

PharMerica CORP  
Form DEF 14A  
April 23, 2010  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A INFORMATION**

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

Filed by the Registrant

Filed by a party other than the Registrant

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under to §240.14a-12

**PHARMERICA CORPORATION**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required

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- (4) Date Filed:



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**PHARMERICA CORPORATION**

**1901 Campus Place**

**Louisville, KY 40299**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD MAY 26, 2010**

PharMerica Corporation's Annual Meeting of Stockholders will be held on May 26, 2010, at 9:00 a.m. local time. We will meet at the Louisville Marriott Downtown, 280 West Jefferson Street, Louisville, Kentucky 40202 (the Annual Meeting). If you owned common stock at the close of business on April 6, 2010, you may vote at the Annual Meeting or any adjournments or postponements thereof. At the Annual Meeting, we plan to:

1. elect nine directors for a term to expire at the Annual Meeting of Stockholders in 2011;
2. approve an amendment and restatement of the Company's Amended and Restated 2007 Omnibus Incentive Plan;
3. ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2010; and
4. 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 May 26, 2010**

The Proxy Statement and 2009 Annual Report 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 26, 2010

**YOUR VOTE IS IMPORTANT. PLEASE COMPLETE AND RETURN THE ENCLOSED**

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**PROXY PROMPTLY SO THAT YOUR VOTE MAY BE RECORDED  
AT THE ANNUAL MEETING IF YOU DO NOT ATTEND PERSONALLY.**

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**PHARMERICA CORPORATION**

**1901 Campus Place**

**Louisville, KY 40299**

**PROXY STATEMENT**

**ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held On May 26, 2010**

**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 Wednesday, May 26, 2010 at 9:00 a.m. local time, at the Louisville Marriott Downtown, 280 West Jefferson Street, Louisville, Kentucky 40202 and thereafter as it may from time to time be adjourned or postponed (the Annual Meeting). This proxy statement and the accompanying proxy are first being mailed to stockholders on or about April 26, 2010.

**Who May Vote**

Each stockholder of record at the close of business on April 6, 2010 (the Record Date) is entitled to notice of and to vote at the Annual Meeting. On the Record Date, there were 30,642,669 shares of our common stock, par value of \$.01 per share (the common stock) outstanding. On the Record Date, there were no shares of Preferred Stock, par value \$.01, outstanding. You may cast one vote for each share of common stock held by you on all matters presented at the 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 2011;
2. FOR the approval of the amendment and restatement of the Company's Amended and Restated 2007 Omnibus Incentive Plan (the Omnibus Incentive Plan);
3. 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, 2010; and
4. In the discretion of the proxy holders, FOR or AGAINST such other business as may properly come before the Annual Meeting or any adjournment or postponements thereof.

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

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



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

by giving a later dated proxy; or

by attending the Annual Meeting and voting in person.

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### **Quorum Requirement**

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

### **Required Vote**

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

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

The affirmative vote of a majority of votes cast, provided that the total vote cast on the proposal represents over 50% of the outstanding common stock entitled to vote on the proposal, is required for the approval of the amendment and restatement of the Omnibus Incentive Plan. 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. Abstentions will not be counted as a vote for or against the proposal to amend and restate the Omnibus Incentive Plan, but will be counted for purposes of determining whether the total votes cast on the proposal represents over 50% of the outstanding common stock entitled to vote on the proposal. 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 and the approval of the amendment and restatement of the Omnibus Incentive Plan 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 and the approval of the amendment and restatement of the Omnibus

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Incentive Plan, Broker non-votes will not be counted as votes for or against these proposals. Broker non-votes will not be counted in the determination of whether the total votes cast on the proposal represents over 50% of the outstanding common stock entitled to vote on the proposal.

**EXPLANATORY NOTE**

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

**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., Thomas P. Mac Mahon, Daniel N. Mendelson, 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 2011 Annual Meeting of Stockholders and until their successors are duly elected and qualified. Each of the nominees has consented to be named in this proxy statement and to serve as a member of our Board if elected. In the event that a nominee withdraws or for any reason is not able to serve as a director, the proxy will be voted for such other person as may be designated by the Board, but in no event will the proxy be voted for more than nine nominees as directors. Our management has no reason to believe that the nominees will not serve if elected. There is no family relationship between any of the current directors or persons nominated to become a director.

**NOMINEES FOR ELECTION AT THE ANNUAL MEETING**

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

<b>Name</b>	<b>Age</b>	<b>Position</b>
Frank E. Collins, Esq.	56	Director
W. Robert Dahl, Jr.	53	Director
Marjorie W. Dorr	48	Director
Thomas P. Gerrity, Ph.D.	68	Director
Thomas P. Mac Mahon	63	Director
Daniel N. Mendelson	45	Director
Geoffrey G. Meyers	65	Director
Robert A. Oakley, Ph.D.	63	Director
Gregory S. Weishar	55	Chief Executive Officer and Director

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

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 the Chief Operating Officer of Arrowhawk Capital Partners, an investment company, a post he has held since September 2009. 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 with over \$50 billion of equity under management, where he was responsible for the firm's investments in the healthcare field. Prior to Carlyle, Mr. Dahl served as co-head of healthcare investment banking in North America at Credit Suisse First Boston. Mr. Dahl is also a director of Slate Pharmaceuticals, Inc. and Amkai LLC. 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 served as Executive Vice President and Chief Strategy Officer for WellPoint, Inc. Ms. Dorr held various executive positions while at WellPoint including President and Chief Executive Officer of WellPoint's Northeast Region SBU, where she was responsible for operations in several states. Ms. Dorr joined WellPoint through the merger in 2004 of WellPoint and Anthem, Inc. At the time of the merger, Ms. Dorr served as President of Anthem Blue Cross and Blue Shield's East region. Ms. Dorr received her bachelor of business administration degree from the University of Iowa and her master of business administration degree from the University of Chicago Graduate School of Business.

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 Audit Committee and Nominating and Corporate Governance Committee of the Board. Mr. Gerrity served as interim Chair of the Audit Committee from November 2007 to March 2008. Mr. Gerrity was the Dean of the Wharton School of the University of Pennsylvania from July 1990 to June 1999. Since then he has been Professor of Management and Dean Emeritus at the Wharton School of the University of Pennsylvania. Mr. Gerrity also serves as a director of Internet Capital Group, Inc. and as a member of the Corporation of the Massachusetts Institute of Technology. Mr. Gerrity is the Chairman of the Advisory Board of Arden Fund I, a private real estate investment fund managed by the Arden Group in Philadelphia, Pennsylvania. Mr. Gerrity served as a director of Sunoco, Inc. from 1990 to May 2010. Mr. Gerrity served as a director of

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Federal National Mortgage Association ( Fannie Mae ) from September 1991 until December 2006 and served as the Chair of Fannie Mae s Audit Committee from January 1999 until May 2006. He was also a director of Knight-Ridder, Inc. from 1998 to 2006; CVS Corporation from 1995 to 2007; and Hercules, Inc. from 2003 to 2008.

Mr. Gerrity, by virtue of his senior management experience 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.

**Thomas P. Mac Mahon.** Mr. Mac Mahon has served as Chairman of the Board since July 31, 2007. He is also a member of the Compensation Committee and served as the Chair of the Compensation Committee from July 2007 to February 2008. Mr. Mac Mahon has served as a director of the Laboratory Corporation of America Holdings ( LabCorp ) since 1995. In addition, Mr. Mac Mahon served as a non-executive Chairman of the Board of LabCorp from January 2007 to May 2009; Executive Chairman of the Board from April 1996 to December 2006; and Vice-Chairman of the Board from April, 1995. From January 1997 until his retirement in December, 2006, Mr. Mac Mahon served as President and Chief Executive Officer and a member of the Executive and Management Committees of LabCorp. 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 was a director of Golden Pond Healthcare from November 2007 to November 2009.

