Payout Level	80% of Award Target	100% of Award Target	120% of Award Target

As the Company's 2014 adjusted EBITDA was \$122.6 million, and Adjusted Diluted EPS was \$1.50 per share, payouts under the 2012-2014 Long-term Incentive Program were made at 111.3% of the target for adjusted EBITDA and 105.1% for Adjusted Diluted EPS.

*Treatment of Equity Incentives in the Event of Change in Control*

As provided in the Company's Omnibus Incentive Plan or the award agreements related thereto, unvested equity awards granted to our Named Executives (with the exception of equity awards held by Mr. McKay, Senior Vice President of Purchasing and Trade Relations) may automatically vest upon certain terminations of a Named Executive's employment following a change in control. We believe that such a double trigger provision will encourage our executive officers to assess takeover bids objectively without regard to the potential impact on their job security while maintaining the retention power of the compensation program following a change in control. Unvested equity awards granted to our Senior Vice President of Purchasing and Trade Relations automatically vest upon a change in control as provided under terms of his employment agreement, which was entered into in 2007 prior to the development of our overall executive compensation program and the decision to provide for double trigger vesting with respect to our executive officers generally.

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### *Benefits and Perquisites*

Our Named Executives are eligible to participate in our 401(k) plan and certain payments are made on their behalf in connection with life insurance premiums. Otherwise, they receive the same health, life and disability benefits available to our employees generally. We do not offer a defined benefit pension plan or a supplemental executive retirement plan.

### *Voluntary Deferred Compensation Plan*

Commencing in 2008, the Company offers certain management and highly compensated employees, including our Named Executives the ability to elect to defer up to 50% of their base salary and up to 100% of such participant's annual short-term incentive program cash bonus into a non-qualified deferred compensation plan. We believe the deferred compensation plan will serve to motivate and retain our executive officers by providing a tax-effective opportunity to save for their retirement and enable them to take a more active role in structuring the timing of certain compensation payments. Participant account balances are unsecured and the participants would be unsecured creditors of the Company if the Company became insolvent or was otherwise unable to pay the balances to the participants.

### *Stock Ownership Guidelines*

We encourage our executive officers and other key employees to own stock in the Company. The Nominating and Governance Committee adopted stock ownership guidelines to align long-term interests of management with those of our stockholders and provide a continuing incentive to foster the Company's success. The stock ownership guidelines became effective December 1, 2012 for certain key executive officers, including our Named Executives. Under the stock ownership guidelines, the CEO, Executive Vice Presidents, and Senior Vice Presidents are expected to own Company stock in the amount of 400%, 200%, and 100% of their annual base salary, respectively. Company Executives are expected to retain 50% of after-tax profit shares earned from the equity compensation program until the guidelines are achieved. Shares owned outright, held in a trust or other estate planning, and credited as deferred stock units or held in 401(k), and vested stock options count towards meeting the guidelines.

Each of the Named Executives except Mr. Froesel and Mr. Vishnubhatla, exceed the ownership levels, as established under the guidelines. As of April 21, 2015, the value of the Named Executives' ownership in the Company is as follows: Gregory Weishar - \$26,239,741 (771% of target); David Froesel - \$457,268 (46% of target); Suresh Vishnubhatla - \$1,105,658 (161%); Robert McKay - \$1,910,132 (637% of target); and Thomas Caneris - \$1,719,454 (527% of target). While the ownership of Mr. Froesel and Mr. Vishnubhatla do not meet the multiple for their position, they do meet the requirements applicable to them in light of their length of service with the Company and the size and vesting of the equity grants made to date.

### *Policies with Respect to Speculation in the Company's Securities*

The Company, since its inception, has maintained a policy applicable to all directors, Company's officers who file reports under Section 16 of the Securities Exchange Act of 1934 and other employees with access to material non-public information which prohibits speculative trading in the Company's stock and the trading of derivative securities of the Company. Additionally, short sales and buying stock on margin or placing stock in margin accounts are also prohibited.

The Company also maintains an anti-pledging policy and an anti-hedging policy, each of which is applicable to all of Company's officers who file reports under Section 16 of the Securities Exchange Act of 1934. The anti-pledging policy prohibits such persons from making any pledges of Company securities as collateral for a loan, or otherwise

holding Company securities in a margin account. The anti-hedging policy encourages such persons from speculating in the Company's securities, prohibits such persons from engaging in short sales of the Company's securities, and prohibits such persons from trading in derivative securities relating to the Company's securities.

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### *Clawback Policy*

The Company has a clawback policy that provides that payments that an executive officer may receive from the Company shall be subject to forfeiture or repayment to the extent required to comply with Section 304 of the Sarbanes-Oxley Act of 2002.

