

PharMerica CORP  
Form DEF 14A  
April 29, 2016  
TABLE OF CONTENTS

**SCHEDULE 14A INFORMATION**

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

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

Check the appropriate box:

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

**PHARMERICA CORPORATION**

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

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

Payment of Filing Fee (Check the appropriate box):

- No fee required
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  - (4) Proposed maximum aggregate value of transaction:
  - (5) Total fee paid:
- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
  - (1) Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

TABLE OF CONTENTS

**PHARMERICA CORPORATION**

**1901 Campus Place  
Louisville, KY 40299**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD JUNE 17, 2016**

PharMerica Corporation's Annual Meeting of Stockholders will be held on June 17, 2016, at 9:00 a.m. local time. We will meet at the Louisville Marriott located at 280 West Jefferson Street, Louisville, Kentucky 40202 (the Annual Meeting). If you owned common stock at the close of business on April 22, 2016, you may vote at the Annual Meeting or any adjournments or postponements thereof. At the Annual Meeting, we plan to:

1. elect the nine directors named in the accompanying proxy statement for a term to expire at the Annual Meeting of Stockholders in 2017;
2. ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2016;
3. take an advisory vote to approve the compensation paid to the Company's named executive officers ( Say on Pay );
4. take an advisory vote on a stockholder proposal regarding proxy access, if properly presented at the Annual Meeting; and
5. transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

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

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

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to Be Held on June 17, 2016**

The Proxy Statement and 2015 Annual Report to Stockholders are available at [www.pharmerica.com/proxy](http://www.pharmerica.com/proxy).

On behalf of the Board of Directors of  
PharMerica Corporation,

GREGORY S. WEISHAR  
Chief Executive Officer

Louisville, Kentucky  
April 29, 2016

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

TABLE OF CONTENTS

**TABLE OF CONTENTS**

	<b>Page</b>
<u>INFORMATION ABOUT THE MEETING</u>	<u>1</u>
<u>Who May Vote</u>	<u>1</u>
<u>How You May Vote</u>	<u>1</u>
<u>How You May Revoke or Change Your Vote</u>	<u>1</u>
<u>Quorum Requirement</u>	<u>1</u>
<u>Required Vote</u>	<u>2</u>
<u>How Abstentions will be Treated</u>	<u>2</u>
<u>How Broker-Non Votes will be Treated</u>	<u>2</u>
<u>Advisory Proposals</u>	<u>2</u>
<u>PROPOSAL 1</u>	<u>3</u>
<u>ELECTION OF DIRECTORS</u>	<u>3</u>
<u>NOMINEES FOR ELECTION AT THE ANNUAL MEETING</u>	<u>3</u>
<u>Nominees</u>	<u>3</u>
<u>Recommendation of Our Board of Directors</u>	<u>5</u>
<u>Required Vote</u>	<u>5</u>
<u>CORPORATE GOVERNANCE</u>	<u>6</u>
<u>Meetings</u>	<u>6</u>
<u>Board Committees</u>	<u>6</u>
<u>Audit Committee</u>	<u>6</u>
<u>Compensation Committee</u>	<u>6</u>
<u>Nominating and Corporate Governance Committee</u>	<u>7</u>
<u>Board Independence</u>	<u>8</u>
<u>Compensation Committee Interlocks and Insider Participation</u>	<u>9</u>
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	<u>9</u>
<u>Code of Ethics</u>	<u>9</u>
<u>Corporate Governance Guidelines</u>	<u>9</u>
<u>Board Leadership Structure and Role in Risk Oversight</u>	<u>9</u>
<u>Communication with the Board of Directors</u>	<u>10</u>
<u>DIRECTOR COMPENSATION FOR 2015</u>	<u>11</u>
<u>EXECUTIVE OFFICERS AND KEY EMPLOYEES</u>	<u>13</u>
<u>Executive Officers</u>	<u>13</u>
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	<u>14</u>
<u>Executive Summary</u>	<u>14</u>
<u>Introduction</u>	<u>14</u>
<u>Executive Compensation Program Objectives</u>	<u>15</u>
<u>Benchmarking Process</u>	<u>15</u>

<u>Components of the Executive Compensation Program</u>	<u>16</u>
<u>Base Salary</u>	<u>17</u>
<u>Annual Cash Incentives</u>	<u>17</u>
<u>Long-Term Incentives</u>	<u>19</u>
<u>The Prior Say on Pay Vote</u>	<u>21</u>
<u>Employment Agreements</u>	<u>21</u>
<u>Tax Deductibility of Compensation</u>	<u>22</u>
<u>COMPENSATION COMMITTEE REPORT</u>	<u>23</u>
<u>EXECUTIVE COMPENSATION</u>	<u>24</u>
<u>Summary Compensation Table for 2013-2015</u>	<u>24</u>
<u>Grants of Plan-Based Awards in 2015</u>	<u>26</u>
<u>Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table</u>	<u>27</u>
<u>Employment Agreements with Other Named Executives</u>	<u>31</u>

TABLE OF CONTENTS

	<b>Page</b>
<u>Outstanding Equity Awards at December 31, 2015</u>	<u>36</u>
<u>Option Exercises and Stock Vested in 2015</u>	<u>37</u>
<u>Non-Qualified Deferred Compensation Table—Fiscal Year 2015</u>	<u>37</u>
<u>Potential Payments upon Termination or Change-in-Control</u>	<u>38</u>
<u>Compensation Policies and Practices as they Relate to Risk Management</u>	<u>40</u>
<u>CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS</u>	<u>40</u>
<u>Related Party Transaction Policy</u>	<u>40</u>
<u>PROPOSAL 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	<u>41</u>
<u>Recommendation of Our Board of Directors</u>	<u>41</u>
<u>Required Vote</u>	<u>41</u>
<u>Independent Registered Public Accounting Firm Fees</u>	<u>41</u>
<u>Pre-Approval Policies and Procedures for Audit and Permitted Non-Audit Services</u>	<u>41</u>
<u>AUDIT COMMITTEE REPORT</u>	<u>42</u>
<u>PROPOSAL 3 ADVISORY VOTE TO APPROVE THE COMPENSATION OF THE COMPANY’S NAME EXECUTIVE OFFICERS ( SAY ON PAY )</u>	<u>43</u>
<u>Background of the Proposal</u>	<u>43</u>
<u>Say on Pay Proposal</u>	<u>43</u>
<u>Recommendation of Our Board of Directors</u>	<u>43</u>
<u>Required Vote</u>	<u>43</u>
<u>PROPOSAL 4 STOCKHOLDER PROPOSAL REGARDING PROXY ACCESS</u>	<u>44</u>
<u>Stockholder Proposal Regarding Proxy Access</u>	<u>44</u>
<u>Board of Directors’ Statement in Opposition to the Proposal</u>	<u>44</u>
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	<u>48</u>
<u>Security Ownership of Directors, Management, and Owners of More Than 5% of the Company’s Stock</u>	<u>48</u>
<u>GENERAL INFORMATION</u>	<u>49</u>
<u>Stockholder Proposals for 2017 Annual Meeting</u>	<u>49</u>

TABLE OF CONTENTS

**PHARMERICA CORPORATION**

**1901 Campus Place  
Louisville, KY 40299**

**PROXY STATEMENT  
ANNUAL MEETING OF STOCKHOLDERS  
To Be Held On June 17, 2016**

**INFORMATION ABOUT THE MEETING**

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors (the Board) of PharMerica Corporation (we, us, our, or the Company) for the Company's Annual Meeting of Stockholders to be held on Friday, June 17, 2016 at 9:00 a.m. local time, at the Louisville Marriott located at 280 West Jefferson Street, Louisville, Kentucky 40202 and thereafter as it may from time to time be adjourned or postponed (the Annual Meeting). This proxy statement and the accompanying proxy are first being mailed to stockholders on or about April 29, 2016.

**Who May Vote**

Each stockholder of record at the close of business on April 22, 2016 (the Record Date) is entitled to notice of and to vote at the Annual Meeting. On the Record Date, there were 30,734,393 shares of our common stock, par value of \$0.01 per share (the common stock) outstanding. On the Record Date, there were no shares of Preferred Stock, par value \$0.01, outstanding. You may cast one vote for each share of common stock held by you on all matters presented at the Annual Meeting.

**How You May Vote**

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

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

1. FOR the election of each of the nine nominees named herein to the Board of Directors for a term to expire at the Annual Meeting of Stockholders in 2017;
2. FOR the ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2016;
3. FOR the approval of the Say on Pay proposal;
4. AGAINST the approval of the stockholder proposal regarding proxy access; and
5. In the discretion of the proxy holders, FOR or AGAINST such other business as may properly come before the Annual Meeting or any adjournment or postponements thereof.

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

- Proxies may be revoked at any time prior to the Annual Meeting in the following ways:
  - by giving written notice of revocation to the Secretary of the Company;
  - by giving a later dated proxy; or
  - by attending the Annual Meeting and voting in person.

**Quorum Requirement**

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



## TABLE OF CONTENTS

### **Required Vote**

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

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

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

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

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

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

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

### **Advisory Proposals**

Because the votes on the Say on Pay proposal and the stockholder proposal regarding access are advisory, they will not be binding on the Board of Directors or the Company. However, the Compensation Committee will take into account the outcome of the Say on Pay vote when considering future executive compensation arrangements and the Board will take into account the outcome of the vote on the stockholder proposal regarding proxy access when considering whether, and the proper terms upon which, to implement proxy access in the best interests of the Company and its stockholders.



TABLE OF CONTENTS**PROPOSAL 1****ELECTION OF DIRECTORS**

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

The Nominating and Corporate Governance Committee has recommended that the nine directors listed in the table below be nominated for election for a one-year term expiring at the 2017 Annual Meeting of Stockholders and until their successors are duly elected and qualified. Each of the nominees has consented to be named in this proxy statement and to serve as a member of our Board if elected. In the event that a nominee withdraws or for any reason is not able to serve as a director, the proxy will be voted for such other person as may be designated by the Board, but in no event will the proxy be voted for more than nine nominees as directors. Our management has no reason to believe that the nominees will not serve if elected. There is no family relationship between any of the current directors or persons nominated to become a director.

The Company has a policy that directors must retire at age 75 unless waived by the Board. In March 2016, our Board waived the mandatory retirement age with respect to Mr. Gerrity who turns 75 in July so that he could serve out his full term if re-elected to the Board at the Annual Meeting.

**NOMINEES FOR ELECTION AT THE ANNUAL MEETING**

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

<b>Name</b>	<b>Age</b>	<b>Position</b>
Frank E. Collins, Esq.	62	Director
W. Robert Dahl, Jr.	59	Director
Marjorie W. Dorr	54	Director
Thomas P. Gerrity, Ph.D.	74	Director
Patrick G. LePore	61	Director
Thomas P. Mac Mahon	69	Director
Geoffrey G. Meyers	72	Director, Chairman
Robert A. Oakley, Ph.D.	69	Director
Gregory S. Weishar	61	Chief Executive Officer and Director

**Nominees**

**Frank E. Collins, Esq.** Mr. Collins has served as a director since July 31, 2007. Mr. Collins serves as Chair of the Nominating and Governance Committee of the Board and served as a member of the Compensation Committee from June 2008 to June 2009. Mr. Collins was the Senior Vice President, Legal and Administration and Secretary of Sierra Health Services, Inc. ( Sierra ) from 2001 to February 2008. Sierra was acquired by United Health Group Incorporated ( United ) in February 2008. Mr. Collins served as the Deputy General Counsel of United from February 2008 to July 2012. Mr. Collins joined Sierra in 1986 as General Counsel and Secretary. From 1981 to 1986, Mr. Collins was

employed by Blue Cross and Blue Shield of Kansas City, originally as Staff Legal Counsel and in early 1986 as Associate General Counsel. Mr. Collins also served as counsel for the Missouri Division of Insurance from 1979 to 1981, where he was responsible for providing legal advice on insurance and HMO-related regulatory issues. Mr. Collins received his Juris Doctor from the University of Missouri at Kansas City School of Law and is a member of the Missouri Bar Association.

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

**W. Robert Dahl, Jr.** Mr. Dahl has served as a director since July 24, 2008. Mr. Dahl serves as a member of the Audit Committee. Mr. Dahl is currently a private investor. He was the Chief Operating Officer of Arrowhawk Capital

TABLE OF CONTENTS

Partners, an investment company, from September 2009 until March 2012. Previously, from May 2007 to November 2009 he was the Vice President of Strategic Business Development and Vice Chairman of the Board of Directors of Golden Pond Healthcare, Inc. From April 1999 until June 2006, Mr. Dahl served as the head of Global Healthcare for the Carlyle Group, a leading private equity firm, where he was responsible for the firm's investments in the healthcare field. Prior to Carlyle, Mr. Dahl served as co-head of healthcare investment banking in North America at Credit Suisse First Boston. Mr. Dahl is also a director of CertiScan Technologies, Pharm Blue Holdings, Remedy Partners, RJ Health Systems and Virtual Office Works, all of which are private companies. Mr. Dahl received a BA from Middlebury College and an MBA from the Harvard Graduate School of Business Administration.

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

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

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

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

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

**Patrick G. LePore.** Mr. LePore was appointed to the Board on January 14, 2013. Mr. LePore serves as a Member of the Compensation Committee. He has been Chairman of the Board of AgeneBio, Inc since July 2014 and currently serves as a Director of Tyme Technologies, Inc. From 2007 to 2012, Mr. LePore served as the Chairman of the Board of Par Pharmaceutical Companies, Inc. He was also their Chief Executive Officer until its acquisition by private equity investor TPG, in 2012. Mr. LePore was President of Cardinal Health, Inc.'s healthcare marketing group prior to joining Par Pharmaceutical Companies Inc. Mr. LePore earned a B.A. degree from Villanova University, where he is also a trustee. Mr. LePore earned his MBA degree from Fairleigh Dickinson University.

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

**Thomas P. Mac Mahon.** Mr. Mac Mahon has served as a director since July 31, 2007 and Chairman of the Compensation Committee since 2012, in addition to serving as Chairman of the Compensation Committee from July 2007 to February 2008. From 1995 to April 2013, Mr. Mac Mahon served as a director of Laboratory Corporation of America Holdings ( LabCorp ). In addition, Mr. Mac Mahon served as a non-executive Chairman of the Board of LabCorp from January 2007 to May 2009; and Executive Chairman of the Board from April 1996 to December

TABLE OF CONTENTS

2006. From January 1997 until his retirement in December, 2006, Mr. Mac Mahon served as President and Chief Executive Officer. Mr. Mac Mahon was Senior Vice President of Hoffmann La Roche, Inc. from 1993 to December 1996 and President of Roche Diagnostics Group and a director and member of the Executive Committee of Hoffmann La Roche from 1988 to December 1996. Mr. Mac Mahon is a director and Corporate Governance Committee Chairperson of Express Scripts, Inc. and is a member of the Board of three private companies, SynapDx Corporation, Aushon Biosystems, Inc. and Ortho Clinical Diagnostics.