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, possesses executive compensation experience.

**Daniel N. Mendelson.** Mr. Mendelson has served as a director since July 31, 2007. Mr. Mendelson is Chairman of the Compensation Committee and will be a member of the Nominating and Governance Committee until the 2010 Annual Meeting of Shareholders. Mr. Mendelson is CEO of Avalere Health LLC ( Avalere Health ), a strategic advisory company that provides guidance and syndicated research for clients in the healthcare industry, government and the not-for-profit sector. Prior to founding Avalere Health in 2000, he served as Associate Director for Health at the White House Office of Management and Budget in Washington, D.C. Mr. Mendelson has been a director of Coventry Healthcare, Inc. since May 2005.

As a leading national expert in Medicare, Medicaid and other public health care programs, Mr. Mendelson has a deep understanding of the Company s strategic imperatives in each of these lines of business. As Chief Executive Officer of Avalere Health, Mr. Mendelson advises Fortune 500 companies on policy issues of relevance to the Company, such as long-term care operations, reimbursement systems, clinical quality measures, evidence-based medicine, and health information technology. Mr. Mendelson s prior experience as a White House policy official also lends perspective on how federal and state health care policies are developed, and how they impact the full range of health care companies.

**Geoffrey G. Meyers.** Mr. Meyers has served as a director since November 17, 2009. 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 currently is Chairman of the Board of the Trust Company of Toledo, a northwestern Ohio trust bank. He is also Treasurer of the Board of Directors of Mercy Health Partners, the northern region of Catholic Health Partners. He has been appointed a

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part-time member of senior management at flexible solar panel manufacturer, Xunlight Corporation. He received his BS 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. Since 2003, Mr. Oakley has served as the Shepard Executive-in-Residence in the Fisher College of Business at The Ohio State University. In 2003, Mr. Oakley retired after more than 25 years service with the Columbus, Ohio-based Nationwide Companies, one of the 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 PhD in Finance from The Ohio State University.

Mr. Oakley s 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, information technology, corporate communications, risk management and strategic planning.

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

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 2011 Annual Meeting of Stockholders and until their successors have been duly elected and qualified. In making this recommendation with respect to Mr. Gerrity, the Nominating and Governance Committee placed significant value on Mr. Gerrity s considerable skills and diverse experiences and was aware of and took into consideration Mr. Gerrity s service on the Board of Directors and Audit Committee of Federal National Mortgage Association, which restated its audited financial statements for certain periods during which Mr. Gerrity was Chair of its Audit Committee.

## **Required Vote**

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

## **CORPORATE GOVERNANCE**

### **Meetings**

During 2009, the Board held a total of eight regular meetings. Each director attended at least 75% of the aggregate of (i) the total number of meetings of the Board during the period which he/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

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was a director. With exception of one meeting, the non-management members of the Board have met in executive session at each regularly scheduled meeting of the Board. In addition, if this group of non-management directors includes directors who do not satisfy the independence requirements of the New York Stock Exchange (the NYSE), an executive session including only independent directors is scheduled at least once a year. The non-executive Chairman of the Board presides at meetings of the non-management directors and independent directors to the extent that he is present at the meetings.

It is the policy of the Board to encourage its members to attend the Company's Annual Meeting of Stockholders. Seven out of eight directors attended the Company's 2009 Annual Meeting of Stockholders.

### **Board Committees**

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

Name	Audit	Nominating and Corporate Governance	Compensation
Frank E. Collins, Esq.		Chairman	
W. Robert Dahl, Jr.	Member		
Marjorie W. Dorr			Member
Thomas P. Gerrity, Ph.D.	Member	Member	
Thomas P. Mac Mahon			Member
Daniel N. Mendelson		Member	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 2009. The Board has determined that Mr. Oakley, Mr. Gerrity and Mr. Dahl are each qualified as an audit committee financial expert as such term is defined in Item 407(d)(5) of Regulation S-K and that 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 eight meetings in 2009. The Compensation Committee reviews periodic reports from the CEO and other officers as to the performance and compensation of the officers, employees and directors.

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

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

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.

### **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 five meetings in 2009.

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.





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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.

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Our Company engaged a third-party search firm to conduct a search for the board position that was filled by Geoffrey G. Meyers. Mr. Meyers was presented as a candidate by the third-party search firm.

### **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

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Company's Corporate Governance Guidelines: Mr. Collins, Mr. Dahl, Ms. Dorr, Mr. Gerrity, Mr. Mac Mahon, Mr. Mendelson, Mr. Oakley and Mr. Meyers.

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

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

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

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

Based solely upon a review of the copies of the forms furnished to the Company and written representations from officers and directors of the Company that no other reports were required, during the year ended December 31, 2009, all filing requirements under Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), applicable to its officers, directors and greater than 10% beneficial owners were complied with on a timely basis.

### **Code of Ethics**

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

The Code of Conduct and Ethics is available on the Company's website at [www.pharmerica.com](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.

The Company's Chief Executive Officer and Director, Gregory S. Weishar, certified to the NYSE on or about June 11, 2009, pursuant to Section 303A.12(a) of the NYSE's listing standards, that he was not aware of any violation by the Company of the NYSE's corporate governance listing standards as of that date.

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

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 Thomas P. Mac Mahon 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,

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respectively are independent directors Robert A. Oakley, Frank E. Collins and Daniel N. Mendelson. 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 chief financial officer. Enterprise risks are identified and prioritized by management and the board and a mitigation plan is developed. Management regularly reports on risk mitigation to the relevant committee or the board. Additional review or reporting on enterprise risks is conducted as needed or as requested by the board or committee. The enterprise risk management program as a whole is reviewed at an annual board strategy session.

### **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 Executive Vice President and Chief Financial Officer to the Company's headquarters at PharMerica Corporation, 1901 Campus Place, Louisville, Kentucky 40299. All communications must be accompanied by the following information:

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

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

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

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

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

communications that advocate the Company engaging in illegal activities;

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

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

Upon receipt, each communication will be entered into an intake record maintained for this purpose, including the name of the person submitting the communication, the date and time of receipt of the



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

**Table of Contents****DIRECTOR COMPENSATION**

The following table sets forth certain information regarding the compensation paid to the Company's non-employee directors for their service during the fiscal year ended December 31, 2009.

Name	Fees Paid in			Change in Pension Value and Nonqualified Deferred Compensation Earnings	Total
	Cash Earned in 2009	Stock Awards (1)(3)	Option Awards (2)(3)		
Frank E. Collins (3)	\$ 69,500	\$ 80,003	\$	\$ 5,103	\$ 154,606
W. Robert Dahl, Jr. (3)	\$ 64,500	\$ 80,003	\$	\$ 21,863	\$ 166,366
Marjorie W. Dorr (4)	\$ 54,958	\$ 113,340	\$ 59,098	\$	\$ 227,396
Thomas P. Gerrity, Ph.D. (3)	\$ 72,000	\$ 80,003	\$	\$	\$ 152,003
Thomas P. MacMahon (3)	\$ 76,000	\$ 80,003	\$	\$	\$ 156,003
Daniel N. Mendelson (3)	\$ 75,500	\$ 80,003	\$	\$ (5,108)	\$ 150,395
Geoffrey G. Meyers (4)	\$ 8,280	\$ 46,671	\$ 119,958	\$	\$ 174,909
Robert A. Oakley, Ph.D. (3)	\$ 74,500	\$ 80,003	\$	\$	\$ 154,503

