

PharMerica CORP
Form DEF 14A
April 30, 2009
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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 to §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)

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Table of Contents

PHARMERICA CORPORATION

1901 Campus Place

Louisville, KY 40299

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD JUNE 4, 2009

PharMerica Corporation's Annual Meeting of Stockholders will be held on June 4, 2009, at 9:00 a.m. local time. We will meet at the Louisville Marriott Downtown, 280 West Jefferson Street, Louisville, Kentucky 40202. If you owned common stock at the close of business on April 15, 2009, you may vote at this meeting or any adjournments or postponements thereof. At the meeting, we plan to:

1. elect eight directors for a term to expire at the Annual Meeting of Stockholders in 2010;
2. approve the Company's Amended and Restated 2007 Omnibus Incentive Plan;
3. ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2009; and
4. transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

The Board of Directors is not aware of any other proposals for the June 4, 2009 meeting.

It is important that your common stock be represented at the 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 meeting, you may, if you wish, withdraw your proxy and vote in person.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on June 4, 2009

The Proxy Statement and 2008 Annual Report are available at www.pharmerica.com/proxy.

On behalf of the Board of Directors of

PharMerica Corporation,

GREGORY S. WEISHAR

Chief Executive Officer

Louisville, Kentucky

April 29, 2009

YOUR VOTE IS IMPORTANT. PLEASE COMPLETE AND RETURN THE ENCLOSED

PROXY PROMPTLY SO THAT YOUR VOTE MAY BE RECORDED

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AT THE MEETING IF YOU DO NOT ATTEND PERSONALLY.

Table of Contents

TABLE OF CONTENTS

| | |
|---|----|
| <u>INFORMATION ABOUT THE MEETING</u> | 1 |
| <u>Who May Vote</u> | 1 |
| <u>How You May Vote</u> | 1 |
| <u>How You May Revoke or Change Your Vote</u> | 1 |
| <u>Quorum Requirement</u> | 1 |
| <u>Required Vote</u> | 2 |
| <u>How Abstentions will be Treated</u> | 2 |
| <u>How Broker-Non Votes will be Treated</u> | 2 |
| <u>EXPLANATORY NOTE</u> | 2 |
| <u>PROPOSAL 1 ELECTION OF DIRECTORS</u> | 3 |
| <u>NOMINEES FOR ELECTION AT THIS MEETING</u> | 3 |
| <u>Recommendation of Our Board of Directors</u> | 5 |
| <u>Required Vote</u> | 5 |
| <u>CORPORATE GOVERNANCE</u> | 5 |
| <u>Meetings</u> | 5 |
| <u>Board Committees</u> | 5 |
| <u>Audit Committee</u> | 6 |
| <u>Compensation Committee</u> | 6 |
| <u>Nominating and Corporate Governance Committee</u> | 6 |
| <u>Board Independence</u> | 8 |
| <u>Compensation Committee Interlocks and Insider Participation</u> | 8 |
| <u>Section 16(a) Beneficial Ownership Reporting</u> | 8 |
| <u>Code of Ethics</u> | 8 |
| <u>Communication with the Board of Directors</u> | 8 |
| <u>DIRECTOR COMPENSATION</u> | 10 |
| <u>EXECUTIVE OFFICERS AND KEY EMPLOYEES</u> | 13 |
| <u>Executive Officers</u> | 13 |
| <u>COMPENSATION DISCUSSION AND ANALYSIS</u> | 15 |
| <u>Introduction</u> | 15 |
| <u>Executive Compensation Program Objectives</u> | 15 |
| <u>Benchmarking Process</u> | 16 |
| <u>Components of the Executive Compensation Program</u> | 17 |
| <u>Base Salary</u> | 17 |
| <u>Annual Cash Incentives</u> | 18 |
| <u>Long-Term Incentives</u> | 19 |
| <u>Employment Agreements</u> | 21 |
| <u>Tax Deductibility of Compensation</u> | 22 |
| <u>COMPENSATION COMMITTEE REPORT</u> | 22 |
| <u>EXECUTIVE COMPENSATION</u> | 23 |
| <u>Summary Compensation Table</u> | 23 |
| <u>Grants of Plan-Based Awards in 2008</u> | 26 |
| <u>Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table</u> | 27 |
| <u>Outstanding Equity Awards at December 31, 2008</u> | 36 |
| <u>Option Exercises and Stock Vested in 2008</u> | 37 |
| <u>Non-Qualified Deferred Compensation Table Fiscal Year 2008</u> | 38 |
| <u>Potential Payments upon Termination or Change-in-Control</u> | 39 |

Table of Contents

| | |
|---|----|
| <u>PROPOSAL 2 APPROVAL OF AMENDED AND RESTATED 2007 OMNIBUS INCENTIVE PLAN</u> | 43 |
| <u>Amended and Restated Omnibus Incentive Plan</u> | 43 |
| <u>New Plan Benefits</u> | 48 |
| <u>Equity Compensation Plan Information</u> | 48 |
| <u>Recommendation of Our Board of Directors</u> | 49 |
| <u>Required Vote</u> | 49 |
| <u>CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS</u> | 49 |
| <u>Related Party Transaction Policy</u> | 49 |
| <u>PROPOSAL 3 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u> | 49 |
| <u>Independent Registered Public Accounting Firm Fees</u> | 49 |
| <u>Pre-Approval Policies and Procedures for Audit and Permitted Non-Audit Services</u> | 50 |
| <u>Recommendation of Our Board of Directors</u> | 50 |
| <u>Required Vote</u> | 50 |
| <u>AUDIT COMMITTEE REPORT</u> | 51 |
| <u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u> | 52 |
| <u>Security Ownership of Directors, Management, and Owners of More Than 5% of the Company's Stock</u> | 52 |
| <u>GENERAL INFORMATION</u> | 54 |

Table of Contents

PHARMERICA CORPORATION

1901 Campus Place

Louisville, KY 40299

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

To Be Held On JUNE 4, 2009

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 Annual Meeting of Stockholders to be held on Thursday, June 4, 2009 at 9:00 a.m. local time, at the Louisville Marriott Downtown, 280 West Jefferson Street, Louisville, Kentucky 40202 and thereafter as it may from time to time be adjourned (the Meeting). This proxy statement and the accompanying proxy are first being mailed to stockholders on or about April 29, 2009.

Who May Vote

Each stockholder of record at the close of business on April 15, 2009 (the Record Date) is entitled to notice of and to vote at the Meeting. On the Record Date, there were 30,487,662 shares of our common stock, par value of \$.01 per share (the common stock) outstanding. On the Record Date, there were no shares of Preferred Stock, par value \$.01, outstanding. You may cast one vote for each share of common stock held by you on all matters presented at the meeting.

How You May Vote

You may vote (i) in person by attending the 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 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 eight nominees named herein to the Board of Directors for a term to expire at the Annual Meeting of Stockholders in 2010;
2. FOR the approval of the Company's Amended and Restated 2007 Omnibus Incentive Plan;
3. FOR the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2009; and
4. In the discretion of the proxy holders, FOR or AGAINST such other business as may properly come before the 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 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 meeting and voting in person.

Quorum Requirement

The Company is required to have a quorum of stockholders present to conduct business at the meeting. A majority of the shares entitled to vote at the meeting, represented in person or by proxy, constitutes a quorum for the transaction of business at the Meeting. Proxies received but marked as abstentions or treated as broker

Table of Contents

non-votes will be included in the calculation of the number of shares considered to be present at the Meeting in determining a quorum. If a quorum is not present at the Meeting, we will be forced to reconvene the Meeting at a later date.

Required Vote

Every holder of record shares 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. 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 meeting to the stockholders. For the 2009 Annual Meeting of Stockholders, 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 Meeting is required to approve all other matters to be voted upon at the Meeting. Votes cast by proxy or in person at the Meeting will be tabulated by one or more inspectors of election, appointed for the Meeting, who will also determine whether a quorum is present for the transaction of business.

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 election of directors and the ratification of the appointment of the independent registered public accounting firm of the Company are considered routine matters. Approval of the Company's Amended and Restated 2007 Omnibus Incentive Plan is not considered a routine matter. 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 that are not voted by that broker or nominee. Broker non-votes will have no effect on the election of directors or the ratification of the selection of the independent registered public accounting firm. With respect to the approval of the Company's 2007 Amended and Restated Omnibus Incentive Plan, although broker non-votes will be counted towards a quorum, they will not be counted as votes for or against this proposal.

EXPLANATORY NOTE

The Company was formed on October 23, 2006 by Kindred Healthcare, Inc. (Kindred) and AmerisourceBergen Corporation (AmerisourceBergen) for the purpose of consummating the transactions contemplated by the Master Transaction Agreement dated October 25, 2006, as amended (the Master Agreement). Pursuant to the Master Agreement, Kindred and AmerisourceBergen, through a series of transactions (collectively, the Pharmacy Transaction), spun-off and combined their respective institutional pharmacy businesses, Kindred Pharmacy Services and PharMerica Long-Term Care, into a new, stand-alone, publicly traded company. The Pharmacy Transaction was consummated on July 31, 2007.

Table of Contents

PROPOSAL 1

ELECTION OF DIRECTORS

Our Board currently consists of eight directors: Frank E. Collins, Esq., W. Robert Dahl, Jr., Marjorie W. Dorr, Thomas P. Gerrity, Ph.D., Thomas P. Mac Mahon, Daniel N. Mendelson, Robert A. Oakley, Ph.D., 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 eight.

The Nominating and Corporate Governance Committee has recommended that the eight directors listed in the table below be nominated for election for a one-year term expiring at the 2010 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 eight 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.

Our Board believes that we could benefit by expanding the size of the Board to nine and adding one additional qualified director. The Nominating and Corporate Governance Committee has not yet identified any candidates to fill this additional directorship. At such time as one or more qualified candidates have been identified and approved by the Nominating and Corporate Governance Committee and the Board, the Board intends to increase the size of the Board to nine members and to appoint the candidate to fill the newly created directorship as provided in our By-laws. Any director appointed by the Board to fill a newly created vacancy would serve only until the next annual meeting of stockholders.

NOMINEES FOR ELECTION AT THIS MEETING

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

| Name | Age | Position |
|--------------------------|-----|--------------------------------------|
| Frank E. Collins, Esq. | 55 | Director |
| W. Robert Dahl, Jr. | 52 | Director |
| Marjorie W. Dorr | 47 | Director |
| Thomas P. Gerrity, Ph.D. | 67 | Director |
| Thomas P. Mac Mahon | 62 | Chairman of the Board and Director |
| Daniel N. Mendelson | 44 | Director |
| Robert A. Oakley, Ph.D. | 62 | Director |
| Gregory S. Weishar | 54 | Chief Executive Officer and Director |

Frank E. Collins, Esq. Mr. Collins has served as a director since July 31, 2007. Mr. Collins serves as a member of the Compensation Committee and as Chair of the Nominating and Governance Committee of the Board. 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 Healthcare, Inc. (United) in February 2008. Mr. Collins now serves as the Deputy General Counsel of United. 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.

Table of Contents

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 has served as Vice President of Strategic Business Development and Vice Chairman of the Board of Directors of Golden Pond Healthcare, Inc. since May 15, 2007. From April 1999 until June 2006, Mr. Dahl served as the head of Global Healthcare for the Carlyle Group, a leading private equity firm with over \$50 billion of equity under management, 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 Slate Pharmaceuticals, Inc., Amkai LLC, and IkaSystems Corporation. Mr. Dahl received a BA from Middlebury College and an MBA from the Harvard Graduate School of Business Administration.

Marjorie W. Dorr. Ms. Dorr has served as a director since January 22, 2009. Ms. Dorr served as Executive Vice President and Chief Strategy Officer for WellPoint, Inc. 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.

Thomas P. Gerrity, Ph.D. Mr. Gerrity has served as a director since July 31, 2007. Mr. Gerrity serves as a member of the Audit Committee and 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 Internet Capital Group, Inc. and Sunoco, Inc., and as a member of the Corporation of the Massachusetts Institute of Technology. Mr. Gerrity is the Chairman of the Advisory Board of Arden Fund I, a private real estate investment fund managed by the Arden Group in Philadelphia, Pennsylvania.

Thomas P. Mac Mahon. Mr. Mac Mahon has served as Chairman of the Board since July 31, 2007. He is also a member of the Compensation Committee and served as the Chair of the Compensation Committee from July 2007 to February 2008. Mr. Mac Mahon has served as Chairman of the Board and a director of Laboratory Corporation of America Holdings (LabCorp) since April 2006. From April 1995 to April 2006, he served as the Vice Chairman and a director of LabCorp. Mr. Mac Mahon was President and Chief Executive Officer and a member of the Executive and Management Committees of LabCorp from January 1997 until his retirement in December 2006. 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 member of Express Scripts, Inc. and a director of Golden Pond Healthcare.

Daniel N. Mendelson. Mr. Mendelson has served as a director since July 31, 2007. Mr. Mendelson is Chairman of the Compensation Committee and a member of the Nominating and Governance Committee. Mr. Mendelson is CEO of Avalere Health LLC (Avalere Health), a strategic advisory company that provides guidance and syndicated research for clients in the healthcare industry, government and the not-for-profit sector. Prior to founding Avalere Health in 2000, he served as Associate Director for Health at the White House Office of Management and Budget in Washington, D.C. Mr. Mendelson has been a director of Coventry Healthcare, Inc. since May 2005.

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. Since 2003, Mr. Oakley has served as the Shepard Executive-in-Residence in the Fisher College of Business at The Ohio State University. In 2003, Mr. Oakley retired after more than 25 years service with the Columbus, Ohio-based Nationwide Companies, one of the

Table of Contents

largest diversified insurance and financial services organizations in the world. Mr. Oakley currently serves on the Board of First Mercury Financial Company and the Physicians Assurance Corporation. He received his BS from Purdue University and both an MBA and PhD in Finance from The Ohio State University.

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, from 1994.

Recommendation of Our Board of Directors

Our Board recommends a vote FOR the eight directors listed above to hold office until the 2010 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 2008, the Board held a total of four regular 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 was a director and (ii) the total number of meetings of all Board Committees on which he served during the period which he was a director. The non-management members of the Board generally meet in executive session at each regularly scheduled meeting 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. Six out of seven directors attended the Company's 2008 Annual Meeting of Stockholders.

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 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 |
|--------------------------|----------|---|--------------|
| Frank E. Collins, Esq. | | Chairman | Member |
| W. Robert Dahl, Jr. | Member | | |
| Marjorie W. Dorr | | | |
| Thomas P. Gerrity, Ph.D. | Member | Member | |
| Thomas P. Mac Mahon | | | Member |
| Daniel N. Mendelson | | Member | Chairman |
| Robert A. Oakley, Ph.D. | Chairman | | |
| Gregory S. Weishar | | | |

Table of Contents

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 six meetings in 2008. The Board has determined that Mr. Oakley and Mr. Dahl 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 Mr. Oakley, Mr. Gerrity and Mr. Dahl 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 nine meetings in 2008. 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 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.

The Company's executive compensation program was initially adopted as part of the formation of the Company. Mercer Human Resource Consulting (Mercer) was retained in 2006 to serve as an outside compensation consultant to the Company. The Compensation Committee also retained Mercer to serve as the outside Compensation Consultant with respect to setting fiscal year 2007 and 2008 compensation. In April 2008, the Compensation Committee retained Frederic W. Cook & Co. (Cook) to serve as the Company's outside compensation consultant for subsequent periods. See the discussion under Compensation Discussion and Analysis for more information on Mercer's role and Cook's role in assisting the Company with its compensation policies and programs.

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 shareholders 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 2008.

Table of Contents

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

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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.

Table of Contents

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 (either 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. Mac Mahon, Mr. Mendelson 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. Mendelson, who serves as Chair, and Mr. Mac Mahon and Mr. Collins, 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

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, 2008, all filing requirements under Section 16(a) of the Securities Exchange Act of 1934, as amended (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 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 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 and may also be obtained in print upon request from the Company's Secretary.

The Company's Chief Executive Officer and Director, Gregory S. Weishar, certified to the NYSE on or about January 29, 2009, pursuant to Section 303A.12(a) of the NYSE's listing standards, that he was not aware of any violation by the Company of the NYSE's corporate governance listing standards as of that date.

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

Table of Contents

Executive Vice President and 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

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;

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**

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, 2008.

| Name | Fees Earned or Paid in Cash | Stock Awards (1)(3) | Option Awards (2)(3) | Change in Pension Value and Nonqualified Deferred Compensation | Total |
|--------------------------|-----------------------------------|------------------------|-------------------------|--|------------|
| | | | | Earning | |
| Thomas P. Mac Mahon | \$ 71,500 | \$ 38,405 | \$ 23,888 | \$ | \$ 133,793 |
| Frank E. Collins, Esq. | \$ 64,500 | \$ 38,405 | \$ 23,888 | \$ (5,055) | \$ 121,738 |
| W. Robert Dahl, Jr. | \$ 26,000 | \$ 11,738 | \$ 6,407 | \$ (5,146) | \$ 38,999 |
| Marjorie W. Dorr (5) | \$ | \$ | \$ | \$ | \$ |
| Thomas P. Gerrity, Ph.D. | \$ 56,500 | \$ 38,405 | \$ 23,888 | \$ | \$ 118,793 |
| Daniel N. Mendelson | \$ 69,692 | \$ 38,405 | \$ 23,888 | \$ | \$ 131,985 |
| Robert A. Oakley, Ph.D. | \$ 46,425 | \$ 18,606 | \$ 11,260 | \$ | \$ 76,291 |
| Edward L. Kuntz (6) | \$ 21,500 | \$ 46,679 | \$ 37,386 | \$ | \$ 105,565 |
| Paul J. Diaz (6) | \$ | \$ | \$ | \$ | \$ |
| R. David Yost (6) | \$ | \$ | \$ | \$ | \$ |

- (1) All stock awards are restricted stock awards and are in shares of the Company's common stock. The dollar amount represents the amount recognized for financial statement reporting purposes for the year ended December 31, 2008, in accordance with FAS 123(R), without taking into account an estimate of forfeitures related to service-based vesting of the stock awards. The assumptions used in calculating the amounts with respect to fiscal year 2008 are discussed in Note 9 of the Company's audited financial statements for the year ended December 31, 2008, included in the Company's Annual Report on Form 10-K filed with the SEC on February 5, 2009.
- (2) All options are to purchase shares of the Company's common stock. The dollar amount represents the amount recognized for financial statement reporting purposes for the year ended December 31, 2008, in accordance with FAS 123(R), without taking into account an estimate of forfeitures related to service-based vesting of the option awards. The assumptions used in calculating the amounts with respect to fiscal year 2008 are discussed in Note 9 of the Company's audited financial statements for the year ended December 31, 2008 included in the Company's Annual Report on Form 10-K filed with the SEC on February 5, 2009.
- (3) The table below sets forth the grant date fair value of each award granted in 2008.

| Name | Restricted Stock | | Stock Options | |
|--------------------------|--|--------------------------|--|--------------------------|
| | Number of Awards Granted in 2008 | Grant Date Fair Value | Number of Awards Granted in 2008 | Grant Date Fair Value |
| Thomas P. Mac Mahon | 3,483 | \$ 80,005 | | \$ |
| Frank E. Collins, Esq. | 3,483 | \$ 80,005 | | \$ |
| W. Robert Dahl, Jr. | 3,483 | \$ 80,005 | 9,568 | \$ 59,950 |
| Marjorie W. Dorr | | \$ | | \$ |
| Thomas P. Gerrity, Ph.D. | 3,483 | \$ 80,005 | | \$ |
| Daniel N. Mendelson | 3,483 | \$ 80,005 | | \$ |
| Robert A. Oakley, Ph.D. | 5,133 | \$ 106,669 | 13,600 | \$ 59,950 |
| Edward L. Kuntz | | \$ | | \$ |
| Paul J. Diaz | | \$ | | \$ |
| R. David Yost | | \$ | | \$ |

Table of Contents

- (4) The table below sets forth the aggregate number of shares of restricted stock and the aggregate number of stock options held by each non-employee director as of December 31, 2008.

| Name | Aggregate Awards Outstanding at December 31, 2008 | |
|--------------------------|--|---------------|
| | Restricted Stock | Stock Options |
| Thomas P. Mac Mahon | 6,753 | 15,424 |
| Frank E. Collins, Esq. | 6,753 | 15,424 |
| W. Robert Dahl, Jr. | 3,483 | 9,568 |
| Marjorie W. Dorr | | |
| Thomas P. Gerrity, Ph.D. | 6,753 | 15,424 |
| Daniel N. Mendelson | 6,753 | 15,424 |
| Robert A. Oakley, Ph.D. | 5,133 | 13,600 |
| Edward L. Kuntz | | |
| Paul J. Diaz | | |
| R. David Yost | | |

- (5) Marjorie W. Dorr was appointed to the Board in January 2009.

- (6) Messrs. Kuntz, Diaz, and Yost announced their resignation, effective as of July 24, 2008, from the Board in accordance with the terms of the Pharmacy Transaction. Directors Paul J. Diaz and R. David Yost agreed not to receive any compensation for their Board service. Our compensation program for non-employee members of the Board is as follows:

Annual Retainer Each director receives an annual retainer of \$35,000. 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 receives an additional retainer of \$15,000 per year.

Committee Chair Retainer The Chairman of the Nominating and Governance Committee and the Chairman of the Compensation Committee each receive an additional annual retainer of \$5,000. The Chairman of the Audit Committee receives an additional annual retainer of \$10,000.

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.

