

PharMerica CORP
Form 8-K
March 14, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 10, 2008

PHARMERICA CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction

of Incorporation)

001-33380
(Commission File Number)

1901 Campus Place

Louisville, Kentucky 40299

87-0792558
(IRS Employer

Identification No.)

Edgar Filing: PharMerica CORP - Form 8-K

(Address of principal executive offices) (Zip Code)

(502) 627-7000

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

2008 Short-Term Incentive Program

On March 10, 2008, the Compensation Committee adopted a 2008 short-term incentive program (the "STIP") under the PharMerica Corporation 2007 Omnibus Incentive Plan (the "Omnibus Plan"). The STIP provides for performance-based annual cash awards to the Corporation's Chief Executive Officer, executive officers, and certain other officers and employees of the Corporation. The STIP advances the Corporation's commitment to performance-based compensation practices by providing participants an opportunity to earn annual cash bonuses upon achievement of certain pre-established short-term performance objectives.

Eligibility. STIP cash awards will be granted to certain senior officers of the Corporation. The Committee may grant STIP cash awards to other employees in their discretion.

Performance Cycle. The STIP performance cycle is for the current year, beginning on January 1, 2008 and ending on December 31, 2008.

Award Targets. The amount of the awards under the STIP are based on individual participant bonus targets. Individual participant bonus targets will be established by the Compensation Committee for each participant based upon the Compensation Committee's determination of the appropriate bonus target amounts which will enable the Corporation to remain competitive and retain and recruit top employees. Individual participant bonus targets will range from 5% to 100% of base salary, with targets for the Corporation's executive officers between 35% and 100% of base salary.

The Compensation Committee established the bonus targets under the STIP for the Corporation's principal executive officer, principal financial officer and fiscal 2007 named executive officers as follows:

| Executive | Title | Bonus Target |
|--------------------|--|---------------------|
| Gregory S. Weishar | Chief Executive Officer | 100% of base salary |
| Michael J. Culotta | Executive Vice President & Chief Financial Officer | 75% of base salary |
| Janice Rutkowski | Senior Vice President & Chief Clinical Officer | 80% of base salary |
| Robert McKay | Senior Vice President of Sales and Marketing | 50% of base salary |
| Thomas Caneris | Senior Vice President & General Counsel | 50% of base salary |

The Compensation Committee delegated authority to the Corporation's Chief Executive Officer to determine the bonus targets for all other employees within the target ranges approved by the Compensation Committee.

Performance Criteria. The performance criteria under the STIP is divided into a company performance-based component and group/individual performance-based component for different employees as set forth in the chart below.

| Title | Company Performance | Individual/Group Performance |
|-------------------------------|---------------------|------------------------------|
| CEO and Executive VPs | 100% | 0% |
| Senior VPs | 75% | 25% |
| Vice Presidents and Directors | 50% | 50% |
| All others | 25% | 75% |

Edgar Filing: PharMerica CORP - Form 8-K

Under the STIP, the company performance will be measured by comparing the Corporation's annual earnings before interest, taxes, depreciation and amortization (EBITDA), to a target EBITDA for the entire 2008 fiscal year. Group/individual performance will be measured by comparing certain group/individual performance metrics to target group/individual performance metrics, to be determined by the Corporation's Chief Executive Officer.

Award Payouts. Award payout levels are based on the percentage of the performance target achieved. Generally, the percentage of the award earned at the end of the performance cycle shall be determined according to the following schedule; however the actual award payout will be interpolated between the percentages set forth in the chart based on actual results:

| Performance Achievement | Payout Level |
|--------------------------------|----------------------|
| < 90% of Performance Target | 0% of Award Target |
| 90% of Performance Target | 50% of Award Target |
| 100% of Performance Target | 100% of Award Target |
| 110% of Performance Target | 125% of Award Target |
| 120% of Performance Target | 175% of Award Target |
| > 120% of Performance Target | 175% of Award Target |

Payment of Awards. Payment of STIP awards will be made in cash. Awards will be paid on a specific date by which the Compensation Committee reasonably expects that the Corporation's EBITDA for the year on which the award was based will have been reported. The Corporation will make the payment of the STIP awards to participants as soon as administratively practicable following the date of the award determination, but no later than March 15, 2009.

Vesting and Forfeiture. STIP participants must remain continuously employed by the Corporation until the end of the current year in order to be entitled to receive a payout of an STIP award.

Other Terms & Provisions. STIP participants are not permitted to transfer STIP awards, except by will or the laws of descent and distribution. The Corporation shall be entitled to withhold from any payments of awards under the STIP any and all amounts required to be withheld for federal, state and local withholding taxes. The Committee shall have the discretion to change terms and conditions of STIP awards as it deems necessary to ensure that the STIP awards satisfy all requirements for performance-based compensation within the meaning of Section 162(m)(4)(c) of the Internal Revenue Code.