### **The Prior Say On Pay Vote**

The Company conducted its third advisory vote on executive compensation last year at its 2014 Annual Meeting. While this vote was not binding on the Company, its Board of Directors or its Compensation Committee, the Company believes that it is important for its stockholders to have an opportunity to vote on this proposal on an annual basis as a means to express their views regarding the Company's executive compensation philosophy, the Company's compensation policies and programs, and the Company's decisions regarding executive compensation, all as disclosed in this proxy statement. The Company's Board of Directors and its Compensation Committee value the opinions of its stockholders and, to the extent there is any significant vote against the compensation of the Named Executives as disclosed in the proxy statement, the Company will consider its stockholders' concerns and the Compensation Committee will evaluate whether any actions are necessary to address those concerns. In addition to the annual advisory vote on executive compensation, the Company discusses with its stockholders executive compensation and corporate governance issues, from time to time, through meetings and telephone calls.

At the 2014 Annual Meeting, more than 93% of the votes cast on the advisory vote on executive compensation proposal (Proposal 3) were in favor of the named executive compensation as disclosed in the proxy statement, and as a result our named executive compensation was approved. The Board of Directors and Compensation Committee reviewed these final vote results and determined that, given the significant level of support, no changes to our executive compensation policies and decisions were necessary at this time based on the vote results.

The Company has determined that its stockholders should vote on a say-on-pay proposal each year, consistent with the preference expressed by its stockholders at the 2012 Annual Meeting. Accordingly, the Company's Board of Directors recommends that you vote FOR Proposal 3 at the Annual Meeting. For more information, see Proposal 3 Advisory Vote to Approve the Compensation of the Company's Named Executives ( Say On Pay ) in this proxy statement.

### **Employment Agreements**

The Company amended Mr. Weishar's employment agreement in February, 2014 to extend the agreement for three years and provide for continued vesting of his post-2013 incentive awards for other than for cause terminations occurring on or after December 31, 2016, subject to compliance with restrictive covenants. The Company also amended and restated Mr. Froesel's employment agreement in May, 2014 to provide for continued vesting of his post-2013 incentive awards for other than for cause terminations occurring on or after August 1, 2016, subject to compliance with restrictive covenants.

Our Board, based upon the recommendation of our Compensation Committee, approved the Company entering into employment agreements with Messrs Froesel, Vishnubhatla, Caneris and McKay at the time of hire. The purpose of these agreements is to attract and retain each of these individuals given their experience and qualifications to serve the Company in their respective capacities. In addition to providing for compensation opportunities described above and in the following tables and narratives, the employment agreements provide our Named Executives with benefits upon certain terminations of employment. The employment agreements also contain change in control benefits for our Named Executives to encourage them to remain focused on their work responsibilities during the uncertainty that

accompanies a change in control and to provide benefits for a period of time after termination of employment following a change in control. The employment agreements contain post-employment non-competition and non-solicitation agreements for a period of twenty-four months for

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Mr. Weishar and Mr. McKay, eighteen months for Messrs Froesel and Caneris and twelve months for Mr. Vishnubhatla, following the date of termination. The Company believes these agreements are an appropriate method of protecting the Company's business and investment in human capital. The severance levels and benefits were determined through negotiations with the executives. For a description of the material terms of the employment agreements with each of our Named Executives, see Narrative Disclosure to Summary Compensation Table and Grants of Plan Based Awards Table below. Compensation that could potentially be paid to our Named Executives pursuant to the employment agreements upon a change in control is described below in Potential Payments upon Termination or Change in Control.

**Tax Deductibility of Compensation**

Section 162(m) of the Code restricts deductibility for federal income tax purposes of annual individual compensation in excess of \$1.0 million to the CEO and the other Named Executives, other than the Principal Financial Officer, if certain conditions are not fully satisfied. To the extent practicable, we have preserved deductibility of compensation paid to our executive officers. However, the Compensation Committee believes that maintaining flexible compensation programs that attract highly-qualified executives is important, and may, if appropriate, award compensation that is not fully deductible under Section 162(m).

**COMPENSATION COMMITTEE REPORT**

The Compensation Committee of the Board of Directors hereby reports as follows:

1. The Compensation Committee has reviewed and discussed the Company's Compensation Discussion and Analysis ( CD&A ) required by Item 402(b) of Regulation S-K with management.
2. Based on the review and discussions referred to in paragraph 1 above, the Compensation Committee recommended to the Board that the CD&A be included in the Company's Proxy Statement for its 2015 Annual Meeting of Stockholders filed with the Securities and Exchange Commission.

*The Compensation Committee*

Thomas P. Mac Mahon, Chairman

Thomas P. Gerrity, Ph.D.