Initial Stock Option Grant Upon joining the Board, each director receives a one-time award of stock options valued at \$120,000. The stock options vest in three equal annual installments and expire on the seventh anniversary of the grant date.

Annual Restricted Stock Grant Each director receives an annual award of restricted stock valued at \$80,000. The restricted stock vests in three equal annual installments.

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 grant, 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

Table of Contents

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. The Company did not offer a non-qualified deferred compensation plan for directors in 2007.

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 20, 2009.

| Name | Age | Position |
|----------------------|------------|--|
| Gregory S. Weishar | 54 | Chief Executive Officer and Director |
| Michael J. Culotta | 54 | Executive Vice President and Chief Financial Officer |
| William E. Monast | 49 | Executive Vice President, Operations |
| Robert A. McKay | 47 | Senior Vice President of Sales and Marketing |
| Thomas A. Caneris | 46 | Senior Vice President, General Counsel and Secretary |
| Berard E. Tomassetti | 53 | Senior Vice President and Chief Accounting Officer |
| Anthony A. Hernandez | 43 | Senior Vice President of Human Resources |
| John T. Kernaghan | 61 | Senior Vice President and Chief Information 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.

Michael J. Culotta. Mr. Culotta has served as our Executive Vice President and Chief Financial Officer since July 2007. Prior to joining the Company, Mr. Culotta served as Chief Financial Officer of LifePoint Hospitals, Inc. since November 2001. Prior to joining LifePoint, Mr. Culotta served as a partner and healthcare area industry leader for the southeast area at Ernst & Young LLP. Mr. Culotta was affiliated with Ernst & Young LLP for over 24 years. Mr. Culotta is a director of Evolved Digital Systems, Inc., a provider of information technology services to clients in the healthcare industry, and serves as lead director and as the chair of its audit committee.

William E. Monast. Mr. Monast has served as our Executive Vice President, Operations since April 2009. Prior to joining the Company, Mr. Monast served as Executive Vice President, Sales of Apria Healthcare Group Inc. (Apria) from September 2007. Mr. Monast joined Apria in 1997 as a regional sales manager in the Northeast. In the ensuing decade, he held progressively more responsible roles in both sales and operations in the Northeast and Eastern Divisions. Prior to joining Apria, Mr. Monast served as director of sales for Fresenius Medical Care, a national provider of dialysis and homecare services. Mr. Monast is a graduate of Providence College in Rhode Island with a Bachelor of Arts in Business Administration.

Robert A. McKay. Mr. McKay has served as our Senior Vice President of Sales and Marketing. Prior to joining the Company in July 2007, Mr. McKay was Vice President of Marketing 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 holds both a Bachelor of Arts and a Masters of Business Administration from the University of Rhode Island and is a retired United States Army officer.

Thomas A. Caneris. Mr. Caneris has served as our Senior Vice President, General Counsel and Secretary since August 2007. Mr. Caneris has over 20 years of experience as a lawyer in private practice and in-house with

Table of Contents

NYSE listed public companies. Prior to joining the Company, Mr. Caneris served as counsel to Convergys Corporation from September 2004. Prior to that he was Commercial Affairs Counsel at AK Steel Corporation from April 1998 to September 2004. Mr. Caneris received his Juris Doctor from the University of Cincinnati College of Law. He is a member of the Kentucky and Ohio Bar Associations.

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 pharmacy business for over 6 years. Prior to joining Kindred's pharmacy business, Mr. Tomassetti was affiliated with Aperture, the nation's largest credentials verification organization.

Anthony A. Hernandez. Mr. Hernandez has served as our Senior Vice President of Human Resources since July 2007. Prior to joining the Company, Mr. Hernandez served as Senior Vice President of Human Resources for Citigroup's Home Equity business. Mr. Hernandez was affiliated with Citigroup for over 14 years.

John T. Kernaghan. Mr. Kernaghan joined PharMerica in April 2008 as Vice President of Information Services. In August 2008, Mr. Kernaghan was promoted to Senior Vice President and Chief Information Officer. Prior to joining PharMerica, he served seven years as Senior Vice President and Chief Information Officer of PharmaCare, Inc., a subsidiary of CVS Corporation. From 1996 to 2001, he served as Chief Information Officer of PharMerica, Inc., a predecessor company of PharMerica Corporation.

Table of Contents

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

The Company's executive compensation program was initially adopted as part of the formation of the Company in 2007 through determinations made by the Transition Planning Committee in conjunction with our Chief Executive Officer. The Transition Planning Committee was formed by AmerisourceBergen and Kindred as part of the formation of the Company and consisted of three AmerisourceBergen representatives and three Kindred representatives. The Transition Planning Committee was responsible for assembling a management team for a to-be-formed public company and developing an initial executive compensation program. The Transition Planning Committee retained Mercer to serve as an outside compensation consultant to the Transition Planning Committee. The executive compensation program for 2007 was reviewed and subsequently approved by the Company's Compensation Committee, which was formed in June, 2007.

The Compensation Committee also used Mercer to serve as the outside Compensation Consultant with respect to setting fiscal year 2008 compensation. In April 2008, the Compensation Committee retained Cook to serve as the Committee's outside Compensation Consultant to assist in setting 2009 compensation levels and developing the structure of various incentive plans. 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.

As used in this Compensation Discussion and Analysis and throughout this Proxy Statement, the Named Executive Officers are the following executives: Mr. Weishar, our Chief Executive Officer, Mr. Culotta, our Executive Vice President and Chief Financial Officer, Mr. McKay, our Senior Vice President of Sales and Marketing, Mr. Caneris, our Senior Vice President, General Counsel and Secretary, Mr. Hernandez, our Senior Vice President of Human Resources, and Janice Rutkowski, our former Senior Vice President and Chief Clinical Officer.

Executive Compensation Program Objectives

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. Our executive compensation program is primarily structured to be competitive within the institutional pharmacy industry and focus our executives on profitability, achieving cost savings and providing quality services to our customers and 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 calibration 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.

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 baseline compensation level that delivers current cash income to the Named Executive Officers and reflects their job responsibilities, experience and value to the Company.

Table of Contents

Annual Cash Incentive Awards. This component of the compensation program rewards corporate, group 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 Executive Officers with those of our stockholders by motivating these officers to manage the Company in a manner that fosters long-term performance, as reflected in stock price appreciation and achievement of profitability objectives. Long-term incentives also serve as essential tools to promote executive retention through time-based vesting requirements.

We also provide benefits and perquisites to our Named Executive Officers. The main purpose of the benefits is to assist the relocation of our executives to our headquarters in Louisville, Kentucky, and the perquisites are not part of a significant ongoing program.

The Compensation Committee has adopted a compensation strategy in which total direct compensation is generally targeted at the market median. Market median compensation is expected to be achieved through a combination of below median base salary and 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 the highest degree of accountability at the senior levels of the organization.

Benchmarking Process

As discussed above, we have targeted Named Executive Officers' total direct compensation to fall within the median range for equivalent positions at peer group companies after adjusting for company size. The actual positioning of target compensation for individual executives may range above or below the median based on job content, experience and responsibilities of the roles compared to similar positions in the market. Based upon consultation with Mercer, the Transition Planning Committee and the Compensation Committee approved the use of a peer group composed of nine companies that are relatively comparable in size as measured by annual revenue, operate within the same general industry space, and are competitors for customers and/or executive talent. The peer group, used by the Compensation Committee for 2008 benchmarking purposes, consisted of:

Bioscrip Inc.

Henry Schein Inc.

Invacare Corp.

Lincare Holdings Inc.

Omnicare, Inc.

Owens & Minor Inc.

PSS World Medical Inc.

Rotech Healthcare Inc.

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St. Jude Medical Inc.

For purposes of reviewing the competitiveness of our executive compensation program and establishing target compensation levels and opportunities for 2007 and 2008, Mercer used a combination of data from the annual proxy statements of the above-referenced peer companies as well as general industry data for comparably sized companies as provided in three published compensation surveys, including the Mercer Americas Executive Remuneration Database, Watson Wyatt Report on Top Management Compensation and Clark Consulting Executive and Senior Management Compensation Survey. Data from these surveys was generally regressed using the Company's annual revenues of approximately \$2.0 billion to determine size-adjusted market rates. The number of companies included in the survey data ranged from approximately 50 to 800, depending on the survey and the position as a reference point for our Named Executive Officers.

Table of Contents

For 2009 compensation planning purposes, the Compensation Committee subsequently revised the peer group, with the assistance of Cook, to exclude companies in different businesses and include additional health care services and distribution companies of similar size. The 2009 peer group, which includes five of the nine companies included in the 2008 peer group, consists of the following 14 companies:

Apria Healthcare Group Inc.

Amedisys, Inc.

Gentiva Health Services, Inc.

Healthextras Inc.

HealthSouth Corporation

Henry Schein, Inc.

Invacare Corporation

Lincare Holdings

Longs Drug Stores Corporation

Magellan Health Services, Inc.

Omnicare, Inc.

PSS World Medical, Inc.

Res Care, Inc.

Universal American Corporation

Components of the Executive Compensation Program

Our Named Executive Officer compensation program consists of base salary, annual cash incentives and long-term incentives. For our Named Executive Officers, our program is structured so that variable, or at risk, compensation ranges from 50-75% 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 Executive Officers were generally targeted in the 25th percentile to median range for equivalent positions at the peer group companies after adjusting for company size. Actual salary for individual executives is positioned to reflect differences in job content and experience. Competitive base salaries are essential to attracting and retaining executive management talent.

Mr. Weishar's employment agreement, which was negotiated with the Transition Planning Committee and entered into on January 14, 2007, sets his base salary at no less than \$700,000, a rate individually negotiated with Mr. Weishar. Mr. Weishar's 2008 base salary was \$723,000.

Base salaries for our other Named Executives were individually negotiated with the executives and are set forth in their employment agreements. 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 will be 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 Executive Officers other than himself.

Table of Contents**Annual Cash Incentives**

Pursuant to the Company's annual incentive program, our Named Executive Officers 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. The specific objective performance criteria that must be obtained in order for bonuses to be paid are established each year by the Compensation Committee, and are subject to change from year to year. In 2007 and 2008, the incentives were based upon the Company achieving adjusted EBITDA goals. EBITDA was selected as the objective performance criterion, because, as a new company, it was critical to focus our Named Executive Officers on earnings and the achievement of cost savings. EBITDA was adjusted to add back integration, merger related costs, and other charges, which relate to our integration and consolidation activities and the impairment charge taken in 2008. For 2008, \$91.1 million of adjusted EBITDA was set as the target for the payment of bonuses. Adjusted EBITDA goals for threshold and maximum bonuses were \$82 and \$109.3 million, respectively. The threshold, target and maximum goals were established at levels that the Compensation Committee believed achievable yet difficult to obtain, so that management would be rewarded for superior performance.

Target bonus opportunities are expressed as a percentage of base salary and vary among our Named Executive Officers. Targets were individually negotiated with our Named Executive Officers prior to their accepting employment with our Company. Pursuant to the terms of his employment agreement, Mr. Weishar's target annual bonus is equal to 100% of his base salary. In fiscal year 2008, Mr. Culotta, Mr. McKay, Mr. Caneris, Ms. Rutkowski and Mr. Hernandez were eligible for annual target bonus opportunities (represented as a percentage of base salary) of 75%, 55%, 55%, 80% and 60% respectively. The amounts of the bonuses are reported in the Summary Compensation Table for 2008.

As part of the formation of the Company, Messrs. Weishar's and Culotta's annual incentives were based entirely on achieving the adjusted EBITDA target. For the other Named Executive Officers, annual incentives were based 75% on achieving the adjusted EBITDA target and 25% on individual performance. An individual performance measure was utilized for Mr. McKay, Mr. Caneris, Mr. Hernandez and Ms. Rutkowski, because of the nature of their duties as Senior Vice President of Sales and Marketing, Senior Vice President and General Counsel, and Senior Vice President Human Resources and former Senior Vice President and Chief Clinical Officer, respectively. It was desirable for the Company to focus them on the achievement of certain important non-financial departmental initiatives. In 2008, actual bonus awards for our Named Executive Officers were set to range from 0% to 175% of the target award, depending upon performance relative to the predetermined adjusted EBITDA goals and with respect to meeting their individual goals for Mr. Caneris, Mr. McKay, Mr. Hernandez and Ms. Rutkowski. The range was the same for all the Company's executives to ensure fairness in payout relative to performance. The Company achieved adjusted EBITDA of \$92.5 million for the fiscal year ended December 31, 2008. The portion of the bonuses based on the Company's performance was paid to the Named Executive Officers at 103% of their target bonuses (except for Ms. Rutkowski whose bonus was determined upon her retirement pursuant to her Separation and Employment Agreement). Messrs. Caneris, McKay and Hernandez met their specific respective individual performance goals in a manner resulting in a 96%, 96% and 100% bonus payout for the individual portion of the 2008 short-term incentive program, respectively. Ms. Rutkowski's bonus related to her individual performance goals was determined upon her retirement pursuant to her Separation and Employment Agreement. No discretion was used in funding the bonus pool or in allocating the bonus pool. A Named Executive Officer (with the exception of Ms. Rutkowski) had to remain continuously employed by the Company until the payout date of the 2008 short-term incentive program bonuses to receive the bonus. The 2008 short-term incentive program bonuses were paid in March 2009.

The Compensation Committee has determined that for 2009, the annual incentives for all Named Executive Officers will be based 70% on achieving the adjusted EBITDA target and 30% on individual performance. This change was made to make the individual component a more meaningful component of STI.

Table of Contents**Long-Term Incentives***The Company's Long-Term Incentive Grants*

In fiscal year 2008, the long-term component of our executive compensation program for each of our Named Executive Officers consisted of a combination of stock options and performance share units and performance-based cash awards targeted at market median levels. The long-term incentive awards were granted in the following amounts as a percentage of the bonus target: 50% stock options, 25% performance share units and 25% performance-based cash awards. The Committee used stock options to focus the Company's executives on stock price appreciation and used performance awards to drive long-term stockholder value creation. With respect to the long-term performance awards, the Committee used both stock and cash based awards. The cash component was used to manage the Company's share issuances. Performance share units and long-term cash incentives were introduced into the long-term incentive program in 2008 for our Named Executive Officers to focus executives on achievement of long-term operating objectives. Similar to the annual incentive program, adjusted EBITDA was selected as the performance measure for the 2008 performance share units and long-term cash incentives to reinforce the importance of achievement of cost savings and earnings in the creation of long-term stockholder value. The Compensation Committee used adjusted EBITDA as of December 31, 2010 as the performance measurement for the 2008 long-term performance incentive grants instead of cumulative 2008 through 2010 adjusted EBITDA to focus management on the long-term creation of stockholder value.

Long-term target incentive opportunities are expressed as a percentage of base salary and vary among our Named Executive Officers. Minimum targets were individually negotiated with our Named Executive Officers prior to their accepting employment with our Company. In fiscal year 2008, Mr. Culotta, Mr. McKay, Mr. Caneris, and Mr. Hernandez were eligible for long-term target bonus opportunities (represented as a percentage of base salary) of 175%, 130%, 140% and 100% respectively. Ms. Rutkowski's long-term target bonus was 125% of her base salary, but forfeited her bonus due to her retirement. The actual cash and performance share unit components of the long-term bonus awards for our Named Executive Officers could range from 0% to 200% of the target award, depending upon performance relative to the predetermined adjusted EBITDA goal.

In fiscal year 2009, the long-term component of our executive compensation program for each of our Named Executive Officers consisted of a combination of stock options and performance share units, targeted at market median levels. The long-term incentive awards were granted in the following amounts as a percentage of the bonus target: 50% stock options and 50% performance share units. The Compensation Committee has determined that for 2009, the long-term incentives for our Chief Executive Officer and Executive Vice Presidents will be based 85% on the achievement of an adjusted EBITDA target and 15% on the achievement of a return on invested capital target. A return on invested capital target was added to increase the focus on the efficient use of capital. The long-term incentives for our other Named Executive Officers will remain based solely on adjusted EBITDA.

The Company's Long-Term Incentive Founders' Grants and Initial Grant for Mr. Weishar

In fiscal year 2007, the long-term component of our executive compensation program for Messrs. Culotta, McKay, Caneris, and Hernandez consisted of a founders' grant of stock options and restricted shares as agreed in their initial employment agreements approved by the Transition Planning Committee with respect to Mr. Culotta and Mr. Hernandez and by the Board of Directors with respect to Mr. McKay and Mr. Caneris.

The value of the founders' grant was generally within 200% to 300% of the market median levels for long-term incentive compensation for our 2007 peer group. These levels are intended to provide a significant equity stake in the enterprise to key executives. The award value was granted 75% in stock options and 25% in restricted stock. This blend of restricted stock to options was selected, to focus the new management team on stockholder value creation and build retention power into the compensation program. The heavier emphasis on stock options reinforces a critical objective of appropriately linking compensation and the creation of stockholder

Table of Contents

value by tying compensation to stock price appreciation, while the restricted stock grants that vest in full on the 3rd anniversary of grant support both stock price appreciation and executive retention. Messrs. Culotta, McKay and Caneris received a founders' grant with respect to fiscal year 2007 with a grant date value expressed as a percent of base salary of 525%, 260%, and 280% respectively.

Mr. Weishar was not awarded a Founder's Grant because he had been provided an equity grant pursuant to his employment agreement. Under the agreement negotiated with the Transition Planning Committee, Mr. Weishar was granted effective on the fifth trading day following consummation of the Pharmacy Transaction, non-qualified stock options to purchase shares of the Company's common stock representing 1.0% of the total number of shares of common stock outstanding and a number of restricted shares of common stock representing 0.75% of the total fair market value, based on the closing price of the Company's common stock on such date, of the common stock then outstanding. The size of the grant was intended to provide Mr. Weishar with significant ownership in the company and to link his compensation to changes in stockholder value, and to restore certain compensation forgone by Mr. Weishar in connection with his resignation from his prior employer.

The Compensation Committee does not directly take into the account the value of the Founders Grants and the initial grant to Mr. Weishar in making its compensation decisions for future years, because these grants were used to provide these executives an initial equity stake in the Company and to induce the executives to join a newly formed enterprise and forgo compensation with their prior employer, along with the purposes of aligning the interests of our executives with the Company's stockholders. The Compensation Committee will monitor future grants so that they are competitive on a going forward basis.

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 Executive Officers (with the exception of equity awards held by the CEO) may automatically vest upon certain terminations of a Named Executive Officer's employment following a change in control. We believe that such a "double trigger" provision maintains the retention power of the compensation program following a change in control, and will encourage our executive officers to assess takeover bids objectively without regard to the potential impact on their job security. Unvested equity awards held by our CEO automatically vest upon a change in control as provided under terms of his employment agreement, which was entered into 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.

Stock Ownership Guidelines

We encourage our executive officers and other key employees to own stock in the Company. The Compensation 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 July 1, 2008 for certain key executive officers, including our Named Executive Officers. Under the stock ownership guidelines, the CEO, Executive Vice Presidents, and Senior Vice Presidents are expected to own Company stock in the amount of 200%, 150%, and 100% of their annual base salary, respectively. A Named Executive Officer has four years from the date of the adoption of the guidelines to accumulate the targeted ownership level. If the Named Executive Officer joined the Company after the adoption of the guidelines, the Named Executive Officer has four years from his start date to accumulate the target ownership level. The following count towards meeting the stock ownership guidelines: all shares and options held and all restricted shares, performance share units and stock options that vest within sixty days of any date of determination. 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 20, 2009, the value of the Named Executive Officers' (other than Ms. Rutkowski) ownership in the Company is as follows: Gregory Weishar-\$2,283,334 (318% of 2008 base salary); Michael Culotta-\$604,630 (147% of 2008 base salary); Robert McKay-\$21,245 (8% of 2008 base salary); Thomas Caneris-\$23,591 (9% of 2008 base salary); and Anthony Hernandez -\$13,081 (6% of 2008 base salary).

Table of Contents

CEO Special Integration Bonus

Mr. Weishar was provided a special integration bonus opportunity pursuant to his employment agreement, which was negotiated with the Transition Planning Committee. This opportunity was provided because the successful integration of the two legacy portions of the Company is critical to our future success and the Company desired to specifically tie portions of Mr. Weishar's compensation to the successful integration. Earnout of the integration bonus is linked to the achievement of synergy targets based on expected cost savings opportunities that are expected to come from site consolidations, overhead reductions and other aggregate efficiencies resulting from the combined businesses. The integration bonus is discussed in more detail under the discussion of Mr. Weishar's employment agreement under Narrative Disclosure to Summary Compensation Table and Grants of Plan Based Awards Table.

Benefits and Perquisites

Our Named Executive Officers 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 Executive Officers, 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.

Relocation Expenses

We agreed to pay all reasonable and customary relocation expenses for Messrs. Weishar, Culotta, McKay, Caneris and Hernandez (up to a certain dollar amount as specified in their employment agreement) and related taxes for them in order to encourage them to relocate their families in connection with their employment with the Company.