Long-Term Incentive Program

On March 10, 2008, the Compensation Committee adopted a 2008 long-term incentive program (the LTIP) to provide stock options, performance share unit awards, and performance-based cash awards to the Corporation's executives and certain other officers and employees based on pre-established performance objectives and goals. The LTIP advances the Corporation'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 LTIP also is designed to drive consistent growth of the Corporation over a multiple-year performance period.

Eligibility. The chief executive officer, the other executive officers and all employees in grades J through N are eligible to receive awards under the LTIP.

Performance Cycle. LTIP performance cycle begins on January 1, 2008 and ends on December 31, 2010.

Edgar Filing: PharMerica CORP - Form 8-K

Award Targets. The amount of the awards under the LTIP are based on individual participant bonus targets and company performance criteria. Individual participant bonus targets will be established by the Compensation Committee for each participant based upon the Compensation Committee's determination of the appropriate bonus target amounts which will enable the Corporation to remain competitive and retain and recruit top employees.

The Compensation Committee established the bonus targets under the LTIP for the Corporation's principal executive officer, principal financial officer and fiscal 2007 named executive officers as follows:

| Executive | Title | Bonus Target |
|--------------------|--|---------------------|
| Gregory S. Weishar | Chief Executive Officer | 200% of base salary |
| Michael J. Culotta | Executive Vice President & Chief Financial Officer | 175% of base salary |
| Janice Rutkowski | Senior Vice President & Chief Clinical Officer | 125% of base salary |
| Robert McKay | Senior Vice President of Sales and Marketing | 100% of base salary |
| Thomas Caneris | Senior Vice President & General Counsel | 140% of base salary |

The LTIP awards are granted 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 LTIP for the Corporation's principal executive officer, principal financial officer and fiscal 2007 named executive officers as follows:

| Executive | Title | Stock Options (50% of Bonus Target) |
|--------------------|--|--|
| Gregory S. Weishar | Chief Executive Officer | 85,500 |
| Michael J. Culotta | Executive Vice President & Chief Financial Officer | 43,300 |
| Janice Rutkowski | Senior Vice President & Chief Clinical Officer | 19,500 |
| Robert McKay | Senior Vice President of Sales and Marketing | 19,800 |
| Thomas Caneris | Senior Vice President & General Counsel | 21,400 |

The Compensation Committee delegated authority to the Corporation's Chief Executive Officer to determine the bonus targets for all other employees within the target ranges approved by the Compensation Committee. The Corporation's Chief Executive Officer has the authority to make such combination of cash awards, stock options and performance share units as he deems appropriate under the circumstances, subject to certain limitations.

Performance Criteria. The LTIP performance criteria are tied to company performance. Company performance will be measured for purposes of the LTIP by comparing the Corporation's EBITDA at the end of the performance cycle to a target end-of-performance cycle EBITDA set by the Committee.

Award Payouts. Award payouts are based on the percentage of the performance target achieved. Generally, the percentage of the award earned at the end of the performance cycle based on EBITDA shall be determined according to the following schedule; however the actual LTIP award payout will be interpolated between the percentages set forth in the chart based on actual results:

| Performance Level | Payout Level |
|------------------------------|----------------------|
| < 80% of Performance Target | 0% of Award Target |
| 80% of Performance Target | 50% of Award Target |
| 90% of Performance Target | 75% of Award Target |
| 100% of Performance Target | 100% of Award Target |
| 110% of Performance Target | 140% of Award Target |
| 120% of Performance Target | 180% of Award Target |
| 125% of Performance Target | 200% of Award Target |
| > 125% of Performance Target | 200% of Award Target |

Payment of Awards. Stock and cash awards will be paid on a specific date by which the Compensation Committee reasonably expects that the Corporation's EBITDA for the performance cycle on which the award was based will have been reported. The Corporation will make the payment of the LTIP awards to participants as soon as administratively practicable following the date of the award determination, but no later than March 15, 2011.

Vesting and Forfeiture. Recipients of LTIP awards generally must remain continuously employed by the Corporation until the date designated for payout under the applicable award agreement. Exceptions may be provided for termination of employment by reason of death, disability, retirement and change in control.

Other Terms & Provisions. Participants are not permitted to transfer LTIP awards, except by will or the laws of descent and distribution. The Corporation shall be entitled to withhold from any payments of awards under the LTIP or the Omnibus Plan any and all amounts required to be withheld for federal, state and local withholding taxes. The Committee shall have the discretion to change terms and conditions of LTIP awards as it deems necessary to ensure that the LTIP awards satisfy all requirements for performance-based compensation within the meaning of Section 162(m)(4)(c) of the Internal Revenue Code.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PHARMERICA CORPORATION

Date: March 14, 2008

By: /s/ Thomas Caneris
Thomas Caneris
Senior Vice President,
General Counsel and Secretary