Patrick G. LePore



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## EXECUTIVE COMPENSATION

## Summary Compensation Table for 2012 2014

Name and Principal Position	Year	Salary	Bonus	Non-Equity Incentive			All Other Compensation (3)	Total
				Stock Awards (1)	Option Awards (2)	Plan Compensation (2)		
Gregory Weishar <i>Chief Executive Officer</i>	2014	\$ 855,021	\$	\$ 2,515,517	\$	\$ 1,316,250	\$ 22,280	\$ 4,709,068
	2013	\$ 837,699	\$	\$ 1,922,278	\$	\$ 1,218,936	\$ 17,940	\$ 3,996,853
	2012	\$ 807,702	\$	\$ 1,922,285	\$	\$ 1,170,691	\$ 13,324	\$ 3,914,002
David Froesel <i>Executive Vice President and Chief Financial Officer and Treasurer</i>	2014	\$ 494,482	\$	\$ 857,488	\$	\$ 466,063	\$ 154,497	\$ 1,972,530
	2013	\$ 192,233	\$	\$ 887,400	\$	\$ 202,688	\$ 17,287	\$ 1,299,608
Suresh Vishnubhatla <i>Executive Vice President of Long-term Care Pharmacy Operations</i>	2014	\$ 343,269	\$	\$ 487,524	\$	\$ 321,547	\$ 11,639	\$ 1,163,980
	2013	\$ 258,928	\$	\$ 229,508	\$	\$ 234,700	\$ 8,052	\$ 731,187
	2012	\$ 253,856	\$	\$ 225,019	\$	\$ 150,257	\$ 8,042	\$ 637,174
Thomas Caneris <i>Senior Vice President, General Counsel, Chief Compliance Officer and Secretary</i>	2014	\$ 326,268	\$	\$ 443,748	\$	\$ 230,343	\$ 12,204	\$ 1,012,563
	2013	\$ 320,114	\$	\$ 435,066	\$	\$ 257,259	\$ 11,968	\$ 1,024,407
	2012	\$ 308,651	\$	\$ 435,061	\$	\$ 250,810	\$ 11,646	\$ 1,006,168
Robert McKay <i>Senior Vice President of Purchasing and Trade Relations</i>	2014	\$ 299,892	\$	\$ 339,856	\$	\$ 221,954	\$ 12,059	\$ 873,760
	2013	\$ 294,187	\$	\$ 330,288	\$	\$ 210,544	\$ 11,826	\$ 846,845
	2012	\$ 283,646	\$	\$ 330,292	\$	\$ 210,561	\$ 10,807	\$ 835,306

(1) These amounts represent the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. The assumptions used in calculating the amounts are discussed in Note 10 of the Company's audited financial statements for the year ended December 31, 2014 included in the Company's Annual Report on Form 10-K filed with the SEC on March 2, 2015.

For 2014, 2013 and 2012, stock awards to the Named Executives are made up of restricted stock unit awards and performance share unit awards as follows:

Name	Year	Restricted	
		Stock Units	Performance Share Units
Gregory Weishar	2014	\$ 1,257,758	\$ 1,257,759
	2013	\$ 961,139	\$ 961,139
	2012	\$ 1,153,371	\$ 768,914(4)

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David Froesel	2014	\$ 428,744	\$ 428,744
	2013	\$ 887,400	\$
Suresh Vishnubhatla	2014	\$ 243,762	\$ 243,762
	2013	\$ 114,754	\$ 114,754
	2012	\$ 135,009	\$ 90,010(4)
Thomas Caneris	2014	\$ 221,874	\$ 221,874
	2013	\$ 217,533	\$ 217,533
	2012	\$ 261,042	\$ 174,019(4)
Robert McKay	2014	\$ 169,928	\$ 169,928
	2013	\$ 165,144	\$ 165,144
	2012	\$ 198,175	\$ 132,117(4)

For performance share unit awards that are subject to performance conditions, the reported amount is the value at the grant date based upon the probable outcome of such conditions consistent with the estimate of aggregate compensation cost to be recognized over the service period determined as of the grant date under FASB ASC Topic 718, excluding the effect of estimated forfeitures.

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- (2) These amounts represent amounts earned under the Company's short-term incentive program for the fiscal years ended December 31, 2014, 2013 and 2012. The Named Executives had to be employed with the Company on the date of payout to earn the bonuses under the short-term incentive program.
- (3) The amounts in this column include the Company's contributions for the respective periods for the benefit of the Named Executives to the Company's 401(k) Plan, the taxable value of life insurance premiums, severance payments and perquisites.

Name	Year	Life Insurance			Total
		401(k) Matching	Premiums	Perquisites	
Gregory Weishar	2014	\$ 10,400	\$ 11,880	\$	\$ 22,280
	2013	\$ 10,200	\$ 7,740	\$	\$ 17,940
	2012	\$ 5,517	\$ 7,807	\$	\$ 13,324
David Froesel	2014	\$ 6,849	\$ 7,888	\$ 139,759(5)	\$ 154,497
	2013	\$	\$ 2,590	\$ 14,697	\$ 17,287
Suresh Vishnubhatla	2014	\$ 10,400	\$ 1,239	\$	\$ 11,639
	2013	\$ 7,416	\$ 635	\$	\$ 8,052
	2012	\$ 7,462	\$ 580	\$	\$ 8,042
Thomas Caneris	2014	\$ 10,400	\$ 1,804	\$	\$ 12,204
	2013	\$ 10,200	\$ 1,768	\$	\$ 11,968
	2012	\$ 10,000	\$ 1,646	\$	\$ 11,646
Robert McKay	2014	\$ 10,400	\$ 1,659	\$	\$ 12,059
	2013	\$ 10,200	\$ 1,626	\$	\$ 11,826
	2012	\$ 9,312	\$ 1,495	\$	\$ 10,807