Employment Agreements

The Transition Planning Committee and our Board based upon the recommendation of our Compensation Committee, as the case may be, approved the Company entering into employment agreements with our Named Executive Officers. 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 Executive Officers with benefits upon certain terminations of employment. The employment agreements also contain change in control benefits for our Named Executive Officers 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 Mr. Weishar and Mr. McKay and eighteen months for Mr. Culotta, Mr. Caneris and Mr. Hernandez following the date of termination. The Company believes these agreements are an appropriate

Table of Contents

method of protecting the Company's business and investment in human capital. The severance levels and benefits were determined through negotiations with the executives. The employment agreements of each of our Named Executive Officers contain provisions for tax gross-ups under section 280G of the Internal Revenue Service Code (Code). The Company believes these provisions are appropriate and necessary to make the executives whole in the case that excise taxes are imposed on the executives as a result of a change in control. The gross-up payments do not provide for payment of ordinary income taxes on amounts that would otherwise be payable by the executives in the absence of the excise taxes. Ms. Rutkowski's employment agreement was terminated as a result of her retirement as set forth in that certain Separation of Employment Agreement and General Release dated July 25, 2008 between Ms. Rutkowski and the Company. For a description of the material terms of the employment agreements with each of our Named Executive Officers, see Narrative Disclosure to Summary Compensation Table and Grants of Plan Based Awards Table below. Compensation that could potentially be paid to our Named Executive Officers 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 Executive Officers, 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 2009 Annual Meeting of Stockholders filed with the Securities and Exchange Commission.

The Compensation Committee

Daniel N. Mendelson, Chairman

Thomas P. Mac Mahon

Frank E. Collins, Esq.

Table of Contents**EXECUTIVE COMPENSATION****Summary Compensation Table**

| Name and Principal Position | Year | Salary | Bonus | Stock Awards (1) | Option Awards (1) | Non-Equity | All Other | Total |
|--|------|------------|--------------|------------------|-------------------|---------------------------------|------------|--------------|
| | | | | | | Incentive Plan Compensation (2) | | |
| Gregory Weishar (4) <i>Chief Executive Officer</i> | 2008 | \$ 717,042 | \$ | \$ 1,197,667 | \$ 479,246 | \$ 745,019 | \$ 9,238 | \$ 3,148,212 |
| | 2007 | \$ 275,226 | \$ 1,200,000 | \$ 434,433 | \$ 147,512 | \$ 640,865 | \$ 63,089 | \$ 2,761,125 |
| Michael Culotta (5) <i>Executive Vice President and Chief Financial Officer</i> | 2008 | \$ 412,116 | \$ | \$ 236,089 | \$ 264,778 | \$ 320,380 | \$ 215,729 | \$ 1,449,092 |
| | 2007 | \$ 158,368 | \$ | \$ 71,242 | \$ 85,487 | \$ 182,584 | \$ 13,094 | \$ 510,775 |
| Robert McKay (6) <i>Senior Vice President of Sales and Marketing</i> | 2008 | \$ 252,304 | \$ | \$ 81,103 | \$ 84,937 | \$ 140,965 | \$ 87,098 | \$ 646,407 |
| | 2007 | \$ 95,190 | \$ 75,000 | \$ 21,774 | \$ 26,134 | \$ 53,018 | \$ 120 | \$ 271,236 |
| Thomas Caneris (7) <i>Senior Vice President, Counsel and Secretary</i> | 2008 | \$ 252,129 | \$ | \$ 87,114 | \$ 90,752 | \$ 140,838 | \$ 142,151 | \$ 712,984 |
| | 2007 | \$ 82,698 | \$ 20,000 | \$ 21,802 | \$ 26,165 | \$ 47,127 | \$ 19,242 | \$ 217,034 |
| Anthony Hernandez (8) <i>Senior Vice President of Human Resources</i> | 2008 | \$ 203,874 | \$ | \$ 49,792 | \$ 52,281 | \$ 125,949 | \$ 9,299 | \$ 441,195 |
| Janice Rutkowski (9) <i>Former Senior Vice President and Chief Clinical Officer</i> | 2008 | \$ 183,300 | \$ | \$ (25,039) | \$ 102,290 | \$ | \$ 116,019 | \$ 376,570 |
| | 2007 | \$ 108,435 | \$ | \$ 25,039 | \$ 95,089 | \$ 86,167 | \$ 9,000 | \$ 323,730 |

- (1) These amounts represent the dollar amount recognized for financial reporting in accordance with FAS 123(R). In each case, the amount of compensation expense was calculated excluding forfeiture assumptions. The assumptions used in calculating the amounts with respect to fiscal years 2007 and 2008 are discussed in Note 9 of the Company's audited financial statements for the years ended December 31, 2007 and 2008 included in the Company's Annual Reports on Form 10-K filed with the SEC on February 19, 2008 and February 5, 2009, respectively.
- (2) These amounts represent amounts earned under the Company's short-term incentive plan for the fiscal years ended December 31, 2008 and 2007. For fiscal year ended December 31, 2007, the Company did not offer a non-equity long-term incentive plan to the Named Executive Officers. For fiscal year ended December 31, 2007, bonuses under the short-term incentive plan were prorated for the period that the Named Executive Officers performed services on behalf of the Company. Named Executive Officers had to be employed with the Company on the date of payout (March 11, 2009) to earn the bonuses under the 2008 short-term incentive plan.

Table of Contents

- (3) The amounts in this column include the Company's contributions for the respective periods for the benefit of the Named Executive Officers to the Company's 401(k) Plan, the taxable value of life insurance premiums, severance and other perquisites as follows:

| Name and Principal Position | Year | Life Insurance | | | Severance | Total |
|---|------|-----------------|----------|-------------|------------|------------|
| | | 401(k) Matching | Premiums | Perquisites | | |
| Gregory Weishar (10) <i>Chief Executive Officer</i> | 2008 | \$ 5,564 | \$ 3,674 | \$ | \$ | \$ 9,238 |
| | 2007 | \$ | \$ 749 | \$ 62,340 | \$ | \$ 63,089 |
| Michael Culotta (11) <i>Executive Vice President and Chief Financial Officer</i> | 2008 | \$ 10,419 | \$ 2,051 | \$ 203,259 | \$ | \$ 215,729 |
| | 2007 | \$ | \$ 409 | \$ 12,685 | \$ | \$ 13,094 |
| Robert McKay (12) <i>Senior Vice President of Sales and Marketing</i> | 2008 | \$ 7,818 | \$ 784 | \$ 78,496 | \$ | \$ 87,098 |
| | 2007 | \$ | \$ 120 | \$ | \$ | \$ 120 |
| Thomas Caneris (13) <i>Senior Vice President, General Counsel and Secretary</i> | 2008 | \$ 8,245 | \$ 782 | \$ 133,124 | \$ | \$ 142,151 |
| | 2007 | \$ | \$ 90 | \$ 19,152 | \$ | \$ 19,242 |
| Anthony Hernandez <i>Senior Vice President of Human Resources</i> | 2008 | \$ 8,888 | \$ 411 | \$ | \$ | \$ 9,299 |
| Janice Rutkowski (14) <i>Former Senior Vice President and Chief Clinical Officer</i> | 2008 | \$ 9,153 | \$ 2,195 | \$ | \$ 104,671 | \$ 116,019 |
| | 2007 | \$ 9,000 | \$ | \$ | \$ | \$ 9,000 |

- (4) Mr. Weishar has served as a director and Chief Executive Officer of the Company since January 14, 2007. For 2007, Mr. Weishar's base salary was \$700,000 under the terms of his employment agreement. The amount reported in the table reflects Mr. Weishar's salary commencing August 1, 2007. From February 5, 2007 through July 31, 2007, Mr. Weishar was paid \$336,540, which is not reported in the above table, through Kindred's pharmacy business pursuant to his employment agreement which was later assigned to the Company upon the consummation of the Pharmacy Transaction. In addition, Kindred paid Mr. Weishar's \$1.2 million signing bonus in 2007, which is reported in the above table, under the terms of the employment agreement. On July 31, 2007, as part of the of the Pharmacy Transaction, the Company reimbursed Kindred for the pre-Pharmacy Transaction expenses incurred by Kindred, which included the signing bonus and the salary paid by Kindred to Mr. Weishar prior to August 1, 2007. Mr. Weishar's base salary for fiscal year 2008 is not pro-rated.
- (5) Mr. Culotta has served as Executive Vice President and Chief Financial Officer of the Company since July 31, 2007. For 2007, Mr. Culotta's base salary was \$405,000 under the terms of his employment agreement. The amount of \$158,368 reflects Mr. Culotta's salary from August 1, 2007 through December 31, 2007. From May 29, 2007 through July 31, 2007, Mr. Culotta was paid \$68,541, which is not reported in the above table, through Kindred's pharmacy business. On July 31, 2007, as part of the Pharmacy Transaction, the Company reimbursed Kindred for the pre-Pharmacy Transaction expenses incurred by Kindred, which included the salary paid by Kindred to Mr. Culotta prior to August 1, 2007. Mr. Culotta's base salary for fiscal year 2008 is not pro-rated.
- (6) For 2007, Mr. McKay's base salary was \$250,000 under the terms of his employment agreement. The amount of \$95,190 reflects Mr. McKay's salary from his date of hire on August 1, 2007 through December 31, 2007. Mr. McKay's base salary for fiscal year 2008 is not pro-rated.
- (7) For 2007, Mr. Caneris' base salary was \$250,000 under the terms of his employment agreement. The amount of \$82,698 reflects Mr. Caneris' salary from his date of hire on August 17, 2007 through December 31, 2007. Mr. Caneris' base salary for fiscal year 2008 is not pro-rated.

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- (8) Mr. Hernandez became a Named Executive Officer in fiscal year 2008, therefore, his fiscal year 2007 compensation is not disclosed.

Table of Contents

- (9) Ms. Rutkowski is no longer with the Company. Ms. Rutkowski served as Senior Vice President and Chief Clinical Officer of the Company from July 31, 2007 to August 15, 2008. Prior to July 31, 2007, Ms. Rutkowski was employed by PharMerica Long-Term Care. Ms. Rutkowski's base salary was \$255,625 under the terms of her employment agreement. The amount of \$108,435 reflects Ms. Rutkowski's base salary from August 1, 2007 through December 31, 2007. Ms. Rutkowski retired from her positions at the Company effective August 15, 2008. Her 2008 compensation represents amounts earned while employed by the Company from January 1, 2008 through August 15, 2008 and amounts accrued or paid as part of her severance agreement. The (\$25,039) represents the forfeited stock award for which the requisite service period was not completed; therefore, the amount disclosed in the Summary Compensation Table was deducted in the period in which the award was forfeited.
- (10) Mr. Weishar's 2007 perquisites include a one-time payment of \$16,000 in country club membership fees and \$46,340 for reimbursement of legal expenses and relocation costs (including tax gross-ups) incurred during his transition to his position as Chief Executive Officer of the Company.
- (11) Mr. Culotta's 2007 and 2008 perquisites represent \$12,685 and \$203,259, respectively, for reimbursement of relocation costs (including tax gross-ups) incurred during his transition to Executive Vice President and Chief Financial Officer of the Company.
- (12) Mr. McKay's 2008 perquisites represent \$78,496 for reimbursement of relocation costs (including tax gross-ups) incurred during his transition to Senior Vice President of Sales and Marketing.
- (13) Mr. Caneris' 2007 and 2008 perquisites represent \$19,152 and \$133,124, respectively, for reimbursement of relocation costs incurred during his transition to Senior Vice President, General Counsel and Secretary.
- (14) Ms. Rutkowski retired from her position at the Company effective August 15, 2008.

Table of Contents**Grants of Plan-Based Awards in 2008**

The following table sets forth certain information concerning grants of awards to the Named Executive Officers pursuant to the Company's Omnibus Incentive Plan in the fiscal year ended December 31, 2008.

| Name / Grant | Grant Date | Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1) | | | Estimated Future Payouts Under Equity Incentive Plan Awards (2) | | | All Other Option Awards: Number of Securities Underlying Options (3) | Exercise or Base Price of Option Awards (\$/Sh) | Grant Date Fair Value of Stock and Option Awards (4) |
|----------------------|------------|---|------------|--------------|---|--------|---------|--|---|--|
| | | Threshold | Target | Maximum | Threshold | Target | Maximum | | | |
| Gregory Weishar | | | | | | | | | | |
| Short-term Incentive | 3/10/2008 | \$ 361,660 | \$ 723,320 | \$ 1,265,810 | | | | | \$ | \$ |
| Long-term Incentive | 3/10/2008 | \$ 175,000 | \$ 350,000 | \$ 700,000 | | | | | \$ | \$ |
| Long-term Incentive | 3/10/2008 | \$ | \$ | \$ | 11,650 | 23,300 | 46,600 | | \$ | \$ 351,830 |
| Long-term Incentive | 3/10/2008 | \$ | \$ | \$ | | | | 85,500 | \$ 15.10 | \$ 390,598 |
| Michael Culotta | | | | | | | | | | |
| Short-term Incentive | 3/10/2008 | \$ 155,524 | \$ 311,048 | \$ 544,334 | | | | | \$ | \$ |
| Long-term Incentive | 3/10/2008 | \$ 88,500 | \$ 177,000 | \$ 354,000 | | | | | \$ | \$ |
| Long-term Incentive | 3/10/2008 | \$ | \$ | \$ | 5,900 | 11,800 | 23,600 | | \$ | \$ 178,180 |
| Long-term Incentive | 3/10/2008 | \$ | \$ | \$ | | | | 43,300 | \$ 15.10 | \$ 197,812 |
| Robert McKay | | | | | | | | | | |
| Short-term Incentive | 3/10/2008 | \$ 69,612 | \$ 139,225 | \$ 243,643 | | | | | \$ | \$ |
| Long-term Incentive | 3/10/2008 | \$ 40,750 | \$ 81,500 | \$ 163,000 | | | | | \$ | \$ |
| Long-term Incentive | 3/10/2008 | \$ | \$ | \$ | 2,700 | 5,400 | 10,800 | | \$ | \$ 81,540 |
| Long-term Incentive | 3/10/2008 | \$ | \$ | \$ | | | | 19,800 | \$ 15.10 | \$ 90,454 |
| Thomas Caneris | | | | | | | | | | |
| Short-term Incentive | 3/10/2008 | \$ 69,549 | \$ 139,099 | \$ 243,423 | | | | | \$ | \$ |
| Long-term Incentive | 3/10/2008 | \$ 43,750 | \$ 87,500 | \$ 175,000 | | | | | \$ | \$ |
| Long-term Incentive | 3/10/2008 | \$ | \$ | \$ | 2,900 | 5,800 | 11,600 | | \$ | \$ 87,580 |
| Long-term Incentive | 3/10/2008 | \$ | \$ | \$ | | | | 21,400 | \$ 15.10 | \$ 97,764 |
| Anthony Hernandez | | | | | | | | | | |
| Short-term Incentive | 3/10/2008 | \$ 61,589 | \$ 123,178 | \$ 215,561 | | | | | \$ | \$ |
| Long-term Incentive | 3/10/2008 | \$ 25,000 | \$ 50,000 | \$ 100,000 | | | | | \$ | \$ |
| Long-term Incentive | 3/10/2008 | \$ | \$ | \$ | 1,650 | 3,300 | 6,600 | | \$ | \$ 49,830 |
| Long-term Incentive | 3/10/2008 | \$ | \$ | \$ | | | | 12,200 | \$ 15.10 | \$ 55,734 |
| Janice Rutkowski (5) | | | | | | | | | | |
| Short-term Incentive | 3/10/2008 | \$ 103,792 | \$ 207,584 | \$ 363,272 | | | | | \$ | \$ |
| Long-term Incentive | 3/10/2008 | \$ 40,000 | \$ 80,000 | \$ 160,000 | | | | | \$ | \$ |
| Long-term Incentive | 3/10/2008 | \$ | \$ | \$ | 2,650 | 5,300 | 10,600 | | \$ | \$ 80,030 |
| Long-term Incentive | 3/10/2008 | \$ | \$ | \$ | | | | 19,500 | \$ 15.10 | \$ 89,084 |

(1) 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 2008 short-term and long-term incentive program which is tied to the Company's financial performance and, with respect to Ms. Rutkowski, Mr. McKay, Mr. Caneris and Mr. Hernandez, individual performance goals. The Company's 2008 short-term incentive program is more fully described in the Narrative Disclosure to Summary Compensation Table and Grant of Plan-Based Awards Table section below. The performance cycle for the 2008 short-term incentive program began on January 1, 2008 and ended on December 31, 2008. The Named Executive Officers did not receive any payments under the Company's 2008 short-term incentive program until March 2009. The performance cycle for the long-term awards granted on March 10, 2008 commenced on January 1, 2008 and ends on December 31, 2010.

(2) On March 10, 2008, pursuant to the Company's 2008 long-term incentive program, the Compensation Committee granted performance share units to the Named Executive Officers. The performance cycle for the performance share unit awards granted March 10, 2008 commenced on January 1, 2008 and ends on December 31, 2010.

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- (3) All option awards are options to purchase shares of the Company's common stock and were granted under the Company's 2008 long-term incentive program. Option awards granted to Named Executive Officers will vest annually on the anniversary of the date of grant in increments of twenty-five percent each year and expire on the 7th anniversary of the grant date.

- (4) Represents the grant date fair value computed in accordance with FAS 123(R).

- (5) Effective August 15, 2008, Ms. Rutkowski retired from her position at the Company. The awards listed were granted while she was employed with the Company, but were forfeited under the terms of her severance agreement.

Table of Contents**Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table***Employment Agreements*

During 2008, all of our Named Executive Officers were employed pursuant to employment agreements with the Company. Additional provisions of the employment agreements are set forth in the Compensation Discussion and Analysis.

Employment Agreement with Mr. Weishar

Mr. Gregory Weishar, our Chief Executive Officer, entered into his employment agreement on January 14, 2007. On November 13, 2007, we entered into an amendment to the employment agreement. The term of the agreement ends on December 31, 2009, at which time, the agreement automatically renews for additional one-year periods, unless either Mr. Weishar or the Company give notice of non-renewal to the other at least four months prior to the expiration of the relevant period. The employment agreement provides that Mr. Weishar receives a minimum base salary of \$700,000 and is eligible to receive a performance-based annual cash bonus with a target payment equal to 100% of his annual base salary and a maximum bonus of 125% of his base salary for 2007 to the extent that the quantitative performance objectives established annually by the Board or the Compensation Committee are met. Mr. Weishar received a special one-time cash signing bonus of \$1.2 million.

In addition to the above, Mr. Weishar is entitled to receive two special integration bonuses with respect to the performance of the Company. First, if the Company achieves a \$30.0 million synergy target during Mr. Weishar's employment on or before January 31, 2009, as determined by the Board or the Compensation Committee in its reasonable discretion, Mr. Weishar will receive a one-time cash bonus of \$500,000. Second, if the Company achieves a synergy target of \$45.0 million or more during Mr. Weishar's employment term and at or before July 31, 2010, as determined by the Board or the Compensation Committee in its reasonable discretion, Mr. Weishar will receive an additional bonus of \$500,000. The Company achieved both synergy targets and on February 19, 2009, Mr. Weishar received the \$1.0 million bonus payment.

We also granted to Mr. Weishar, on the fifth trading day following consummation of the Pharmacy Transaction, a non-qualified stock option to purchase shares of the Company's common stock representing 1.0% of the total number of shares of common stock outstanding immediately after the closing of the Pharmacy Transaction at a price equal to the closing price per share on the grant date. As a result, Mr. Weishar was granted options to purchase 300,553 shares of common stock with an exercise price of \$16.31 per share. The options have or will vest in four equal installments on each of January 1, 2008, December 31, 2008, December 31, 2009 and December 31, 2010. We also granted to Mr. Weishar, on the closing date of the Pharmacy Transaction, a number of restricted shares of common stock representing 0.75% of the total fair market value, based on the closing price of our common stock on such date, of the common stock then outstanding. As a result, Mr. Weishar was granted 225,415 shares. The restricted stock vests in four equal installments, on each of January 1, 2008, December 31, 2008, December 31, 2009 and December 31, 2010.

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 (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) a pro rata bonus for the calendar year of termination equal to his then current annualized base salary pro rated through the date of termination, (iii) any expense reimbursement payments then due, and (iv) an amount in respect of any earned but unused vacation days through the date of termination (with the value of unused vacation days being equal to his then annual base salary divided by 250); and

Table of Contents

an amount equal to three times the sum of his then annual base salary and target bonus payment for the calendar year in which termination occurs

In addition to the foregoing cash payments:

Mr. Weishar will be entitled to receive continued coverage under the Company's welfare benefit plans during the two-year period following termination (or the cash value of such coverage, determined on a net after-tax basis) and COBRA health care continuation coverage commencing at the end of such two-year period;

each compensatory stock option, including the initial awards referred to above, he has received shall (to the extent that they would have become vested or exercisable on or before the third anniversary of the termination date) be fully vested and shall remain fully exercisable until the earliest of a change in control, the second anniversary of the termination date and the expiration of its maximum stated term;

each compensatory restricted stock award, including the initial award described above, he has received shall become fully vested as of the termination date, to the extent that it would have become vested on or before the third anniversary of the termination date and all contractual restrictions on such award shall lapse as of the termination date; and

any other equity-based award he shall have received shall also become fully vested, and shall become non-forfeitable, as of the termination date, to the extent that it would have become vested on or before the third anniversary of the termination date.

Cause is defined as the conviction of, or plea of guilty or nolo contendere to, a felony; the 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; 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; 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 willful and material breach of the employment agreement that remains uncured for 14 days following written request from the Board for cure.

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 35 miles from Louisville, Kentucky; any material breach by the Company, or any of its affiliates, of any material obligation to Mr. Weishar; 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 sum of (i) any earned but unpaid base salary through the date of termination, (ii) a pro rata bonus for the calendar year of termination equal to his then current annualized base salary pro rated through the date of termination, (iii) any expense reimbursement/payments then due, and (iv) an amount in respect of any earned but unused vacation days through the date of termination (with the value of unused vacation days being equal to his then annual base salary divided by 250).