- (1) All stock awards are restricted stock awards and are in shares of the Company's common stock and all options are to purchase 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 9 of the Company's audited financial statements for the year ended December 31, 2009 included in the Company's Annual Report on Form 10-K filed with the SEC on February 4, 2010.
- (2) The table below sets forth the grant date fair value of each equity award granted in 2009 computed in accordance with FASB ASC Topic 718:

Name	Restricted Stock		Stock Options	
	Number of Awards Granted in 2009	Grant Date Fair Value	Number of Awards Granted in 2009	Grant Date Fair Value
Frank E. Collins	4,348	\$ 80,003		\$
W. Robert Dahl, Jr.	4,348	\$ 80,003		\$
Marjorie W. Dorr (2a)	4,348	\$ 80,003		\$
	2,098	\$ 33,337	13,831	\$ 59,098
Thomas P. Gerrity, Ph.D.	4,348	\$ 80,003		\$
Thomas P. Mac Mahon	4,348	\$ 80,003		\$
Daniel N. Mendelson	4,348	\$ 80,003		\$
Geoffrey G. Meyers (2b)	3,099	\$ 46,671	29,268	\$ 119,958
Robert A. Oakley, Ph.D.	4,348	\$ 80,003		\$

- (2a) Ms. Dorr joined the board in January 2009. The amounts in the second line represent Ms. Dorr's initial annual restricted stock award pro-rated for her period of service from the date of her appointment through the 2009 Annual Meeting of Stockholders and her initial grant of stock options.



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- (2b) Mr. Meyers joined the board in November 2009. The amount represents Mr. Meyers' initial annual restricted stock award pro-rated for his period of service from the date of his appointment through the 2010 Annual Meeting of Stockholders and his initial grant of stock options.

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- (3) The table below sets forth the aggregate number of shares of restricted stock and the aggregate number of stock options held by each non-employee director as of December 31, 2009.

Name	Aggregate Awards Outstanding at December 31, 2009	
	Restricted Stock	Stock Options
Frank E. Collins	8,305	15,424
W. Robert Dahl, Jr.	7,831	9,568
Marjorie W. Dorr	6,446	13,831
Thomas P. Gerrity, Ph.D.	8,305	15,424
Thomas P. Mac Mahon	8,305	15,424
Daniel N. Mendelson	9,466	15,424
Geoffrey G. Meyers	3,099	29,268
Robert A. Oakley, Ph.D.	7,770	13,600

- (4) Marjorie W. Dorr was appointed to the Board on January 22, 2009. Geoffrey G. Meyers was appointed to the Board on November 17, 2009.

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

*Annual Retainer* Each director receives an annual retainer of \$35,000. Directors may, in their discretion, elect to receive the annual retainer, in whole or in part, in cash or shares of the Company's common stock.

*Chairman Retainer* The Chairman of the Board currently receives an additional retainer of \$15,000 per year. Effective as of the date of the Annual Meeting this additional retainer will be increased to \$30,000 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 \$5,000. Effective as of the date of the Annual Meeting these additional retainers will be increased to \$10,000 per year. The Chairman of the Audit Committee currently receives an additional annual retainer of \$10,000. Effective as of the date of the 2010 Annual Meeting this additional retainer will be increased to \$15,000 per year.

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

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

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

*Annual Restricted Stock Grant* Each director receives an annual award of restricted stock valued at \$80,000. The restricted stock issued prior to January 1, 2010 vests in three equal annual installments. Beginning January 1, 2010, the restricted stock will vest the earlier of the first anniversary of the grant date or the next annual shareholder 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 grant, the stock will be deferred as it vests. The minimum deferral period for an in-service distribution of any deferred amount is five years from the end of the

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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.

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

The following table sets forth information with respect to executive officers of the Company as of April 20, 2010.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Gregory S. Weishar	55	Chief Executive Officer and Director
Michael J. Culotta	55	Executive Vice President and Chief Financial Officer
William E. Monast	50	Executive Vice President of Operations
Thomas A. Caneris	47	Senior Vice President, General Counsel and Secretary
Anthony A. Hernandez	44	Senior Vice President of Human Resources
John T. Kernaghan	62	Senior Vice President and Chief Information Officer
Robert A. McKay	48	Senior Vice President of Sales and Marketing
Berard E. Tomassetti	54	Senior Vice President and Chief Accounting Officer

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

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

**Michael J. Culotta.** Mr. Culotta has served as our Executive Vice President and Chief Financial Officer since July 2007. Prior to joining the Company, Mr. Culotta served as Chief Financial Officer of LifePoint Hospitals, Inc. since November 2001. Prior to joining LifePoint, Mr. Culotta served as a partner and healthcare area industry leader for the southeast area at Ernst & Young LLP. Mr. Culotta was affiliated with Ernst & Young LLP for over 24 years.

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

**Thomas A. Caneris.** Mr. Caneris has served as our Senior Vice President, General Counsel and Secretary since August 2007. Prior to joining the Company, Mr. Caneris served as counsel to Convergys Corporation from September 2004. Prior to that he was Commercial Affairs Counsel at AK Steel Corporation from April 1998 to September 2004.

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

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

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**Robert A. McKay.** Mr. McKay has served as our Senior Vice President of Sales and Marketing. Prior to joining the Company in July 2007, Mr. McKay was Vice President of Marketing 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 officer.

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

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**COMPENSATION DISCUSSION AND ANALYSIS**

**Introduction**

The Compensation Committee of the Board of Directors is principally responsible for reviewing and administering the Company's compensation policies and practices regarding the executive officers. The Committee is composed of three members, all of whom are (i) independent directors, (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 Committee's written charter, which has been approved by the Board and is reviewed annually to ensure that it properly reflects the Committee's responsibilities, the Compensation Committee has the authority to establish the compensation structure for the Company's executive officers. The Committee makes its decisions after extensive review and consideration.

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.

In April 2008, the Compensation Committee retained Cook to serve as the Committee's outside Compensation Consultant to assist in setting 2009 compensation levels and developing the structure of various incentive plans. In its role as outside consultant, Cook provides the Compensation Committee with objective analyses, advice and information with respect to CEO and other executive compensation. Cook maintains no other direct or indirect business relationships with the Company.

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

**Executive Compensation Program Objectives**

Our executive compensation program is designed to balance our overall compensation philosophy of promoting programs that are simple and flexible, and sufficiently robust to permit us to attract and retain a high quality and stable executive management team. Our executive compensation program is primarily structured to be competitive within the institutional pharmacy industry and focus our executives on profitability, achieving cost savings and providing quality services to our customers and to provide transparency to both our employees and stockholders. Each of these performance objectives is critical to our success.

The goals of our executive compensation program are to:

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

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

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

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

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

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

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

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

The Compensation Committee has adopted a compensation strategy in which total direct compensation is generally targeted at the market median. Market median compensation is expected to be achieved through a combination of below median base salary and above median annual and long-term incentive opportunities. This approach supports the Company's pay-for-performance philosophy by providing a compensation package that is generally weighted toward variable, performance-based incentives, thus ensuring the highest degree of accountability at the senior levels of the organization.

## **Benchmarking Process**

As discussed above, we have targeted Named Executive Officers' total direct compensation to fall within the median range for equivalent positions at peer group companies after adjusting for company size. The actual positioning of target compensation for individual executives may range above or below the median based on job content, experience and responsibilities of the roles compared to similar positions in the market.

For 2009 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, and are competitors for customers and/or executive talent. The 2009 peer group, which includes five of the nine companies included in the 2008 peer group, was revised with the assistance of Cook, to exclude companies in different businesses and include additional health care services and distribution companies of similar size. The 2009 peer group consists of the following 14 companies:

Apria Healthcare Group Inc.

Amedisys, Inc.