- (4) Under the 2012 long-term incentive award, the company performance criteria for the Chief Executive Officer and Executive Vice Presidents is based 85% on adjusted EBITDA and 15% on an Adjusted Diluted EPS target. For the other Named Executives, the company performance criteria is based on adjusted EBITDA performance. The Company surpassed both the adjusted EBITDA and Adjusted EPS targets under the 2012 Long Term Incentive Program, resulting in payouts of 111.3% of the target amount for both performance metrics. For the Chief Executive Officer and Executive Vice Presidents, the Adjusted EPS target was also surpassed resulting in a payout of 110.4% of the target amount on that portion of the award. Mr. Froesel was not employed by the Company in 2012 and thus was not a participant in the 2012 Long Term Incentive Program. Therefore, for the remaining Named Executives, a payout of performance share units was earned in the following amounts:

Name	Grant Year	Performance Period Measurement Date	Performance	Market	Performance Share Units Earned	Market
			Share Units Granted at Target	Value at Grant Date of Target Awards		Value at Vest Date of Earned Awards
Gregory Weishar	2012	12/31/2014	56,372	\$ 768,914	62,236	\$ 1,733,273
David Froesel	2012	12/31/2014		\$		\$

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Suresh Vishnubhatla	2012	12/31/2014	6,599	\$ 90,010	7,345	\$ 204,558
Thomas Caneris	2012	12/31/2014	12,758	\$ 174,019	14,200	\$ 395,470
Robert McKay	2012	12/31/2014	9,686	\$ 132,117	10,781	\$ 300,251

- (5) The perquisite relates to \$84,951 of relocation expenses, plus the \$54,808 of the tax gross-up, that was reimbursed by the Company.

**Table of Contents****Grants of Plan-Based Awards in 2014**

The following table sets forth certain information concerning grants of awards to the Named Executives in the fiscal year ended December 31, 2014.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			All Other Stock Awards: Number of Shares of Stock or Units (3)	Grant Date Fair Value of Stock Awards (4)
		Threshold	Target	Maximum	Threshold	Target	Maximum		
Gregory Weishar									
Short-term Incentive	3/11/2014	\$ 459,854	\$ 1,069,429	\$ 1,633,553					
Long-term Incentive	3/11/2014				25,399	50,798	76,197		\$ 1,257,758
Long-term Incentive	3/11/2014							50,798	\$ 1,257,759
David Froesel									
Short-term Incentive	3/11/2014	\$ 195,055	\$ 398,072	\$ 584,171					
Long-term Incentive	3/11/2014				8,658	17,316	25,974		\$ 428,744
Long-term Incentive	3/11/2014							17,316	\$ 428,744
Suresh Vishnubhatla									
Short-term Incentive	3/11/2014	\$ 132,870	\$ 271,164	\$ 397,933					
Long-term Incentive	3/11/2014				4,923	9,845	14,768		\$ 243,762
Long-term Incentive	3/11/2014							9,845	\$ 243,762
Thomas Caneris									
Short-term Incentive	3/11/2014	\$ 148,534	\$ 228,514	\$ 325,632					
Long-term Incentive	3/11/2014				4,481	8,961	13,441		\$ 221,874

Long-term Incentive	3/11/2014								8,961	\$ 221,874
Robert McKay										
Short-term Incentive	3/11/2014	\$ 126,775	\$ 195,039	\$ 277,931						
Long-term Incentive	3/11/2014				3,432	6,863	10,295			\$ 169,928
Long-term Incentive	3/11/2014								6,863	\$ 169,928

- (1) With respect to the Named Executives, the amounts in the table represent the estimated possible payouts of cash awards under the formula-based and individual-based component of the Company's 2014 short-term incentive program which is tied to the Company's financial performance and group/individual performance. The Company performance cycle for the 2014 short-term incentive program began on January 1, 2014 and ended on December 31, 2014.
- (2) The amounts in the table represent the estimated possible payouts of performance share unit awards under the Company's 2014 long-term incentive program which is tied to the Company's financial performance. The Company's 2014 long-term incentive program is more fully described in the Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table section below. The performance cycle for the performance share unit awards granted March 11, 2014 commenced on January 1, 2014 and ends on December 31, 2016.
- (3) These restricted stock units were granted under the Company's 2014 long-term incentive program. Restricted stock units granted to Named Executives will vest in three equal annual installments beginning on the first anniversary of the grant date.
- (4) Represents the grant date fair value computed in accordance with FASB ASC Topic 718. For awards that are subject to performance conditions, the reported amount is the value at the grant date based upon the probable outcome of such conditions consistent with the estimate of aggregate compensation cost to be recognized over the service period determined as of the grant date under FASB ASC Topic 718, excluding the effect of estimated forfeitures.