Table of Contents

In addition to the foregoing cash payment:

Mr. Weishar will be entitled to receive continued coverage under the Company's welfare benefit plans during the one-year period following termination (or the cash value of such coverage, determined on a net after-tax basis) and COBRA health care continuation coverage commencing at the end of such one-year period;

each compensatory stock option, including the initial awards referred to above, he has received shall (to the extent that they would have become vested or exercisable on or before the first anniversary of the termination date) be fully vested and shall remain fully exercisable until the earliest of a change in control, the first anniversary of the termination date and the expiration of its maximum stated term;

each compensatory restricted stock award, including the initial award described above, he has received shall become fully vested as of the termination date, to the extent that it would have become vested on or before the first anniversary of the termination date and all contractual restrictions on such award shall lapse as of the termination date; and

any other equity-based award he shall have received shall also become fully vested, and shall become non-forfeitable, as of the termination date, to the extent that it would have become vested on or before the first anniversary of the termination date.

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 sum of (i) any earned but unpaid base salary through the date of termination, (ii) any expense reimbursement payments then due, and (iii) an amount in respect of any earned but unused vacation days through the date of termination (with the value of unused vacation days being equal to his then annual base salary divided by 250).

In addition to the foregoing cash payment, in the case Mr. Weishar's employment is terminated because of the expiration of its term due to notice of non-renewal:

each compensatory stock option, including the initial awards referred to above, he has received shall (to the extent that they would have become vested or exercisable on or before (i) the second anniversary of the termination date, in the case of notice of non-renewal by the Company, or (ii) the first anniversary of the termination date, in the case of non-renewal by Mr. Weishar), be fully vested and shall remain fully exercisable until the earliest of a change in control, the second anniversary of the termination date, in the case of notice of non-renewal by the Company, or first anniversary of the termination date, in the case of notice of non-renewal by Mr. Weishar, and the expiration of its maximum stated term;

each compensatory restricted stock award, including the initial award described above, he has received shall become fully vested as of the termination date, to the extent that it would have become vested on or before (i) the second anniversary of the termination date, in the case of notice of non-renewal by the Company, or (ii) the first anniversary of the termination date, in the case of non-renewal by Mr. Weishar, and all contractual restrictions on such award shall lapse as of the termination date; and

any other equity-based award he shall have received shall also become fully vested, and shall become non-forfeitable, as of the termination date, to the extent that it would have become vested on or before (i) the second anniversary of the termination date, in the case of notice of non-renewal by the Company, or (ii) the first anniversary of the termination date, in the case of non-renewal by Mr. Weishar.

Change in Control In the event of a change in control of the Company, Mr. Weishar is not entitled to any cash compensation, except to the extent that the employment agreement is terminated under any of the circumstances described above. In addition,

each compensatory stock option, including the initial awards referred to above, he has received shall become fully vested, and exercisable, on or before such change in control;

Table of Contents

each compensatory restricted stock award, including the initial award described above, he has received shall become fully vested as of the date of the change in control and all contractual restrictions on such award shall lapse as of such date; and

any other equity-based award he shall have received shall also become fully vested, and shall become non-forfeitable, as of the date of the change in control.

Change in control means:

a majority of our directors being replaced under certain circumstances;

any person, as such terms is used on Mr. Weishar's start date in Section 13(d) of the Securities Exchange Act of 1934, is or becomes a beneficial owner, of a percentage of the voting stock of the Company that is 40% larger than the percentage (if any) of the voting stock of the Company, thus measured, that such person beneficially owned upon the closing of the Pharmacy Transaction;

the Company combines with another entity and is the surviving entity, or all or substantially all of the assets or business of the Company, is disposed of pursuant to a sale, merger, consolidation or liquidation, unless the holders of the Company's common stock, immediately prior to such transaction own, directly or indirectly, more than two-thirds of the common stock of: (1) in the case of a combination in which the Company is the surviving entity, the surviving entity and (2) in any other case, the entity, if any, that succeeds to all or substantially all of the business and assets of the Company.

Tax Gross-Up Payments In the event that any payment or benefit made or provided to Mr. Weishar under the employment agreement is determined to constitute a parachute payment, as such term is defined in section 280G(b)(2) of the Code, the Company shall pay to Mr. Weishar, prior to the time any excise tax imposed by section 4999 of the Code is payable with respect to such payment or benefit, an additional amount which, after the imposition of all income and excise taxes thereon (and assuming all federal, state and other income taxes are imposed at the highest marginal rate), is equal to the excise tax on such payment or benefit. The determination of whether any payment or benefit constitutes a parachute payment and, if so, the amount to be paid to Mr. Weishar and the time of payment shall be made by a nationally-recognized independent accounting firm selected and paid for by the Company.

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, partnership, company or corporation, 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 (whether as a principal, partner, director, employee, consultant, independent contractor, agent or otherwise, and whether or not for compensation) 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.

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 (including, without limitation, by instructing others or by taking other action reasonably expected to induce others), 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 (including, without limitation, by instructing others or by taking other action reasonably expected to induce others), individually or on behalf of 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.

Table of Contents

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

Employment Agreement with Janice Rutkowski

On July 11, 2007, we entered into an employment agreement with Ms. Rutkowski, which became effective on August 1, 2007, the first day of business operations of the Company. The term of the agreement ended August 15, 2008.

On July 25, 2008, Ms. Rutkowski and the Company entered into a Separation of Employment Agreement. Under the Separation Agreement, Ms. Rutkowski terminated her employment with the Company effective August 15, 2008. Pursuant to the Separation Agreement, Ms. Rutkowski agreed, among other things, to continue to be bound by the non-compete and non-solicit provisions of her employment agreement which prohibit her for a period of 24 months following her termination of employment from (i) directly or indirectly owning, managing, controlling or participating in the ownership, management, or control of, or from being employed or engaged by, or otherwise affiliated or associated with, as an officer, director, employee, consultant, independent contractor or otherwise, any business entity or otherwise that engages in any business that is engaged in hospital and long term care institutional pharmacy services, and (ii) soliciting any employee, officer, director or agent of the Company from terminating such relationship, or employing or otherwise being associated in business with any present or former employee or officer of the Company, or, directly or indirectly, soliciting or otherwise accepting business for hospital and long term care institutional pharmacy services from any client or prospective client of the Company or causing a client or prospective client to terminate or otherwise modify adversely its business relationship with the Company.

Pursuant to the terms of the employment agreement, Ms. Rutkowski receives a minimum base salary of \$255,625, which is reviewed annually by our Chief Executive Officer. She 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 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 Ms. Rutkowski varies depending on the nature of the termination.

Termination without Cause, Resignation for Good Reason or Termination at the expiration of the Term Cause and Good Reason are defined substantially in the same manner as they are defined below under Employment Agreements with Other Named Executive Officers. If we terminate her employment without Cause or she terminates her employment with Good Reason, or her agreement terminates at the expiration of the term, she will be entitled to receive:

A lump-sum cash payment to be paid on the first business day at the conclusion of the twenty-four (24) month period following the termination date equal to (i) continued payment through August 15, 2008 of her base salary through the date of termination that has not yet been paid, (ii) continued payment for twenty-four (24) months after August 15, 2008 of her base salary, and (iii) a management incentive bonus in an amount not to exceed eighty percent (80%) of her base salary based on the achievement of individual performance objectives;

Any accrued but unpaid vacation pay and any other unpaid items that have accrued and to which she was executive officer has become entitled as of the date of termination ; and

Any options which would have vested as of August 15, 2008.

In addition to the foregoing cash payments:

For the twenty-four (24) month period following August 15, 2008, Ms. Rutkowski will be entitled to receive a waiver of the applicable premium otherwise payable for COBRA continuation coverage for

Table of Contents

herself, her spouse and eligible dependents, for health, prescription, dental and vision benefits; provided that to the extent COBRA continuation coverage eligibility expires before the end of such period, she will receive payment, on an after-tax basis, of an amount equal to such premium. The Company's obligations to provide such benefits will cease upon the date of commencement of eligibility of the executive officer under the group health plan of any other employer or the date of commencement of eligibility of the executive for Medicare benefits;

She will be entitled to receive executive level outplacement assistance under any outplacement assistance program of the Company then in effect; and

Each outstanding option, restricted stock or other equity award held by her shall become vested to the extent provided for under the terms governing such equity incentive award.

The Company's obligation to provide any of the payments described above, to the extent not accrued as of the date of termination, will be conditioned upon the receipt from her of a valid release of claims against the Company. In addition, to the extent any of the foregoing payments, compensation or other benefits is determined to constitute nonqualified deferred compensation within the meaning of Section 409A of the Code and the executive officer is a specified employee for purposes of Section 409A, such payment, compensation or other benefit will not be paid or provided to her prior to the day that is six (6) months plus one (1) day after the date of termination.

Termination for Death and Disability and Change in Control Please see the change of control discussion below under Employment Agreements with other Named Executive Officers.

Employment Agreements with other Named Executive Officers

On July 11, 2007, we entered into employment agreements with Mr. Culotta and Mr. Hernandez, each of which became effective on August 1, 2007, the first day of business operations of the Company. On July 31, 2007 we entered into an employment agreement with Mr. McKay and on August 7, 2007 we entered into an employment agreement with Mr. Caneris. (Mr. Culotta, Mr. McKay, Mr. Caneris and Mr. Hernandez are collectively referred to in this section as the Executive Officers). Each of the agreements provides for an indefinite term of employment, subject to certain terminations of employment described in more detail below (the Employment Period).

Pursuant to the terms of the employment agreements Mr. Culotta, Mr. McKay, Mr. Caneris and Mr. Hernandez receive a minimum base salary of \$405,000, \$250,000, \$250,000 and \$205,000 respectively, which is reviewed annually by our Compensation Committee and/or our Chief Executive Officer. During the Employment Period, each of the Executive Officers are 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

Table of Contents

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

(i) Continued payment for 18 months of the Executive Officer'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 following the date of termination, each Executive Officer will be entitled to receive a waiver of the applicable premium otherwise payable for COBRA continuation coverage for the Executive Officer, his spouse and eligible dependents, for health, prescription, dental and vision benefits; provided that to the extent COBRA continuation coverage eligibility expires before the end of such period, the Executive Officer will receive payment, on an after-tax basis, of an amount equal to such premium. The Company's obligations to provide such benefits will cease upon the date of commencement of eligibility of the Executive Officer under the group health plan of any other employer or the date of commencement of eligibility of the Executive Officer for Medicare benefits;

Each Executive Officer will be entitled to receive executive level outplacement assistance under any outplacement assistance program of the Company then in effect; and

Each outstanding option, restricted stock or other equity award held by the Executive Officer shall become vested to the extent provided for under the terms governing such equity incentive award.

The Company's obligation to provide any of the payments described above, to the extent not accrued as of the date of termination, will be conditioned upon the receipt from the Executive Officer of a valid release of claims against the Company. In addition, to the extent any of the foregoing payments, compensation or other benefits is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code and the Executive Officer is a specified employee for purposes of Section 409A, such payment, compensation or other benefit will not be paid or provided to the Executive Officer prior to the day that is six (6) months plus one (1) day after the date of termination.

"Cause" is generally defined in each of the employment agreements as the Executive Officer's (i) continued failure to substantially perform his duties over a period of not less than 30 days after a demand for substantial performance is delivered by our Board or Chief Executive Officer, (ii) willful misconduct materially and demonstrably injurious to the Company, (iii) commission of or indictment for a misdemeanor which, as determined in good faith by our Board, constitutes a crime of moral turpitude and gives rise to material harm to the Company, (iv) commission of or indictment for a felony, or (v) material breach of his obligations under the employment agreement.

"Good Reason" is generally defined in each of the employment agreements as (i) any reduction in the Executive Officer's base salary, incentive bonus opportunity or long-term incentive opportunity, other than reductions applicable to all members of senior management or (ii) material failure by the Company to comply with certain provisions of the employment agreement relating to the Executive Officer's position and duties and compensation, other than an isolated, insubstantial or inadvertent failure that is not taken in bad faith and is cured by the Company within 30 days of receipt of written notice thereof from the Executive Officer. In general, the Company will have 20 days to cure any conduct that gives rise to Good Reason.

Termination for Death or Disability If an Executive Officer's employment is terminated due to his or her death or disability (defined as a condition entitling the Executive Officer to benefits under the Company's long-term disability plan), the Company shall pay to the Executive Officer (his or her estate), the Accrued Obligations. In addition, each outstanding option, restricted stock or other equity award held by the Executive Officer shall become vested.

Table of Contents

Termination for Cause or Resignation other than for Good Reason If an Executive Officer's employment is terminated by us for Cause or by the Executive Officer for other than Good Reason, the Company shall pay to the Executive Officer the Executive Officer's base salary through the date of termination that has not been paid and the amount of any declared but unpaid bonuses, accrued but unpaid vacation pay and unreimbursed employee business expenses.

Change in Control The employment agreements of Mr. Culotta, Mr. Hernandez, Ms. Rutkowski, Mr. McKay and Mr. Caneris have change in control provisions that formalize their severance benefits if they are terminated under the circumstances discussed below after a change in control of the Company. The employment agreements do not entitle these officers to any additional payments or benefits solely upon the occurrence of a change in control. However, if, within one year following a change in control, their employment is terminated (i) by the Company or the officer following the occurrence of (A) a reduction in the officer's base salary other than a reduction that is based on the Company's financial performance or a reduction similar to the reduction made to the salaries provided to all or most other senior executives of the Company, (B) a significant change in the officer's responsibilities and/or duties which constitute a demotion, (C) a material loss of title or office, or (D) a relocation of the officer's principal place of employment of more than 50 miles, or (ii) by the Company without Cause, the officer will be entitled to the same payments and benefits he or she would have received upon a termination without Cause or resignation for Good Reason, as described above. In addition, subject to the officer's execution of a written release of claims against the Company, the officer will become vested in any outstanding options, restricted stock, or other equity incentive awards outstanding as of the date of such termination.

Change in Control means:

any person, as defined in the Securities Exchange Act of 1934, as amended, acquiring 40% or more of our common stock;

a majority of our directors being replaced under certain circumstances;

a merger or consolidation of the Company with any other Company (other than a merger or consolidation where the outstanding voting securities of the Company immediately prior to such an event continue to represent more than 40% of the combined voting power after such event or a merger or consolidation); and

approval by our stockholders to liquidate or dissolve the Company or to sell all or substantially all of the Company's assets in certain circumstances.

In the event that any payments made and/or benefits provided to the officer in connection with a change in control pursuant to the employment agreement or any other agreement, plan or arrangement (the Change in Control Payments) are determined to constitute a parachute payment (as such term is defined in Section 280G(b)(2) of the Code) and exceed the amount which can be deducted by us under Section 280G of the Code by (i) less than 10% of the aggregate value of the Change in Control Payment, then the Change in Control Payment shall be reduced to the maximum amount which can be deducted by us or (ii) more than 10% of the aggregate value of the Change in Control Payment, then we shall pay to the Executive Officer an additional amount which, after the imposition of all income and excise taxes thereon, is equal to the excise tax imposed under Section 4999 of the Code on the Change in Control Payment. The determination of whether any payment or benefit constitutes a parachute payment and, if so, the amount to be paid to the officer and the time of payment shall be made by a nationally-recognized independent accounting firm selected and paid for by us.

Each of Mr. Culotta, Ms. Rutkowski, Mr. McKay, Mr. Caneris and Mr. Hernandez have also agreed to certain confidentiality, non-competition and non-solicitation provisions in their respective employment agreements.

Table of Contents

2008 Short-Term Incentive Plan

Pursuant to the Company's 2008 short-term incentive program, our Named Executive Officers had the opportunity to earn annual cash incentives for meeting annual performance goals. In 2008, the incentives were based upon the Company achieving adjusted EBITDA goals. For 2008, \$91.1 million of adjusted EBITDA was set as the target for the payment of bonuses. Adjusted EBITDA goals for threshold and maximum bonuses were \$82 and \$109.3 million, respectively.

Target bonus opportunities were expressed as a percentage of base salary and vary among our Named Executive Officers. Pursuant to the terms of his employment agreement, Mr. Weishar's target annual bonus is equal to 100% of his base salary. In fiscal year 2008, Mr. Culotta, Ms. Rutkowski, Mr. McKay, Mr. Hernandez and Mr. Caneris were eligible for annual target bonus opportunities (represented as a percentage of base salary) of 75%, 80%, 55%, 60% and 55% respectively.

As part of the formation of the Company, Messrs. Weishar's and Culotta's annual incentives were based entirely on achieving the adjusted EBITDA target. For the other Named Executive Officers, annual incentives were based 75% on achieving the adjusted EBITDA target and 25% on individual performance. In 2008, actual bonus awards for our Named Executive Officers were set to range from 0% to 125% of the target award, depending upon performance relative to the predetermined adjusted EBITDA goals. The Company achieved adjusted EBITDA of \$92.5 million for the fiscal year ended December 31, 2008. The portion of the bonuses based on the Company's performance were paid to the Named Executive Officers at 103% of their target bonuses (except for Ms. Rutkowski whose bonus was determined upon her retirement pursuant to her Separation and Employment Agreement). Messrs. Caneris, McKay and Hernandez met their specific respective individual performance goals in a manner resulting in a 96%, 96% and 100% bonus payout for the individual portion of the 2008 short-term incentive program, respectively. Ms. Rutkowski's bonus related to her individual performance goals was determined upon her retirement pursuant to her Separation and Employment Agreement. No discretion was used in funding the bonus pool or in allocating the bonus pool. A Named Executive Officer had to remain continuously employed by the Company until the payout date of the 2008 short-term incentive program bonuses to receive the bonus. The 2008 short-term incentive program bonuses were paid in March 2009.

2008 Long-Term Incentive Program

Pursuant to the Company's 2008 long-term incentive program (the 2008 LTIP), our Named Executive Officers are eligible to receive stock options, performance share unit awards, and performance-based cash awards based on pre-established performance objectives and goals. The 2008 LTIP advances the Company's commitment to performance-based compensation practices by providing participants an opportunity to earn cash and equity-based awards upon the achievement of certain pre-established long-term performance objectives. The 2008 LTIP also is designed to drive consistent growth of the Company over a multiple-year performance period.

The 2008 LTIP performance criteria is tied to Company performance. Company performance will be measured for purposes of the 2008 LTIP by comparing the Company's adjusted EBITDA at the end of the performance cycle to a target end-of-performance cycle adjusted EBITDA set by the Compensation Committee. The 2008 LTIP performance cycle began on January 1, 2008 and ends on December 31, 2010.

The 2008 long-term target bonus opportunities are expressed as a percentage of base salary and vary among our Named Executive Officers. Minimum targets were individually negotiated with some of our Named Executive Officers prior to their accepting employment with our Company. Under the 2008 LTIP, Mr. Culotta, Mr. McKay, Mr. Caneris, and Mr. Hernandez were eligible for long-term target bonus opportunities (represented as a percentage of base salary) of 175%, 100%, 140% and 100% respectively. Ms. Rutkowski's long-term target bonus was 125% of her base salary, but forfeited her bonus due to her retirement. The actual long-term bonus awards for our Named Executive Officers could range from 0% to 200% of the target award, depending upon performance relative to the predetermined adjusted EBITDA goal from achieving less than 80% of the performance target to achieving 125% of the performance target.

Table of Contents

2008 LTIP awards were granted to our Named Executive Officers in the following amounts as a percentage of the bonus target: 50% non performance-based stock options, 25% performance share units and 25% performance-based cash awards. On March 10, 2008, the Compensation Committee awarded non performance-based stock options under the 2008 LTIP in the following amounts to the following Named Executive Officers: Mr. Weishar, 85,500; Mr. Culotta, 43,300; Ms. Rutkowski, 19,500; Mr. McKay, 19,800; Mr. Hernandez, 12,200; and Mr. Caneris, 21,400.

Stock (from the performance share units) and cash awards will be paid on a specific date by which the Compensation Committee reasonably expects that the Company's adjusted EBITDA for the performance cycle on which the award was based will have been reported, but no later than March 15, 2011. A Named Executive Officer must remain continuously employed by the Company until the date designated for payout under the applicable award agreement in order to be eligible to receive the award. Exceptions may be provided for termination of employment by reason of death, disability, retirement and change in control.