Gentiva Health Services, Inc.

Healthextras Inc.

HealthSouth Corporation

Henry Schein, Inc.

Invacare Corporation

Lincare Holdings



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Longs Drug Stores Corporation

Magellan Health Services, Inc.

Omnicare, Inc.

PSS World Medical, Inc.

Res Care, Inc.

Universal American Corporation

The following companies were eliminated from the peer group for 2009: Bioscrip, Owens & Minor Inc., Rotech Healthcare Inc., and St. Jude Medical Inc.

The Compensation Committee used the same peer group in 2010.

Our revenues approximate the median and our enterprise value as of August 31, 2009 approximated the 25<sup>th</sup> percentile of the of the peer companies.

**Components of the Executive Compensation Program**

Our Named Executive Officer compensation program consists of base salary, annual cash incentives and long-term incentives. For our Named Executive Officers, our program is structured so that variable, or at risk, compensation ranges from approximately 65% to 75% of total compensation. This ensures that the executives with the highest degree of responsibility to stockholders are held most accountable for results and changes in stockholder value.

**Base Salary**

Base salaries for our Named Executive Officers were generally targeted in the 25th percentile to median range for equivalent positions at the peer group companies after adjusting for company size. Actual salary for individual executives is positioned to reflect differences in job content and experience. Competitive base salaries are essential to attracting and retaining executive management talent, 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.

Mr. Weishar's employment agreement, which was negotiated with the Transition Planning Committee and entered into on January 14, 2007. The Transition Planning Committee was formed by AmerisourceBergen and Kindred as part of the formation of the Company and consisted of three AmerisourceBergen representatives and three Kindred representatives. The Transition Planning Committee was responsible for assembling a management team for a to-be-formed public company and developing an initial executive compensation program. Mr. Weishar's employment agreement sets his base salary at no less than \$700,000, a rate individually negotiated with Mr. Weishar. In response to the challenging economic environment and the Company's focus on cost control, a merit increase budget of 1% was adopted for 2009 for executives and employees with salaries in excess of \$75,000. For 2009, Mr. Weishar's base salary was increased by 1% from \$717,042 to \$723,320.

Base salaries for our other Named Executives were individually negotiated with the executives and are set forth in their employment agreements. The Compensation Committee reviews base salaries at least annually and more frequently when promotions or changes in responsibility occur within our executive management. Salary increases 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 Executive Officers other than himself. For 2009, each of the other Named Executives received a 1% base salary increase.



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### Annual Cash Incentives

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

#### *Mr. Weishar*

In 2009, 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, integration, merger and acquisition related costs and other related charges, depreciation and amortization expense, impairment charges of intangibles, and other accounting principle changes. Adjusted EBITDA was selected as the objective performance criterion, because, as a new company, it was critical to focus our Named Executive Officers on earnings and the achievement of cost savings.

Mr. Weishar's incentive formula was 2% of adjusted EBITDA for 2009, provided that adjusted EBITDA was at least \$89 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 2009; but he was not assured of earning this maximum amount. Instead, the Committee had 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 his individual performance. In this regard, the Committee decided to reduce Mr. Weishar's payout under the EBITDA incentive formula to the amount payable under the annual bonus program described below.

#### *Annual Bonus Program*

The Committee established target award opportunities for the Named Executive Officers under the 2009 annual bonus program, which were expressed as a percentage of base salary. These target award opportunities were individually negotiated with our Named Executive Officers prior to their accepting employment with our Company, and in the case of Messrs Weishar, Culotta, Caneris and McKay were increased in 2009 upon review by the Compensation Committee to move the executives' target compensation toward the market median range.

<b>Named Executive Officer</b>	<b>2009 Target Award Opportunity (% of Base Salary)</b>
Mr. Weishar	115%
Mr. Culotta	80%
Mr. Monast	75%
Mr. Caneris	65%
Mr. McKay	65%

Annual bonuses are funded 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. Financial performance accounted for 70% of the bonus and individual performance accounted for 30% of the bonus; however, no bonuses are payable unless the Company achieved the Threshold level of adjusted EBITDA described below.

Because it was not clear at the beginning of 2009 how the economic environment would continue to affect the Company and our customers, we expanded the adjusted EBITDA performance ranges to reflect the difficulty of goal setting in the current economic environment. Specifically, the Threshold performance level was set at

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85% of the Target performance (compared to 90% of Target in 2008) and the Maximum performance level was set at 130% of Target performance (compared to 120% in 2008). We also decreased the payout level associated with Threshold performance to 35% of the target payout to reflect the lower performance requirement. The changes increased the probability of a payout for 2009 performance in the event that the economic conditions deteriorated more than expected, while decreasing the probability of maximum payouts in the event that the economy recovered more quickly than expected.

The performance and payout levels for the adjusted EBITDA goal were as follows:

<b>Performance Level</b>	<b>Threshold:</b>	<b>Target:</b>	<b>Maximum:</b>
	<b>\$89.3 million</b>	<b>\$105 million</b>	<b>\$136.5 million</b>
<b>Payout Level</b>	<b>35%</b>	<b>100%</b>	<b>175%</b>

Individual goals were established at the beginning of 2009 and were tailored to reflect priorities for each executive for 2009. Individual goals related to factors such as minimizing bad debt expense, succession planning, account retention, cost control and other strategic initiatives.

The Company achieved adjusted EBITDA of \$102.7 million for 2009, which resulted in a 90.2% payout for the target award opportunity apportioned to the financial component. Payouts for the individual component for the Named Executives ranged from 71% to 115% of target, resulting in total bonus payments of 84.5% to 97.6% of target.

The amount of the 2009 annual incentive payment for each Named Executive Officer is set forth in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table of this proxy statement at page 25. For more information on the 2009 annual incentive opportunities for our Named Executive Officers, please refer to the Grants of Plan-Based Awards section of this proxy statement at page 27.

No discretion was used in funding the bonus pool or in allocating the bonus pool. A Named Executive Officer had to remain continuously employed by the Company until the payout date of the 2009 short-term incentive program bonuses to receive the bonus. The 2009 short-term incentive program bonuses were paid in March 2010.

**Long-Term Incentives**

*The Company's Long-Term Incentive Grants*

In fiscal year 2009, the long-term component of our executive compensation program for each of our Named Executive Officers consisted of a combination of stock options and performance share units. The Committee used stock options to focus the Company's executives on stock price appreciation and used performance share units to focus executives on longer-term operating performance expected to drive long-term stockholder value creation. The long-term incentive awards were granted in the following amounts as a percentage of the long-term incentive target: 50% stock options and 50% performance share units to balance executive focus on long-term stock price appreciation and operating performance.

The long-term incentives for our Chief Executive Officer and Executive Vice Presidents is based 85% on the achievement of an adjusted EBITDA target and 15% on the achievement of a return on invested capital ( ROIC ) target. Adjusted EBITDA was selected as the performance measure for the 2009 performance share units to reinforce the importance of achievement of cost savings and earnings in the creation of long-term stockholder value. ROIC is used to increase the focus on the efficient use of capital. We believe the combination of adjusted EBITDA and ROIC ensures that executives consider the impact on margins and the cost of capital in executing strategies to fuel the Company's profitable growth. The long-term incentives of Mr. McKay and Mr. Caneris are based solely on adjusted EBITDA as they do not have direct control over capital allocation decisions. For the 2009 performance share unit grants, performance will be measured based on 2011 adjusted

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EBITDA and ROIC performance. The adjusted EBITDA and ROIC performance objectives were set based on the Company's longer-range plan.