#### **Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table**

##### *Employment Agreements*

During 2012, 2013 and 2014, all of our Named Executives were employed pursuant to employment agreements with the Company. Additional provisions of the employment agreements are set forth in the Compensation Discussion and Analysis.

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**Table of Contents***Employment Agreement with Mr. Weishar*

On February 27, 2014, the Company amended and restated, in a letter agreement (the *Employment Agreement*) effective as of the same date, Mr. Weishar, our Chief Executive Officer's, employment terms, superseding the previous employment agreements setting forth the terms and conditions of Mr. Weishar's employment, dated September 29, 2010 and January 14, 2007, as amended. The original term of the *Employment Agreement* ends on December 31, 2016. The *Employment Agreement* will automatically be extended for successive one-year periods, unless either Mr. Weishar or the Company gives notice of non-renewal to the other at least 120 days before the then-scheduled expiration of the term. The *Employment Agreement* provides that Mr. Weishar receives a minimum annual base salary of at least \$842,000. The *Employment Agreement* also provides that, for each year during the term, Mr. Weishar, to the extent that the quantitative performance objectives established annually by the Board or the Compensation Committee are met (i) will be eligible to receive a performance-based annual cash bonus with a target payment opportunity equal to at least 125% of his annual base salary, and (ii) will receive long-term incentive grants with an aggregate fair value equal to at least 230% of his annual base salary,

The type of compensation due Mr. Weishar in the event of the termination of his employment agreement with the Company varies depending on the nature of the termination.

*Termination without Cause or Resignation for Good Reason* If we terminate Mr. Weishar's employment without Cause or he terminates his employment with Good Reason, or due to a Change in Control (as such terms are defined below), he will be entitled to receive:

a lump-sum cash payment equal to the sum of (i) any earned but unpaid base salary through the date of termination, (ii) any expense reimbursement payments then due, (iii) an amount in respect of any earned but unused paid time off through the date of termination (with the value of unused paid time off being equal to his then annual base salary divided by 250) (such benefits, the *Accrued Benefits*), plus the lesser of his annual target bonus or his maximum award earned under the Compensation Committee resolutions that establish the negative discretion approach under the Omnibus Incentive Plan (based on actual performance during the entire year and without regard to discretionary adjustments), prorated through the date of termination and payable on the date annual bonuses for the year of termination are payable to other senior executives; and

in the event a Change in Control has occurred within 12 months prior to the termination date, a lump-sum cash payment equal to three times the sum of his then annual base salary and annual target bonus for the calendar year in which termination occurs; or

in the event a Change in Control has not occurred within 12 months prior to the termination date, an amount equal to two times the sum of his then annual base salary and target bonus for the calendar year in which termination occurs, payable in equal monthly installments over the 24-month period following the termination date. However, if a Change in Control occurs after the termination date, the total amount of any unpaid installments shall be paid as a lump-sum cash payment on the date of the Change in Control. Additionally, if a Change in Control occurs after the termination date and either the Company gives written notice to Mr. Weishar of his termination after the Company has entered into a definitive agreement for one or more transactions that would result in a Change in Control, or the Change in Control occurs within 6

months after the termination date and Mr. Weishar's termination occurred at the request of a third party who had taken steps reasonably calculated to effect a Change in Control, then the Company will pay Mr. Weishar an additional lump-sum cash payment on the date of the Change in Control equal to the sum of his annual base salary as of the termination date and annual target bonus for the calendar year in which the termination date occurs.

In addition to the foregoing cash payments:

with respect to compensatory stock options, compensatory restricted stock awards, performance-based equity awards and other equity based awards granted prior to January 1, 2011, such awards shall vest and have their restrictions lapse in connection with Mr. Weishar's termination of employment as of the



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termination date (except with respect to performance-based equity awards which shall vest as of the end of the applicable performance period). Performance-based equity awards will only vest to the extent applicable performance goals are achieved (disregarding any exercise of negative discretion that is not similarly applied to all senior executive participants). Compensatory stock options shall remain exercisable until the earliest of a Change in Control upon which all other compensatory stock options or similar awards cease to be exercisable, the second anniversary of the termination date or the expiration of their maximum stated term; and

with respect to compensatory stock options, compensatory restricted stock awards, performance-based equity awards and other equity based awards received on or after January 1, 2011 and prior to January 1, 2014, such awards shall vest and have their restrictions lapse in connection with Mr. Weishar's termination of employment as of the termination date (except with respect to performance-based equity awards which shall vest as of the end of the applicable performance period). Performance-based equity awards will only vest to the extent applicable performance goals are achieved (disregarding any exercise of negative discretion that is not similarly applied to all senior executive participants). Compensatory stock options shall remain exercisable until the earliest of a Change in Control upon which all other compensatory stock options or similar awards cease to be exercisable, the second anniversary of the termination date or the expiration of their maximum stated term; and