Outstanding Equity Awards at December 31, 2008

The following table sets forth certain information regarding equity-based awards of the Company held by the Named Executive Officers as of December 31, 2008. None of the Named Executive Officers exercised options to purchase shares of the Company's common stock in the fiscal year ended December 31, 2008.

| Name | Number of Securities Underlying Unexercised Options (1) | | Option Awards | | | Stock Awards | | | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested | | | |
|-------------------|---|---------------|---|-----------------------|------------------------|---|---|---|---|-----------|------------|----|
| | Exercisable | Unexercisable | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options | Option Exercise Price | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested | Market Value of Shares or Units of Stock That Have Not Vested | Unearned Shares, Units or Other Rights That Have Not Vested | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested | | | |
| Gregory Weishar | 150,276 | 150,277(2) | | \$ 16.31 | 8/7/2014 | 112,708(4) | \$ 1,766,134 | | \$ | | | |
| | | 85,500(2) | | \$ 15.10 | 3/10/2015 | | | | | 23,300(5) | \$ 365,111 | |
| Michael Culotta | 51,245 | 153,737(2) | | \$ 16.31 | 8/7/2014 | 32,593(6) | \$ 510,732 | | \$ | | | |
| | | 43,300(2) | | \$ 15.10 | 3/10/2015 | | | | | 11,800(8) | \$ 184,906 | |
| Robert McKay | 15,665 | 46,996(2) | | \$ 16.31 | 8/7/2014 | 9,963(6) | \$ 156,120 | | \$ | | | |
| | | 19,800(2) | | \$ 15.10 | 3/10/2015 | | | | | 5,400(8) | \$ 84,618 | |
| Thomas Caneris | 16,870 | 50,611(2) | | \$ 16.27 | 8/21/2014 | 10,730(7) | \$ 168,139 | | \$ | | | |
| | | 21,400(2) | | \$ 15.10 | 3/10/2015 | | | | | 5,800(8) | \$ 90,886 | |
| Anthony Hernandez | 9,640 | 28,923(2) | | \$ 16.31 | 8/7/2014 | 6,132(6) | \$ 96,088 | | \$ | | | |
| | | 12,200(2) | | \$ 15.10 | 3/10/2015 | | | | | 3,300(8) | \$ 51,711 | |
| Janice Rutkowski | 15,995 | (3) | | \$ 10.88 | 8/15/2009 | | \$ | | \$ | | | |
| | | 8,034 | | (3) | \$ 15.21 | | | | | 8/15/2009 | \$ | \$ |
| | | 15,401 | | (3) | \$ 16.31 | | | | | 8/15/2009 | \$ | \$ |

(1) All options are to purchase shares of the Company's common stock.

Table of Contents

(2) The unvested options held by the following Named Executive Officers as of December 31, 2008 will vest as follows:

| Vesting Date | Mr. Weishar | Mr. Culotta | Mr. McKay | Mr. Caneris | Mr. Hernandez |
|--------------|-------------|-------------|-----------|-------------|---------------|
| 3/10/2009 | 21,375 | 10,825 | 4,950 | 5,350 | 3,050 |
| 8/7/2009 | | 51,245 | 15,665 | | 9,641 |
| 8/21/2009 | | | | 16,870 | |
| 12/31/2009 | 75,138 | | | | |
| 3/10/2010 | 21,375 | 10,825 | 4,950 | 5,350 | 3,050 |
| 8/7/2010 | | 51,246 | 15,665 | | 9,641 |
| 8/21/2010 | | | | 16,870 | |
| 12/31/2010 | 75,139 | | | | |
| 3/10/2011 | 21,375 | 10,825 | 4,950 | 5,350 | 3,050 |
| 8/7/2011 | | 51,246 | 15,666 | | 9,641 |
| 8/21/2011 | | | | 16,871 | |
| 3/10/2012 | 21,375 | 10,825 | 4,950 | 5,350 | 3,050 |

(3) Effective August 15, 2008, Ms. Rutkowski retired from her positions at the Company. Ms. Rutkowski will have one year from August 15, 2008 to exercise her vested options. Ms. Rutkowski forfeited her unvested stock options and restricted stock awards upon her retirement as of August 15, 2008.

(4) The unvested shares of stock held by Mr. Weishar will vest in the following amounts on the following dates: 56,354 on December 31, 2009 and 56,354 on December 31, 2010.

(5) The unearned shares of performance share units held by Mr. Weishar will be earned on December 31, 2010 upon achievement of certain performance targets, provided that Mr. Weishar is employed with the Company on the payout date in 2011.

(6) The unvested shares of stock held by Mr. Culotta, Mr. McKay and Mr. Hernandez will vest on August 7, 2010.

(7) The unvested shares of stock held by Mr. Caneris will vest on August 21, 2010.

(8) The unearned shares of performance share units held by Mr. Culotta, Mr. McKay, Mr. Caneris and Mr. Hernandez will be earned on December 31, 2010 upon achievement of certain performance targets, provided that Mr. Culotta, Mr. McKay, Mr. Caneris and Mr. Hernandez are respectively employed with the Company on the payout date in 2011.

Option Exercises and Stock Vested in 2008

The following table sets forth information regarding each exercise of stock options and all vesting of stock during the year ended December 31, 2008:

| Name | Option Awards | | Stock Awards | |
|-----------------|---------------------------------------|----------------------------|--------------------------------------|---------------------------|
| | Number of Shares Acquired on Exercise | Value Realized on Exercise | Number of Shares Acquired on Vesting | Value Realized on Vesting |
| Gregory Weishar | | \$ | 112,707 | \$ 1,665,247 |
| Michael Culotta | | \$ | | \$ |
| Robert McKay | | \$ | | \$ |
| Thomas Caneris | | \$ | | \$ |

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| | | |
|----------------------|----|----|
| Anthony Hernandez | \$ | \$ |
| Janice Rutkowski (1) | \$ | \$ |

- (1) Effective August 15, 2008, Ms. Rutkowski retired from her position at the Company. Ms. Rutkowski will have one year from August 15, 2008 to exercise her vested options. Ms. Rutkowski forfeited her unvested stock options and restricted stock awards upon her retirement effective as of August 15, 2008.

Table of Contents**Non-Qualified Deferred Compensation Table Fiscal Year 2008**

| Name | Executive Contributions in Last Fiscal Year (1) | Registrant Contributions in Last Fiscal Year | Aggregate Earnings in Last Fiscal Year | Aggregate Withdrawals/ Distributions | Aggregate Balance at Last Fiscal Year-End (1) |
|----------------------|---|--|--|--------------------------------------|---|
| Gregory Weishar | \$ 358,521 | \$ | \$ (87,186) | \$ | \$ 271,335 |
| Michael Culotta | \$ | \$ | \$ | \$ | \$ |
| Robert McKay | \$ | \$ | \$ | \$ | \$ |
| Thomas Caneris | \$ | \$ | \$ | \$ | \$ |
| Anthony Hernandez | \$ | \$ | \$ | \$ | \$ |
| Janice Rutkowski (2) | \$ 35,662 | \$ | \$ (263) | \$ | \$ 35,399 |

(1) The amounts in this column are Named Executive Officer elective deferrals representing the deferred portion of base salary otherwise payable in 2008 and reported as compensation in the Summary Compensation Table.

(2) Effective August 15, 2008, Ms. Rutkowski retired from her positions at the Company. The 2008 deferred compensation represents amounts earned while she was employed with the Company.

Commencing in 2008, the Company maintains the PharMerica Corporation Deferred Compensation Plan (the "DCP") for certain management and highly compensated employees, including our Named Executive Officers, whose base earnings are in excess of the qualified plan limit under Section 401(a)(17) of the Internal Revenue Code of 1986, as amended, for such year in which the deferral will take place. A participant in the DCP may elect to defer up to 50% of such participant's annual base salary and up to 100% of such participant's annual short-term incentive program cash bonus into the DCP during each plan year. In addition, the Company may, in its sole discretion, make discretionary contributions to a participant's account. Any additional amounts contributed by the Company to a participant's account will fully vest on the fourth anniversary of December 31 of the year in which the contribution was credited to the participant's account.

Deferred amounts are recorded in the participant's account in the form of bookkeeping entries only and will be adjusted for gains and losses based on investment elections made by the participant. Amounts credited to a participant's account (whether pursuant to a deferral by the participant or a contribution made by the Company) will increase or decrease in value based on the investment fund selected by the participant in his Deferral Election Agreement. A Named Executive Officer can select to invest his deferred amounts in the same general investments offered under the PharMerica Corporation 401(k) Retirement Savings Plan. The Named Executive Officers may change their investment elections at any time. Participant balances are unfunded and the participants would be unsecured creditors of PharMerica if the Company became insolvent or otherwise unable to pay the balances to the participant.

A participant under the DCP is generally entitled to a distribution from such participant's account upon (i) the participant's termination of employment, (ii) the date specified by the participant in the Deferral Election Agreement, not to be any sooner than five years from the end of the year in which the amounts are earned, (iii) the participant's death or disability, or (iv) the occurrence of an unforeseen financial emergency (but only to the extent such distribution is necessary to relieve the unforeseen financial emergency). Upon termination of his employment, a participant will receive 100% of such participant's account balance, payable in a lump-sum or in ten equal annual installments as selected by the participant when the participant initially enters the DCP. In the event a participant's employment is terminated, such participant will receive 100% of his or her account balance, payable in a lump-sum if the account balance is \$25,000 or less. In the event a participant dies before retirement or a termination of employment, such participant's beneficiary will receive 100% of the participant's account balance in accordance with the participant's distribution election.

Table of Contents

Potential Payments upon Termination or Change-in-Control

The Employment Agreements of the Named Executive Officers require the Company to provide compensation to our Named Executive Officers in the event of certain terminations of employment or a change in control of the Company. The employment agreements we entered into with our Named Executive Officers define cause, good reason and change in control for purposes of determining payments upon termination of employment or a change in control of the Company. Please refer to Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table Employment Agreements for the definitions of these terms and additional details on the severance and change-in-control provisions that affect our Named Executive Officers.

The estimated payments and benefits that would be provided to each Named Executive Officer as a result of a termination (i) without cause or good reason, (ii) with cause or without good reason, (iii) upon a change in control, (iv) upon death or disability, or (v) due to non-renewal of the employment agreement are set forth in the table below. Calculations for this table are based on the assumption that the termination took place on December 31, 2008, the individual was employed for the full year of fiscal 2008, and the individual did not retire from the Company after age 62 with five years of service. The amounts in the table below do not include payments and benefits to the extent they are provided on a non-discriminatory basis to salaried employees generally upon termination of employment.

Table of Contents

| Name | Termination without Cause or Resignation for Good Reason | For Cause or Resignation other than for Good Reason | Upon Change in Control (1) | Termination for Death or Disability | Termination Due to Non- Renewal of Employment Agreement |
|--|---|---|----------------------------------|---|---|
| Gregory Weishar | | | | | |
| Accrued Annual Bonus | \$ 745,020(3) | \$ | \$ 861,687(4) | \$ 861,687(4) | \$ |
| Severance Payment | 4,339,920(6) | | 4,339,920(6) | | |
| Value of Accelerated Restricted and Performance Share Units | 2,131,245(8) | | 2,131,245(8) | 883,067(9) | 2,131,245(8) |
| Value of Stock Options | 36,551(11) | | 36,551(11) | 12,184(12) | 36,551(11) |
| Value of Benefits Continuation | 43,495(13) | | 43,495(13) | 27,056(14) | |
| Total Payment Upon Termination | \$ 7,296,231 | \$ | \$ 7,412,898 | \$ 1,783,994 | \$ 2,167,797 |
| Michael Culotta | | | | | |
| Accrued Annual Bonus | \$ 320,380(3) | \$ | \$ 379,380(5) | \$ 379,380(5) | \$ |
| Severance Payment | 942,477(7) | | 942,477(7) | | |
| Value of Accelerated Restricted and Performance Share Units | 510,732(17) | | 695,638(10) | 695,638(10) | |
| Value of Stock Options | 24,681(11) | | 24,681(11) | 24,681(11) | |
| Value of Benefits Continuation | 23,514(15) | | 23,514(15) | | |
| Outplacement Assistance | 6,000(16) | | 6,000(16) | | |
| Total Payment Upon | \$ 1,827,784 | \$ | \$ 2,071,690 | \$ 1,099,699 | \$ |
| Robert McKay | | | | | |
| Accrued Annual Bonus | \$ 140,965(3) | \$ | \$ 168,132(5) | \$ 168,132(5) | \$ |
| Severance Payment | 520,669(7) | | 520,669(7) | | |
| Value of Accelerated Restricted and Performance Share Units | 156,120(17) | | 240,738(10) | 240,738(10) | |
| Value of Stock Options | 11,286(11) | | 11,286(11) | 11,286(11) | |
| Value of Benefits Continuation | 23,943(15) | | 23,943(15) | | |
| Outplacement Assistance | 6,000(16) | | 6,000(16) | | |
| Total Payment Upon | \$ 858,983 | \$ | \$ 970,768 | \$ 420,156 | \$ |
| Thomas Caneris | | | | | |
| Accrued Annual Bonus | \$ 140,837(3) | \$ | \$ 170,004(5) | \$ 170,004(5) | \$ |
| Severance Payment | 520,198(7) | | 520,198(7) | | |
| Value of Accelerated Restricted and Performance Share Units | 168,139(17) | | 259,025(10) | 259,025(10) | |
| Value of Stock Options | 12,198(11) | | 12,198(11) | 12,198(11) | |
| Value of Benefits Continuation | 23,943(15) | | 23,943(15) | | |
| Outplacement Assistance | 6,000(16) | | 6,000(16) | | |
| Total Payment Upon | \$ 871,315 | \$ | \$ 991,368 | \$ 441,227 | \$ |
| Anthony Hernandez | | | | | |
| Accrued Annual Bonus | \$ 125,949(3) | \$ | \$ 142,616(5) | \$ 142,616(5) | \$ |
| Severance Payment | 433,893(7) | | 433,893(7) | | |
| Value of Accelerated Restricted and Performance Share Units | 96,088(17) | | 147,799(10) | 147,799(10) | |
| Value of Stock Options | 63,725(11) | | 63,725(11) | 63,725(11) | |
| Value of Benefits Continuation | 23,514(15) | | 23,514(15) | | |
| Outplacement Assistance | 6,000(16) | | 6,000(16) | | |

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| | | | | | |
|---|------------|----|------------|------------|----|
| Total Payment Upon | \$ 749,169 | \$ | \$ 817,547 | \$ 354,140 | \$ |
| Janice Rutkowski (2) | | | | | |
| Accrued Annual Bonus | \$ | \$ | \$ | \$ | \$ |
| Severance Payment | 726,544 | | | | |
| Value of Accelerated Restricted and Performance Share Units | | | | | |
| Value of Stock Options | | | | | |
| Value of Benefits Continuation | 10,071 | | | | |
| Outplacement Assistance | 6,000 | | | | |
| Total Payment Upon | \$ 742,615 | \$ | \$ | \$ | \$ |

Table of Contents

- (1) The calculation assumes that the Named Executive Officer was terminated on December 31, 2008 without Cause following a change in control. The change in control provisions set forth in the Employment Agreements are described more fully in Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table Employment Agreements .
- (2) The amounts reflected are the actual payments made to Ms. Rutkowski pursuant to her employment agreement upon her retirement from her position at the Company effective August 15, 2008. Ms. Rutkowski's severance payment is calculated as her base salary of \$21,623 for twenty-four months (\$518,952) and a short-term incentive bonus to be paid at the end of the twenty-four month period (\$207,592).
- (3) These amounts represent the pro-rata bonus for the calendar year of termination to be determined using the Named Executive Officer's current annual base salary and is part of the accrued obligations to be paid upon termination under the Named Executive Officer's employment agreement. These amounts are the actual amount of the cash award earned by the Named Executive Officer under the 2008 short-term incentive plan, which was at 102% of his annual base salary.
- (4) These amounts represent the pro-rata bonus for the calendar year of termination to be determined using the Named Executive Officer's current annual base salary and is part of the accrued obligations to be paid upon termination under the Named Executive Officer's employment agreement. For purposes of this calculation, we used the actual amount of the cash award earned by the Named Executive Officer under the 2008 short-term incentive plan, which was at 102% of his annual base salary. These amounts also represent one-third of the target amount of performance cash awards granted to the Named Executive Officer under the 2008 long-term incentive plan. The performance cash award under the 2008 long-term incentive plan provides that upon termination for death or disability or termination without cause or for good reason following a change in control of the Company, a Named Executive Officer becomes fully vested in a pro-rata portion of the earned performance cash award based on actual achievement of the performance targets. For purposes of this calculation, we have assumed that the Named Executive Officer is entitled to a pro-rata portion of the target performance cash award.
- (5) These amounts represent the pro-rata bonus for the calendar year of termination to be determined using the Named Executive Officer's 100% target annual bonus and is part of the Accrued Obligations to be paid upon termination under the Named Executive Officer's employment agreement. These amounts are the actual amount of the cash award earned by the Named Executive Officer under the 2008 short-term incentive plan, which was at 102% of their target bonus. These amounts also represent one-third of the target amount of performance cash awards granted to the Named Executive Officers under the 2008 long-term incentive plan. The performance cash award under the 2008 long-term incentive plan provides that upon termination for death or disability or termination without cause or for good reason following a change in control of the Company, a Named Executive Officer becomes fully vested in a pro-rata portion of the earned performance cash award based on actual achievement of the performance targets. For purposes of this calculation, we have assumed that the Named Executive Officer is entitled to a pro-rata portion of the target performance cash award.
- (6) These amounts represent the severance payments due pursuant to the Named Executive Officer's employment agreement of (i) three times the sum of the Named Executive Officer's current base salary, and (ii) three times the sum of the Named Executive Officer's target short-term incentive bonus amount. For purposes of the calculation of the short-term incentive bonus amount, we used the actual amount earned by the Named Executive Officer under the 2008 short-term incentive plan, which was at 102% of his target bonus.
- (7) These amounts represent the severance payments due pursuant to the Named Executive Officer's employment agreement of (i) an amount equal to eighteen months of the Named Executive Officer's current base salary, and (ii) an amount equal to the average bonus the employee received over the three complete years prior to the date of termination. For purposes of the calculation of the average bonus, we used the actual amounts earned by the Named Executive Officers under the 2008 short-term incentive plan, which was at 102% of their target bonus.
- (8) These amounts represent the intrinsic value of the Named Executive Officer's unvested restricted stock and performance share units using the December 31, 2008 closing stock price of the Company's common stock on the NYSE of \$15.67 assuming full vesting of the awards.

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- (9) These amounts represent the intrinsic value of the Named Executive Officer's unvested restricted stock that will vest within one year of December 31, 2008 using the December 31, 2008 closing stock price of the Company's common stock on the NYSE of \$15.67.
- (10) These amounts represent the intrinsic value of the Named Executive Officer's unvested restricted stock and the unvested performance share units using the December 31, 2008 closing stock price of the Company's common stock on the NYSE of \$15.67 assuming full vesting of the awards. Pursuant to the Named Executive Officer's employment agreement, upon termination following a change in control, the Named Executive Officer will become vested in any outstanding options, restricted stock, or other equity incentive awards outstanding as of the date of such termination.
- (11) These amounts represent the intrinsic value of the Named Executive Officer's unvested stock options based upon the difference between the December 31, 2008 closing stock price of the Company's common stock on the NYSE of \$15.67, and the exercise price of each such stock option assuming full vesting of the awards. Pursuant to the Named Executive

Table of Contents

Officer's employment agreement, upon termination following a change in control, the Named Executive Officer will become vested in any outstanding options, restricted stock, or other equity incentive awards outstanding as of the date of such termination.

- (12) This amount represents the intrinsic value of the Named Executive Officer's unvested stock options based upon the difference between the December 31, 2008 closing stock price of the Company's common stock on the NYSE of \$15.67, and the exercise price of each such stock option assuming full vesting of one-fourth of the award.
- (13) This amount represents forty-two months of benefits coverage of the Named Executive Officer's elected benefits under the Company's employee benefit program. For the purpose of the calculation we have assumed a 10% year over year inflation increase for the cost of the benefits.
- (14) This amount represents thirty months of benefits coverage to the Named Executive Officer's family based upon the Named Executive Officer's elected benefits under the Company's employee benefit program. For the purpose of the calculation we have assumed a 10% year over year inflation increase for the cost of the benefits.
- (15) These amounts represent eighteen months of benefits coverage to the Named Executive Officer and his family based upon the Named Executive Officer's elected benefits under the Company's employee benefit program. For the purpose of the calculation we have assumed a 10% year over year inflation increase for the cost of the benefits.
- (16) These amounts represent the value of outplacement assistance available to the Named Executive Officer.
- (17) These amounts represent the intrinsic value of the Named Executive Officer's unvested restricted stock using the December 31, 2008 closing stock price of the Company's common stock on the NYSE of \$15.67. Upon a termination without Cause or resignation for Good Reason each outstanding option, restricted stock or other equity award held by the Named Executive Officer shall become vested to the extent provided for under the terms governing such equity incentive award. Pursuant to the terms of the performance share unit award agreements, the unvested award is forfeited upon termination of employment.

Table of Contents

PROPOSAL 2

APPROVAL OF AMENDED AND RESTATED 2007 OMNIBUS INCENTIVE PLAN

On July 12, 2007, the Company adopted the PharMerica Corporation 2007 Omnibus Incentive Plan under which the Company is authorized to grant equity-based and other awards to its employees, officers, directors and consultants in order to enhance the incentive of those employees, directors and other individuals who are expected to contribute significantly to the success of the Company and its affiliates to perform at the highest level, and, in general, to further the best interests of the Company and its stockholders. On July 4, 2008, the stockholders approved an amendment to the 2007 Omnibus Incentive Plan to provide the Compensation Committee with increased flexibility to use non-GAAP measures to measure performance, including the ability to exclude from the performance measures certain items or charges related to an event or occurrence which the Compensation Committee determines should be excluded, in accordance with the performance criteria of performance awards granted pursuant to the Omnibus Incentive Plan.