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

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

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

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

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

**Gregory S. Weishar.** Mr. Weishar has served as our Chief Executive Officer since January 14, 2007. He has over 30 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 Health, since 1994.

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

**Recommendation of Our Board of Directors**

Our Board recommends a vote FOR the nine directors listed above to hold office until the 2017 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.



TABLE OF CONTENTS**CORPORATE GOVERNANCE****Meetings**

During 2015, the Board held a total of nine meetings. Each director attended at least 75% of the aggregate of (i) the total number of meetings of the Board during the period which he/she was a director and (ii) the total number of meetings of all Board Committees on which he/she served during the period which he/she was a director. The non-management members of the Board have met in executive session at all of the regularly scheduled meetings of the Board. In addition, if this group of non-management directors includes directors who do not satisfy the independence requirements of the New York Stock Exchange (the NYSE), an executive session including only independent directors is scheduled at least once a year. The non-executive Chairman of the Board presides at meetings of the non-management directors and independent directors to the extent that he is present at the meetings.

It is the policy of the Board to encourage its members to attend the Company's Annual Meeting of Stockholders. All of the Company's directors attended the Company's 2015 Annual Meeting of Stockholders in person.

**Board Committees**

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

<b>Name</b>	<b>Audit</b>	<b>Nominating and Corporate Governance</b>	<b>Compensation</b>
Frank E. Collins, Esq.	—	Chairman	—
W. Robert Dahl, Jr.	Member	—	—
Marjorie W. Dorr	Member	—	—
Thomas P. Gerrity, Ph.D.	—	Member	Member
Patrick G. LePore	—	—	Member
Thomas P. Mac Mahon	—	—	Chairman
Geoffrey G. Meyers	—	Member	—
Robert A. Oakley, Ph.D.	Chairman	—	—
Gregory S. Weishar	—	—	—

**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 nine meetings in 2015. The Board has determined that Mr. Dahl, Ms. Dorr, and Mr. Oakley are each qualified as an audit committee financial expert as such term is defined in Item 407(d)(5) of Regulation S-K and that they are independent within the meaning of the listing standards of the NYSE and applicable rules and regulations of the Securities and Exchange Commission (the SEC) relating to directors serving on audit committees.

### **Compensation Committee**

The Compensation Committee is responsible for administering the Company's executive and director compensation programs, including executive base salaries, bonuses, performance based awards and other equity awards, and for administering the Company's equity compensation plans. Pursuant to its charter, the Compensation Committee has authority to delegate any of its responsibilities to subcommittees as the Compensation Committee may deem appropriate. The Compensation Committee held a total of five meetings in 2015. The Compensation Committee reviews periodic reports from the CEO and other officers as to the performance and compensation of the officers, employees and directors.

## TABLE OF CONTENTS

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

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

Cook is retained only by the Compensation Committee to assist in the determination, amount and form of executive and non-employee director compensation. Neither Cook nor any of its affiliates provides any additional services to the Company or its affiliates. The Compensation Committee has determined that the work of Cook did not raise any conflicts of interest in 2015. In making this assessment, the Compensation Committee considered the independence factors enumerated in Rule 10C-1(b) under the Securities Exchange Act of 1934, as amended (the Exchange Act), including the fact that Cook does not provide any other services to the Corporation, the level of fees received from the Corporation as a percentage of Cook's total revenue, policies and procedures employed by Cook to prevent conflicts of interest, and whether the individual Cook advisers to Compensation Committee own any stock of the Corporation or have any business or personal relationships with members of the Compensation Committee or our executive officers.

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

The purpose of the Nominating and Corporate Governance Committee of the Board is to (i) identify individuals qualified to become members of the Board (consistent with criteria approved by the Board); (ii) select, or recommend that the Board select, the director nominees for the next annual meeting of stockholders and nominees to fill vacancies on the Board; (iii) develop and recommend to the Board a set of corporate governance guidelines applicable to the Company; (iv) oversee the evaluation of the Board, its committees and management; and (v) oversee, in concert with the Audit Committee, compliance rules, regulations and ethical standards for the Company's directors, officers and employees, including corporate governance issues and practices. While the Nominating and Corporate Governance Committee has no formal process for identifying nominees, if it is deemed appropriate, the Nominating and Corporate Governance Committee may consider candidates recommended by any other source, including stockholders and business and other organizational networks. The Nominating and Corporate Governance Committee may retain and compensate third parties, including executive search firms, to identify or evaluate candidates for consideration. The Nominating and Corporate Governance Committee held four meetings in 2015.

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.

7

## TABLE OF CONTENTS

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

- Whether the candidate is independent and does not, and has not, had a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director;
- Whether the candidate is an audit committee financial expert and/or financially literate ;
- Whether the candidate has the personal attributes necessary for successful service on the Board, such as character and integrity, a high level of education and business experience, broad-based business acumen, an understanding of the Company's business and the institutional pharmacy industry generally, strategic thinking, a willingness to share ideas, a network of contacts and diversity of experiences and expertise;
- Whether the candidate has been the chief executive officer or a senior executive officer of a public company or another complex organization;
- Whether the candidate serves on other boards of directors; directors employed in a full-time position may not sit on the boards of directors of more than two other public companies and directors employed part-time or full-time in academia may not sit on the boards of directors of more than three other public companies. There is no limit on the number of non-public company boards on which directors may sit;
- Whether the candidate will add value to the Board or a committee thereof by virtue of particular knowledge, experience, technical expertise, specialized skills or contacts;
- Whether the candidate, if an existing director, is suitable for continued service;
- Whether the candidate is under the age of 75;
- Whether the candidate's responses to the directors and officers questionnaire reveal areas of potential problems or concerns; and
- Whether there are any other relevant issues with respect to the candidate.

The Policy for Evaluation for Nominees to the Board of Directors specifies that diversity of experiences and expertise is a factor to be considered by the Nominating and Governance Committee in the director identification and nomination process. The Nominating and Governance Committee seeks nominees with a broad diversity of experience, professions, skills, geographic representation and backgrounds. The Committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees. The Company believes that the backgrounds and qualifications of the directors, considered as a group, should provide a significant composite mix of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities. Nominees are not discriminated against on the basis of race, religion, national origin, sexual orientation, disability or any other basis proscribed by law.

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

### **Board Independence**

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

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

## TABLE OF CONTENTS

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

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

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

Based solely upon a review of the copies of the forms furnished to the Company and written representations from officers and directors of the Company that no other reports were required, during the year ended December 31, 2015, all filing requirements under Section 16(a) of the Exchange Act, applicable to its officers, directors and greater than 10% beneficial owners were complied with on a timely basis, except for one person. A late Form 4 to report the grant of the Company's common stock on May 14, 2015 was filed by Berard Tomassetti on May 19, 2015 as a result of administrative error.

### **Code of Ethics**

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

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

### **Corporate Governance Guidelines**

The Board has adopted the PharMerica Corporation Corporate Governance Guidelines (the "Guidelines"). The Guidelines reflect the principles by which the Company will operate. The Guidelines cover various topics, including, but not limited to, Board size, director independence and other qualification standards, Board and committee composition, Board operations, director compensation and continuing education, director responsibilities, management succession, and annual performance evaluations. A copy of the Guidelines is available at the Company's website at [www.pharmerica.com](http://www.pharmerica.com) and may also be obtained in print upon request from the Company's Secretary.

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

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

The full Board is responsible for the Company's risk oversight process. The Board delegates to appropriate committees the oversight of particular subject areas of risk that are under the purview of those committees. For example, financial

risk is overseen by the Audit Committee, while utilizing compensation strategies addressing Section 162(m) of the Internal Revenue Code is within the purview of the Compensation Committee. Strategic risks are overseen by the full Board. The Board (or appropriate Committee) receives regular reports from senior management on areas of material risk to the Company, including operational, financial, legal and regulatory compliance, and strategic risk. The chairman of each Committee reports to the full Board during the Committee reports portion of the next Board meeting each of the material matters considered by the Committee. This reporting process enables the Board and its Committees to coordinate the risk oversight role, particularly with respect to risk interrelationships. As part of the Board's risk oversight responsibilities it has established an enterprise risk management program, which at the management level, is overseen by the Company's Chief Financial Officer.



## TABLE OF CONTENTS

Enterprise risks are identified and prioritized by management and the Board and a mitigation plan is developed. Management regularly reports on risk mitigation to the relevant Committee or the Board. Additional review or reporting on enterprise risks is conducted as needed or as requested by the Board or Committee.

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

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

- if the person submitting the communication is a stockholder, a statement of the type and amount of shares of the Company that the person holds;
- if the person submitting the communication is not a stockholder and is submitting the communication to the non-management directors as an interested party, the nature of the person's interest in the Company; and
- 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 FOR 2015**

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, 2015.

<b>Name</b>	<b>Fees Earned or Paid in Cash</b>	<b>Stock Awards (1)(2)</b>	<b>Total</b>
Frank E. Collins (3)	\$ 82,500	\$ 124,992	\$ 207,492
W. Robert Dahl, Jr. (3)(4)	\$ 80,000	\$ 124,992	\$ 204,992
Marjorie W. Dorr (3)	\$ 80,000	\$ 124,992	\$ 204,992
Thomas P. Gerrity, Ph.D. (3)	\$ 79,000	\$ 124,992	\$ 203,992
Patrick LePore (3)	\$ 74,000	\$ 124,992	\$ 198,992
Thomas P. MacMahon (3)	\$ 84,000	\$ 124,992	\$ 208,992
Geoffrey G. Meyers (3)	\$ 147,500	\$ 124,992	\$ 272,492
Robert A. Oakley, Ph.D. (3)	\$ 95,000	\$ 124,992	\$ 219,992

(1) All stock awards are restricted stock units and are in shares of the Company's common stock. These amounts represent the aggregate grant date fair value computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation—Stock Compensation ( FASB ASC Topic 718 ). The assumptions used in calculating the amounts are discussed in Note 10 of the Company's audited financial statements for the year ended December 31, 2015, included in the Company's Annual Report on Form 10-K filed with the SEC on February 26, 2016.

(2) The table below sets forth the grant date fair value of each equity award granted in 2015 computed in accordance with FASB ASC Topic 718:

<b>Name</b>	<b>Restricted Stock</b>	
	<b>Number of Awards Granted</b>	<b>Grant Date Fair Value</b>
Frank E. Collins	3,730	\$ 124,992
W. Robert Dahl, Jr.	3,730	\$ 124,992
Marjorie W. Dorr	3,730	\$ 124,992
Thomas P. Gerrity, Ph.D.	3,730	\$ 124,992
Patrick G. LePore	3,730	\$ 124,992
Thomas P. Mac Mahon	3,730	\$ 124,992
Geoffrey G. Meyers	3,730	\$ 124,992
Robert A. Oakley, Ph.D.	3,730	\$ 124,992

(3) The table below sets forth the aggregate number of shares of restricted stock units and the aggregate number of stock options held by each non-employee director as of December 31, 2015:

<b>Name</b>	<b>Aggregate Awards Outstanding at December 31, 2015</b>	
	<b>Restricted Stock</b>	
	<b>Units (6)</b>	<b>Stock Options</b>
Frank E. Collins	3,730	—
W. Robert Dahl, Jr. (5)	43,240	—

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Marjorie W. Dorr (5)	35,409	13,831
Thomas P. Gerrity, Ph.D.	3,730	—
Patrick G. LePore	3,730	—
Thomas P. Mac Mahon	3,730	—
Geoffrey G. Meyers (5)	30,516	29,268
Robert A. Oakley, Ph.D.	3,730	—

(4) All Board of Director cash fees earned in 2015 for W. Robert Dahl, Jr. were deferred at the Director's election per his deferred fee agreement.

TABLE OF CONTENTS

- (5) Includes the following restricted stock units that have been deferred at the Director's election pursuant to his/her deferred fee agreement: W. Robert Dahl, Jr., 43,240; Marjorie W. Dorr, 35,409; and Geoffrey G. Meyers, 30,516.
- (6) Restricted Stock Units Aggregate Awards Outstanding, as presented in the chart, represent outstanding and deferred shares.

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

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

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

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

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

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

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

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

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

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

*Stock Ownership Guidelines*—We encourage our directors to own stock in the Company. The Compensation Committee adopted stock ownership guidelines to align long-term interests of directors with those of our stockholders and provide a continuing incentive to foster the Company's success. The stock ownership guidelines became effective July 1, 2008 and were updated in September 2015 for directors. Under the stock ownership guidelines, directors are expected to own Company stock in the amount of 500% of their annual retainer (exclusive of board meeting fees), or \$250,000. There is no required time period within which directors must attain the applicable stock ownership level

under the guidelines, whether joining before or after the adoption of the guidelines. The following count towards meeting the stock ownership guidelines: all shares and vested options held but not unvested and unearned restricted stock/restricted stock units/performance shares and unvested stock options. Shares are valued at fair market value and options are valued at the spread between the exercise price and the fair market value of the underlying shares. As of April 22, 2016, all directors own shares of the Company and the value of the directors' ownership in the Company is as follows: Frank Collins - \$1,255,112; Robert Dahl - \$1,140,895; Marjorie Dorr - \$1,358,738; Thomas Gerrity - \$1,174,738; Patrick G. LePore - \$477,898; Thomas Mac Mahon - \$1,303,912; Geoffrey Meyers - \$1,653,734; and Robert Oakley - \$1,153,900.

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 22, 2016.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Gregory S. Weishar	61	Chief Executive Officer and Director
David W. Froesel, Jr.	64	Executive Vice President, Chief Financial Officer and Treasurer
Suresh Vishnubhatla	47	Executive Vice President of Long-term Care Operations
Mark R. Lindemoen	49	Senior Vice President of Sales and Client Services
Robert A. McKay	54	Senior Vice President of Purchasing and Trade Relations
Thomas A. Caneris	53	Senior Vice President, General Counsel and Secretary
Berard E. Tomassetti	60	Senior Vice President and Chief Accounting Officer

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

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

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

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

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

**Robert A. McKay.** Mr. McKay has served as our Senior Vice President of Purchasing and Trade Relations since July 2010. He had previously served as Senior Vice President of Sales and Marketing from July 2007 to June 2010. Prior to joining the Company in July 2007, Mr. McKay was Vice President of Marketing and Trade Relations for

PharmaCare Management Services, a prescription benefit management firm and a wholly-owned subsidiary of CVS Corporation and held various positions with PharmaCare since 1995. Mr. McKay is a retired United States Army (Reserve) officer.