Long-term target incentive opportunities are expressed as a percentage of base salary and vary among our Named Executive Officers. In fiscal year 2009, Mr. Culotta, Mr. Monast, Mr. Caneris and Mr. McKay were eligible for long-term target bonus opportunities (represented as a percentage of base salary) of 180%, 175%, 140% and 130% respectively. The actual performance share unit components of the long-term bonus awards for our Named Executive Officers could range from 50% to 200% of the target award, depending upon performance relative to the predetermined adjusted EBITDA and/or ROIC goals.

In fiscal year 2010, the long-term component of our executive compensation program for each of our Named Executive Officers continues to consist of a combination of stock options and performance share units. The long-term incentive awards were granted in the following amounts as a percentage of the long-term incentive target: 50% stock options and 50% performance share units.

*2009 restricted stock unit grant*

In fiscal year 2009, the Compensation Committee granted Messrs Weishar, Culotta, Caneris and McKay a time based restricted stock unit award equal to 46,663, 23,600, 11,633 and 10,833 shares, respectively. One-half of the award vests on the first anniversary date of the award and the remainder vests on the second anniversary of the award. The Compensation Committee granted this one-time restricted stock unit award to these Named Executive Officers as an additional incentive and retention component to their compensation packages. In recommending the approval of the restricted stock unit award, the Compensation Committee considered the overall level of compensation provided to each of these Named Executive Officers and the effect of unanticipated changes to certain of the Company's commercial arrangements that were not within the control of current management and which are likely to have a significant negative result on 2008 LTI Program earning potential.

The Compensation Committee believes the restricted stock award provides several benefits to the Company. First, the awards support key objectives of the Company's compensation programs, which are to incent high performance and retain key employees. Second, the Company can continue to achieve its objective of providing total direct compensation levels at the market median. To achieve this goal, the Committee believes that our Named Executive Officers should be provided meaningful long-term compensation opportunities because base salaries of the Named Executive Officers are generally targeted below the market median. And third, it provides the Compensation Committee with an opportunity to recognize and reward the superior performance and dedication demonstrated by these Named Executive Officers during the past year in light of the challenging economic environment.

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

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

*Stock Ownership Guidelines*

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

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those of our stockholders and provide a continuing incentive to foster the Company's success. The stock ownership guidelines became effective July 1, 2008 for certain key executive officers, including our Named Executive Officers. Under the stock ownership guidelines, the CEO, Executive Vice Presidents, and Senior Vice Presidents are expected to own Company stock in the amount of 200%, 150%, and 100% of their annual base salary, respectively. A Named Executive Officer has four years from the date of the adoption of the guidelines to accumulate the targeted ownership level. If the Named Executive Officer joined the Company after the adoption of the guidelines, the Named Executive Officer has four years from his start date to accumulate the target ownership level. The following count towards meeting the stock ownership guidelines: all shares and vested options held and all unvested restricted shares and stock options that vest within sixty days of any date of determination. Shares are valued at fair market value and options are valued at the spread between the exercise price and the fair market value of the underlying shares. As of April 6, 2010, the value of the Named Executive Officers' ownership in the Company is as follows: Gregory Weishar-\$4,864,169 (666.0% of 2009 base salary); Bill Monast -\$151,132 (43.0% of 2009 base salary); Michael Culotta-\$1,054,044 (252.0% of 2009 base salary); Robert McKay-\$161,842 (63.0% of 2009 base salary); and Thomas Caneris-\$159,555 (57.0% of 2009 base salary).

*CEO Special Integration Bonus*

Mr. Weishar was provided a special integration bonus opportunity pursuant to his employment agreement, which was negotiated with the Transition Planning Committee. This opportunity was provided because the successful integration of the two legacy portions of the Company is critical to our future success and the Company desired to specifically tie portions of Mr. Weishar's compensation to the successful integration. Earnout of the integration bonus was linked to the achievement of synergy targets based on expected cost savings opportunities expected to come from site consolidations, overhead reductions and other aggregate efficiencies resulting from the combined businesses. The integration bonus of \$1 million was paid to Mr. Weishar in 2009 and is discussed in more detail under the discussion of Mr. Weishar's employment agreement under Narrative Disclosure to Summary Compensation Table and Grants of Plan Based Awards Table.

*Benefits and Perquisites*

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

*Voluntary Deferred Compensation Plan*

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

*Relocation Expenses*

We agreed to pay all reasonable and customary relocation expenses for Mr. Monast, (up to a certain dollar amount as specified in his employment agreement) and related taxes for him in order to encourage him to relocate his family in connection with his employment with the Company.

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### **Employment Agreements**

The Transition Planning Committee and our Board based upon the recommendation of our Compensation Committee, as the case may be, approved the Company entering into employment agreements with our Named Executive Officers. The purpose of these agreements is to attract and retain each of these individuals given their experience and qualifications to serve the Company in their respective capacities. In addition to providing for compensation opportunities described above and in the following tables and narratives, the employment agreements provide our Named Executive Officers with benefits upon certain terminations of employment. The employment agreements also contain change in control benefits for our Named Executive Officers to encourage them to remain focused on their work responsibilities during the uncertainty that accompanies a change in control and to provide benefits for a period of time after termination of employment following a change in control. The employment agreements contain post-employment non-competition and non-solicitation agreements for a period of twenty-four months for Mr. Weishar and Mr. McKay and eighteen months for Mr. Monast, Mr. Culotta and Mr. Caneris 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. The employment agreements of each of Messrs Weishar, Culotta and Caneris contain provisions for tax gross-ups under section 280G of the Internal Revenue Service Code ( Code ). The Company believes these provisions are appropriate and necessary to make the executives whole in the case that excise taxes are imposed on the executives as a result of a change in control. The gross-up payments do not provide for payment of ordinary income taxes on amounts that would otherwise be payable by the executives in the absence of the excise taxes. For a description of the material terms of the employment agreements with each of our Named Executive Officers, see Narrative Disclosure to Summary Compensation Table and Grants of Plan Based Awards Table below. Compensation that could potentially be paid to our Named Executive Officers pursuant to the employment agreements upon a change in control is described below in Potential Payments upon Termination or Change in Control.

### **Tax Deductibility of Compensation**

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

## **COMPENSATION COMMITTEE REPORT**

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

1. The Compensation Committee has reviewed and discussed the Company's Compensation Discussion and Analysis ( CD&A ) required by Item 402(b) of Regulation S-K with management.
2. Based on the review and discussions referred to in paragraph 1 above, the Compensation Committee recommended to the Board that the CD&A be included in the Company's Proxy Statement for its 2010 Annual Meeting of Stockholders filed with the Securities and Exchange Commission.