Section 162(m) of the Code generally limits the deductibility of compensation paid to certain executive officers of a publicly-held corporation to \$1.0 million in any taxable year of the corporation. Certain types of compensation, including qualified performance-based compensation, are exempt from this deduction limitation. In order to qualify for the exemption for qualified performance-based compensation, Section 162(m) of the Code generally requires that:

The compensation be paid solely upon account of the attainment of one or more pre-established objective performance goals;

The performance goals must be established by a compensation committee comprised of two or more outside directors;

The material terms of the performance goals (including the maximum amount of compensation that could be paid to the employee) must be disclosed to and approved by the shareholders; and

The compensation committee of outside directors must certify that the performance goals have been met prior to payment. Regulations issued under Section 162(m) contain certain transition rules relating to treatment of compensation plans of private companies that later become publicly held. In general, with respect to companies that became public other than through an initial public offering, the compensation plans in effect before the company became public are exempt from Section 162(m) until the first shareholder meeting after the close of the year following the year in which the company became public. Because our 2007 Omnibus Incentive Plan was approved prior to our becoming a public company and we became a public company other than through an initial public offering, in order to meet the requirements of these regulations and to continue to qualify for the exemption for qualified performance-based compensation under Section 162(m), the stockholders must approve the material terms of the entire PharMerica Corporation Amended and Restated 2007 Omnibus Incentive Plan (referred to herein as the Amended and Restated Omnibus Plan) by majority vote. As a result, we are asking the stockholders to approve the Amended and Restated Omnibus Incentive Plan at the Meeting. If the Amended and Restated Omnibus Incentive Plan is approved at the Meeting, the material terms and performance goals of the plan will need to be re-approved every five years following this year's approval.

The principal features of the Company's Amended and Restated Omnibus Incentive Plan are summarized below, but the summary is qualified in its entirety by reference to the actual plan document. A copy of the Amended and Restated Omnibus Incentive Plan is included as Appendix A.

Amended and Restated Omnibus Incentive Plan

Shares Subject to Awards. The Company has reserved 3,800,000 shares of its common stock for awards to be granted under the Amended and Restated Omnibus Incentive Plan plus 534,642 shares reserved for substitute equity awards for employees of Kindred Pharmacy Services and PharMerica LTC whose awards were cancelled

Table of Contents

or forfeited upon the consummation of the Pharmacy Transaction. Subject to certain adjustments, the maximum number of shares that may be subject to the grant of incentive stock options is 3,800,000. Out of the 3,800,000 shares reserved, the maximum number of shares available for awards of restricted stock, restricted stock units, deferred shares and other stock-based awards is 1,900,000.

Administration. Our Compensation Committee will administer the Amended and Restated Omnibus Incentive Plan and will have authority to select individuals to whom awards are granted, determine the types of awards and number of shares covered, and determine the terms and conditions of awards, including the applicable vesting schedule, performance conditions, and whether the award will be settled in cash, shares or a combination of the two.

Eligibility. Our employees, directors, consultants, advisors or any other individuals who provide services to the Company or any affiliate will be eligible to participate in the Amended and Restated Omnibus Incentive Plan, except that incentive stock options may only be granted to employees of the Company or a subsidiary of the Company. The terms and conditions of awards under the Amended and Restated Omnibus Incentive Plan may not be the same with respect to each participant. The actual number of individuals who will receive an award under the Amended and Restated Omnibus Incentive Plan cannot be determined in advance because the Company, in its sole discretion, maintains the right to make available future grants under the Amended and Restated Omnibus Incentive Plan. As of April 20, 2009, there were approximately 350 employees, directors, consultants, advisors and other individuals who provide services to the Company or any affiliate who are eligible to participate in the Amended and Restated Omnibus Incentive Plan.

Types of Awards. The Amended and Restated Omnibus Incentive Plan allows for grants of stock options, stock appreciation rights, restricted stock and restricted stock units, deferred shares, performance awards, including cash bonus awards, and other stock-based awards.

Stock options. Stock options granted may be incentive stock options or non-qualified stock options. The exercise price of an option (other than a substitute award) may not be less than the fair market value of a share of our common stock on the date of grant and each option will have a term to be determined by the Compensation Committee (not to exceed ten years). Stock options will be exercisable at such time or times as determined by the Compensation Committee. A participant under the Amended and Restated Omnibus Incentive Plan may not receive options in any fiscal year that relates to more than 650,000 shares of common stock.

Stock appreciation rights. A stock appreciation right (SAR) may be granted free-standing or in tandem with another award under the Amended and Restated Omnibus Incentive Plan. Upon exercise of a SAR, the holder of that SAR is entitled to receive the excess of the fair market value of the shares for which the right is exercised over the exercise price of the SAR. The exercise price of a SAR (other than a substitute award) will not be less than the fair market value of a share of our common stock on the date of grant. A participant under the Amended and Restated Omnibus Incentive Plan may not receive a SAR in any fiscal year that relates to more than 650,000 shares of common stock.

Restricted stock/restricted stock units. Shares of restricted stock are shares of our common stock subject to restrictions on transfer and a substantial risk of forfeiture. A restricted stock unit consists of a contractual right denominated in shares of our common stock which represents the right to receive the value of a share of common stock at a future date, subject to certain vesting and other restrictions. Awards of restricted stock and restricted stock units will be subject to restrictions and such other terms and conditions as the Compensation Committee may determine, which restrictions and such other terms and conditions may lapse separately or in combination at such time or times, in such installments or otherwise, as the Compensation Committee may deem appropriate. The Compensation Committee, in its discretion, may award dividend equivalents with respect to awards of restricted stock and restricted stock units.

Table of Contents

Deferred shares. An award of deferred shares entitles the participant to receive shares of our common stock upon the expiration of a specified deferral period. In addition, deferred shares may be subject to restrictions on transferability, forfeiture and other restrictions as determined by the Compensation Committee. The Compensation Committee, in its discretion, may award dividend equivalents with respect to awards of deferred stock.

Performance Awards. The Amended and Restated Omnibus Incentive Plan provides that grants of performance awards, including cash-denominated awards and (if determined by the Compensation Committee) options, deferred shares, restricted stock or other stock-based awards will be made based upon certain performance objectives provided for under the terms of the Amended and Restated Omnibus Incentive Plan. The maximum number of shares of our common stock subject to a performance award in any fiscal year to any one participant is 500,000 shares and the maximum amount that can be earned in respect of a performance award denominated in cash or value other than shares on an annualized basis is \$5.0 million.

Generally, performance awards include a pre-established formula requiring the achievement, during a performance period or periods, as determined by the Compensation Committee, of a level or levels of, or increases in, as determined by the Compensation Committee, of one or more performance measures with respect to the Company, any Subsidiary and/or any business unit of the Company or any Subsidiary, including without limitation the following: return on equity or average equity, diluted earnings per share, total earnings, earnings growth, return on capital or average capital, return on assets or net assets, earnings before interest and taxes, EBITDA, EBITDA minus capital expenditures, sales or sales growth, customer or customer growth, traffic, revenue or revenue growth, income or net income, net income before share-based payments, gross margin return on investment, increase in the fair market value of common stock, share price (including, but not limited to, growth measures and total stockholder return), operating profit, gross profit, net earnings, cash flow (including, but not limited to, operating cash flow and free cash flow), cash flow return on investment (which equals net cash flow divided by total capital), capital expenditures, operating expenses, selling, general and administrative expenses, operating income or net operating income, return on investment, inventory turns, return on sales, financial return ratios, total return to stockholders, market share, earnings measures/ratios, economic value added (EVA), balance sheet measurements such as receivable turnover, internal rate of return, increase in net present value, or expense targets, customer satisfaction surveys and productivity. The Compensation Committee may also exclude from the performance measures charges related to an event or occurrence which the Compensation Committee determines should appropriately be excluded, including (a) restructurings, discontinued operations, extraordinary items, and other unusual or non-recurring charges, (b) an event either not directly related to the operations of the Company or not within the reasonable control of the Company's management, or (c) the cumulative effects of tax or accounting changes in accordance with U.S. generally accepted accounting principles.

Performance criteria may be measured on an absolute (e.g., plan or budget) or relative basis (e.g., measured against a group of peer companies, a financial market index, or other acceptable objective and quantifiable indices). The Compensation Committee may not, in its discretion, increase the amount payable under any performance award upon attainment of the performance measure. The Compensation Committee, in its discretion, may award dividend equivalents with respect to performance awards.

Other awards. The Compensation Committee is authorized to grant other stock-based awards, either alone or in addition to other awards granted under the Amended and Restated Omnibus Incentive Plan. Other awards may be settled in shares, cash, awards granted under the Amended and Restated Omnibus Incentive Plan or any other form of property as the Compensation Committee determines and the Compensation Committee, in its discretion, may grant dividend equivalents with respect to such awards.

Adjustments. The Compensation Committee must adjust the terms of any outstanding awards and the number of shares of common stock issuable under the Amended and Restated Omnibus Incentive Plan for any change in shares of our common stock resulting from a stock split, reverse stock split, stock dividend, spin-off,

Table of Contents

combination or reclassification of our common stock, or any other event that affects our capitalization if such an adjustment is necessary in order to prevent enlargement or dilution of the benefits or potential benefits intended to be made available under the Amended and Restated Omnibus Incentive Plan.

Replacement Options/Restricted Shares. Company stock options granted under the Amended and Restated Omnibus Incentive Plan to replace options granted by Kindred or AmerisourceBergen that were cancelled or forfeited upon the consummation of the Pharmacy Transaction have the same basic terms and conditions as apply to the cancelled Kindred or AmerisourceBergen options. In addition, unvested restricted shares of Kindred and AmerisourceBergen common stock held by our Named Executive Officers who were formerly Kindred Pharmacy Services or PharMerica LTC employees were replaced with restricted shares of the Company's common stock, which have the same basic terms and conditions as apply to the forfeited Kindred or AmerisourceBergen restricted shares.

Termination of Service. The Compensation Committee will determine the effect of a termination of employment or service on awards granted under the Amended and Restated Omnibus Incentive Plan (i.e., the circumstances in which awards shall be exercised, vested, paid or forfeited).

Amendment, Modification and Termination. Our Board may from time to time suspend, discontinue, revise or amend the Amended and Restated Omnibus Incentive Plan and the Compensation Committee may amend the terms of any award in any respect, provided that no such action will adversely impair or affect the rights of a holder of an outstanding award under the Amended and Restated Omnibus Incentive Plan without the holder's consent, and no such action will be taken without stockholder approval, if required by the rules of the stock exchange on which our shares are traded.

Term of the Amended and Restated Omnibus Incentive Plan. No award shall be granted under the Amended and Restated Omnibus Incentive Plan after the tenth year anniversary of July 12, 2007, the date the Amended and Restated Omnibus Incentive Plan was originally adopted by the Board.

Federal Income Tax Aspects of Awards Under the Amended and Restated Omnibus Incentive Plan. The Federal income tax consequences of the Amended and Restated Omnibus Incentive Plan under current federal income tax law are summarized in the following discussion which deals with the general tax principles applicable to the Amended and Restated Omnibus Incentive Plan and is intended for general information only. The following discussion of federal income tax consequences does not purport to be a complete analysis of all of the potential tax effects of the Amended and Restated Omnibus Incentive Plan. It is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change. The following does not describe alternative minimum tax, other Federal taxes, or foreign, state or local income taxes which may vary depending on individual circumstances and from locality to locality.

Stock Options. If an option qualifies for incentive stock option treatment, the optionee will recognize no income upon grant or exercise of the option except that at the time of exercise, the excess of the then fair market value of the common stock over the exercise price will be an item of tax preference for purposes of the alternative minimum tax. If the optionee holds the shares for more than two years after grant of the option and more than one year after exercise of the option, upon an optionee's sale of his or her shares of common stock, any gain will be taxed to the optionee as capital gain. If the optionee disposes of his or her shares of common stock prior to the expiration of one or both of the above holding periods, the optionee generally will recognize ordinary income in an amount measured as the difference between the exercise price and the lower of the fair market value of the common stock at the exercise date or the sale price of the common stock. Any gain recognized on such a disposition of the common stock in excess of the amount treated as ordinary income will be characterized as capital gain. The Company will be allowed a business expense deduction to the extent the optionee recognizes ordinary income, subject to Sections 162(m) and 280G of the Code.

An optionee will not recognize any taxable income at the time the optionee is granted a non-qualified stock option. However, upon exercise of the option, the optionee will recognize ordinary income for federal income tax

Table of Contents

purposes in an amount generally measured as the excess of the then fair market value of the common stock over the exercise price, and the Company will be entitled to a corresponding deduction at the time of exercise, subject to Sections 162(m) and 280G of the Code. Upon an optionee's sale of such shares, any difference between the sale price and fair market value of such shares on the date of exercise will be treated as capital gain or loss and will qualify for long-term capital gain or loss treatment if the common stock has been held for at least the applicable long-term capital gain period (currently 12 months).

Stock Appreciation Rights. Generally, stock appreciation rights will not be taxable to the participant at grant. Upon exercise of the stock appreciation right, the fair market value of the shares received, determined on the date of exercise, or the amount of cash received in lieu of shares, will be taxable to the participant as ordinary income in the year of such exercise. The Company will be entitled to a business expense deduction to the extent the grantee recognizes ordinary income, subject to Sections 162(m) and 280G of the Code.

Restricted Stock. Generally, a participant will not be taxed upon the grant or purchase of restricted stock that is subject to a substantial risk of forfeiture, within the meaning of Section 83 of the Code, until such time as the restricted stock is no longer subject to the substantial risk of forfeiture. At that time, the participant will be taxed on the difference between the fair market value of the common stock and the amount the participant paid, if any, for such restricted stock. However, the recipient of restricted stock under the Amended and Restated Omnibus Incentive Plan may make an election under Section 83(b) of the Code to be taxed with respect to the restricted stock as of the date of transfer of the restricted stock rather than the date or dates upon which the restricted stock is no longer subject to a substantial risk of forfeiture and the participant would otherwise be taxable under Section 83 of the Code.

Restricted Stock Units. A participant will recognize ordinary income on the fair market value of the units when the shares are no longer subject to restriction.

Deferred Shares. A participant will recognize ordinary income on the fair market value of the shares when the shares are no longer subject to deferral.

Performance Awards. A participant will recognize ordinary income on the fair market value of the shares when the performance award is delivered.

Dividend Equivalents. A participant will recognize ordinary income on dividend equivalents as they are paid.

Code Section 409A. Certain types of awards under the Amended and Restated Omnibus Incentive Plan, including performance awards and dividend equivalents, may constitute, or provide for, a deferral of compensation under Section 409A of the Code. Unless certain requirements set forth in Section 409A are complied with, holders of such awards may be taxed earlier than would otherwise be the case (e.g., at the time of vesting instead of the time of payment) and may be subject to an additional 20% penalty tax (and, potentially, certain interest penalties). To the extent applicable, the Amended and Restated Omnibus Incentive Plan and awards granted under the Amended and Restated Omnibus Incentive Plan generally will be structured and interpreted to comply with Section 409A and the Department of Treasury regulations and other interpretive guidance that may be issued pursuant to Section 409A.

Section 162(m). As described above, under Section 162(m) of the Code, in general, income tax deductions of publicly-traded companies may be limited to the extent total compensation (including base salary, annual bonus, stock option exercises and nonqualified benefits) for certain executive officers exceeds \$1.0 million in any one taxable year. However, under Section 162(m) of the Code, the deduction limit does not apply to certain qualified performance-based compensation established by an independent compensation committee that conforms to certain restrictive conditions stated under the Code and related regulations and described above.

Table of Contents

The Amended and Restated Omnibus Incentive Plan has been structured with the intent that certain awards granted under the Amended and Restated Omnibus Incentive Plan may meet the requirements for qualified performance-based compensation under Section 162(m) of the Code. To the extent granted with an exercise price not less than the fair market value on the date of grant, options granted under the Amended and Restated Omnibus Incentive Plan are intended to qualify as performance-based under Section 162(m) of the Code. Stock appreciation rights will also qualify as performance-based under Section 162(m) of the Code, to the extent they relate to the increase in the market value of the shares of common stock from the date of grant. Performance awards granted under the Amended and Restated Omnibus Incentive Plan may also qualify as performance-based under Section 162(m) of the Code if they vest or are otherwise payable based solely upon the performance criteria. As described above, in order for these types of awards to qualify as performance-based under Section 162(m) of the Code, the Company has submitted this proposal for stockholder approval.

Other Considerations. Awards that are granted, accelerated or enhanced upon the occurrence of a change in control may give rise, in whole or in part, to excess parachute payments within the meaning of Section 280G of the Code to the extent that such payments, when aggregated with other payments subject to Section 280G, exceed the limitations contained in that provision. Such excess parachute payments are not deductible by the Company and are subject to an excise tax of 20% payable by the recipient.

The Amended and Restated Omnibus Incentive Plan is not subject to any provision of the Employee Retirement Income Security Act of 1974, as amended, and is not qualified under Section 401(a) of the Code. Special rules may apply to a participant who is subject to Section 16 of the Exchange Act. Certain additional special rules apply if the exercise price for an option is paid in shares of common stock previously owned by the participant rather than in cash.

New Plan Benefits

Future benefits under the Amended and Restated Omnibus Incentive Plan generally will be granted at the discretion of the Compensation Committee and are therefore not currently determinable. During 2008, under the Amended and Restated Omnibus Incentive Plan, stock options and restricted stock were granted to the Named Executive Officers as set forth herein in the table captioned Grants of Plan-Based Awards in 2008 and to the non-employee directors as set forth herein in the table captioned Director Compensation. Each of our non-employee directors receives a one-time award of stock options valued at \$120,000 upon joining the Board and an annual grant of restricted stock valued at \$80,000. In addition, each of our non-employee directors will receive an annual retainer of \$35,000 payable in whole or in part in cash or shares of common stock. We cannot determine in advance what election the non-employee directors will make.

Equity Compensation Plan Information

The following table sets forth equity compensation plan information:

| Plan Category | Number of securities to be issued upon exercise of outstanding options and rights (a) | Weighted-average exercise price of outstanding options and rights (b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities) reflected in column (a) (c) |
|--|---|---|---|
| Equity compensation plans approved by stockholders | 1,399,776(1) | \$ 15.47(2) | 2,252,406 |

(1) Includes the following:

1,332,649 shares of common stock to be issued upon exercise of outstanding stock options granted under the Amended and Restated Omnibus Incentive Plan; and

Table of Contents

67,127 shares of common stock to be issued upon vesting of performance share units under the Amended and Restated Omnibus Incentive Plan.

- (2) The weighted average exercise price in column (b) does not take the 67,127 shares of common stock to be issued under performance share units into account.

Recommendation of Our Board of Directors

Our Board recommends a vote FOR the approval of the Company's Amended and Restated Omnibus Incentive Plan.

Required Vote

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 Meeting is required to approve the Company's Amended and Restated Omnibus Incentive Plan.

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

Related Party Transaction Policy

The Audit Committee reviews and approves in advance all related-party transactions and addresses any proposed conflicts of interest and any other transactions for which independent review is necessary or desirable to achieve the highest standards of corporate governance.

PROPOSAL 3

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED

PUBLIC ACCOUNTING FIRM

The Audit Committee has appointed PricewaterhouseCoopers LLC, or PwC, to continue to serve as our independent registered public accounting firm for the 2009 fiscal year. PwC served as our independent registered public accounting firm in 2007 and 2008. A representative of PwC is expected to attend the annual meeting and will have an opportunity to make a statement if he or she so desires. He or she will also be available to respond to appropriate questions from our stockholders. For additional information regarding our relationship with PwC, please see the Audit Committee Report below.

Although it is not required to submit this proposal to the stockholders for approval, the Board believes it is desirable that an expression of stockholder opinion be solicited and presents the selection of the independent registered public accounting firm to the stockholders for ratification. Even if the selection of PwC is ratified by the stockholders, the Audit Committee in its discretion could decide to terminate the engagement of PwC and engage another firm if the committee determines that this is necessary or desirable.

Independent Registered Public Accounting Firm Fees

In connection with the audit of the 2008 financial statements, the Company entered into an engagement letter with PwC which set forth the terms by which PwC has performed audit services to the Company.

The aggregate fees billed by PwC for professional services for 2007 and 2008 were as follows:

| Description of Fees | 2007 | 2008 |
|----------------------------|--------------|--------------|
| Audit Fees (1) | \$ 1,060,684 | \$ 1,029,908 |
| Audit Related Fees (2) | 570,276 | |
| Tax Fees | | |
| All Other Fees (3) | 1,500 | 40,056 |

| | | |
|-------|--------------|--------------|
| Total | \$ 1,632,460 | \$ 1,069,964 |
|-------|--------------|--------------|

Table of Contents

- (1) Annual audit fees include fees for the audit of our annual financial statements, the audit of our internal controls over financial reporting (2008 only), and the review of our financial information included in our Form 10-Q filings. For 2007, the fees also include fees incurred for services performed in connection with the acquisition of PharMerica Long-Term Care on July 31, 2007.
- (2) Fees for audit-related services were principally related to due-diligence associated with the acquisition of PharMerica Long-Term Care on July 31, 2007.
- (3) For 2007, all other fees were related to rights of the Company to utilize a research tool offered by PwC. For 2008, all other fees were related to procedures performed by PwC for compliance with the Corporate Integrity Agreement dated March 29, 2005 between PharMerica Long-Term Care and the Office of Inspector General within the Department of Health and Human Services.

Pre-Approval Policies and Procedures for Audit and Permitted Non-Audit Services

The Audit Committee's charter provides that the Audit Committee will review, and approve in advance, in its sole discretion, all auditing services, internal control related services and permitted non-audit services, including fees and terms, to be performed for the Company by the independent registered public accounting firm, subject to the de minimus exceptions for non-audit services described in Section 10A(i)(1)(B) of the Securities and Exchange Act of 1934 which are approved by the Audit Committee prior to the completion of the audit. The Audit Committee may form and delegate to sub-committees of one or more members of the Audit Committee its authority to pre-approve audit and permitted non-audit services, including internal control related services, provided that any such sub-committee pre-approvals are presented to the full Audit Committee at the next scheduled Audit Committee meeting. All audit and permitted non-audit services and all fees associated with such services performed by PwC in fiscal 2008 were approved by the full Audit Committee consistent with the policy described above.