**Thomas A. Caneris.** Mr. Caneris has served as our Senior Vice President, General Counsel and Secretary since August 2007 and was Chief Compliance Officer from 2010 to April 2015. Prior to joining the Company, Mr. Caneris served as counsel to Convergys Corporation and AK Steel Corporation.

**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

## TABLE OF CONTENTS

Healthcare, Inc. ( Kindred ) pharmacy business for over 6 years. Prior to joining Kindred s pharmacy business, Mr. Tomassetti was affiliated with Aperture, a credentials verification organization. Mr. Tomassetti was an auditor with Ernst & Young LLP for 7 years.

## **COMPENSATION DISCUSSION AND ANALYSIS**

### **Executive Summary**

Our executive compensation program is primarily structured to be competitive within our peer group and focus our executives on enhancing revenues and increasing profitability by providing quality services, managing costs and making appropriate acquisitions. The Compensation Committee has adopted a compensation strategy in which total direct compensation is generally targeted at the 40th percentile of market practice and is expected to be achieved through a combination of below median base salary and median to above-median annual and long-term incentive opportunities. This approach supports the Company s pay-for-performance philosophy by providing a compensation package that is generally weighted toward variable, performance-based incentives, thus ensuring a high degree of accountability at the senior levels of the organization. Approximately fifty-three percent (53%) of the CEO s pay is at risk and the at risk pay for the remaining Named Executives ranges from approximately 44% to 47%.

The Company s adjusted EBITDA of \$133.2 million in 2015 was approximately at the target that had been set for the Company s 2015 short-term incentive program, and funded an annual bonus pool of 99.3% of target for the Company s EBITDA component of the plan. The Company s adjusted diluted earnings per share ( Adjusted Diluted EPS ) of \$1.53 funded an annual bonus pool of 111.3% of target for the Company s Adjusted Diluted EPS component of the Plan. Adjusted Diluted EPS is the net income for the applicable full year period and adding to net income the net of tax effect of certain amounts as reported in the Corporation s disclosures in its Form 10-K as of and for the year ended December 31, 2015, except for the add back for stock based and deferred compensation, divided by the weighted average of outstanding common stock shares and diluted equivalents on the last day of the applicable year. The performance share unit component of our 2013-2015 long-term incentive program vested at 99.3% of target for adjusted EBITDA and 85.4% for Adjusted Diluted EPS, respectively.

The 2015 long-term incentives were delivered in a combination of performance shares and restricted stock unit awards (weighted 50%/50%) to focus executives on long-term operating performance and support executive retention. For 2016, performance shares and restricted stock unit awards remained equally weighted.

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

- elimination of excise tax gross-up for change in control related payments for the CEO; and other new executives post-2008;
- adoption of anti-hedging/pledging policy;
- adoption of double trigger equity vesting for the CEO; and other new executives post-2008; in the event of a change in control; and
- adoption of stock ownership guidelines.

The total direct compensation our Named Executives received in fiscal year 2015 set forth in the Summary Compensation Table on page 24 is consistent with and reflects our compensation objectives.

### **Introduction**

The Compensation Committee of the Board of Directors is principally responsible for reviewing, administering and approving the Company s compensation policies and practices regarding the executive officers. The Compensation



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

## TABLE OF CONTENTS

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

Cook has served as the Compensation Committee's outside Compensation Consultant since April 2008. Cook assisted the Compensation Committee in setting 2015 compensation levels and developing the structure of various incentive plans, providing the Committee with information on emerging trends and regulatory developments in executive and non-employee director compensation. Cook has recently provided input to the Company in establishing its 2016 Compensation program. In its role as outside consultant, Cook provides the Compensation Committee with objective analyses, advice and information with respect to CEO and other executive compensation. Cook maintains no other direct or indirect business relationships with the Company.

Our 2015 named executive officers (referred to herein as the Named Executives) are the following executives: Mr. Weishar, our Chief Executive Officer; Mr. Froesel, our Executive Vice President, Chief Financial Officer and Treasurer; Mr. Vishnubhatla, Executive Vice President of Long Term Care Operations; Mr. McKay, our Senior Vice President of Purchasing and Trade Relations; and Mr. Caneris, our Senior Vice President, General Counsel and Secretary.

### **Executive Compensation Program Objectives**

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

The goals of our executive compensation program are to:

- provide competitive and fiscally responsible compensation that enables us to successfully attract and retain highly-qualified executives with the leadership skills and experience necessary to promote our long-term success;
- provide incentive compensation that places an emphasis on financial performance, thereby ensuring a strong correlation between the achievement of critical financial and strategic objectives and realized compensation; and
- provide an appropriate link between compensation and the creation of stockholder value.

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

- **Base Salaries.** The objective of base salary is to provide a compensation level that delivers cash income to the Named Executives and reflects their job responsibilities, experience and value to the Company.
- **Annual Cash Incentive Awards.** This component of the compensation program rewards corporate and individual performance against pre-established annual goals.
- **Long-Term Incentive Awards.** Our long-term incentive program is designed to align the interests of our Named Executives with those of our stockholders by motivating these officers to manage the Company in a manner that fosters long-term performance, as reflected in changes in stock price and achievement of profitability objectives. Long-term incentives also serve as essential tools to promote executive retention through time-based vesting requirements.

**Benchmarking Process**

As discussed previously, we target Named Executives' total direct compensation to fall in the 40th percentile range of market practice. The actual positioning of target compensation for individual executives may range above or below our target based on executive skill set, experience and performance, as well as responsibilities of the roles compared to similar positions in the market.

TABLE OF CONTENTS

For 2015 compensation planning purposes, the Compensation Committee approved the use of a peer group composed of 14 companies that are relatively comparable in size as measured by annual revenue, operate within the same general industry space, or are competitors for customers and/or executive talent. The 2015 peer group consists of the following companies:

Amedisys, Inc.  
Bioscript, Inc.  
Emeritus Corporation  
Fred's, Inc.  
Gentiva Health Services, Inc.  
HealthSouth Corporation  
Henry Schein, Inc.  
Invacare Corporation  
Kindred Healthcare, Inc.  
Magellan Health Services, Inc.  
MEDNAX, Inc.  
Omnicare, Inc  
Triple-S Management Corporation  
Universal American Corp.

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

For 2016, the Company changed its peer group to the below listed 15 companies. The 2016 peer group consists of companies of relatively comparable size to the Company as measured by annual revenue and EBITDA, which operate within the same general industry space, or are competitors for executive talent. Emeritus, Gentiva Health Services and Omnicare were removed because they had been acquired by larger companies and were no longer separately reporting public companies. HealthSouth, Henry Schein, Kindred and HealthSource were removed from the peer group due to their larger size and Invacare was removed because it was the only healthcare equipment company in the peer group.

Acadia Healthcare  
Amedisys, Inc.  
Bioscript, Inc.  
Chemed  
Fred's, Inc.  
Integra Lifesciences Holdings  
Magellan Health Services  
Masimo Corporation  
MedAssets, Inc  
Steris Corporation  
Surgical Care Affiliates, Inc.  
Team Health Holdings  
Triple-S Management Corporation  
Universal American Corp  
VCA

Our revenues approximate the 75<sup>th</sup> percentile of the peer companies; and our EBITDA and enterprise values are between the 25<sup>th</sup> percentile and 50<sup>th</sup> percentile and our market capitalization is near the 25<sup>th</sup> percentile.

**Components of the Executive Compensation Program**

Our Named Executive compensation program consists of base salary, annual cash incentives and long-term incentives. For our Named Executives, our program is structured so that variable, or at risk, compensation is targeted to range from approximately 44% to 53% 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.

## TABLE OF CONTENTS

### **Base Salary**

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

The Compensation Committee reviews base salaries at least annually and more frequently when promotions or changes in responsibility occur within our executive management. Salary increases are generally based on factors such as competitive market data, assessment of individual performance, promotions, level of responsibility, skill set relative to external counterparts, general economic conditions and input from our CEO for Named Executives other than himself. Messrs Weishar and Vishnubhatla received merit increases of seven percent and five percent respectively. A merit increase budget of two percent was adopted for 2015 for the remaining executives and employees.

### **Annual Cash Incentives**

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

#### *Mr. Weishar*

In 2015, the incentive opportunity for Mr. Weishar was based upon an incentive formula tied to our adjusted EBITDA which is equal to our earnings before interest, taxes, depreciation and amortization, and other amounts as reported in the Corporation's disclosures in its Form 10-K as of and for the year ended December 31, 2015, except the costs associated with stock based and deferred compensation which are not excluded for incentive calculations; and Adjusted Diluted EPS. Adjusted EBITDA and Adjusted Diluted EPS were selected as the objective performance criterion because it is critical to focus our Named Executives on earnings and the achievement of cost savings.

Mr. Weishar's incentive formula was 2.2% of adjusted EBITDA for 2015, provided that adjusted EBITDA was at least \$106.8 million for the year (but in no event could the incentive exceed \$2 million). The minimum EBITDA level was set to correspond to the threshold level of adjusted EBITDA under the annual bonus program described below. The EBITDA incentive formula, which was adopted to enable tax deductibility for Mr. Weishar's annual bonus, established the maximum amount payable to Mr. Weishar for 2015; but he was not assured of earning this maximum amount. Based on 2015 actual adjusted EBITDA of \$133.2 million, Mr. Weishar's maximum incentive award was \$2,000,000. The Compensation Committee reduced the size of the award under the EBITDA incentive formula to the amount payable under the short-term incentive program, as described below. The annual short-term incentive program rewards Company and individual performance.

#### *Annual Cash Incentive*

The Compensation Committee established target award opportunities for the Named Executives under the 2015 annual bonus program, which were expressed as a percentage of base salary. These target award opportunities were individually negotiated with our Named Executives prior to their accepting employment with our Company, and in certain cases have been adjusted by the Compensation Committee in prior years to generally align the executives

target total direct compensation with the 40th percentile range of market practice

<b>Named Executive</b>	<b>2015 Target Annual Bonus Award Opportunity</b>	
	<b>(% of Base Salary)</b>	
Mr. Weishar	125	%
Mr. Froesel	80	%
Mr. Vishnubhatla	80	%
Mr. McKay	65	%
Mr. Caneris	70	%

17

TABLE OF CONTENTS

Annual bonuses are paid based on a combination of Company financial performance and individual performance relative to pre-established financial and non-financial objectives. For Messrs Weishar, Froesel and Vishnubhatla, financial performance is measured by adjusted EBITDA and Adjusted Diluted EPS, because by virtue of their roles and responsibilities they have the greatest accountability for the Company's financial results, including financing and tax decisions. For Messrs Caneris and McKay, Company financial performance is measured solely by adjusted EBITDA. The Company must at least meet the threshold level of adjusted EBITDA in order for any payment to be made under the individual/group performance-based components.

Named Executive	Weighting of Performance Measures					
	Adjusted EBITDA		Adjusted Diluted EPS		Individual	
Weishar, Froesel and Vishnubhatla	50	%	20	%	30	%
Caneris and McKay	50	%	0	%	50	%

For the Named Executives, the threshold performance level for adjusted EBITDA and Adjusted Diluted EPS was set at 80% of the target performance and the maximum performance level was set at 120% of target performance; the same as in 2014.

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

Company Adjusted EBITDA Performance Level	Threshold:	Target:	Maximum:
	<b>\$106.8 million</b>	<b>\$133.5 million</b>	<b>\$160.2 million</b>
Payout Level	50% of Award Target	100% of Award Target	175% of Award Target

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

Company Adjusted Diluted EPS Performance Level	Threshold:	Target:	Maximum:
	<b>\$1.26</b>	<b>\$1.48</b>	<b>\$1.70</b>
Payout Level	50% of Award Target	100% of Award Target	150% of Award Target

Individual goals were established at the beginning of 2015 and were tailored to reflect priorities for each executive for 2015. Individual goals related to factors such as completing acquisitions, increasing sales and client retention, achieving annualized savings objectives, optimizing inventory levels, meeting departmental budgets, increasing cash flows, and other strategic initiatives.

For 2015, the Company achieved adjusted EBITDA of \$133.2 million, which resulted in a 99.3% payout for the adjusted EBITDA financial component and Adjusted Diluted EPS of \$1.53, which resulted in a 111.3% payout for the adjusted Diluted EPS financial component of the award opportunities. Payouts for the individual components for the Named Executives ranged from 11.0% to 43.0% of target, resulting in total bonus payments of 83.0% to 94.0% of target.

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

For more information on the 2015 annual incentive opportunities for our Named Executives, please refer to the Grants of Plan-Based Awards section of this proxy statement on page 26.



TABLE OF CONTENTS**Long-Term Incentives***The Company's 2015 Long-Term Incentive Grants*

Long-term target incentive opportunities are expressed as a percentage of base salary and vary among our Named Executives. Fiscal year 2015, long-term incentive opportunities for Messrs Weishar, Froesel, Vishnubhatla, McKay and Caneris were set to generally bring each executive's total direct compensation to be within the range of the 40th percentile of market practice. The long-term incentive opportunities are in the 25th percentile to median range when compared to the peer group:

<b>Named Executive</b>	<b>2015 Long-Term Incentive Award Opportunity</b>	
	<b>(% of Base Salary)</b>	
Mr. Weishar	250	%
Mr. Froesel	175	%
Mr. Vishnubhatla	175	%
Mr. McKay	115	%
Mr. Caneris	138	%

In fiscal year 2015, the long-term component of our executive compensation program for the Named Executives consisted of a combination of restricted stock units and performance share units. The Compensation Committee used performance share units to focus executives on longer-term operating performance expected to drive long-term stockholder value creation. Restricted stock units were granted to bolster the retention features of the executive compensation plan and further the goals of the Company's stock ownership guidelines. These restricted stock units, and all prior restricted stock awards granted to the Named Executives vest in three equal annual installments. All restricted stock units which have been granted to the Named Executives under the Omnibus Incentive Plans<sup>1</sup> have had a requirement that no restricted stock units may vest sooner than one year from the date of the grant. The performance shares vest at the end of a three year performance period subject to achievement of pre-established goals. The long-term incentive awards were granted in the following amounts as a percentage of each of the Named Executive's long-term incentive target award: 50% restricted stock units and 50% performance share units to balance executive retention with a focus on long-term stock price and operating performance.

Adjusted EBITDA was selected as the performance measure for the 2015 performance share units to reinforce the importance of achievement of cost savings and earnings in the creation of long-term stockholder value. Adjusted Diluted EPS is used because we believe that in addition to EBITDA, our stockholders use EPS to assess the Company's performance. We believe the combination of adjusted EBITDA and Adjusted Diluted EPS ensures that executives consider the impact on margins in executing strategies to fuel the Company's profitable growth.