with respect to compensatory stock options, compensatory restricted stock awards, performance-based equity awards and other equity based awards received on or after January 1, 2014, such awards shall be treated as follows: (i) if the termination date occurs prior to December 31, 2016, each compensatory stock option shall vest before the first anniversary of the termination and remain, exercisable until the earliest of a Change in Control, the ninetieth (90<sup>th</sup>) day after the termination date, or the expiration of their maximum stated term; (ii) if the Termination Date occurs on or after December 31, 2016, each such compensatory stock option vest and become exercisable in accordance with the employment vesting schedule as if employment hereunder had continued, and shall remain, exercisable until the earliest of a Change in Control, the third anniversary of the termination date, or the expiration of its maximum stated term; (iii) if the termination date occurs prior to December 31, 2016, each such compensatory restricted stock award shall, to the extent that it would have become vested on or before the first anniversary of the termination date if your employment had continued, become fully vested, and its restrictions shall lapse, as of the termination date; (iv) if the termination date occurs on or after December 31, 2016, each such compensatory restricted stock award shall continue to vest in accordance with its original vesting schedule; (v) if the Termination Date occurs prior to December 31, 2016, a pro-rata portion of each such performance-based equity award shall vest and not be forfeitable to the extent applicable performance goals are achieved; (vi) if the termination date occurs on or after December 31, 2016, each such performance-based equity award shall vest and not be forfeitable as of the end of the applicable performance period (in full and without pro-ration) to the extent applicable performance goals are achieved; and

coverage for a period of 24 months under the Company's welfare benefit plans at Mr. Weishar's expense, provided that for such 24 month period, the Company shall make payments to Mr. Weishar on a monthly basis equal to the after-tax cost of coverage for such plans.

Cause is defined as Mr. Weishar's conviction of, or plea of guilty or nolo contendere to, a felony; his commission of intentional acts of gross misconduct (including, without limitation, theft, fraud, embezzlement or dishonesty) that significantly impair the business of the Company or cause significant damage to its property, reputation or business;

his willful refusal to perform, or willful failure to use good faith efforts to perform, material duties that remain uncured for 14 days following written request from the Board for cure; his willful and material breach of any material provision of the Company's code of ethics, or of any other material policy governing the conduct of its employees generally, that remains uncured for 14 days following written request from the Board for cure; or his willful and material breach of the employment agreement that remains uncured for 14 days following written request from the Board for cure.

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Good Reason is defined as any material diminution in Mr. Weishar's authorities, titles or offices, or the assignment to him of duties that materially impair his ability to perform the duties normally assigned to the chief executive officer of a Company of the size and nature of the Company (other than a failure to be re-elected to the Board following nomination for election); any change in the reporting structure such that he reports to someone other than the Board; any relocation of the Company's principal office, or of his principal place of employment to a location more than 50 miles the existing principal office or principal place of employment; any material breach by the Company, or any of its affiliates, of any material obligation to Mr. Weishar under his employment agreement; or any failure of the Company to obtain the assumption in writing of its obligations to perform the employment agreement by any successor to all or substantially all of the business and assets of the Company within 15 days after any merger, consolidation, sale or similar transaction; in each case that either has not been consented to by Mr. Weishar or is not fully cured within 30 days after written notice to the Company requesting cure.

*Termination for Death or Disability* If Mr. Weishar's employment is terminated due to his death or disability (defined as his inability, due to physical or mental incapacity, to substantially perform his duties and responsibilities under this agreement for 180 days out of any 270 consecutive days), he (or his successors-in-interest) shall receive a lump-sum cash payment equal to the Accrued Benefits plus his annual target bonus for the calendar year in which termination occurs. In addition to the foregoing cash payment:

with respect to compensatory stock options, compensatory restricted stock awards, performance-based equity awards and other equity based awards granted prior to January 1, 2014, to the extent such awards would have vested, had their restrictions lapse or become exercisable prior to the first anniversary of the termination date, such awards shall vest and have their restrictions lapse in connection with Mr. Weishar's termination of employment as of the termination date. Compensatory stock options shall remain exercisable until the earliest of a Change in Control upon which all other compensatory stock options or similar awards cease to be exercisable, the first anniversary of the termination date or the expiration of their maximum stated term;

each equity compensatory stock option and compensatory restricted stock award granted after January 1, 2014 shall immediately vest. Compensatory stock options shall be exercisable until the expiration of one year from the date of death or disability. Performance-based equity awards granted after January 1, 2014 shall vest based on actual performance with no pro-ration for service; and

coverage for a period of 12 months under the Company's welfare benefit plans at Mr. Weishar's expense, provided that for such 12 month period, the Company shall make payments to Mr. Weishar on a monthly basis equal to the after-tax cost of coverage for such plans.