*The Compensation Committee*

Daniel N. Mendelson, Chairman

Thomas P. Mac Mahon

Marjorie W. Dorr

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

Name and Principal Position	Year	Salary	Bonus	Non-Equity Incentive Plan			All Other Compensation (4)	Total
				Stock Awards (1)	Option Awards (2)	Compensation (3)		
Gregory Weishar (5) <i>Chief Executive Officer</i>	2009	\$ 756,708	\$ 1,000,000	\$ 1,425,619	\$ 724,072	\$ 718,657	\$ 20,411	\$ 4,645,467
	2008	\$ 717,042	\$	\$ 351,830	\$ 390,598	\$ 745,019	\$ 9,238	\$ 2,213,727
	2007	\$ 275,226	\$ 1,200,000	\$ 3,676,519	\$ 1,755,246	\$ 640,865	\$ 63,089	\$ 7,610,945
Michael Culotta (6) <i>Executive Vice President and Chief Financial Officer</i>	2009	\$ 433,866	\$	\$ 718,300	\$ 363,268	\$ 327,188	\$ 15,161	\$ 1,857,783
	2008	\$ 412,116	\$	\$ 178,180	\$ 197,812	\$ 320,380	\$ 215,729	\$ 1,324,217
	2007	\$ 158,368	\$	\$ 531,592	\$ 1,197,107	\$ 182,584	\$ 13,094	\$ 2,082,745
William Monast (7) <i>Executive Vice President of Operations</i>	2009	\$ 242,309	\$ 80,000	\$ 279,995	\$ 280,235	\$ 159,513	\$ 186,036	\$ 1,228,088
Robert McKay <i>Senior Vice President of Sales and Marketing</i>	2009	\$ 264,824	\$	\$ 327,679	\$ 164,709	\$ 140,495	\$ 9,257	\$ 906,964
	2008	\$ 252,304	\$	\$ 81,540	\$ 90,454	\$ 140,965	\$ 87,098	\$ 652,361
	2007	\$ 95,190	\$ 75,000	\$ 162,497	\$ 365,945	\$ 53,018	\$ 120	\$ 751,770
Thomas Caneris <i>Senior Vice President, General Counsel and Secretary</i>	2009	\$ 264,586	\$	\$ 352,235	\$ 177,219	\$ 156,143	\$ 13,826	\$ 964,009
	2008	\$ 252,129	\$	\$ 87,580	\$ 97,764	\$ 140,838	\$ 142,151	\$ 720,462
	2007	\$ 82,698	\$ 20,000	\$ 179,728	\$ 404,727	\$ 47,127	\$ 19,242	\$ 753,522

- (1) These amounts represent the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. The assumptions used in calculating the amounts are discussed in Note 9 of the Company's audited financial statements for the year ended December 31, 2009 included in the Company's Annual Report on Form 10-K filed with the SEC on February 4, 2010. For 2009, stock awards are made up of restricted stock unit awards and performance share unit awards as follows:

Name and Principal Position	Year	Restricted Stock Units	Performance Share Units
Gregory Weishar	2009	\$ 702,293	\$ 723,326
Michael Culotta	2009	\$ 355,416	\$ 362,884
William Monast	2009	\$	\$ 279,995
Robert McKay	2009	\$ 163,145	\$ 164,534
Thomas Caneris	2009	\$ 175,193	\$ 177,042

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

Name and Principal Position	Year	Performance Share Units Value Assuming Highest Level of Performance
Gregory Weishar	2009	\$ 1,446,652
Michael Culotta	2009	\$ 725,768



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William Monast	2009	\$	559,990
Robert McKay	2009	\$	329,068
Thomas Caneris	2009	\$	355,084

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- (2) These amounts represent the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. The assumptions used in calculating the amounts are discussed in Note 9 of the Company's audited financial statements for the year ended December 31, 2009 included in the Company's Annual Report on Form 10-K filed with the SEC on February 4, 2010.
- (3) These amounts represent amounts earned under the Company's short-term incentive plan for the fiscal years ended December 31, 2009, 2008 and 2007. For fiscal year ended December 31, 2007, bonuses under the short-term incentive plan were prorated for the period that the Named Executive Officers performed services on behalf of the Company. Named Executive Officers had to be employed with the Company on the date of payout to earn the bonuses under the 2008 and 2009 short-term incentive plans.
- (4) The amounts in this column include the Company's contributions for the respective periods for the benefit of the Named Executive Officers to the Company's 401(k) Plan, the taxable value of life insurance premiums, and perquisites (relocation expense reimbursements) as follows:

Name and Principal Position	Year	401(k) Matching	Life Insurance Premiums	Perquisites	Total
Gregory Weishar <i>Chief Executive Officer</i>	2009	\$ 13,138	\$ 7,273	\$	\$ 20,411
Michael Culotta <i>Executive Vice President and Chief Financial Officer</i>	2009	\$ 12,990	\$ 2,171	\$	\$ 15,161
William Monast <i>Executive Vice President of Operations</i>	2009	\$	\$ 1,048	\$ 184,988	\$ 186,036
Robert McKay <i>Senior Vice President of Sales and Marketing</i>	2009	\$ 8,427	\$ 830	\$	\$ 9,257
Thomas Caneris <i>Senior Vice President, General Counsel and Secretary</i>	2009	\$ 9,547	\$ 828	\$ 3,451	\$ 13,826

- (5) Mr. Weishar has served as a director and Chief Executive Officer of the Company since January 14, 2007. The amount reported in the 2007 table reflects Mr. Weishar's prorated salary commencing August 1, 2007. From February 5, 2007 through July 31, 2007, Mr. Weishar was paid \$336,540, which is not reported in the above table, through Kindred's pharmacy business pursuant to his employment agreement which was later assigned to the Company upon the consummation of the Pharmacy Transaction. In addition, Kindred paid Mr. Weishar's \$1.2 million signing bonus in 2007, which is reported in the above table, under the terms of his employment agreement. On July 31, 2007, as part of the of the Pharmacy Transaction, the Company reimbursed Kindred for the pre-Pharmacy Transaction expenses incurred by Kindred, which included the signing bonus and the salary paid by Kindred to Mr. Weishar prior to August 1, 2007. In 2009, Mr. Weishar received a \$1 million integration bonus.
- (6) Mr. Culotta has served as Executive Vice President and Chief Financial Officer of the Company since July 31, 2007. The amount reported in 2007 of \$158,368 reflects Mr. Culotta's salary from August 1, 2007 through December 31, 2007. From May 29, 2007 through July 31, 2007, Mr. Culotta was paid \$68,541, which is not reported in the above table, through Kindred's pharmacy business. On July 31, 2007, as part of the Pharmacy Transaction, the Company reimbursed Kindred for the pre-Pharmacy Transaction expenses incurred by Kindred, which included the salary paid by Kindred to Mr. Culotta prior to August 1, 2007.
- (7) For 2009, Mr. Monast's base salary was \$350,000 under the terms of his employment agreement. The amount of \$242,309 reflects Mr. Monast's salary from his date of hire on April 20, 2009 through December 31, 2009.



**Table of Contents****Grants of Plan-Based Awards in 2009**

The following table sets forth certain information concerning grants of awards to the Named Executive Officers pursuant to the Omnibus Incentive Plan in the fiscal year ended December 31, 2009.

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 Share of Stock or Units (3)	All Other Option Awards: Number of Securities Underlying Options (4)	Exercise or Base Price of Awards (\$/Sh)	Grant Date of Fair Value of Stock and Option Awards (5)
		Threshold	Target	Maximum	Threshold	Target	Maximum				
Gregory Weishar											
Long-term Incentive	11/17/2009	\$	\$	\$				46,633		\$	\$ 702,293
Short-term Incentive	3/3/2009	\$ 294,050	\$ 840,142	\$ 1,470,249						\$	\$
Long-term Incentive	3/3/2009	\$	\$	\$	24,289	48,578	97,156			\$	\$ 723,326
Long-term Incentive	3/3/2009	\$	\$	\$					166,664	\$ 14.89	\$ 724,072
Michael Culotta											
Long-term Incentive	11/17/2009	\$	\$	\$				23,600		\$	\$ 355,416
Short-term Incentive	3/3/2009	\$ 117,283	\$ 335,096	\$ 586,418						\$	\$
Long-term Incentive	3/3/2009	\$	\$	\$	12,186	24,371	48,742			\$	\$ 362,884
Long-term Incentive	3/3/2009	\$	\$	\$					83,615	\$ 14.89	\$ 363,268
William Monast											
Short-term Incentive	4/20/2009	\$ 64,187	\$ 183,391	\$ 320,938						\$	\$
Long-term Incentive	4/20/2009	\$	\$	\$	8,211	16,422	32,844			\$	\$ 279,995
Long-term Incentive	4/20/2009	\$	\$	\$					56,682	\$ 17.05	\$ 280,235
Robert McKay											
Long-term Incentive	11/17/2009	\$	\$	\$				10,833		\$	\$ 163,145
Short-term Incentive	3/3/2009	\$ 58,163	\$ 166,188	\$ 290,829						\$	\$
Long-term Incentive	3/3/2009	\$	\$	\$	5,525	11,050	22,100			\$	\$ 164,535
Long-term Incentive	3/3/2009	\$	\$	\$					37,912	\$ 14.89	\$ 164,709
Thomas Caneris											
Long-term Incentive	11/17/2009	\$	\$	\$				11,633		\$	\$ 175,193
Short-term Incentive	3/3/2009	\$ 58,114	\$ 166,039	\$ 290,568						\$	\$
Long-term Incentive	3/3/2009	\$	\$	\$	5,945	11,890	23,780			\$	\$ 177,042
Long-term Incentive	3/3/2009	\$	\$	\$					40,791	\$ 14.89	\$ 177,219