The 2015 performance share units granted to our Named Executives were based 70% on the achievement of an adjusted EBITDA target and 30% on the achievement of an Adjusted Diluted EPS target. For the 2015 performance share unit grants, performance will be measured based on 2017 adjusted EBITDA, as reported in the Company's Form 10-K, and Adjusted Diluted EPS performance. The adjusted EBITDA and Adjusted Diluted EPS performance objectives were set based on the Company's longer-range plan, and at the time of grant were viewed to be challenging, but achievable. The actual number of performance share units earned can range from 50% at threshold performance to 150% of the target award at maximum performance, depending upon performance relative to the predetermined adjusted EBITDA and/or Adjusted Diluted EPS goals.

*The 2013-2015 Performance Share Units*

In fiscal year 2013, the long-term component of our executive compensation program for Messrs. Weishar, Vishnubhatla, Caneris and McKay consisted of a combination of restricted stock units and performance share units, with performance share units consisting of 50% of the grant date fair value at target performance. Mr. Froesel joined the Company in late 2013 and did not receive a performance share grant in 2013. The Compensation Committee used

<sup>1</sup> The awards that were originally granted under the 2007 Omnibus Incentive Plan are now governed under the 2015 Omnibus Incentive Plan.

TABLE OF CONTENTS

Adjusted EBITDA for the Named Officers, other than Mr. Weishar, and Adjusted EBITDA and Adjusted Diluted EPS (85%/15%) split for Mr. Weishar as of December 31, 2015 as the performance measures for the 2013-2015 long-term performance share unit awards.

<b>Adjusted EBITDA Performance Level</b>	<b>Threshold: \$113.475 million</b>	<b>Target: \$133.5 million</b>	<b>Maximum: \$153.525 million</b>
Payout Level	50% of Award Target	100% of Award Target	150% of Award Target
<b>Adjusted Diluted EPS Performance Level</b>	<b>Threshold: \$1.36</b>	<b>Target: \$1.60</b>	<b>Maximum: \$1.84</b>
Payout Level	50% of Award Target	100% of Award Target	150% of Award Target

As the Company's 2015 adjusted EBITDA was \$133.2 million, and Adjusted Diluted EPS was \$1.53 per share, payouts under the 2013-2015 Long-term Incentive Program were made at 99.3% of the target for adjusted EBITDA and 85.4% for Adjusted Diluted EPS.

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

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

*Benefits and Perquisites*

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

*Voluntary Deferred Compensation Plan*

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

*Stock Ownership Guidelines*

We encourage our executive officers and other key employees to own stock in the Company. The Nominating and Governance Committee adopted stock ownership guidelines to align long-term interests of management with those of

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

## TABLE OF CONTENTS

Each of the Named Executives except Mr. Froesel, exceed the ownership levels, as established under the guidelines. As of April 22, 2016, the value of the Named Executives' ownership in the Company is as follows: Gregory Weishar - \$25,732,020 (695.5% of target); David Froesel - \$822,158 (80.6% of target); Suresh Vishnubhatla - \$1,232,029 (167.6% of target); Robert McKay - \$1,600,982 (520.6% of target); and Thomas Caneris - \$1,715,247 (512.7% of target). While the ownership of Mr. Froesel does not meet the multiple for his position, he does meet the requirements applicable to him in light of his length of service with the Company and the size and vesting of the equity grants made to date.

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

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

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

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

The Company conducted its fourth advisory vote on executive compensation last year at its 2015 Annual Meeting. While this vote was not binding on the Company, its Board of Directors or its Compensation Committee, the Company believes that it is important for its stockholders to have an opportunity to vote on this proposal on an annual basis as a means to express their views regarding the Company's executive compensation philosophy, the Company's compensation policies and programs, and the Company's decisions regarding executive compensation, all as disclosed in this proxy statement. The Company's Board of Directors and its Compensation Committee value the opinions of its stockholders and, to the extent there is any significant vote against the compensation of the Named Executives as disclosed in the proxy statement, the Company will consider its stockholders' concerns and the Compensation Committee will evaluate whether any actions are necessary to address those concerns. In addition to the annual advisory vote on executive compensation, the Company discusses with its stockholders executive compensation and corporate governance issues, from time to time, through meetings and telephone calls.

At the 2015 Annual Meeting, more than 92% of the votes cast on the advisory vote on executive compensation proposal (Proposal 3) were in favor of the named executive compensation as disclosed in the proxy statement, and as a result our named executive compensation was approved. The Board of Directors and Compensation Committee reviewed these final vote results and determined that, given the significant level of support, no changes to our executive compensation policies and decisions were necessary at this time based on the vote results.

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

## **Employment Agreements**

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

Our Board, based upon the recommendation of our Compensation Committee, approved the Company entering into employment agreements with Messrs Froesel, Vishnubhatla, Caneris and McKay at the time of hire. The purpose

TABLE OF CONTENTS

of these agreements is to attract and retain each of these individuals given their experience and qualifications to serve the Company in their respective capacities. In addition to providing for compensation opportunities described above and in the following tables and narratives, the employment agreements provide our Named Executives with benefits upon certain terminations of employment. The employment agreements also contain change in control benefits for our Named Executives to encourage them to remain focused on their work responsibilities during the uncertainty that accompanies a change in control and to provide benefits for a period of time after termination of employment following a change in control. The employment agreements contain post-employment non-competition and non-solicitation agreements for a period of twenty-four months for Mr. Weishar and Mr. McKay, eighteen months for Messrs Froesel and Caneris and twelve months for Mr. Vishnubhatla, following the date of termination. The Company believes these agreements are an appropriate method of protecting the Company's business and investment in human capital. The severance levels and benefits were determined through negotiations with the executives. For a description of the material terms of the employment agreements with each of our Named Executives, see Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table below. Compensation that could potentially be paid to our Named Executives pursuant to the employment agreements upon a change in control is described below in Potential Payments upon Termination or Change in Control.

**Tax Deductibility of Compensation**

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

TABLE OF CONTENTS

**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. Based on the review and discussions referred to in paragraph 1 above, the Compensation Committee
2. recommended to the Board that the CD&A be included in the Company's Proxy Statement for its 2016 Annual Meeting of Stockholders filed with the Securities and Exchange Commission.

*The Compensation Committee*

Thomas P. Mac Mahon, Chairman

Thomas P. Gerrity, Ph.D.

Patrick G. LePore



TABLE OF CONTENTS**EXECUTIVE COMPENSATION****Summary Compensation Table for 2013 – 2015**

Name and Principal Position	Year	Salary	Bonus	Non-Equity Incentive Plan			All Other Compensation (3)	Total
				Stock Awards (1)	Option Awards	Compensation (2)		
Gregory Weishar <i>Chief Executive Officer</i>	2015	\$ 907,500	\$ —	\$ 2,150,020	\$ —	\$ 943,613	\$ 24,064	\$ 4,025,197
	2014	\$ 855,021	\$ —	\$ 2,515,517	\$ —	\$ 1,316,250	\$ 22,280	\$ 4,709,068
	2013	\$ 837,699	\$ —	\$ 1,922,278	\$ —	\$ 1,218,936	\$ 17,940	\$ 3,996,853
David Froesel <i>Executive Vice President and Chief Financial Officer and Treasurer</i>	2015	\$ 507,308	\$ —	\$ 874,992	\$ —	\$ 381,728	\$ 18,839	\$ 1,782,867
	2014	\$ 494,482	\$ —	\$ 857,488	\$ —	\$ 466,063	\$ 154,497	\$ 1,972,530
	2013	\$ 192,233	\$ —	\$ 887,400	\$ —	\$ 202,688	\$ 17,287	\$ 1,299,608
Suresh Vishnubhatla <i>Executive Vice President of Long-term Care Pharmacy Operations</i>	2015	\$ 362,789	\$ —	\$ 612,478	\$ —	\$ 273,223	\$ 11,952	\$ 1,260,442
	2014	\$ 343,269	\$ —	\$ 487,524	\$ —	\$ 321,547	\$ 11,639	\$ 1,163,980
	2013	\$ 258,928	\$ —	\$ 229,508	\$ —	\$ 234,700	\$ 8,052	\$ 731,187
Thomas Caneris <i>Senior Vice President, General Counsel, and Secretary</i>	2015	\$ 332,794	\$ —	\$ 452,618	\$ —	\$ 205,592	\$ 12,508	\$ 1,003,512
	2014	\$ 326,268	\$ —	\$ 443,748	\$ —	\$ 230,343	\$ 12,204	\$ 1,012,563
	2013	\$ 320,114	\$ —	\$ 435,066	\$ —	\$ 257,259	\$ 11,968	\$ 1,024,407
Robert McKay <i>Senior Vice President of Purchasing and Trade Relations</i>	2015	\$ 305,907	\$ —	\$ 346,732	\$ —	\$ 184,436	\$ 12,360	\$ 849,435
	2014	\$ 299,892	\$ —	\$ 339,856	\$ —	\$ 221,954	\$ 12,059	\$ 873,760
	2013	\$ 294,187	\$ —	\$ 330,288	\$ —	\$ 210,544	\$ 11,826	\$ 846,845

These amounts represent the aggregate grant date fair value computed in accordance with FASB ASC Topic 718.

- (1) The assumptions used in calculating the amounts are discussed in Note 10 of the Company's audited financial statements for the year ended December 31, 2015 included in the Company's Annual Report on Form 10-K filed with the SEC on February 26, 2016.

For 2015, 2014 and 2013, stock awards to the Named Executives are made up of restricted stock unit awards and performance share unit awards as follows:

Name	Year
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		<b>Restricted Stock Units</b>	<b>Performance Share Units</b>
Gregory Weishar	2015	\$ 1,075,010	\$ 1,075,010
	2014	\$ 1,257,758	\$ 1,257,759
	2013	\$ 961,139	\$ 961,139 (4)
David Froesel	2015	\$ 437,496	\$ 437,496
	2014	\$ 428,744	\$ 428,744
	2013	\$ 887,400	\$ —
Suresh Vishnubhatla	2015	\$ 306,239	\$ 306,239
	2014	\$ 243,762	\$ 243,762
	2013	\$ 114,754	\$ 114,754 (4)
Thomas Caneris	2015	\$ 226,309	\$ 226,309
	2014	\$ 221,874	\$ 221,874
	2013	\$ 217,533	\$ 217,533 (4)
Robert McKay	2015	\$ 173,366	\$ 173,366
	2014	\$ 169,928	\$ 169,928
	2013	\$ 165,144	\$ 165,144 (4)

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

TABLE OF CONTENTS

Topic 718, excluding the effect of estimated forfeitures. The maximum potential values of the performance share unit awards granted in 2015 would be as follows: Mr. Weishar \$1,612,500; Mr. Froesel \$656,250; Mr. Vishnubhatla \$459,375; Mr. Caneris \$339,480; and Mr. McKay \$260,044.

These amounts represent amounts earned under the Company's short-term incentive program for the fiscal years (2) ended December 31, 2015, 2014 and 2013. The Named Executives had to be employed with the Company on the date of payout to earn the bonuses under the short-term incentive program.

The amounts in this column include the Company's contributions for the respective periods for the benefit of the (3) Named Executives to the Company's 401(k) Plan, the taxable value of life insurance premiums, severance payments and perquisites.

Name	Year	401(k) Matching	Life Insurance Premiums	Perquisites	Total
Gregory Weishar	2015	\$ 10,600	\$ 13,464	\$ —	\$ 24,064
	2014	\$ 10,400	\$ 11,880	\$ —	\$ 22,280
	2013	\$ 10,200	\$ 7,740	\$ —	\$ 17,940
David Froesel	2015	\$ 10,600	\$ 8,239	\$ —	\$ 18,839
	2014	\$ 6,849	\$ 7,888	\$ 139,759 (5)	\$ 154,497
	2013	\$ —	\$ 2,590	\$ 14,697	\$ 17,287
Suresh Vishnubhatla	2015	\$ 10,600	\$ 1,352	\$ —	\$ 11,952
	2014	\$ 10,400	\$ 1,239	\$ —	\$ 11,639
	2013	\$ 7,416	\$ 635	\$ —	\$ 8,052
Thomas Caneris	2015	\$ 10,600	\$ 1,908	\$ —	\$ 12,508
	2014	\$ 10,400	\$ 1,804	\$ —	\$ 12,204
	2013	\$ 10,200	\$ 1,768	\$ —	\$ 11,968
Robert McKay	2015	\$ 10,600	\$ 1,760	\$ —	\$ 12,360
	2014	\$ 10,400	\$ 1,659	\$ —	\$ 12,059
	2013	\$ 10,200	\$ 1,626	\$ —	\$ 11,826

Under the 2013 long-term incentive award, the Company performance criteria for the Chief Executive Officer and Executive Vice Presidents is based 85% on adjusted EBITDA and 15% on an Adjusted Diluted EPS target. For the other Named Executives, the Company performance criteria is based on adjusted EBITDA performance. The (4) Company's adjusted EBITDA was approximately at the target, resulting in payouts of 99.3% of the target amounts for this performance metric. For the Chief Executive Officer, the Company's Adjusted Diluted EPS resulted in a payout of 85.4% of the target amount on that portion of the award. For the Named Executives, a payout of performance share units was earned in the following amounts:

Grant Year	Performance Period Measurement Date	Performance Share Units Granted at	Market Value at Grant Date of Target	Performance Share Units Earned	Market Value at Vest Date of Earned Awards
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			<b>Target</b>	<b>Awards</b>		
Gregory Weishar	2013	12/31/2015	66,377	\$ 961,139	64,528	\$ 1,289,915
David Froesel	2013	12/31/2015	—	\$ —	—	\$ —
Suresh Vishnubhatla	2013	12/31/2015	7,925	\$ 114,754	7,870	\$ 157,321
Thomas Caneris	2013	12/31/2015	15,023	\$ 217,533	14,918	\$ 298,211
Robert McKay	2013	12/31/2015	11,405	\$ 165,144	11,325	\$ 226,387

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

TABLE OF CONTENTS**Grants of Plan-Based Awards in 2015**

The following table sets forth certain information concerning grants of awards to the Named Executives in the fiscal year ended December 31, 2015.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			All Other Stock Awards: Number of Shares of Stock or Units (3)	Grant Date Fair Value of Stock Awards (4)
		Threshold	Target	Maximum	Threshold	Target	Maximum		
Gregory Weishar									
Short-term Incentive	3/19/2015	\$ 579,811	\$ 1,136,884	\$ 1,779,223					
Long-term Incentive	3/19/2015				19,300	38,600	57,900	\$ 1,075,010	
Long-term Incentive	3/19/2015							38,600 \$ 1,075,010	
David Froesel									
Short-term Incentive	3/19/2015	\$ 231,473	\$ 406,093	\$ 611,170					
Long-term Incentive	3/19/2015				7,855	15,709	23,564	\$ 437,496	
Long-term Incentive	3/19/2015							15,709 \$ 437,496	
Suresh Vishnubhatla									
Short-term Incentive	3/19/2015	\$ 165,678	\$ 290,663	\$ 437,448					
Long-term Incentive	3/19/2015				5,498	10,996	16,494	\$ 306,239	
Long-term Incentive	3/19/2015							10,996 \$ 306,239	
Thomas Caneris									
	3/19/2015	\$ 151,513	\$ 233,097	\$ 332,163					

Short-term Incentive					
Long-term Incentive 3/19/2015	4,063	8,126	12,189	\$	226,309
Long-term Incentive 3/19/2015				8,126	\$ 226,309

Robert  
McKay

Short-term Incentive 3/19/2015	\$ 129,324	\$ 198,960	\$ 283,518		
Long-term Incentive 3/19/2015	3,113	6,225	9,338	\$	173,366
Long-term Incentive 3/19/2015				6,225	\$ 173,366

(1) With respect to the Named Executives, the amounts in the table represent the estimated possible payouts of cash awards under the formula-based and individual-based component of the Company's 2015 short-term incentive program which is tied to the Company's financial performance and group/individual performance. The Company performance cycle for the 2015 short-term incentive program began on January 1, 2015 and ended on December 31, 2015. The actual 2015 payout is reported in the Summary Compensation Table under the Non-Equity Incentive Plan Compensation column.