*Termination Due to Non-Renewal of Employment Agreement or Other Terminations* If Mr. Weishar's employment is terminated because of the expiration of its term due to notice of non-renewal or for any other reason (including voluntary resignation), he will be entitled to receive a lump-sum cash payment equal to the Accrued Benefits. In addition to the foregoing cash payment:

in the case Mr. Weishar's employment is terminated in connection with of the expiration of the agreement's term due to notice of non-renewal by the Company, compensatory stock options, compensatory restricted

stock awards, performance-based equity awards shall be treated as if Mr. Weishar was terminated by the Company without Cause and as explained above;

in the case of Mr. Weishar's employment is terminated in connection with of the expiration of the agreement's term due to his notice of non-renewal, with respect to compensatory stock options (i) received prior to January 1, 2014, shall be, and remain, fully vested as of the termination date and shall be, and remain, fully exercisable until the earliest of a Change in Control, the first anniversary of the termination date, or the expiration of its maximum stated term; and

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In the case Mr. Weishar resigns on or after December 31, 2016, and without Good Reason (whether due by your delivery of written notice of non-renewal or otherwise), each compensatory stock option, compensatory restricted stock award, and each performance-based equity award received on or after January 1, 2014, shall be treated as if Mr. Weishar had resigned with Good Reason, and as explained above.

*Change in Control* In the event of the termination of Mr. Weishar's employment (a) after the Company has entered into a definitive agreement that would result in a Change in Control (as defined below) and such Change in Control occurs within six (6) months after termination, (b) at the request of a third party who has taken steps reasonably calculated to effect a Change in Control and such Change in Control occurs within six (6) months after termination of employment, or (c) within twenty-four (24) months after a Change in Control, in each case either by the Company without Cause or due Mr. Weishar's resignation with Good Reason then (i) each compensatory stock option received shall become fully vested, and shall be exercisable until the earlier of the second anniversary of the termination date or its maximum stated term; (ii) each compensatory restricted stock award received shall become fully vested, and all contractual restrictions on it shall lapse as of the termination date; (iii) each unvested performance-based equity award received shall also become fully vested, and non-forfeitable to the extent of the target number of shares subject to the award; and (iv) any other equity-based award shall become fully vested and non-forfeitable. Notwithstanding the foregoing, a termination of employment described in clause (a) or (b) above shall have no effect on the vesting of exercisability of any equity-based award granted prior to January 1, 2014.

Change in control is defined as:

any person or group acquires stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of the Company;

any person or group acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) ownership of stock of the Company possessing 30% or more of the total voting power of the stock of the Company;

the consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in the transaction (a Business Combination), unless immediately following such Business Combination either: (i) more than 50% of the total fair market value of the stock of the corporation resulting from such Business Combination (the Surviving Corporation) or the ultimate parent corporation of the Surviving Corporation (the Parent Corporation) is represented by stock of the Company that was outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares of the Surviving Corporation or Parent Corporation into which stock of the Company was converted pursuant to such Business Combination) or (ii) 50% or more of the total voting power of Surviving Corporation or Parent Corporation is represented by stock of the Company that was outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares of the Surviving Corporation or Parent Corporation into which stock of the Company was converted pursuant to such Business Combination);

during any twelve (12) month period a majority of the individuals who were members of the Board at the beginning of such period (the Incumbent Directors) are replaced, provided that any person becoming a

director subsequent to the beginning of such period whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination) shall be an Incumbent Director; or

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any person or group acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) assets from the Company that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions (for this purpose, gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets); provided, however that no change in control shall be deemed to occur as a result of a transfer to:

a stockholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock;

an entity, 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company;

a person or group that owns, directly or indirectly, 50% or more of the total value or voting power of all the outstanding stock of the Company; or

an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly, by a person described above.

*Effect of Golden Parachute Tax* If the aggregate of payments, awards, benefits and distributions (or any acceleration of any payments, awards, benefits or distributions) due to Mr. Weishar under the employment agreement or under any other plan, program, agreement or arrangement of the Company (or of any of its affiliated entities) or any entity which effectuates a change in control (or any of its affiliated entities) (the 280G benefits ), would, if received by him in full and valued under Section 280G of the Code, constitute parachute payments as such term is defined in and under Section 280G of the Code, and the payment the 280G benefits net federal, state and local taxes and excise taxes under Section 4999 of the Code would exceed \$1.00 less than three times Mr. Weishar s base amount (as defined under Section 280G), then such payments, benefits and distributions shall be reduced pro rata or eliminated to the extent necessary to ensure that such amounts do not constitute parachute payments. Such payments, benefits and distributions shall be reduced or eliminated in the following order: first, the elimination of cash benefits (other than cash benefits relating to the acceleration of equity awards) which do not constitute deferred compensation under Section 409A of the Code, then all other benefits (other than cash benefits relating to the acceleration of equity awards). To the extent the 280G benefits would not exceed \$1.00 less than three times Mr. Weishar s base amount, then they shall not be reduced or eliminated.