- (1) The amounts in the table represent the estimated possible payouts of cash awards under the formula-based and individual-based component of the Company's 2009 short-term incentive program which is tied to the Company's financial performance and group/individual performance. The Company's 2009 short-term incentive program is more fully described in the Narrative Disclosure to Summary Compensation Table and Grant of Plan-Based Awards Table section below. The performance cycle for the 2009 short-term incentive program began on January 1, 2009 and ended on December 31, 2009. The Named Executive Officers received payments under the Company's 2009 short-term incentive program in March 2010; these payments are reported in the Non-Equity Incentive Plan column of the Summary Compensation Table.
- (2) The amounts in the table represent the estimated possible payouts of performance share unit awards under the Company's 2009 long-term incentive program which is tied to the Company's financial performance. The Company's 2009 long-term incentive program is more fully described in the Narrative Disclosure to Summary Compensation Table and Grant of Plan-Based Awards Table section below. The performance cycle for the performance share unit awards granted March 3, 2009 commenced on January 1, 2009 and ends on December 31, 2011.

(3) All stock awards are restricted stock units and were granted under the Omnibus Incentive Plan.

(4)

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All option awards are options to purchase shares of the Company's common stock and were granted under the Company's 2009 long-term incentive program. Option awards granted to Named Executive Officers will vest annually on the anniversary of the date of grant in increments of twenty-five percent each year and expire on the 7<sup>th</sup> anniversary of the grant date.

- (5) 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.

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

*Employment Agreements*

During 2009, all of our Named Executive Officers were employed pursuant to employment agreements with the Company. Additional provisions of the employment agreements are set forth in the Compensation Discussion and Analysis.

*Employment Agreement with Mr. Weishar*

Mr. Gregory Weishar, our Chief Executive Officer, entered into his employment agreement on January 14, 2007. The agreement was amended on November 13, 2007 and March 16, 2010. The original term of the agreement ended on December 31, 2009, at which time, the agreement automatically renewed for an additional one-year period. The agreement renews annually unless either Mr. Weishar or the Company give notice of non-renewal to the other at least four months prior to the expiration of the relevant period. The employment agreement provides that Mr. Weishar receives a minimum base salary of \$700,000 and is eligible to receive a performance-based annual cash bonus with a target payment equal to 100% of his annual base salary and a maximum bonus of 125% of his base salary to the extent that the quantitative performance objectives established annually by the Board or the Compensation Committee are met. Mr. Weishar received a special one-time cash signing bonus of \$1.2 million.

In addition to the above, Mr. Weishar received two special integration bonuses with respect to the Company achieving a \$30.0 million synergy target during on or before January 31, 2009, at least \$45.0 million at or before July 31, 2010.

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

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

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

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

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

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In addition to the foregoing cash payments:

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

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

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

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

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

Good Reason is defined as any material diminution in Mr. Weishar's authorities, titles or offices, or the assignment to him of duties that materially impair his ability to perform the duties normally assigned to the chief executive officer of a Company of the size and nature of the Company (other than a failure to be re-elected to the Board following nomination for election); any change in the reporting structure such that he reports to someone other than the Board; any relocation of the Company's principal office, or of his principal place of employment to a location more than 35 miles from Louisville, Kentucky; any material breach by the Company, or any of its affiliates, of any material obligation to Mr. Weishar; or any failure of the Company to obtain the assumption in writing of its obligations to perform the employment agreement by any successor to all or substantially all of the business and assets of the Company within 15 days after any merger, consolidation, sale or similar transaction; in each case that either has not been consented to by Mr. Weishar or is not fully cured within 30 days after written notice to the Company requesting cure.

Termination for Death or Disability If Mr. Weishar's employment is terminated due to his death or disability (defined as his inability, due to physical or mental incapacity, to substantially perform his duties and responsibilities under this agreement for 180 days out of any 270 consecutive days), he (or his successors-in-interest) shall receive a lump-sum cash payment equal to the sum of (i) any earned but unpaid base salary through the date of termination, (ii) a pro rata bonus for the calendar year of termination equal to his then current annualized base salary pro rated through the date of termination, (iii) any expense reimbursement/payments then due, and (iv) an amount in respect of any earned but unused vacation days through the date of termination (with the value of unused vacation days being equal to his then annual base salary divided by 250).

In addition to the foregoing cash payment:

Mr. Weishar will be entitled to receive continued coverage under the Company's welfare benefit plans during the one-year period following termination (or the cash value of such coverage, determined on a





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net after-tax basis) and COBRA health care continuation coverage commencing at the end of such one-year period;

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

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

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

**Termination Due to Non-Renewal of Employment Agreement or Other Terminations** If Mr. Weishar's employment is terminated because of the expiration of its term due to notice of non-renewal or for any other reason (including voluntary resignation), he will be entitled to receive a lump-sum cash payment equal to the sum of (i) any earned but unpaid base salary through the date of termination, (ii) any expense reimbursement payments then due, and (iii) an amount in respect of any earned but unused vacation days through the date of termination (with the value of unused vacation days being equal to his then annual base salary divided by 250).

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

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

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

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

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

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

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

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

Change in control means:

a majority of our directors being replaced under certain circumstances;

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

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

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

Mr. Weishar agreed that during his employment and for a two-year period following the termination of his employment that he will not, for himself or on behalf of any other person, partnership, company or corporation, directly or indirectly, engage in, acquire any significant financial or beneficial interest in, be employed by, participate materially in, own, manage, operate or control or be materially connected with, in any relevant manner (whether as a principal, partner, director, employee, consultant, independent contractor, agent or otherwise, and whether or not for compensation) any entity that competes materially with the business of the Company (considering only business conducted by the Company during the term of the employment agreement, or being actively planned by the Company as of the date of his termination) in the United States of America.

Furthermore, Mr. Weishar agreed that during his employment with the Company and for a one-year period following the termination of his employment that he will not personally (i) other than in the course of performing his duties for the Company or its affiliates, directly or indirectly (including, without limitation, by instructing others or by taking other action reasonably expected to induce others), for his own account or for the account of any other person, solicit for employment, hire, or otherwise interfere with the relationship of the Company with, any person who is an employee of, or a consultant to, the Company at the time of solicitation, hiring or interference, or (ii) in competition with the Company, directly or indirectly (including, without limitation, by instructing others or by taking other action reasonably expected to induce others), individually or on behalf of other persons solicit or seek to do business with any entity which, as of the earlier of the date of termination of his employment or the date of solicitation, was a customer or a client of the Company or was, to his knowledge, being actively solicited by the Company to be a customer or client of the Company.