Recommendation of Our Board of Directors

Our board of directors recommends a vote FOR the ratification of the appointment of PricewaterhouseCoopers LLC as the Company's independent registered public accounting firm for the year ending December 31, 2009.

Required Vote

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 Meeting is required to approve the ratification of the appointment of PricewaterhouseCoopers LLC as the Company's independent registered public accounting firm for the year ending December 31, 2009.

Table of Contents

AUDIT COMMITTEE REPORT

The Audit Committee oversees the accounting and financial reporting process of the Company on behalf of the Board. Management is responsible for the Company's financial reporting process including its system of internal controls and for the preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States. The independent auditors are responsible for performing an independent audit of the Company's consolidated financial statements and system of internal controls in accordance with the standards of the Public Company Accounting Oversight Board (United States). The Audit Committee's responsibility is to select the independent registered accounting firm and monitor and oversee the accounting and financial reporting processes of the Company, including the Company's internal controls over financial reporting, and the audits of the financial statements of the Company.

During the course of 2008 and the first quarter of 2009, the Audit Committee regularly met and held discussions with management and the independent registered accounting firm. In the discussions related to the Company's consolidated financial statements for fiscal year 2008, management represented to the Audit Committee that such consolidated financial statements were prepared in accordance with generally accepted accounting principles accepted in the United States. The Audit Committee reviewed and discussed with management and the independent registered accounting firm the audited consolidated financial statements for fiscal year 2008.

In fulfilling its responsibilities, the Audit Committee discussed with the independent registered accounting firm the matters that are required to be discussed by Statement on Auditing Standards No. 61, Communications with Audit Committees, as amended and as adopted by the Public Company Accounting Oversight Board in Rule 3200T. In addition, the Audit Committee received from the independent registered accounting firm the written disclosures and letter required by Public Company Accounting Oversight Board Ethics and Independence Rule 3526 Communication with Audit Committees Concerning Independence, and the Audit Committee discussed with the independent auditors that firm's independence. In connection with this discussion, the Audit Committee also considered whether the provision of services by the independent registered accounting firm not related to the audit of the Company's financial statements for fiscal year 2008 is compatible with maintaining the independent registered accounting firm independence. The Audit Committee's policy requires that the Audit Committee must approve any audit or permitted non-audit service proposed to be performed by its independent registered accounting firm in advance of the performance of such service.

Based upon the Audit Committee's discussions with management and the independent registered accounting firm and the Audit Committee's review of the representations of management and the report and letter of the independent registered accounting firm provided to the Audit Committee, the Audit Committee recommended to the Board that the audited consolidated financial statements for the year ended December 31, 2008 be included in the Company's Annual Report on Form 10-K for filing with the SEC.

The Audit Committee

Robert A. Oakley, Ph.D., Chairman
Thomas P. Gerrity, Ph.D.
W. Robert Dahl, Jr.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT****Security Ownership of Directors, Management, and Owners of More Than 5% of the Company's Stock**

Listed below are the outstanding shares of the Company's common stock beneficially owned as of April 20, 2009 by (i) the Named Executive Officers, (ii) the Company's directors; (iii) the Company's directors and executive officers as a group, and (iv) each person or entity that we know (based on filings of Schedule 13G with the SEC) to be the beneficial owner of more than 5% of any class of our voting securities. Unless otherwise indicated below, the address of these parties is 1901 Campus Place, Louisville, Kentucky 40299. To our knowledge, except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons listed in the table have sole investment and voting power with respect to all Company securities owned by them.

As of April 20, 2009, there were 30,487,662 shares of the Company's common stock outstanding. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of common stock and options, warrants and convertible securities that are currently exercisable or convertible within 60 days of April 20, 2009 into shares of our common stock are deemed to be outstanding and to be beneficially owned by the person holding the options, warrants or convertible securities for the purpose of computing the percentage ownership of the person.

| Name of Beneficial Owner | Amount and Nature of Beneficial Ownership | Percent of Class |
|--|--|---------------------|
| Directors, Nominees and Named Executive Officers | | |
| Gregory Weishar (1)(2)(3) | 409,312 | 1.34% |
| Michael Culotta (1)(2)(3) | 126,663 | * |
| Thomas Caneris (1)(2) | 32,950 | * |
| Robert McKay (1)(2) | 30,578 | * |
| Anthony Hernandez (1)(2) | 18,822 | * |
| Frank Collins (1)(2) | 13,529 | * |
| Thomas Gerrity (1)(2) | 13,529 | * |
| Thomas Mac Mahon (1)(2) | 13,529 | * |
| Dan Mendelson (1)(2) | 13,529 | * |
| Robert Oakley (1)(2) | 9,666 | * |
| W. Robert Dahl, Jr. (2) | 3,483 | * |
| Marjorie Dorr (2) | 2,098 | * |
| All directors and executive officers of the Corporation as a group (14 Persons) (1)(2) | 726,996 | 2.38% |
| Other Security Holders with More Than 5% Ownership | | |
| Keeley Asset Management Corporation (4) | 2,626,400 | 8.61% |
| Knightsbridge Asset Management, L.L.C. (5) | 2,339,777 | 7.67% |
| Barclays Global Investors, N.A. (6) | 2,123,505 | 6.97% |
| Morgan Stanley Investment Management Inc. (7) | 1,884,785 | 6.18% |

* Less than one percent of class.

(1) Includes for the following persons shares of the Company's common stock which may be acquired pursuant to the exercise of vested stock options: Mr. Weishar 171,651, Mr. Culotta 62,070, Mr. Caneris 22,220, Mr. McKay 20,615, Mr. Hernandez 12,690, Mr. Collins 5,141, Mr. Gerrity 5,141, Mr. Mac Mahon 5,141, Mr. Mendelson 5,141 and Mr. Oakley 4,533.

Table of Contents

- (2) Includes voting rights over unvested restricted stock as follows: Mr. Weishar 237,661, Mr. Culotta 64,593, Mr. Caneris 10,730, Mr. McKay 9,963, Mr. Hernandez 6,132, Mr. Collins 8,388, Mr. Gerrity 8,388, Mr. Mac Mahon 8,388, Mr. Mendelson 8,388, Mr. Oakley 5,133, Mr. Dahl 3,483, Ms. Dorr 2,098.

- (3) Includes for the following persons shares of the Company's common stock which they own through their own investment: Mr. Weishar 12,246 and Mr. Culotta 32,000.

- (4) The shares included in the table are based solely on the Schedule 13G filed with the SEC on February 13, 2009 by Keeley Asset Management Corporation and Keeley Funds, Inc. Their business address is 401 South LaSalle Street Chicago, Illinois 60605.

- (5) The shares included in the table are based solely on the Schedule 13G/A filed with the SEC on February 10, 2009 by Knightsbridge Asset Management, LLC. Its business address is 660 Newport Center Drive, Suite 460 Newport Beach, CA 92660.

- (6) The shares included in the table are based solely on the Schedule 13G filed with the SEC on February 5, 2009 by Barclays Global Investors, NA (whose business address is 400 Howard Street San Francisco, CA 94105), Barclays Global Fund Advisors (whose business address is 400 Howard Street San Francisco, CA 94105), Barclays Global Investors, LTD (whose business address is 1 Royal Mint Court London, EC3N 4HH), Barclays Global Investors Japan Limited (whose business address is 1-1-39 Hiroo Shibuya-Ku Tokyo 150-8402 Japan), Barclays Global Investors Canada Limited (whose business address is Brookfield Place 161 Bay Street, Suite 2500, PO Box 614 Toronto, Canada Ontario M5J 2S1), Barclays Global Investors Australia Limited (whose business address is Level 43, Grosvenor Place, 225 George Street, PO Box N43 Sydney, Australia NSW 1220), and Barclays Global Investors (Deutschland) AG (whose business address is Apianstrasse 6 D-85774 Unterföhring, Germany) .

- (7) The shares included in the table are based solely on the Schedule 13G filed with the SEC on February 17, 2009 by Morgan Stanley, in which Morgan Stanley states that it has sole voting power over 1,834,851 shares of the Company's common stock, shared voting power over 640 shares of the Company's common stock, and sole dispositive power over 1,884,785 shares of the Company's common stock. Its business address is 1585 Broadway New York, NY 10036.

Table of Contents

GENERAL INFORMATION

Other Matters. As of the date of this Proxy Statement, the Company did not know of any other matter that will be presented for consideration at the Annual Meeting. However, if any other matter should come before the meeting, the persons named in the enclosed proxy (or their substitutes) will have discretionary authority to vote on the matter.

Multiple Stockholders Sharing the Same Address. The SEC has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement and annual report addressed to those stockholders. This process, which is commonly referred to as householding, potentially provides extra convenience for stockholders and cost savings for companies. The Company will deliver a single proxy statement and annual report to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders.

Once you have received notice from your broker or us that we will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement and annual report, or if you are receiving multiple copies of the proxy statement and annual report and wish to receive only one, please notify your broker if your shares are held in a brokerage account or the Company if you hold registered shares. You can notify us by sending a written request to Corporate Treasurer, 1901 Campus Place, Louisville, Kentucky 40299 or by contacting the Corporate Treasurer at (502) 627 - 7000.

Stockholder Proposals for 2010 Annual Meeting. Any stockholder proposal intended to be considered for inclusion in the Company's proxy materials for presentation at the 2010 Annual Meeting of Stockholders must be in writing and received by the Corporate Secretary of the Company not later than December 30, 2009.

Under our By-laws, and as permitted by the rules of the SEC, certain procedures are provided that a stockholder must follow to nominate persons for election as directors or to introduce an item of business at an Annual Meeting of Stockholders. These procedures provide that nominations for director nominees and/or an item of business to be introduced at an Annual Meeting of Stockholders must be submitted in writing to the Secretary of the Company at our principal executive offices. We must receive the notice of your intention to introduce a nomination or to propose an item of business at our 2010 Annual Meeting of Stockholders:

not fewer than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting (June 4, 2009); or

if the date of the annual meeting is more than 30 days before or more than 70 days after such anniversary date, not earlier than 120 days prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made.

The Board currently anticipates that our 2010 Annual Meeting of Stockholders will be held on May 26, 2010. Assuming that our 2010 Annual Meeting of Stockholders is held on May 26, 2010, we must receive notice of your intention to introduce a nomination or other item of business at that meeting not earlier than February 4, 2010 and not later than March 6, 2010. If we do not receive notice during that period, or if we meet certain other requirements of the SEC rules, the persons named as proxies in the proxy materials relating to that meeting will use their discretion in voting the proxies when these matters are raised at the meeting.

Notice of a proposed item of business must include:

the name and address of the stockholder giving the notice and any beneficial owner on whose behalf the nomination or proposal is made, as they appear on the Company's books;

the class and number of shares of the Company which are owned of record by such stockholder and beneficially by such beneficial owner;

Table of Contents

a representation that the stockholder is a holder of record of stock of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination; and

a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (i) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Company's outstanding capital stock required to approve or adopt the proposal or elect the nominee and/or (ii) otherwise to solicit proxies from stockholders in support of such proposal or nomination.

Notice of a director nomination must include (as to each person whom the stockholder proposes to nominate for election or reelection as a director):

all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act, or any successor provisions, including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; and

a statement whether such person, if elected, intends to tender, promptly following such person's election or reelection, an irrevocable resignation effective upon such person's failure to receive the required vote for reelection at the next meeting at which such person would face reelection and upon acceptance of such resignation by the Board, in accordance with the Company's By-Laws.

Notice of a proposed item of business must include:

a brief description of the business desired to be brought before the meeting;

the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the By-Laws of the Company, the language of the proposed amendment);

the reasons for conducting such business at the meeting; and

any material interest in such business of such stockholder and of any beneficial owner on whose behalf the proposal is made.

The chairman of the Annual Meeting may refuse to allow the transaction of any business, or to acknowledge the nomination of any person, not made in compliance with the foregoing procedures.

Expenses of Solicitation. Proxies will be solicited by mail, telephone, or other means of communication. Solicitation also may be made by our directors, officers and regular employees. The entire cost of solicitation will be borne by the Company.

By Order of the Board of Directors,

GREGORY S. WEISHAR

Chief Executive Officer

Louisville, Kentucky

April 29, 2009

Table of Contents

APPENDIX A

AMENDED AND RESTATED PHARMERICA CORPORATION

2007 OMNIBUS INCENTIVE PLAN

SECTION 1. *Purpose.* The purpose of the Amended and Restated PharMerica Corporation 2007 Omnibus Incentive Plan is to enhance the incentive of those employees, directors and other individuals who are expected to contribute significantly to the success of the Company and its Affiliates to perform at the highest level, and, in general, to further the best interests of the Company and its stockholders. This plan has been amended and restated, effective as of January 1, 2009.

SECTION 2. *Definition.*

As used in the Plan, the following terms shall have the meanings set forth below:

- (a) **Act** shall mean the Securities Exchange Act of 1934, as amended.
- (b) **Affiliate** shall mean (i) any entity that, directly or indirectly, controls, is controlled by or under common control with the Company and (ii) any entity in which the Company has a significant equity interest, in either case as determined by the Committee.
- (c) **Award** shall mean any Option, Stock Appreciation Right, award of Restricted Stock, Restricted Stock Unit, Deferred Stock, Performance Award or Other Stock-Based Award granted under the Plan, which may be denominated or settled in Shares, cash or in such other forms as provided for herein.
- (d) **Award Agreement** shall mean any written agreement, contract or other instrument or document evidencing any Award granted under the Plan, which may, but need not, be executed or acknowledged by a Participant.
- (e) **Beneficiary** shall mean a person or persons entitled to receive payments or other benefits or exercise rights that are available under the Plan in the event of the Participant's death. If no such person is named by a Participant who is an individual, such individual's Beneficiary shall be the individual's estate.
- (f) **Board** shall mean the board of directors of the Company.
- (g) **Change in Control** shall mean the occurrence of:
 - (i) any person (as defined in Section 13(d) of the Act other than the Company, its Affiliates or an employee benefit plan or trust maintained by the Company or its affiliates, becoming the beneficial owner (as defined in Rule 13d-3 under the Act), directly or indirectly, of 40% or more of the combined voting power of the Company's then outstanding Voting Stock (excluding any person who becomes such a beneficial owner in connection with a transaction described in clause (A) of paragraph (iii) below);
 - (ii) at any time during a period of twelve consecutive months, individuals who at the beginning of such period constituted the Board (and any new member of the Board whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the members of the Board then still in office who either were members of the Board at the beginning of the period or whose election or nomination was so approved) cease for any reason to constitute at least a majority of members then constituting the Board; or
 - (iii) the consummation of (A) a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than a merger or consolidation which would result in the Voting Stock of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or being converted into Voting Stock of the surviving entity or any parent thereof) at least 50% of the combined voting power of the Voting Stock, or the total fair market value of all the securities, of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (B) any

Table of Contents

sale, lease, exchange or other transfer (in one transaction or a series of transactions) of assets of the Company having a total gross fair market value equal to more than 40% of the total gross Fair Market Value of all assets of the Company immediately prior to such transaction or transactions.

Notwithstanding the foregoing, (i) in no event shall a Change in Control be deemed to have occurred with respect to a Participant if the Participant is part of a group, within the meaning of Section 13(d)(3) of the Act, which consummates the Change in Control transaction and (ii) an Award Agreement may provide for a definition of the term Change in Control with respect to an Award that is different from the definition provided above.

(h) **Code** shall mean the Internal Revenue Code of 1986, as amended from time to time.

(i) **Committee** shall mean the Compensation Committee of the Board or such other committee as may be designated by the Board that satisfies the requirements of applicable law. If the Board does not designate the Committee, references herein to the Committee shall refer to the Board.

(j) **Company** shall mean PharMerica Corporation, a Delaware corporation.

(k) **Covered Employee** means an individual who is a covered employee within the meaning of Section 162(m)(3) of the Code, or any successor provision.

(l) **Deferred Stock** shall mean a right to receive Shares or other Awards or a combination thereof at the end of a specified deferral period, granted under Section 9.

(m) **Fair Market Value** shall mean with respect to Shares, the closing price of a Share on the date in question (or, if there is no reported sale on such date, on the last preceding date on which any reported sale occurred) on the principal stock exchange on which the Shares trade or are quoted, or if Shares are not so listed or quoted, fair market value as determined by the Committee, and with respect to any property other than Shares, the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee.

(n) **Incentive Stock Option** shall mean an option representing the right to purchase Shares from the Company, granted under and in accordance with the terms of Section 6, that (i) meets the requirements of Section 422 of the Code, or any successor provision thereto and (ii) is designated by the Committee in the applicable Award Agreement as an Incentive Stock Option.

(o) **Non-Qualified Stock Option** shall mean an option representing the right to purchase Shares from the Company, granted under and in accordance with the terms of Section 6, that is not an Incentive Stock Option.

(p) **Option** shall mean an Incentive Stock Option or a Non-Qualified Stock Option.

(q) **Other Stock-Based Award** means an Award granted pursuant to Section 11 of the Plan.

(r) **Participant** shall mean the recipient of an Award granted under the Plan.

(s) **Performance Award** means an Award granted pursuant to Section 10 of the Plan, including, but not limited to, one intended to be qualified performance-based compensation under Section 162(m) of the Code.

(t) **Performance Period** means the period established by the Committee at the time any Performance Award is granted or at any time thereafter during which any performance goals specified by the Committee with respect to such Award are measured and must be met.

(u) **Plan** shall mean the Amended and Restated PharMerica Corporation 2007 Omnibus Incentive Plan as the same may be amended from time to time.

(v) **Restricted Stock** shall mean any Share granted under Section 8.

(w) **Restricted Stock Unit** shall mean a contractual right granted under Section 8 that is denominated in Shares. Each Unit represents a right to receive the value of one Share (or a percentage of such value) upon the terms and conditions set forth in the Plan and the applicable Award Agreement. Awards of Restricted Stock Units may include, without limitation, the right to receive dividend equivalents.

Table of Contents

(x) **SAR** or **Stock Appreciation Right** shall mean any right granted to a Participant pursuant to Section 7 to receive, upon exercise by the Participant, the excess of (i) the Fair Market Value of one Share on the date of exercise over (ii) the grant price of the right specified by the Committee in its sole discretion, which, except in the case of Substitute Awards or in connection with an adjustment provided in Section 5(d), shall not be less than the Fair Market Value of one Share on such date of grant of the right.

(y) **Service** shall mean the active performance of services for the Company or an Affiliate by a person who is an employee or director of the Company or an Affiliate.

(z) **Shares** shall mean shares of the common stock of the Company.

(aa) **Subsidiary** shall mean a subsidiary of the Company within the meaning of Section 424(f) of the Code.

(bb) **Substitute Awards** shall mean Awards granted in assumption of, or in substitution for, outstanding awards previously granted by a company acquired by the Company or with which the Company combines; provided that the terms and conditions of each such Substitute Award (including, without limitation, the exercise price and number of Shares subject to such Substitute Award) shall be determined in accordance with U.S. Department of Treasury Regulation §1.409A-1(b)(5)(v)(D).

(cc) **Voting Stock** shall mean securities entitled to vote generally on the election of the Board.

SECTION 3. *Eligibility.*

(a) Any employee, member of the Board, consultant or other advisor of, or any other individual who provides services to, the Company or any Affiliate, shall be eligible to be selected to receive an Award under the Plan, except that Incentive Stock Options may be granted only to employees of the Company or a Subsidiary.

(b) Holders of options and other types of awards granted by a company acquired by the Company or with which the Company combines are eligible for grant of Substitute Awards hereunder.

SECTION 4. *Administration.*

(a) The Plan shall be administered by the Committee. The Committee shall consist of not less than three directors. Each Committee member shall be (i) independent, within the meaning of and to the extent required by applicable rulings and interpretations of the Securities and Exchange Commission and the applicable stock exchange on which the Shares trade or are quoted and (ii) an outside director pursuant to Section 162(m) of the Code, and any regulations issued thereunder, in each case at such time as the Company becomes subject to the respective regulatory regime. The Board may designate one or more directors as alternate members of the Committee who may replace any absent or disqualified member at any meeting of the Committee. The Committee may delegate to one or more of the Committee's members or to officers of the Company the authority to exercise all duties and responsibilities of the Committee under the Plan, including those listed in Section 4(b) below or such of those duties and responsibilities as may be specified by the Committee, except that such delegation shall not be applicable to any Award for a person then covered by Section 16 of the Act. The Committee may issue rules and regulations for administration of the Plan. It shall meet at such times and places as it may determine.

(b) Subject to the terms of the Plan and applicable law, the Committee (or its delegate) shall have full power and authority to: (i) designate Participants; (ii) determine the type or types of Awards (including Substitute Awards) to be granted to each Participant under the Plan; (iii) determine the number of Shares to be covered by (or with respect to which payments, rights, or other matters are to be calculated in connection with) Awards; (iv) determine the terms and conditions of any Award; (v) adopt form of Award Agreements; (vi) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, or other Awards, or canceled, forfeited or suspended, and the method or methods by which Awards may be settled, exercised, canceled, forfeited or suspended; (vii) correct any defect, supply any omission or reconcile any inconsistency in or among the Plan, an Award or an Award

Table of Contents

Agreement; (viii) determine whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, and other amounts payable with respect to an Award under the Plan shall be deferred either automatically or at the election of the holder thereof or of the Committee; (ix) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan; (x) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and (xi) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

(c) All decisions of the Committee shall be final, conclusive and binding upon all parties, including the Company, the stockholders and the Participants.