(2) The amounts in the table represent the estimated possible payouts of performance share unit awards under the Company's 2015 long-term incentive program which is tied to the Company's financial performance. The Company's 2015 long-term incentive program is more fully described in the Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table section below. The performance cycle for the performance share unit awards granted March 19, 2015 commenced on January 1, 2015 and ends on December 31, 2017.

(3) These restricted stock units were granted under the Company's 2015 long-term incentive program. Restricted stock units granted to Named Executives will vest in three equal annual installments beginning on the first anniversary of the grant date.

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

TABLE OF CONTENTS

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

*Employment Agreements*

During 2013, 2014 and 2015, all of our Named Executives were employed pursuant to employment agreements with the Company. Additional provisions of the employment agreements are set forth in the Compensation Discussion and Analysis.

*Employment Agreement with Mr. Weishar*

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

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

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

- a lump-sum cash payment equal to the sum of (i) any earned but unpaid base salary through the date of termination, (ii) any expense reimbursement payments then due, (iii) an amount in respect of any earned but unused paid time off through the date of termination (with the value of unused paid time off being equal to his then annual base salary divided by 250) (such benefits, the "Accrued Benefits"), plus the lesser of his annual target bonus or his maximum award earned under the Compensation Committee resolutions that establish the negative discretion approach under the Omnibus Incentive Plan (based on actual performance during the entire year and without regard to discretionary adjustments), prorated through the date of termination and payable on the date annual bonuses for the year of termination are payable to other senior executives; and
- in the event a Change in Control has occurred within 12 months prior to the termination date, a lump-sum cash payment equal to three times the sum of his then annual base salary and annual target bonus for the calendar year in which termination occurs; or
- in the event a Change in Control has not occurred within 12 months prior to the termination date, an amount equal to two times the sum of his then annual base salary and target bonus for the calendar year in which termination occurs, payable in equal monthly installments over the 24-month period following the termination date. However, if a Change in Control occurs after the termination date, the total amount of any unpaid installments shall be paid as a lump-sum cash payment on the date of the Change in Control. Additionally, if a Change in Control occurs after the termination date and either the Company gives written notice to Mr. Weishar of his termination after the Company has entered into a definitive agreement for one or

more transactions that would result in a Change in Control, or the Change in Control occurs within 6 months after the termination date and Mr. Weishar's termination occurred at the request of a third party who had taken steps reasonably calculated to effect a Change in Control, then the Company will pay Mr. Weishar an additional lump-sum cash payment on the date of the Change in Control equal to the sum of his annual base salary as of the termination date and annual target bonus for the calendar year in which the termination date occurs.



TABLE OF CONTENTS

In addition to the foregoing cash payments:

- with respect to compensatory stock options, compensatory restricted stock awards, performance-based equity awards and other equity based awards granted prior to January 1, 2011, such awards shall vest and have their restrictions lapse in connection with Mr. Weishar's termination of employment as of the termination date (except with respect to performance-based equity awards which shall vest as of the end of the applicable performance period). Performance-based equity awards will only vest to the extent applicable performance goals are achieved (disregarding any exercise of negative discretion that is not similarly applied to all senior executive participants). Compensatory stock options shall remain exercisable until the earliest of a Change in Control upon which all other compensatory stock options or similar awards cease to be exercisable, the second anniversary of the termination date or the expiration of their maximum stated term; and
- with respect to compensatory stock options, compensatory restricted stock awards, performance-based equity awards and other equity based awards received on or after January 1, 2011 and prior to January 1, 2014, such awards shall vest and have their restrictions lapse in connection with Mr. Weishar's termination of employment as of the termination date (except with respect to performance-based equity awards which shall vest as of the end of the applicable performance period). Performance-based equity awards will only vest to the extent applicable performance goals are achieved (disregarding any exercise of negative discretion that is not similarly applied to all senior executive participants). Compensatory stock options shall remain exercisable until the earliest of a Change in Control upon which all other compensatory stock options or similar awards cease to be exercisable, the second anniversary of the termination date or the expiration of their maximum stated term; and
- with respect to compensatory stock options, compensatory restricted stock awards, performance-based equity awards and other equity based awards received on or after January 1, 2014, such awards shall be treated as follows: (i) if the termination date occurs prior to December 31, 2016, each compensatory stock option shall vest before the first anniversary of the termination and remain exercisable until the earliest of a Change in Control, the ninetieth (90th) day after the termination date, or the expiration of their maximum stated term; (ii) if the Termination Date occurs on or after December 31, 2016, each such compensatory stock option shall vest and become exercisable in accordance with the employment vesting schedule as if employment hereunder had continued, and shall remain exercisable until the earliest of a Change in Control, the third anniversary of the termination date, or the expiration of its maximum stated term; (iii) if the termination date occurs prior to December 31, 2016, each such compensatory restricted stock award shall, to the extent that it would have become vested on or before the first anniversary of the termination date if the employment had continued, become fully vested, and its restrictions shall lapse, as of the termination date; (iv) if the termination date occurs on or after December 31, 2016, each such compensatory restricted stock award shall continue to vest in accordance with its original vesting schedule; (v) if the Termination Date occurs prior to December 31, 2016, a pro-rata portion of each such performance-based equity award shall vest and not be forfeitable to the extent applicable performance goals are achieved; (vi) if the termination date occurs on or after December 31, 2016, each such performance-based equity award shall vest and not be forfeitable as of the end of the applicable performance period (in full and without pro-ration) to the extent applicable performance goals are achieved; and
- coverage for a period of 24 months under the Company's welfare benefit plans at Mr. Weishar's expense, provided that for such 24 month period, the Company shall make payments to Mr. Weishar on a monthly basis equal to the after-tax cost of coverage for such plans.

Cause is defined as Mr. Weishar's conviction of, or plea of guilty or nolo contendere to, a felony; his commission of intentional acts of gross misconduct (including, without limitation, theft, fraud, embezzlement or dishonesty) that significantly impair the business of the Company or cause significant damage to its property, reputation or business; his willful refusal to perform, or willful failure to use good faith efforts to perform, material duties that remain uncured for 14 days following written request from the Board for cure; his willful and material breach of any material provision of the Company's code of ethics, or of any other material policy governing the conduct of its employees

generally, that remains uncured for 14 days following written request from the Board for cure; or his willful and material breach of the employment agreement that remains uncured for 14 days following written request from the Board for cure.

TABLE OF CONTENTS

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

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

- with respect to compensatory stock options, compensatory restricted stock awards, performance-based equity awards and other equity based awards granted prior to January 1, 2014, to the extent such awards would have vested, had their restrictions lapse or become exercisable prior to the first anniversary of the termination date,
- such awards shall vest and have their restrictions lapse in connection with Mr. Weishar's termination of employment as of the termination date. Compensatory stock options shall remain exercisable until the earliest of a Change in Control upon which all other compensatory stock options or similar awards cease to be exercisable, the first anniversary of the termination date or the expiration of their maximum stated term; each equity compensatory stock option and compensatory restricted stock award granted after January 1, 2014 shall immediately vest. Compensatory stock options shall be exercisable until the expiration of one year from the date of death or disability. Performance-based equity awards granted after January 1, 2014 shall vest based on actual performance with no pro-ration for service; and
- coverage for a period of 12 months under the Company's welfare benefit plans at Mr. Weishar's expense, provided that for such 12 month period, the Company shall make payments to Mr. Weishar on a monthly basis equal to the after-tax cost of coverage for such plans.

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

- in the case Mr. Weishar's employment is terminated in connection with the expiration of the agreement's term due to notice of non-renewal by the Company, compensatory stock options, compensatory restricted stock awards, and performance-based equity awards shall be treated as if Mr. Weishar was terminated by the Company without Cause and as explained above;
- in the case Mr. Weishar's employment is terminated in connection with the expiration of the agreement's term due to his notice of non-renewal, with respect to compensatory stock options received prior to January 1, 2014, they shall be, and remain, fully vested as of the termination date and shall be, and remain, fully exercisable until the earliest of a Change in Control, the first anniversary of the termination date, or the expiration of its maximum stated term; and
- In the case Mr. Weishar resigns on or after December 31, 2016, and without Good Reason (whether due to delivery of written notice of non-renewal or otherwise), each compensatory stock option, compensatory restricted stock award, and each performance-based equity award received on or after January 1, 2014, shall

be treated as if Mr. Weishar had resigned with Good Reason, and as explained above.

*Change in Control*—In the event of the termination of Mr. Weishar's employment (a) after the Company has entered into a definitive agreement that would result in a Change in Control (as defined below) and such Change in Control occurs within six (6) months after termination, (b) at the request of a third party who has taken steps

TABLE OF CONTENTS

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

Change in control is defined as:

- any person or group acquires stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of the Company;
- any person or group acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) ownership of stock of the Company possessing 30% or more of the total voting power of the stock of the Company;
  - the consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in the transaction (a Business Combination), unless immediately following such Business Combination either: (i) more than 50% of the total fair market value of the stock of the corporation resulting from such Business Combination (the Surviving Corporation) or the ultimate parent corporation of the Surviving Corporation (the Parent Corporation) is represented by stock of the Company that was outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares of the Surviving Corporation or Parent Corporation into which stock of the Company was converted pursuant to such Business Combination) or (ii) 50% or more of the total voting power of Surviving Corporation or Parent Corporation is represented by stock of the Company that was outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares of the Surviving Corporation or Parent Corporation into which stock of the Company was converted pursuant to such Business Combination);
  - during any twelve (12) month period a majority of the individuals who were members of the Board at the beginning of such period (the Incumbent Directors) are replaced, provided that any person becoming a director subsequent to the beginning of such period whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination) shall be an Incumbent Director; or
  - any person or group acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) assets from the Company that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of the Company
- immediately prior to such acquisition or acquisitions (for this purpose, gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets); provided, however that no change in control shall be deemed to occur as a result of a transfer to:
  - a stockholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock;
  - an entity, 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company;
  -

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

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

**TABLE OF CONTENTS**

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

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

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

*Non-Solicitation*—Furthermore, Mr. Weishar agreed that during his employment with the Company and for a one-year period following the termination of his employment that he will not personally (i) other than in the course of performing his duties for the Company or its affiliates, directly or indirectly, for his own account or for the account of any other person, solicit for employment, hire, or otherwise interfere with the relationship of the Company with, any person who is an employee of, or a consultant to, the Company at the time of solicitation, hiring or interference, or (ii) in competition with the Company, directly or indirectly, individually or on behalf of other persons solicit or seek to do business with any entity which, as of the earlier of the date of termination of his employment or the date of solicitation, was a customer or a client of the Company or was, to his knowledge, being actively solicited by the Company to be a customer or client of the Company.

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

**Employment Agreements with Other Named Executives**

On May 30, 2014, we entered into an amended and restated employment agreement with Mr. Froesel. On March 22, 2011, we entered into an employment agreement with Mr. Vishnubhatla. On August 7, 2007, we entered into an employment agreement with Mr. Caneris. On July 31, 2007, we entered into an employment agreement with Mr. McKay (Mr. Froesel, Mr. Vishnubhatla, Mr. Caneris and Mr. McKay are collectively referred to in this section as the Executive Officers ). Mr. Froesel s amended and restated agreement has an initial term through August 1, 2016, subject to automatic renewal for unlimited one-year periods absent cancellation on 120 days prior written notice by the Company or Mr. Froesel. The agreements of Mr. Vishnubhatla and Mr. Caneris provide for an indefinite term of

employment, subject to certain termination of employment described in more detail below. Mr. McKay's employment agreement expired on December 31, 2014 and automatically renews for one year periods unless notice of non-renewal is provided by either party. We refer to the period in which an Executive Officer is employed as the Employment Period .

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

During the Employment Period, each of the Executive Officers is eligible to (i) participate in any short-term and long-term incentive programs established or maintained by the Company for senior level executives generally,



TABLE OF CONTENTS

(ii) participate in all incentive, savings and retirement plans and programs of the Company to at least the same extent as other senior executives of the Company, (iii) participate, along with their dependents, in all welfare benefit plans and programs provided by the Company to at least the same extent as other senior executives of the Company, and (iv) four weeks of paid vacation per calendar year.

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

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

- A lump-sum cash payment equal to (i) the Executive Officer's base salary through the date of termination that has not yet been paid, (ii) a pro rata bonus for the calendar year of termination, to be determined using the Executive Officer's 100% target bonus, (iii) any accrued but unpaid vacation pay, and (iv) any other unpaid items that have accrued and to which the Executive Officer has become entitled as of the date of termination (collectively referred to herein as the *Accrued Obligations*); and
- (i) Continued payment for 18 months of the Executive Officer's (12 months of Mr. Vishnubhatla's) then current base salary and (ii) a bonus equal to the average of the annual bonuses earned by the Executive Officer over the three complete years prior to the date of termination (or, if less than three years, the average bonus earned during such shorter period).

In addition to the foregoing cash payments:

- For the 18 month period (or the 12 month period for Mr. Vishnubhatla) following the date of termination, will be entitled to receive a waiver of the applicable premium otherwise payable for 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; provided, however, that Mr. McKay's stock options and restricted stock units that would have become vested or exercisable on or before the third anniversary of the termination date, had his employment continued through such third anniversary, shall become fully vested and exercisable as of such termination date pursuant to the terms of his employment agreement; further provided, that if such termination of Mr. Froesel occurs before August 1, 2016, his then outstanding stock options, restricted stock units and other incentive awards shall become fully vested and exercisable as of such termination date pursuant to the terms of his employment agreement. If such termination of Mr. Froesel's employment occurs on or after August 1, 2016, (i) any outstanding stock option, restricted stock or other equity incentive awards, other than performance-based equity awards, will continue to vest and become exercisable in accordance with the applicable existing vesting schedule as if his employment continued through each vesting date and (ii) performance-based equity awards will fully vest.