If it is established that 280G benefits have been made or provided for Mr. Weishar s benefit by the Company in excess of such limitations, Mr. Weishar shall repay such excess amount to the Company on demand, together with interest on such amount. In the event 280G benefits were not made by the Company should have been made, then the Company shall pay him an amount equal to such underpayment, together with interest on such amount.

*Non-Competition* Mr. Weishar agreed that during his employment and for a two-year period following the termination of his employment that he will not, for himself or on behalf of any other person or entity, directly or indirectly, engage in, acquire any significant financial or beneficial interest in, be employed by, participate materially in, own, manage, operate or control or be materially connected with, in any relevant manner any entity that competes materially with the business of the Company (considering only business conducted by the Company during the term of the employment

agreement, or being actively planned by the Company as of the date of his termination) in the United States of America.

*Non-Solicitation* Furthermore, Mr. Weishar agreed that during his employment with the Company and for a one-year period following the termination of his employment that he will not personally (i) other than in the course of performing his duties for the Company or its affiliates, directly or indirectly, for his own account or for the account of any other person, solicit for employment, hire, or otherwise interfere with the relationship of the Company with, any person who is an employee of, or a consultant to, the Company at the time of solicitation, hiring or interference, or (ii) in competition with the Company, directly or indirectly, individually or on behalf of



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other persons solicit or seek to do business with any entity which, as of the earlier of the date of termination of his employment or the date of solicitation, was a customer or a client of the Company or was, to his knowledge, being actively solicited by the Company to be a customer or client of the Company.

*Confidentiality* Mr. Weishar also agreed to certain confidentiality provisions in his employment agreement.

## **Employment Agreements with Other Named Executives**

On May 30, 2014, we entered into an amended and restated employment agreement with Mr. Froesel. On March 22, 2011, we entered into an employment agreement with Mr. Vishnubhatla. On August 7, 2007, we entered into an employment agreement with Mr. Caneris. On July 31, 2007, we entered into an employment agreement with Mr. McKay (Mr. Froesel, Mr. Vishnubhatla, Mr. Caneris and Mr. McKay are collectively referred to in this section as the Executive Officers ). Mr. Froesel's amended and restated agreement has an initial term through August 1, 2016, subject to automatic renewal for unlimited one-year periods absent cancellation on 120 days prior written notice by the Company or Mr. Froesel. The agreements of Mr. Vishnubhatla and Mr. Caneris provide for an indefinite term of employment, subject to certain termination of employment described in more detail below. Mr. McKay's employment agreement expired on December 31, 2014 and automatically renews for one year periods unless notice of non-renewal is provided by either party. We refer to the period in which an Executive Officer is employed as the Employment Period .

Pursuant to the terms of their employment agreements, Mr. Froesel, Mr. Vishnubhatla, Mr. Caneris, and Mr. McKay received or receive a minimum base salary of \$490,000, \$250,000, \$250,000 and \$250,000 respectively, which is reviewed annually by our Compensation Committee and our Chief Executive Officer.

During the Employment Period, each of the Executive Officers is eligible to (i) participate in any short-term and long-term incentive programs established or maintained by the Company for senior level executives generally, (ii) participate in all incentive, savings and retirement plans and programs of the Company to at least the same extent as other senior executives of the Company, (iii) participate, along with their dependents, in all welfare benefit plans and programs provided by the Company to at least the same extent as other senior executives of the Company, and (iv) four weeks of paid vacation per calendar year.

The type of compensation due to each of the Executive Officers in the event of the termination of his Employment Period varies depending on the nature of the termination.

*Termination without Cause or Resignation for Good Reason* If, during the Employment Period, we terminate an Executive Officer's employment without Cause or he terminates his employment with Good Reason (as such terms are defined below), such Executive Officer will be entitled to receive:

A lump-sum cash payment equal to (i) the Executive Officer's base salary through the date of termination that has not yet been paid, (ii) a pro rata bonus for the calendar year of termination, to be determined using the Executive Officer's 100% target bonus, (iii) any accrued but unpaid vacation pay, and (iv) any other unpaid items that have accrued and to which the Executive Officer has become entitled as of the date of termination (collectively referred to herein as the Accrued Obligations ); and

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(i) Continued payment for 18 months of the Executive Officer's (12 months of Mr. Vishnubhatla's) then current base salary and (ii) a bonus equal to the average of the annual bonuses earned by the Executive Officer over the three complete years prior to the date of termination (or, if less than three years, the average bonus earned during such shorter period).

In addition to the foregoing cash payments:

For the 18 month period (or the 12 month period for Mr. Vishnubhatla) following the date of termination, will be entitled to receive a waiver of the applicable premium otherwise payable for