SECTION 5. *Shares Available for Awards.*

(a) Subject to adjustment as provided in Section 5(d) below, the maximum number of Shares available for delivery under the Plan is 3,800,000 Shares. Notwithstanding the foregoing and subject to adjustment as provided in Section 5(d), the maximum number of Shares that may be subject to grant of Incentive Stock Options is 3,800,000, the maximum number of Shares that are available for Awards under Sections 8, 9 and 11 is 1,900,000 and no Participant may receive Options and SARs under the Plan in any fiscal year that relate to more than 650,000 Shares.

(b) If, after the effective date of the Plan, any Shares covered by an Award other than a Substitute Award, or to which such an Award relates, are forfeited, or if such an Award otherwise terminates without the delivery of Shares or of other consideration, then the Shares covered by such Award, or to which such Award relates, to the extent of any such forfeiture or termination, shall again be, or shall become, available for issuance under the Plan.

(c) Any Shares delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares or Shares acquired by the Company.

(d) In the event that the Committee shall determine that any dividend or other distribution (whether in the form of cash, Shares or other securities), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and type of Shares (or other securities) which thereafter may be made the subject of Awards, including the aggregate and individual limits specified in Section 5(a) and Section 10(c), (ii) the number and type of Shares (or other securities) subject to outstanding Awards, and (iii) the grant, purchase, or exercise price with respect to any Award or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding Award; *provided, however*, that the number of Shares subject to any Award denominated in Shares shall always be a whole number.

(e) Shares underlying Substitute Awards shall not reduce the number of Shares remaining available for issuance under the Plan.

SECTION 6. *Options.*

(a) The Committee is hereby authorized to grant Options to Participants with the terms and conditions set forth in this Section 6 and with such additional terms and conditions as set forth in an Award Agreement, in either case not inconsistent with the provisions of the Plan, as the Committee shall determine:

(b) The purchase price per Share under an Option shall be determined by the Committee; *provided, however*, that, except in the case of Substitute Awards, such purchase price shall not be less than the Fair Market Value of a Share on the date of grant of such Option.

Table of Contents

- (c) The term of each Option shall be fixed by the Committee but shall not exceed 10 years from the date of grant thereof.
- (d) The Committee shall determine the time or times at which an Option may be exercised in whole or in part.
- (e) The Committee shall determine the method or methods by which, and the form or forms, including, without limitation, cash, Shares, other Awards, or any combination thereof, having a Fair Market Value on the exercise date equal to the relevant exercise price, in which, payment of the exercise price with respect thereto may be made or deemed to have been made.
- (f) The terms of any Incentive Stock Option granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code, or any successor provision thereto, and any regulations promulgated thereunder.
- (g) Each Option shall be evidenced by an Award Agreement which contains the terms and conditions of the Option as determined by the Committee.

SECTION 7. Stock Appreciation Rights.

- (a) The Committee is hereby authorized to grant Stock Appreciation Rights (**SARs**) to Participants with terms and conditions as the Committee shall determine not inconsistent with the provisions of the Plan. Each SAR shall be evidenced by an Award Agreement which includes the terms and conditions determined by the Committee.
- (b) SARs may be granted hereunder to Participants either alone (**freestanding**) or in addition to other Awards granted under the Plan (**tandem**) and may, but need not, relate to a specific Option granted under Section 6.
- (c) Any tandem SAR related to an Option may be granted at the same time such Option is granted or at any time thereafter before exercise or expiration of such Option. In the case of any tandem SAR related to any Option, the SAR or applicable portion thereof shall not be exercisable until the related Option or applicable portion thereof is exercisable and shall terminate and no longer be exercisable upon the termination or exercise of the related Option, except that a SAR granted with respect to less than the full number of Shares covered by a related Option shall not be reduced until the exercise or termination of the related Option exceeds the number of Shares not covered by the SAR. Any Option related to any tandem SAR shall no longer be exercisable to the extent the related SAR has been exercised.
- (d) A freestanding SAR shall not have a term of greater than 10 years or, unless it is a Substitute Award, an exercise price less than the Fair Market Value of the Share on the date of grant.

SECTION 8. Restricted Stock and Restricted Stock Units.

- (a) The Committee is hereby authorized to grant Awards of Restricted Stock and Restricted Stock Units to Participants. Each Award of Restricted Stock and Restricted Stock Units shall be evidenced by an Award Agreement which shall set forth the conditions, if any, which will need to be satisfied before the grant will be effective and the conditions, if any, under which the Participant's interest in the related Shares or the value of the Restricted Stock Units will be forfeited or become vested, including performance goals, if any, that must be achieved as a condition to vesting of the Restricted Stock Award or the Restricted Stock Unit. The Committee, in its discretion, may award dividend equivalents with respect to Awards of Restricted Stock and Restricted Stock Units.
- (b) Shares of Restricted Stock and Restricted Stock Units shall be subject to such restrictions as the Committee may impose (including, without limitation, any limitation on the right to vote a Share of Restricted Stock or the right to receive any dividend or other right), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise, as the Committee may deem appropriate.

Table of Contents

(c) Any share of Restricted Stock granted under the Plan may be evidenced in such manner as the Committee may deem appropriate including, without limitation, book-entry registration or issuance of a stock certificate or certificates. In the event any stock certificate is issued in respect of shares of Restricted Stock granted under the Plan, such certificate shall be registered in the name of the Participant and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock.

(d) The Committee may in its discretion, when it finds that a waiver would be in the best interests of the Company, waive in whole or in part any or all restrictions with respect to Shares of Restricted Stock or Restricted Stock Units.

(e) If the Committee intends that an Award under this Section 8 shall constitute or give rise to qualified performance based compensation under Section 162(m) of the Code, such Award may be structured in accordance with the requirements of Section 10(c), including without limitation, the performance criteria and the Award limitation set forth therein, and any such Award shall be considered a Performance Award for purposes of the Plan.

SECTION 9. *Deferred Stock.* The Committee is authorized to grant Deferred Stock to Participants, subject to terms and conditions set forth in this Section 9 and with such additional terms and conditions, in either case not inconsistent with the provisions of the Plan, as the Committee shall determine. Each grant of Deferred Stock shall be evidenced by an Award Agreement which contains the terms and conditions determined by the Committee.

(a) Issuance of Shares will occur upon expiration of the deferral period specified for an Award of Deferred Stock by the Committee (or, if permitted by the Committee, as elected by the Participant). In addition, Deferred Stock shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose, which restrictions may lapse at the expiration of the deferral period or at earlier specified times (including based on achievement of performance goals and/or future service requirements), separately or in combination, in installments or otherwise, and under such other circumstances as the Committee may determine at the date of grant or thereafter. Deferred Stock may be satisfied by delivery of Shares, other Awards, or a combination thereof, as determined by the Committee at the date of grant or thereafter.

(b) The Committee, in its discretion, may award dividend equivalents with respect to Awards of Deferred Stock.

SECTION 10. *Performance Awards.*

(a) The Committee is hereby authorized to grant Performance Awards to Participants with terms and conditions as the Committee shall determine not inconsistent with the provisions of the Plan. Each grant of Performance Awards shall be evidenced by an Award Agreement which contains the terms and conditions determined by the Committee. The Committee, in its discretion, may award dividend equivalents with respect to Performance Awards.

(b) Performance Awards may be denominated as a cash amount, number of Shares, or a combination thereof and are Awards which may be earned upon achievement or satisfaction of performance conditions specified by the Committee. In addition, the Committee may specify that any other Award shall constitute a Performance Award by conditioning the right of a Participant to exercise the Award or have it settled, and the timing thereof, upon achievement or satisfaction of such performance conditions as may be specified by the Committee. The Committee may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions. Subject to the terms of the Plan, the performance goals to be achieved during any Performance Period, the length of any Performance Period, the amount of any Performance Award granted and the amount of any payment or transfer to be made pursuant to any Performance Award shall be determined by the Committee and set forth in the Award Agreement.

Table of Contents

(c) Every Performance Award shall, if the Committee intends that such Award should constitute qualified performance-based compensation for purposes of Section 162(m) of the Code, include a pre-established formula, such that payment, retention or vesting of the Award is subject to the achievement during a performance period or periods, as determined by the Committee, of a level or levels of, or increases in, in each case as determined by the Committee, one or more performance measures with respect to the Company, any Subsidiary and/or any business unit of the Company or any Subsidiary, including without limitation the following: return on equity or average equity, diluted earnings per share, total earnings, earnings growth, return on capital or average capital, return on assets or net assets, earnings before interest and taxes, EBITDA, EBITDA minus capital expenditures, sales or sales growth, customer or customer growth, traffic, revenue or revenue growth, income or net income, net income before share-based payments, gross margin return on investment, increase in the fair market value of common stock, share price (including, but not limited to, growth measures and total stockholder return), operating profit, gross profit, net earnings, cash flow (including, but not limited to, operating cash flow and free cash flow), cash flow return on investment (which equals net cash flow divided by total capital), capital expenditures, operating expenses, selling, general and administrative expenses, operating income or net operating income, return on investment, inventory turns, return on sales, financial return ratios, total return to stockholders, market share, earnings measures/ratios, economic value added (EVA), balance sheet measurements such as receivable turnover, internal rate of return, increase in net present value, or expense targets, customer satisfaction surveys and productivity. The Committee may also exclude charges related to an event or occurrence which the Committee determines should appropriately be excluded, including (a) restructurings, discontinued operations, extraordinary items, and other unusual or non-recurring charges, (b) an event either not directly related to the operations of the Company or not within the reasonable control of the Company's management, or (c) the cumulative effects of tax or accounting changes in accordance with U.S. generally accepted accounting principles. Performance criteria may be measured on an absolute (e.g., plan or budget) or relative basis. Relative performance may be measured against a group of peer companies, a financial market index, or other acceptable objective and quantifiable indices. Except in the case of an award intended to qualify as performance-based compensation under Section 162(m) of the Code, if the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which the Company conducts its business, or other events or circumstances render the performance objectives unsuitable, the Committee may modify the performance objectives or the related minimum acceptable level of achievement, in whole or in part, as the Committee deems appropriate and equitable. Performance measures may vary from Performance Award to Performance Award, respectively, and from Participant to Participant, and may be established on a stand-alone basis, in tandem or in the alternative. For any Award subject to any the pre-established formula described herein, the maximum number of shares subject to any such Award denominated in Shares granted in any fiscal year to a Participant shall be 500,000 Shares, subject to adjustment as provided in Section 5(d), and the maximum amount earned in respect of a Performance Award denominated in cash or value other than Shares on an annualized fiscal year basis with respect to any Participant shall be \$5,000,000. The Committee shall have the power to impose such other restrictions on Awards subject to this Section 10(c) as it may deem necessary or appropriate to ensure that such Awards satisfy all requirements for performance-based compensation within the meaning of Section 162(m)(4)(C) of the Code, or any successor provision thereto. Notwithstanding any provision of the Plan to the contrary, the Committee shall not be authorized to increase the amount payable under any Award to which this Section 10(c) applies upon attainment of such pre-established formula.

(d) Settlement of Performance Awards shall be in cash, Shares, other Awards or other property, or a combination thereof, in the discretion of the Committee as set forth in the applicable Award Agreement. Performance Awards will be distributed only after the end of the relevant Performance Period. The Committee may, in its discretion, increase or reduce the amount of a settlement otherwise to be made in connection with such Performance Awards, but may not exercise discretion to increase any such amount payable to a Covered Employee in respect of a Performance Award subject to paragraph (c) above. Any settlement which changes the form of payment from that originally specified shall be implemented in a

Table of Contents

manner such that the Performance Award and other related Awards do not, solely for that reason, fail to qualify as performance-based compensation for purposes of Section 162(m) of the Code. The Committee shall specify the circumstances in which such Performance Awards shall be paid or forfeited in the event of termination of employment by the Participant.

SECTION 11. *Other Stock-Based Awards.* The Committee is authorized, subject to limitations under applicable law, to grant to Participants such other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Shares or factors that may influence the value of Shares, including, without limitation, convertible or exchangeable debt securities, other rights convertible or exchangeable into Shares, purchase rights for Shares, Awards with value and payment contingent upon performance of the Company or business units thereof or any other factors designated by the Committee. The Committee shall determine the terms and conditions of such Awards and such terms and conditions shall be contained in an Award Agreement which evidences such Award. Shares delivered pursuant to an Award in the nature of a purchase right granted under this Section 11 shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including, without limitation, cash, Shares, other Awards, notes, or other property, as the Committee shall determine. Cash awards, as an element of or supplement to any other Award under the Plan, may also be granted pursuant to this Section 11. The Committee, in its discretion, may award dividend equivalents with respect to Awards granted pursuant to this Section 11.

SECTION 12. *Effect of Termination of Service on Awards.* The Committee may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, the circumstances in which Awards shall be exercised, vested, paid or forfeited in the event a Participant ceases to provide Service to the Company or any Affiliate prior to the end of a performance period or exercise or settlement of such Award; provided that, to the extent such Award is subject to Section 409A of the Code, the Committee's determination provided for in this Section 12 shall comply with Section 409A of the Code and the regulations promulgated thereunder.

SECTION 13. *General Provisions Applicable to Awards.*

- (a) Awards shall be granted for no cash consideration or for such minimal cash consideration as may be required by applicable law.
- (b) Awards may, in the discretion of the Committee, be granted either alone or in addition to or in tandem with any other Award or any award granted under any other plan of the Company. Awards granted in addition to or in tandem with other Awards, or in addition to or in tandem with awards granted under any other plan of the Company, may be granted either at the same time as or at a different time from the grant of such other Awards or awards.
- (c) Subject to the terms of the Plan, payments or transfers to be made by the Company upon the grant, exercise or payment of an Award may be made in the form of cash, Shares, other securities or other Awards, or any combination thereof, as determined by the Committee in its discretion at the time of grant, and may be made in a single payment or transfer, in installments, or on a deferred basis, in each case in accordance with rules and procedures established by the Committee. Such rules and procedures may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of dividend equivalents in respect of installment or deferred payments.
- (d) Except as may be permitted by the Committee or as specifically provided in an Award Agreement, (i) no Award and no right under any Award shall be encumbered, assignable, alienable, saleable or transferable by a Participant otherwise than by will or pursuant to Section 13(e) and (ii) each Award, and each right under any Award, shall be exercisable during the Participant's lifetime only by the Participant or, if permissible under applicable law, by the Participant's guardian or legal representative. The provisions of this paragraph shall not apply to any Award which has been fully exercised, earned or paid, as the case may be, and shall not preclude forfeiture of an Award in accordance with the terms thereof.

Table of Contents

(e) A Participant may designate a Beneficiary or change a previous beneficiary designation at such times prescribed by the Committee by using forms and following procedures approved or accepted by the Committee for that purpose. If no Beneficiary designated by the Participant is eligible to receive payments or other benefits or exercise rights that are available under the Plan at the Participant's death, the Beneficiary shall be the Participant's estate.

(f) All certificates for Shares and/or Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares or other securities are then listed, and any applicable Federal or state securities laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(g) The applicable Award Agreement shall provide whether, upon a Change in Control, outstanding Options shall become fully exercisable and/or vested and outstanding Awards (other than Options) shall become fully vested and/or payable. To the extent not provided in the applicable Award Agreement, the Committee shall determine the treatment of outstanding Awards in connection with any transaction or transactions resulting in a Change in Control after giving due consideration to the federal income tax consequences, if any, under Section 409A of the Code arising from such treatment.

(h) The Committee may impose restrictions on any Award with respect to non-competition, confidentiality and other restrictive covenants, as it deems necessary in its sole discretion.

SECTION 14. Amendments and Termination.

(a) Except to the extent prohibited by applicable law and unless otherwise expressly provided in an Award Agreement or in the Plan, the Board may amend, alter, suspend, discontinue, or terminate the Plan or any portion thereof at any time; *provided, however*, that no such amendment, alteration, suspension, discontinuation or termination shall be made without (i) stockholder approval if such approval is required by the listed company rules of the stock exchange, if any, on which the Shares are principally traded or quoted or required to comply with Rule 16b-3 of the Act and Section 162(m) or 422 of the Code, or (ii) the consent of the affected Participant, if such action would adversely affect the rights of such Participant under any outstanding Award, except to the extent any such amendment, alteration, suspension, discontinuance or termination is made to cause the Plan to comply with applicable law, stock exchange rules and regulations or accounting or tax rules and regulations. Notwithstanding anything to the contrary herein, the Committee may amend the Plan in such manner as may be necessary to enable the Plan to achieve its stated purposes in any jurisdiction in a tax-efficient manner and in compliance with local rules and regulations.

(b) The Committee may waive any conditions or rights under, amend any terms of, or amend, alter, suspend, discontinue or terminate, any Award theretofore granted, prospectively or retroactively, without the consent of any relevant Participant or holder or beneficiary of an Award, *provided, however*, that no such action shall adversely affect the rights of any affected Participant or holder or beneficiary under any Award theretofore granted under the Plan, except to the extent any such action is made to cause the Plan to comply with applicable law, stock exchange rules and regulations or accounting or tax rules and regulations; and *provided further* that, except as provided in Section 5(d), no such action shall directly or indirectly, through cancellation and regrant or any other method, reduce, or have the effect of reducing, the exercise price of any Award established at the time of grant thereof and *provided further*, that the Committee's authority under this Section 14(b) is limited in the case of Awards subject to Section 10(c), as set forth in Section 10(c).

(c) Except as noted in Section 10(c), the Committee shall be authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of events (including, without limitation, the events described in Section 5(d)) affecting the Company, or the financial statements of the Company, or of changes in applicable laws, regulations or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan.

Table of Contents

(d) Any provision of the Plan or any Award Agreement to the contrary notwithstanding, the Committee may cause any Award granted hereunder to be canceled in consideration of a cash payment or alternative Award made to the holder of such canceled Award equal in value to the Fair Market Value of such canceled Award, except that (i) the Committee shall give due consideration to the federal income tax consequences arising under Section 409A of the Code prior to taking any such action and (ii) this Section 14(d) shall not be interpreted to permit any transaction that is prohibited by the second proviso of Section 14(b) relating to the direct or indirect repricing of Awards.

(e) The Committee may correct any defect, supply any omission, or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to carry the Plan into effect.

SECTION 15. *Miscellaneous.*

(a) No employee, Participant or other person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of employees, Participants, or holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards need not be the same with respect to each recipient. Any Award granted under the Plan shall be a one-time Award which does not constitute a promise of future grants. The Company, in its sole discretion, maintains the right to make available future grants hereunder.

(b) A Participant granted an Award shall have no rights as a stockholder of the Company with respect to such Award unless and until such time as certificates of book-entry shares for the Shares underlying the Award are registered in such Participant's name in the Company's stock records. The right of any Participant to receive payment with respect to an Award by virtue of participation in the Plan shall be no greater than the right of any of the Company's unsecured general creditors.

(c) The Company shall be authorized to withhold from any Award granted or any payment due or transfer made under any Award or under the Plan or from any compensation or other amount owing to a Participant the amount (in cash, Shares, other securities or other Awards) of any federal, state and local withholding taxes due in respect of an Award, its exercise, or any payment or transfer under such Award or under the Plan and to take such other action (including, without limitation, providing for elective payment of such amounts in cash or Shares by the Participant) as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes.

(d) Nothing contained in the Plan shall prevent the Company from adopting or continuing in effect other or additional compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.

(e) The Plan and all determinations made and actions taken thereunder shall be governed by the internal substantive laws of the State of Delaware and construed accordingly, to the extent not superseded by applicable federal law. The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ of, or to continue to provide services to, the Company or any Affiliate. Further, the Company or the applicable Affiliate may at any time dismiss a Participant, free from any liability, or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement or in any other agreement binding the parties. The receipt of any Award under the Plan is not intended to confer any rights on the receiving Participant except as set forth in such Award.

(f) If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction, or as to any person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, person or Award, and the remainder of the Plan and any such Award shall remain in full force and effect.

(g) Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and a Participant or any other person. To the extent

Table of Contents

that any person acquires a right to receive payments from the Company pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company.

(h) No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash or other securities shall be paid or transferred in lieu of any fractional Shares, or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

SECTION 16. *Effective Date of the Plan.* The Plan shall be effective as of July 12, 2007.

SECTION 17. *Term of the Plan.* No Award shall be granted under the Plan after the tenth year anniversary of its adoption by the Board. However, unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award theretofore granted may extend beyond such date, and the authority of the Committee to amend, alter, adjust, suspend, discontinue, or terminate any such Award, or to waive any conditions or rights under any such Award, and the authority of the Board to amend the Plan, shall extend beyond such date.

Section 18. *Section 409A of the Code.* With respect to Awards subject to Section 409A of the Code, the Plan is intended to comply with the requirements of Section 409A, and the provisions hereof shall be interpreted in a manner that satisfies the requirements of Section 409A and the related regulations, and the Plan shall be operated accordingly. If any provision of the Plan or any term or condition of any Award would otherwise frustrate or conflict with this intent, the provision, term or condition will be interpreted and deemed amended so as to avoid this conflict.

Table of Contents

DATED: _____ 2009

Signature

Signature if held jointly

Please sign exactly as name appears on this proxy. When shares are held by joint tenants, both should sign. When signing as attorney, as executor, administrator, trustee or guardian, please give full title as such. If a Company, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.

PLEASE MARK, SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY

USING THE ENCLOSED ENVELOPE