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.

## TABLE OF CONTENTS

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. For Mr. Vishnubhatla's employment agreement, the definition of Good Reason also includes the relocation of him to a facility or a location more than fifty (50) miles from his then current location. 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, if an Executive Officer's employment is terminated due to his or her death, each outstanding option, restricted stock unit or other equity award held by the Executive Officer shall become vested.

*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. Froesel, Mr. Vishnubhatla 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 of Mr. Froesel, Mr. Vishnubhatla and Mr. Caneris 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 (an event described in (i-ii) being a CIC Termination), 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. Mr. McKay's Employment Agreement provides for immediate vesting of any outstanding options, restricted stock or other equity incentive award upon a change in control of the Company. In the event of a CIC Termination, Mr. McKay will be entitled to the same payments and benefits he would have received upon a termination without Cause or resignation for good reason. 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:

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- 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

TABLE OF CONTENTS

- 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 (or any acceleration of any payments or benefits to) Mr. Caneris 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 such Change in Control Payments with respect to Mr. Caneris in the aggregate 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 Payments, then the Change in Control Payments 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 Payments, then we shall pay to Mr. Caneris 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. In the event that any Change in Control Payments to be made or provided to Mr. McKay are determined to subject Mr. McKay to an excise tax under Section 4999 of the Code, then the Change in Control Payments to be made or provided to Mr. McKay shall be limited such that his Change in Control Payments received on an after-tax basis shall be less than the amount that would subject Mr. McKay to such excise tax. Mr. Vishnubhatla's employment agreement does not provide for any adjustments to his Change in Control Payments.

If the aggregate of the Change in Control Payments due to Mr. Froesel under his Employment Agreement or under any other plan, program, agreement or arrangement of the Company (or any of its affiliated entities) or any entity which effectuates a change in control (or any of its affiliated entities) (the *280G Benefits* ) would, if received by him in full and valued under Section 280G of the Code, constitute parachute payments as such term is defined in and under Section 280G of the Code, and the payment of the 280G benefits after all federal, state and local taxes and excise taxes under Section 4999 of the Code would exceed \$1.00 less than three times Mr. Froesel's base amount (as defined under Section 280G), then such Change in Control Payments shall be reduced pro rata or eliminated to the extent necessary to ensure that such amounts do not constitute parachute payments. Such Change in Control Payments shall be reduced or eliminated in the following order: first, the elimination of cash benefits (other than cash benefits relating to the acceleration of equity awards) which do not constitute deferred compensation under Section 409A of the Code, then all other benefits (other than cash benefits relating to the acceleration of equity awards). To the extent the 280G benefits would not exceed \$1.00 less than three times Mr. Froesel's base amount, then they shall not be reduced or eliminated. If the reduction of the 280G Benefits would not result in a greater after-tax result to Mr. Froesel, no amounts payable to him shall be reduced.

The determination of whether any payment or benefit to be paid or provided to any Executive Officer 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. Froesel, Mr. McKay, Mr. Vishnubhatla and Mr. Caneris has also agreed to certain confidentiality, non-competition and non-solicitation provisions in their respective employment agreements.

*2015 Annual Cash Incentives—Mr. Weishar*

Pursuant to the Company's 2015 short-term incentive program, the incentive opportunity for Mr. Weishar was based upon on an incentive formula tied to our adjusted EBITDA which is the non-GAAP adjusted EBITDA reported in the Company's Form 10-K as of and for the year ended December 31, 2015, except that there shall not be an add-back for stock based and deferred compensation. Adjusted EBITDA and Adjusted Diluted EPS were selected as the objective performance criterion because it is critical to focus our Named Executives on earnings and the achievement of cost savings.

Mr. Weishar's incentive formula was 2.2% of adjusted EBITDA for 2015, provided that adjusted EBITDA was at least \$106.8 million for the year (but in no event could the incentive exceed \$2 million). The Compensation Committee had, and exercised, the authority to reduce the annual amount payable under the EBITDA incentive formula based on its assessment of financial goals (e.g., adjusted EBITDA and Adjusted Diluted EPS) and his individual performance as set forth below in the description of the 2015 Annual Bonus Program.

*2015 Annual Bonus Program*

Pursuant to the Company's 2015 short-term incentive program, our Named Executives had the opportunity to earn annual cash incentives for meeting annual performance goals and individual performance goals.

## TABLE OF CONTENTS

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

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

For the Company in 2015, \$133.5 million of adjusted EBITDA was set as the target for the payment of bonuses. Adjusted EBITDA goals for the Company for threshold and maximum bonuses were \$106.8 million and \$160.2 million, respectively. For the Company in 2015, \$1.48 of Adjusted Diluted EPS was set as the target for the payment of bonuses. Adjusted Diluted EPS goals for the Company for threshold and maximum bonuses were \$1.26 and \$1.70, respectively.

Target bonus opportunities were expressed as a percentage of base salary and vary among our Named Executives. Mr. Weishar's target annual bonus is equal to 125% of his base salary. In fiscal year 2015, Mr. Froesel, Mr. McKay, Mr. Vishnubhatla and Mr. Caneris were eligible for annual target bonus opportunities (represented as a percentage of base salary) of 80%, 80%, 65% and 70% respectively.

The Company achieved adjusted EBITDA of \$133.2 million for the fiscal year ended December 31, 2015 which resulted in total bonuses (reflecting the individual component of the bonus as well) being paid to the Named Executives at a 99.3% pay out level for the adjusted EBITDA component and Adjusted Diluted EPS of \$1.53, which resulted in a 111.3% payout for the adjusted Diluted EPS financial component of the award opportunities. Payouts for the individual components for the Named Executives ranged from 11.0% to 43.0% of target, resulting in total bonus payments of 83.0% to 94.0% of target.

The Named Executives must remain continuously employed full-time by the Company until the award payment date in order to be entitled to receive a payout of an award under the 2015 short-term incentive program.

### *2015 Long-Term Incentive Program*

Pursuant to the Company's 2015 long-term incentive program (the "2015 LTIP"), our Named Executives are eligible to receive restricted stock units and performance share unit awards based on pre-established performance objectives and goals. The 2015 LTIP performance criteria for all Named Executives is based 70% on an adjusted EBITDA target and 30% on an adjusted diluted EPS target. The 2015 LTIP performance cycle begins on January 1, 2017 and ends on December 31, 2017.

Awards were granted pursuant to the 2015 LTIP to our Named Executives in the following amounts as a percentage of the bonus target: 50% restricted stock units and 50% performance share units. On March 19, 2015, the Board of Directors, upon recommendation of the Compensation Committee, awarded restricted stock units and performance share units under the 2015 LTIP in the following amounts to the following Named Executives:

<b>Name</b>	<b>Year of Grant</b>	<b>Restricted Stock Units</b>	<b>Performance Share Awards</b>
Gregory Weishar	2015	38,600	38,600
David Froesel	2015	15,709	15,709
Suresh Vishnubhatla	2015	10,996	10,996
Thomas Caneris	2015	8,126	8,126
Robert McKay	2015	6,225	6,225

The restricted stock units granted under the Company's 2015 long-term incentive program will vest in three equal annual installments beginning on the first anniversary of the grant date. In the event of a change in control,



TABLE OF CONTENTS

acceleration of vesting of restricted stock units will occur if an employee is terminated by the Company without cause or the employee voluntarily terminates employment with good reason during the 24 month period following a change in control ( Qualifying Termination ). Vesting of restricted stock units will accelerate immediately regardless of a Qualifying Termination if the acquirer does not assume the restricted stock unit awards. If the acquirer assumes the restricted stock unit awards, restricted stock units will continue to vest according to their original vesting schedules; provided that vesting will subsequently accelerate upon a Qualifying Termination within 24 months after the change in control, and unvested restricted stock units would be forfeited upon any other termination (unless otherwise specified by the terms of an employment agreement). With respect to performance share units, in the event of a Qualifying Termination, performance shares units will be converted to time-based restricted stock units at the change in control assuming achievement of 100% of the performance targets. Such restricted stock units will have the same terms of the restricted stock units granted pursuant to the 2015 LTIP and will be deemed to have been granted as of March 19, 2015.

Additional provisions of the 2015 incentive programs are set forth in the Compensation Discussion and Analysis.

**Outstanding Equity Awards at December 31, 2015**

The following table sets forth certain information regarding equity-based awards of the Company held by the Named Executives as of December 31, 2015.

Name	Option Awards				Stock Awards				
	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price	Option Expiration Date	Restricted Stock Units (5) Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Performance Share Units Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested (\$)	
Gregory Weishar									
2009 LTI Grant	166,664	—	—\$ 14.89	3/3/2016	—\$	—	—	\$ —	
2010 LTI Grant	155,836	—	—\$ 18.48	3/16/2017	—\$	—	—	\$ —	
2011 LTI Grant	182,801	—	—\$ 10.84	3/25/2018	—\$	—	—	\$ —	
2013 LTI Grant	—	—	—\$	—	—	22,126	\$ 774,410	66,377	\$ 2,323,195
	—	—	—\$	—	—	33,865	\$ 1,185,275	50,798 (3)	\$ 1,777,930

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<i>2014 LTI Grant</i>									
<i>2015 LTI Grant</i>									
	—	—	—\$	—	—	38,600	\$ 1,351,000	38,600 (4)	\$ 1,351,000
David Froesel									
<i>2013 LTI Grant</i>									
	—	—	—\$	—	—	20,000	\$ 700,000	—	\$ —
<i>2014 LTI Grant</i>									
	—	—	—\$	—	—	11,544	\$ 404,040	17,316 (3)	\$ 606,060
<i>2015 LTI Grant</i>									
	—	—	—\$	—	—	15,709	\$ 549,815	15,709 (4)	\$ 549,815
Suresh Vishnubhatla									
<i>2011 LTI Grant</i>									
	20,719	—	—\$	10.84	3/25/2018	—	\$ —	—	\$ —
<i>2013 LTI Grant</i>									
	—	—	—\$	—	—	2,642	\$ 92,470	7,925	\$ 277,375
<i>2014 LTI Grant</i>									
	—	—	—	—	—	6,563	\$ 229,705	9,845 (3)	\$ 344,575
<i>2015 LTI Grant</i>									
	—	—	—	—	—	10,996	\$ 384,860	10,996 (4)	\$ 384,860
Thomas Caneris									
<i>2011 LTI Grant</i>									
	9,588	—	—\$	10.84	3/25/2018	—	\$ —	—	\$ —
<i>2013 LTI Grant</i>									
	—	—	—\$	—	—	5,008	\$ 175,280	15,023	\$ 525,805
<i>2014 LTI Grant</i>									
	—	—	—\$	—	—	5,974	\$ 209,090	8,961 (3)	\$ 313,635
<i>2015 LTI Grant</i>									
	—	—	—\$	—	—	8,126	\$ 284,410	8,126 (4)	\$ 284,410
Robert McKay									
<i>2013 LTI Grant</i>									
	—	—	—\$	—	—	3,802	\$ 133,070	11,405	\$ 399,175
<i>2014 LTI Grant</i>									
	—	—	—\$	—	—	4,575	\$ 160,125	6,863 (3)	\$ 240,205
<i>2015 LTI Grant</i>									
	—	—	—\$	—	—	6,225	\$ 217,875	6,225 (4)	\$ 217,875

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



**TABLE OF CONTENTS**

(2) There are no unvested options held by Named Executives as of December 31, 2015.

Subject to exceptions set forth in the applicable award agreements or employment agreements, these unearned  
(3) shares of performance share units will be earned on December 31, 2016 upon achievement of certain performance targets and vest on the payment date in 2017.

Subject to exceptions set forth in the applicable award agreements or employment agreements, these unearned  
(4) shares of performance share units will be earned on December 31, 2017 upon achievement of certain performance targets and vest on the payment date in 2018.

Subject to exceptions set forth in the applicable award agreements or employment agreements, the Restricted  
(5) Stock Units vest ratably over a three year period.

**Option Exercises and Stock Vested in 2015**

The following table sets forth information regarding each exercise of stock options and all vesting of stock during the year ended December 31, 2015:

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	85,500	\$ 931,095	129,480	\$ 3,449,577
David Froesel	—	\$ —	25,772	\$ 829,342
Suresh Vishnubhatla	—	\$ —	16,567	\$ 440,938
Thomas Caneris	58,565	\$ 611,564	28,573	\$ 761,730
Robert McKay	61,089	\$ 831,731	21,713	\$ 578,840

**Non-Qualified Deferred Compensation Table—Fiscal Year 2015**

Name	Registrant Contributions				
	Executive Contributions in Last Fiscal Year (1)	in Last Fiscal Year	Aggregate Earnings in Last Fiscal Year	Aggregate Withdrawals/ Distributions	Aggregate Balance at Last Fiscal Year-End (2)
Gregory Weishar	\$ 531,130	\$ —	\$ 116,191	\$ (262,537 )	\$ 6,353,856
David Froesel	\$ —	\$ —	\$ —	\$ —	\$ —
Suresh Vishnubhatla	\$ —	\$ —	\$ —	\$ —	\$ —
Thomas Caneris	\$ —	\$ —	\$ 18	\$ —	\$ 118,627
Robert McKay	\$ —	\$ —	\$ —	\$ —	\$ —

(1) The amounts in this column are Named Executive elective deferrals representing the deferred portion of base salary otherwise payable in 2015 and reported as compensation in the Summary Compensation Table.

The amounts reported in this column were reported as compensation to the Named Executive Officers as elective  
(2) deferrals representing the deferred portion of base salary otherwise payable in those years in the respective Summary Compensation Table.

The Company maintains the PharMerica Corporation Deferred Compensation Plan (the "DCP") for certain management and highly compensated employees, including our Named Executives, 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

TABLE OF CONTENTS

Agreement. A Named Executive can select to invest his deferred amounts in the same general investments offered under the PharMerica Corporation 401(k) Retirement Savings Plan. The Named Executives 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.

**Potential Payments upon Termination or Change-in-Control**

The Employment Agreements of the Named Executives require the Company to provide compensation to our Named Executives 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 Executives 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 Executives.

The estimated payments and benefits that would be provided to each Named Executive 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, 2015, the individual was employed for the full year of fiscal 2015, 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.

	Gregory Weishar			Termination Due to Non- Renewal of Employment Agreement	CIC Termination by Company Without Cause or for Good Reason under Employment Agreement
	Termination by Company Without Cause or Resignation for Good Reason	Termination for Cause or Resignation other than for Good Reason	Termination for Death or Disability		
<b>Incremental Compensation and Benefit Payments</b>					
Severance	\$ 4,162,500	\$ —	\$ —	\$ —	\$ 6,243,750
Pro-Rata Bonus	\$ 943,613	\$ —	\$ 943,613	\$ —	\$ 943,613

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Stock Options—Accelerated Vesting	\$	—	\$	—	\$	—	\$	—	\$	—
Restricted Stock—Accelerated Vesting	\$	1,817,375	\$	—	\$	3,310,685	\$	3,310,685	\$	3,310,685
Performance										
Shares—Accelerated Vesting	\$	3,894,100	\$	—	\$	5,387,410	\$	5,387,410	\$	5,387,410
Outplacement Services	\$	—	\$	—	\$	—	\$	—	\$	—
Health & Welfare Benefits	\$	38,501	\$	—	\$	38,501	\$	38,501	\$	38,501
<b>Totals</b>	<b>\$</b>	<b>10,856,089</b>	<b>\$</b>	<b>—</b>	<b>\$</b>	<b>9,680,209</b>	<b>\$</b>	<b>8,698,095</b>	<b>\$</b>	<b>15,923,959</b>

38

TABLE OF CONTENTS

Incremental Compensation and Benefit Payments	David Froesel				Termination due to Non-Renewal of Employment Agreement	CIC Termination by Company Without Cause or for Good Reason under Employment Agreement
	Termination by Company Without Cause or Resignation for Good Reason	Termination for Cause or Resignation other than for Good Reason	Termination for Death or Disability	Non-CIC		
Severance	\$ 1,099,376	\$ —	\$ —	\$ —	\$ —	\$ 1,099,376
Pro-Rata Bonus	\$ 381,728	\$ —	\$ —	\$ —	\$ —	\$ 381,728
Stock Options—Accelerated Vesting	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Restricted Stock—Accelerated Vesting	\$ 1,653,855	\$ —	\$ 1,653,855	\$ 1,653,855	\$ 1,653,855	\$ 1,653,855
Performance Shares—Accelerated Vesting	\$ 1,155,875	\$ —	\$ 1,155,875	\$ 1,155,875	\$ 1,155,875	\$ 1,155,875
Outplacement Services	\$ 6,000	\$ —	\$ —	\$ —	\$ —	\$ 6,000
Health & Welfare Benefits	\$ 38,501	\$ —	\$ —	\$ —	\$ —	\$ 38,501
<b>Totals</b>	<b>\$ 4,335,334</b>	<b>\$ —</b>	<b>\$ 2,809,730</b>	<b>\$ 2,809,730</b>	<b>\$ 2,809,730</b>	<b>\$ 4,335,334</b>
Incremental Compensation and Benefit Payments	Suresh Vishnubhatla				Termination due to Non-Renewal of Employment Agreement	CIC Termination by Company Without Cause or for Good Reason under Employment Agreement
	Termination by Company Without Cause or Resignation for Good Reason	Termination for Cause or Resignation other than for Good Reason	Termination for Death or Disability	Non-CIC		
Severance	\$ 588,075	\$ —	\$ —	\$ —	\$ —	\$ 588,075
Pro-Rata Bonus	\$ 273,223	\$ —	\$ —	\$ —	\$ —	\$ 273,223
Stock Options—Accelerated Vesting	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Restricted Stock—Accelerated Vesting	\$ 330,467	\$ —	\$ 707,035	\$ —	\$ —	\$ 707,035
Performance Shares—Accelerated Vesting	\$ 358,467	\$ —	\$ 633,453	\$ —	\$ —	\$ 1,004,885
Outplacement Services	\$ 6,000	\$ —	\$ —	\$ —	\$ —	\$ 6,000
Health & Welfare Benefits	\$ 40,268	\$ —	\$ —	\$ —	\$ —	\$ 40,268
<b>Totals</b>	<b>\$ 1,596,036</b>	<b>\$ —</b>	<b>\$ 1,340,488</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 2,619,486</b>

Thomas Caneris



Incremental Compensation and Benefit Payments	Non-CIC			CIC		
	Termination by Company Without Cause or Resignation for Good Reason	Termination for Cause or Resignation other than for Good Reason	Termination for Death or Disability	Termination due to Non-Renewal of Employment Agreement	Termination by Company Without Cause or for Good Reason under Employment Agreement	
Severance	\$ 747,977	\$ —	\$ —	\$ —	\$ 747,977	
Pro-Rata Bonus	\$ 205,592	\$ —	\$ —	\$ —	\$ 205,592	
Stock Options—Accelerated Vesting	\$ —	\$ —	\$ —	\$ —	\$ —	
Restricted Stock—Accelerated Vesting	\$ 364,880	\$ —	\$ 668,768	\$ —	\$ 668,768	
Performance Shares—Accelerated Vesting	\$ 303,893	\$ —	\$ 826,023	\$ —	\$ 1,120,175	
Outplacement Services	\$ 6,000	\$ —	\$ —	\$ —	\$ 6,000	
Health & Welfare Benefits	\$ 41,690	\$ —	\$ —	\$ —	\$ 41,690	
<b>Totals</b>	<b>\$ 1,670,032</b>	<b>\$ —</b>	<b>\$ 1,494,792</b>	<b>\$ —</b>	<b>\$ 2,790,203</b>	

TABLE OF CONTENTS

	Robert McKay				CIC
	Non-CIC			CIC	
Incremental Compensation and Benefit Payments	Termination by Company Without Cause or Resignation for Good Reason	Termination for Cause or Resignation other than for Good Reason	Termination for Death or Disability	Termination due to Non-Renewal of Employment Agreement	Termination by Company Without Cause or for Good Reason under Employment Agreement
Severance	\$ 675,648	\$ —	\$ —	\$ —	\$ 675,648
Pro-Rata Bonus	\$ 184,436	\$ —	\$ —	\$ —	\$ 184,436
Stock Options—Accelerated Vesting	\$ —	\$ —	\$ —	\$ —	\$ —
Restricted Stock—Accelerated Vesting	\$ 511,070	\$ —	\$ 511,070	\$ —	\$ 511,070
Performance Shares—Accelerated Vesting	\$ 232,762	\$ —	\$ 629,137	\$ —	\$ 854,455
Outplacement Services	\$ 6,000	\$ —	\$ —	\$ —	\$ 6,000
Health & Welfare Benefits	\$ 38,983	\$ —	\$ —	\$ —	\$ 38,983
<b>Totals</b>	<b>\$ 1,648,899</b>	<b>\$ —</b>	<b>\$ 1,140,207</b>	<b>\$ —</b>	<b>\$ 2,270,592</b>

**Compensation Policies and Practices as they Relate to Risk Management**

In 2015, the Compensation Committee evaluated the Company's compensation policies and practices as they related to risk management practices and risk-taking initiatives. As part of the evaluation, the Committee consider factors, including, but not limited to, (i) the allocation of compensation among base salary and short and long-term compensation target opportunities, (ii) the significant weighting of compensation towards long-term incentive compensation, (iii) the Company's practice of using Company-wide metrics, (iv) the mix of equity award instruments used under the Company's long-term incentive program that includes full value awards, and (v) the multi-year vesting of the Company's equity awards and its share ownership guidelines. In connection with its evaluation, it hired the Company's compensation consultant, Cook, to prepare an assessment of the Company's executive compensation program and management assessed the Company's non-executive incentive compensation programs to determine if any practices might encourage excessive risk taking on the part of our officers and employees. Based on this evaluation, the Compensation Committee believes that the Company's overall compensation practices and approach to goal setting, setting of targets with payouts at multiple levels of performance, and evaluation of performance results for our employees are not reasonably likely to have a material adverse effect on the Company. In addition, the Compensation Committee believes that the mix and design of the elements of executive compensation do not encourage management to assume excessive risks, properly accounts for the time horizon of risk, discourages short-term risk taking, and encourages decision-making that is in the best long-term interests of the Company and its stockholders as a whole.

**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.

TABLE OF CONTENTS**PROPOSAL 2****RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has selected KPMG LLP, or KPMG, to serve as our independent registered public accounting firm for the 2016 fiscal year. The Audit Committee is satisfied with KPMG's reputation in the auditing field, its personnel, its professional qualifications and its independence. KPMG served as our independent registered public accounting firm for 2010-2015. KPMG representatives will attend the Annual Meeting and respond to appropriate questions. Such representatives may make a statement at the Annual Meeting should they so desire.

**Recommendation of Our Board of Directors**

Our Board recommends a vote FOR the ratification of KPMG to serve as our independent registered public accounting firm for the 2016 fiscal year.

**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 Annual Meeting is required to approve the ratification of KPMG to serve as our independent registered public accounting firm for the 2016 fiscal year. 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 KPMG is ratified by the stockholders, the Audit Committee in its discretion could decide to terminate the engagement of KPMG and engage another firm if the committee determines that this is necessary or desirable.

**Independent Registered Public Accounting Firm Fees**

The Audit Committee of the Board of Directors has recommended to the Board the appointment of KPMG to audit the Company's consolidated financial statements and internal control over financial reporting for fiscal 2016, subject to ratification by the stockholders at the Annual Meeting.

The following table sets forth the aggregate fees billed to the Company for the years ended December 31, 2014 and 2015 by its independent registered public accounting firm, KPMG LLP.

Description of Fees	2014	2015
Audit Fees (1)	\$ 921,500	\$ 1,237,500
Audit - Related Fees	—	—
Tax Fees	—	—
All Other Fees	—	—
Total	\$ 921,500	\$ 1,237,500

(1) Audit Fees consist of fees billed for professional services rendered for the audit of the Company's consolidated annual financial statements and review of the interim consolidated financial statements included in quarterly reports and services that are normally provided by our independent registered public accountants in connection with statutory and regulatory filings or engagements.

**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, as amended, 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 KPMG in fiscal 2015 were approved by the full Audit Committee consistent with the policy described above.

TABLE OF CONTENTS

**AUDIT COMMITTEE REPORT**

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

During the course of 2015 and the first quarter of 2016, the Audit Committee regularly met and held discussions with management and the independent registered public accounting firm. In the discussions related to the Company's consolidated financial statements for fiscal year 2015, management represented to the Audit Committee that such consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States. The Audit Committee reviewed and discussed with management and the independent registered public accounting firm the audited consolidated financial statements for fiscal year 2015.

In fulfilling its responsibilities, the Audit Committee discussed with the independent registered public accounting firm the matters that are required to be discussed by the Public Company Accounting Oversight Board Auditing Standard No. 16, *Communications with Audit Committees*. In addition, the Audit Committee received from the independent registered public 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 registered public accounting firm that firm's independence. In connection with this discussion, the Audit Committee also considered whether the provision of services by the independent registered public accounting firm not related to the audit of the Company's consolidated financial statements for fiscal year 2015 was compatible with maintaining the independent registered public accounting firm's 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 public accounting firm in advance of the performance of such service.

Based upon the Audit Committee's discussions with management and the independent registered public accounting firm and the Audit Committee's review of the representations of management and the report and written disclosures of the independent registered public accounting firm provided to the Audit Committee, the Audit Committee recommended to the Board that the audited consolidated financial statements as of and for the year ended December 31, 2015 be included in the Company's Annual Report on Form 10-K for filing with the SEC. The Audit Committee also approved, subject to stockholder ratification, the selection of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2016.

*The Audit Committee*

Robert A. Oakley, Ph.D., Chairman  
W. Robert Dahl, Jr.  
Marjorie W. Dorr

TABLE OF CONTENTS

**PROPOSAL 3**

**ADVISORY VOTE TO APPROVE THE COMPENSATION OF THE COMPANY'S NAME EXECUTIVE OFFICERS**

( SAY ON PAY )

**Background of the Proposal**

The Dodd-Frank Act requires all public companies, beginning with their stockholder meetings on or after January 21, 2011, to hold a separate non-binding advisory stockholder vote to approve the compensation of executive officers as described in the Compensation Discussion and Analysis, the executive compensation tables and any related information in each such company's proxy statement (commonly known as a Say on Pay proposal). Pursuant to Section 14A of the Securities Exchange Act of 1934, as amended, we are holding a separate non-binding advisory vote on Say on Pay at the Annual Meeting.

**Say on Pay Proposal**

As discussed in the Compensation Discussion and Analysis section of this proxy statement, 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. The Compensation Committee has adopted a compensation strategy in which total direct compensation is generally targeted at the 40th percentile of market practice and is expected to be achieved through a combination of below median base salary and median to above-median annual and long-term incentive opportunities. The Board of Directors believes that our compensation program for our executive officers is appropriately based upon our performance and the individual performance and level of responsibility of the executive officers. We urge you to read the Executive Compensation section of this proxy statement for details on the Company's executive compensation programs.

The Say on Pay proposal is set forth in the following resolution:

RESOLVED, that the compensation paid to PharMerica Corporation's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion is hereby APPROVED.

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

**Recommendation of Our Board of Directors**

Our Board recommends a vote FOR the Say on Pay proposal.

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





## TABLE OF CONTENTS

### **PROPOSAL 4 STOCKHOLDER PROPOSAL REGARDING PROXY ACCESS**

The UAW Retiree Medical Benefits Trust, which is the beneficial owner of 24,829 shares of stock or 0.08% of the outstanding shares of stock of the Company, which have been held continuously for more than one year, submitted the following proposal and supporting statement:

**RESOLVED:** Shareholders of PharMerica Corporation ( PharMerica ) ask the board of directors ( Board ) to adopt, and present for shareholder approval, a proxy access bylaw. The bylaw should require PharMerica to include in proxy materials prepared for a shareholder meeting at which directors are to be elected the name, Disclosure and Statement (defined below) of any person nominated for election to the board by a shareholder or group ( Nominator ) satisfying the criteria below. It should also allow shareholders to vote on such nominee on PharMerica s proxy card.

The number of shareholder-nominated candidates appearing in proxy materials should not exceed one quarter of the directors then comprising the Board. This bylaw, which would supplement existing rights, should provide that a Nominator must:

- a) have beneficially owned 3% or more of PharMerica's outstanding common stock continuously for at least three years;
- b) give PharMerica, within the time period identified in its bylaws, written notice of the information required by the bylaws and any Securities and Exchange Commission rules about (i) the nominee, including consent to being named in the proxy materials and to serving as director if elected; and (ii) the Nominator, including proof it owns the required shares (information required by this subsection (b) is the Disclosure ); and certify that (i) it will assume liability stemming from any legal or regulatory violation arising out of the Nominator's communications with PharMerica shareholders, including the Disclosure and Statement; (ii) it
- c) will comply with all applicable laws and regulations if it uses soliciting material other than PHARMERICA's proxy materials; and (c) to the best of its knowledge, the required shares were acquired in the ordinary course of business and not to change or influence control at PharMerica.

The Nominator may submit a statement not exceeding 500 words in support of each nominee (the Statement ). The Board shall adopt procedures for promptly resolving disputes over whether notice of a nomination was timely, whether the Disclosure and Statement satisfy the bylaw and applicable rules, and the priority to be given when nominations by multiple Nominators exceed the one-quarter limit.

#### Supporting Statement

We believe proxy access is a fundamental shareholder right that will make directors more accountable and enhance shareholder value. A 2014 study by the CFA Institute concluded that proxy access:

- Would benefit both the markets and corporate boardrooms, with little cost or disruption
- Has the potential to raise overall US market capitalization by up to \$140.3 billion if adopted market-wide. (<http://www.cfapubs.org/doi/pdf/10.2469/ccb.v2014.n9.1>)

The proposed bylaw terms enjoy strong investor support. Votes on proxy access proposals averaged approximately 55% in 2015, as of July 26 (<http://corpgov.law.harvard.edu/2015/08/10/proxy-access-proposals/>)--and similar bylaws have been adopted by companies of various sizes across industries, including Chesapeake Energy, Hewlett-Packard, Western Union and Verizon. The Council of Institutional Investors recently issued best practices for proxy access endorsing the 3% ownership threshold (with no limit on the number of nominating shareholders in a group) we propose. (CII, Proxy Access: Best Practices, at 3 (Aug. 2015))

### **BOARD OF DIRECTORS STATEMENT IN OPPOSITION**

Our Board of Directors recommends a vote AGAINST the foregoing proposal for the following reasons:

**The Company has strong governance practices.** All directors are elected annually, eight of the nine directors, including the Chairman of the Board, are independent, and there are no supermajority voting provisions for the Board in our charter or by-laws. Stockholders have opportunities to bring potential nominees to the Board's attention, and the Nominating and Corporate Governance Committee of the Board has committed to consider nomination suggestions from stockholders.

## TABLE OF CONTENTS

**The proposal would undermine the important role of the independent Nominating and Corporate Governance Committee.** Allowing stockholders to nominate competing candidates for director in our proxy statement would seriously undercut the role of the independent Nominating and Corporate Governance Committee and our Board in one of the most crucial elements of corporate governance, the election of directors. An effective board of directors is composed of individuals with a diverse and complementary blend of experiences, skills and perspectives. Our independent Nominating and Corporate Governance Committee and our Board of Directors are best situated to assess the particular qualifications of potential director nominees and determine whether they will contribute to an effective and well-rounded Board that operates openly and collaboratively and represents the interests of all stockholders, not just those with special interests.

- The Nominating and Corporate Governance Committee, which is comprised of independent, non-management directors who owe fiduciary duties to act in the best interests of all stockholders, has developed criteria and a process for identifying and recommending director candidates for election by our stockholders, which are described in the charter of the Nominating and Corporate Governance Committee and discussed above under Nominating and Corporate Governance Committee.
- As part of this process, stockholders can recommend prospective director candidates for the Nominating and Corporate Governance Committee's consideration. No stockholders have recommended prospective director candidates through this process to date, which we believe reflects the confidence of our stockholders in the nomination process of the Nominating and Corporate Governance Committee outlined above. However, any nominee proposed by stockholders for the Committee's consideration through this process would be evaluated and considered in the same manner as a nominee recommended by a Board member, management, search firm or other source.

This process is carefully designed to identify and nominate director candidates who possess a combination of skills, professional experience and diversity of backgrounds necessary to oversee our business and who can contribute to the overall effectiveness of our Board. The Nominating and Corporate Governance Committee also carefully reviews and considers the independence of potential nominees. Stockholders already have a voice in this process and the ability to nominate potential directors for consideration by the Committee. Through this process, we believe that our Nominating and Corporate Governance Committee and Board achieve the optimal balance of directors and best serve the Company and all of our stockholders.

This proxy access proposal would potentially enable a holder, or a group of holders, with ownership of as little as 3% of our outstanding shares to completely bypass this process by placing directly into nomination candidates who may fail to meet the qualifications established by the Board, fail to contribute to the desired mix of perspectives, or fail to represent the interests of stockholders as a whole. In addition, because this proposal, if implemented, would allow a constantly shifting alignment of stockholders that have held shares for the requisite three-year period to aggregate their shares to reach this 3% threshold, we would be limited, as a practical matter, to be able to even identify or engage stockholders who might be part of this group and potentially address any concerns they may have.

We sought input on proxy access from a number of our stockholders who held, in the aggregate, more than 15 percent of our outstanding common stock, including 3 of our top 11 stockholders. We asked these stockholders for their views on proxy access and proxy access bylaws, including whether they support such bylaws and if so, what ownership thresholds and holding periods they believe are appropriate. We note that stockholders we have spoken with thus far have expressed differences on these issues, including whether they support any type of proxy access bylaw. None of the stockholders with whom we have spoken expressed support for the proposal and most believed that the ownership threshold of three percent which is contained in the proposal is too low and that an ownership threshold of at least ten percent should be required. Prior to receiving this proxy access stockholder proposal none of our stockholders had asked us, in connection with our outreach efforts or otherwise, to implement any type of a proxy access mechanism. We will continue to engage with our stockholders to ensure that we have as fulsome an understanding of their views

as possible so that it can be incorporated into our approach on this issue.

**Our Board is accountable to our stockholders.** We communicate our corporate strategy publicly and effectively through webcasts and other means. We participate in investor conferences where we have the opportunity to discuss our business and our priorities. As stockholders consider the Board's responsiveness and accountability concerning the Company's operations and strategic direction, our Board has demonstrated its commitment to practices that enhance accountability with respect to such operational matters.

45

## TABLE OF CONTENTS

**The proposal does not include protections that were contemplated by the SEC's vacated proxy access rule, Rule 14a-11.** For example:

- The proposal does not require a nominating stockholder, or group of nominating stockholders, to retain voting and investment power of the shares they must own to establish eligibility to nominate a director. In adopting Rule 14a-11, the SEC made clear that proxy access should only be available to stockholders that possess ultimate ownership rights over the shares.
- The proposal does not require a nominating stockholder, or group of nominating stockholders, to retain ownership of their shares through the annual meeting date. A nominating stockholder(s) could sell all of their shares prior to the annual meeting date, which could potentially create a misalignment between the interests of the nominating stockholder(s) and our other stockholders. In adopting Rule 14a-11, the SEC believed that requiring a nominating stockholder to hold shares through the meeting date demonstrated the nominating stockholder's commitment to the nominee and the election process.

Thus, this proposal differs significantly from the SEC's version of proxy access by ignoring inherent safeguards necessary to protect our stockholders and the Company.

**The proposal could have a number of other significant adverse consequences.** In addition to proxy access being unnecessary, the Board believes that proxy access as proposed in this stockholder proposal could have a number of significant adverse consequences and harm our Company and stockholders by:

- *Creating an Uneven Playing Field and Increasing Company Costs.* In the absence of proxy access, the playing field is level, in that a stockholder seeking to elect its own nominee to the Board outside of the process of the Nominating and Corporate Governance Committee outlined above would, like the Company, need to undertake the expense of preparing proxy materials and soliciting proxies on its nominee's behalf. We see little reason why a stockholder owning 3% or more of the outstanding shares of the Company (which as of the record date would constitute over \$22,000,000 worth of shares) should not, if the stockholder has a legitimate interest in having representation on the Board, bear the expense of preparing proxy materials and soliciting proxies. Moreover, in a contested election resulting from proxy access, we would likely feel compelled to undertake an additional and potentially expensive campaign in support of Board-nominated candidates and inform stockholders of the reasons why we believe the Board-nominated candidates rather than the stockholder nominee(s) should be elected. In this regard, the United States Court of Appeals for the District of Columbia overturned the SEC's proxy access rule because it determined that the SEC failed to adequately assess the economic effects of the rule, including the expense and distraction that contested director elections arising out of proxy access would entail.
- *Increasing the Influence of Special Interest Groups.* Proxy access creates the potential for a stockholder with a special interest to use the proxy access process to promote a specific agenda rather than the interests of all stockholders or to extract concessions from the Company related to that stockholder's special interests, thereby creating the risk of politicizing the Board election process at virtually no cost to the proponent.
- *Encouraging Short-Termism.* The Board believes that the potential for frequent contested elections arising from proxy access would not only be highly distracting to the Board and management, but could also encourage a short-term focus with respect to the management of the Company's business that would not be in the long-term interests of our stockholders.
- *Disrupting Board Operations.* Contested director elections arising out of proxy access could also disrupt our Board operations and dynamics in various ways. Abrupt changes in the composition of our Board arising out of proxy access could disrupt continuity on our Board in a manner that could interfere with our ability to develop, refine, monitor and

execute our long-term strategic and business plans. In addition, the election of stockholder-nominated directors through proxy access could create factions on the Board, leading to dissension and delay, and thereby potentially preclude the Board's ability to function effectively and serve the best interests of all our stockholders. Finally, the potential for frequent contested elections arising out of proxy access could hinder collegiality among our Board members by creating the potential for our Board members to be pitted against one another in contested director elections on a regular basis where there would be more nominees up for election than available director positions.

- *Discouraging Highly Qualified Director Candidates from Serving.* Under the current process overseen by the Nominating and Corporate Governance Committee, we have a well-functioning team of directors with a diverse range of expertise and experience. However, the prospect of routinely standing for election in a contested situation

TABLE OF CONTENTS

may deter highly qualified individuals from Board service. Moreover, the prospect of perennial contested elections may cause incumbent directors to become excessively risk adverse, thereby impairing their ability to provide sound and prudent guidance with respect to our operations and interests.

The Board believes that the current measures the Company employs for the nomination and election of directors, as well as the Company's stockholder engagement program, have led to a Board that is responsive to stockholder input and promotes a strategy of long-term value creation. While our Board strives to implement corporate governance best practices when appropriate, our Board believes that proxy access would be unnecessary and counterproductive for the Company. Moreover, our Board believes that proxy access could disrupt the functioning of our Board and adversely affect the implementation of our long-term strategy.

For the foregoing reasons, the Board believes that this proposal is not in the best interests of the Company or its stockholders.

***THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE AGAINST THE STOCKHOLDER PROPOSAL REGARDING PROXY ACCESS DESCRIBED IN PROPOSAL 4.***

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 22, 2016 by (i) the Named Executives, (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 Schedules 13D and 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 22, 2016, there were 30,734,393 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 restricted stock units, options, warrants and convertible securities that will vest or are currently exercisable or convertible within 60 days of April 22, 2016 into shares of our common stock are deemed to be outstanding and to be beneficially owned by the person holding the restricted stock units, options, warrants or convertible securities for the purpose of computing the percentage ownership of the person.

<b>Name of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percent of Class</b>
<b>Named Executives, Directors and Nominees</b>		
Gregory Weishar (1)(3)	1,054,591	3.43 %
Thomas Caneris (1)	70,297	*
Robert McKay (1)(3)	65,614	*
Thomas Mac Mahon (2)(3)	53,439	*
Frank Collins (2)	51,439	*
Suresh-Kumar Vishnubhatla	50,493	*
Thomas Gerrity (2)	48,145	*
Robert Oakley (2)(3)	47,291	*
David W. Froesel, Jr.	33,695	*
Marjorie Dorr	20,277	*
Patrick LePore (2)	19,586	*
Geoffrey Meyers (1)	7,992	*
W. Robert Dahl, Jr.	3,518	*
All directors, nominees and executive officers of the Corporation as a group (13 Persons)	1,548,815	5.04 %
<b>Other Security Holders with More Than 5% Ownership</b>		
BlackRock, Inc. (4)	3,081,212	10.03 %
Dimensional Fund Advisors LP (5)	2,579,111	8.39 %
Ameriprise Financial, Inc. (6)	1,921,703	6.25 %

Includes for the following persons shares of the Company's common stock which may be acquired pursuant to the (1) exercise of vested stock options: Mr. Weishar—338,637, Mr. Vishnubhatla—20,719, Mr. Caneris—9,588, and Mr. Meyers—29,268.



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- Includes voting rights over restricted stock as follows: Mr. Collins - 3,730, Mr. Gerrity - 3,730, Mr. Mac Mahon -
- (2) 3,730, Mr. Oakley - 3,730, and Mr. LePore - 3,730. Does not include restricted stock units that will vest following a date that is 60 days following April 22, 2016.
  - (3) Includes for the following persons shares of the Company's common stock which they own through their own investment: Mr. Weishar—183,746, Mr. McKay—7,000, Mr. Mac Mahon—12,000, and Mr. Oakley—3,000.

## TABLE OF CONTENTS

- (4) The shares included in the table are based solely on the Schedule 13G/A filed with the SEC on January 8, 2016, in which BlackRock, Inc. states that it has sole voting power over 2,996,781 shares of the Company's common stock and sole dispositive power over 3,081,212 shares of the Company's common stock. Its business address is 55 East 52nd Street New York, NY 10055.
- (5) The shares included in the table are based solely on the Schedule 13G/A filed with the SEC on February 9, 2016, in which Dimensional Fund Advisors LP states that it has sole voting power over 2,480,647 shares of the Company's common stock and sole dispositive power over 2,579,111 shares of the Company's common stock. Its business address is Building One, 6300 Bee Cave Road, Austin, TX 78746.
- (6) The shares included in the table are based solely on the Schedule 13G filed with the SEC on February 12, 2016, in which Ameriprise Financial, Inc. states that it has shared voting power over 1,838,165 shares of the Company's common stock and shared dispositive power over 1,921,703 shares of the Company's common stock. A portion of the shares are held by Columbia Management Investment Advisers, LLC. Ameriprise Financial, Inc.'s business address is 145 Ameriprise Financial Center, Minneapolis, MN 55474.

## **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 Annual 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 Secretary, 1901 Campus Place, Louisville, Kentucky 40299 or by contacting the Corporate Secretary at (502) 627-7000.

### **Stockholder Proposals for 2017 Annual Meeting**

Any stockholder proposal intended to be considered for inclusion in the Company's proxy materials for presentation at the 2017 Annual Meeting of Stockholders must be in writing and received by the Corporate Secretary of the Company not later than December 30, 2016.

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 2017 Annual Meeting of Stockholders:

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- not fewer than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting (which will be June 17, 2017); 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.

We must receive notice of your intention to introduce a nomination or other item of business at that meeting not earlier than February 17, 2017 and not later than March 19, 2017. If we do not receive notice during that period, or

TABLE OF CONTENTS

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;
- 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, 2016

50

TABLE OF CONTENTS

TABLE OF CONTENTS