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

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*Employment Agreements with other Named Executive Officers*

On July 11, 2007, we entered into an employment agreement with Mr. Culotta that became effective on August 1, 2007, the first day of business operations of the Company. On July 31, 2007 we entered into an employment agreement with Mr. McKay, on August 7, 2007 we entered into an employment agreement with Mr. Caneris, and on April 20, 2009 we entered into an employment agreement with Mr. Monast. (Mr. Culotta, Mr. McKay, Mr. Caneris and Mr. Monast are collectively referred to in this section as the Executive Officers ). The agreements of Mr. Culotta, Caneris and Monast provide for an indefinite term of employment, subject to certain terminations of employment described in more detail below (the Employment Period ). The agreement of Mr. McKay provides for a term ending on December 31, 2011, subject to automatic renewal absent cancellation on 120 days prior written notice by the Company or Mr. McKay.

Pursuant to the terms of the employment agreements Mr. Culotta, Mr. McKay, Mr. Caneris and Mr. Monast receive a minimum base salary of \$405,000, \$250,000, \$250,000 and \$350,000 respectively, which is reviewed annually by our Compensation Committee and/or our Chief Executive Officer. During the Employment Period, each of the Executive Officers are eligible to (i) participate in any short-term and long-term incentive programs established or maintained by the Company for senior level executives generally, (ii) participate in all incentive, savings and retirement plans and programs of the Company to at least the same extent as other senior executives of the Company, (iii) participate, along with their dependents, in all welfare benefit plans and programs provided by the Company to at least the same extent as other senior executives of the Company, and (iv) four weeks of paid vacation per calendar year.

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

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

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

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

In addition to the foregoing cash payments:

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

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

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



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

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

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

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

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

Change in Control The employment agreements of Mr. Culotta, Mr. Monast 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. Culotta, Mr. Monast 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

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officer's execution of a written release of claims against the Company, the officer will become vested in any outstanding options, restricted stock, or other equity incentive awards outstanding as of the date of such termination.

Change in Control means:

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

a majority of our directors being replaced under certain circumstances;

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

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

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

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

*2009 Annual Bonus Program*

Pursuant to the Company's 2009 short-term incentive program, our Named Executive Officers had the opportunity to earn annual cash incentives for meeting annual performance goals. In 2009, the incentives were based upon the Company achieving adjusted EBITDA goals. For 2009, \$105 million of adjusted EBITDA was set as the target for the payment of bonuses. Adjusted EBITDA goals for threshold and maximum bonuses were \$89.3 and \$126 million, respectively.

Target bonus opportunities were expressed as a percentage of base salary and vary among our Named Executive Officers. Pursuant to the terms of his employment agreement, Mr. Weishar's target annual bonus is equal to 115% of his base salary. In fiscal year 2009, Mr. Culotta, Mr. McKay, Mr. Monast and Mr. Caneris were eligible for annual target bonus opportunities (represented as a percentage of base salary) of 80%, 65%, 75% and 65% respectively.

The Company achieved adjusted EBITDA of \$102.7 million for the fiscal year ended December 31, 2009. The portion of the bonuses based on the Company's performance were paid to the Named Executive Officers at 90.2% of their target bonuses. Messrs. Weishar, Culotta, McKay, Monast and Caneris met their specific respective individual performance goals in a manner resulting in a 75%, 115%, 71%, 78% and 103% bonus payout for the individual portion of the 2009 short-term incentive program, respectively. No discretion was used in funding the bonus pool or in allocating the bonus pool. A Named Executive Officer had to remain

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continuously employed by the Company until the payout date of the 2009 short-term incentive program bonuses to receive the bonus. The 2009 short-term incentive program bonuses were paid in March 2010.

*2009 Long-Term Incentive Program*

Pursuant to the Company's 2009 long-term incentive program (the 2009 LTIP), our Named Executive Officers are eligible to receive stock options and performance share unit awards based on pre-established performance objectives and goals. The performance share units issued under the 2009 LTIP is based 85% on an adjusted EBITDA target and 15% on a ROIC target. The 2009 LTIP performance cycle began on January 1, 2009 and ends on December 31, 2011.

2009 LTIP awards were granted to our Named Executive Officers in the following amounts as a percentage of the bonus target: 50% non performance-based stock options and 50% performance share units. On March 3, 2009, the Compensation Committee awarded non performance-based stock options under the 2009 LTIP in the following amounts to the following Named Executive Officers: Mr. Weishar, 166,664; Mr. Culotta, 83,615; Mr. McKay, 37,912; and Mr. Caneris, 40,791.

*2009 Restricted Stock Unit Awards*

On November 17, 2009, the Company granted awards of Restricted Stock Units (RSUs) under the Omnibus Incentive Plan in the following amounts to the following Named Executive Officers: Mr. Weishar, 46,633; Mr. Culotta, 23,600; Mr. McKay, 10,833; and Mr. Caneris, 11,633, as an additional incentive and retention component to the recipients' compensation packages. The RSU awards vest 50% on each of the first and second anniversaries of grant date, will be paid in shares of the Company's common stock (net of required tax withholdings), and will receive dividend equivalents (if any) during the vesting period in the form of additional RSUs. The unvested portion of RSUs will generally be forfeited upon termination of employment, except that vesting will be accelerated in the case of death or disability and vesting will be pro-rata in the case of involuntary termination without cause or voluntary resignation for good reason. The vesting of the restricted stock units issued to Mr. Weishar and Mr. McKay accelerated upon a change in control pursuant to the terms of their employment agreement. For all other Named Executive Officers, in the case of a change in control, if the restricted stock units are not assumed or replaced they will vest in full, and if they are assumed or replaced, vesting will be accelerated if the recipient is terminated without cause during the 12 month period following the change in control.



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**Outstanding Equity Awards at December 31, 2009**

The following table sets forth certain information regarding equity-based awards of the Company held by the Named Executive Officers as of December 31, 2009.

Name and Principal Position	Number of Securities Underlying Unexercised Options (1)		Option Awards			Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
	Exercisable	Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	
Gregory Weishar	225,414	75,139(2)		\$ 16.31	8/7/2014	56,354(3)	\$ 894,902		\$
	21,375	64,125(2)		\$ 15.10	3/10/2015		\$	23,300(7)	\$ 370,004
		166,664(2)		\$ 14.89	3/3/2016		\$	48,578(8)	\$ 771,419
Michael Culotta	102,490	102,492(2)		\$ 16.31	8/7/2014	32,593(5)	\$ 517,577		\$
	10,825	32,475(2)		\$ 15.10	3/10/2015		\$	11,800(7)	\$ 187,384
		83,615(2)		\$ 14.89	3/3/2016		\$	24,371(8)	\$ 387,011
William Monast		56,682(2)		\$ 17.05	4/20/2016		\$	16,422(8)	\$ 260,781
	31,330	31,331(2)		\$ 16.31	8/7/2014	9,963(5)	\$ 158,212		\$
	4,950	14,850(2)		\$ 15.10	3/10/2015		\$	5,400(7)	\$ 85,752
Robert McKay		37,912(2)		\$ 14.89	3/3/2016		\$	11,050(8)	\$ 175,474
				\$		10,833(4)	\$ 172,028		\$
	33,740	33,741(2)		\$ 16.75	8/21/2014	10,730(6)	\$ 170,392		\$
Thomas Caneris	5,350	16,050(2)		\$ 15.10	3/10/2015		\$	5,800(7)	\$ 92,104
		40,791(2)		\$ 14.89	3/3/2016		\$	11,890(8)	\$ 188,813
				\$		11,633(4)	\$ 184,732		\$

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

(2) The unvested options held by the following Named Executive Officers as of December 31, 2009 will vest as follows:

Vesting Date	Mr. Weishar	Mr. Culotta	Mr. Monast	Mr. McKay	Mr. Caneris
3/3/2010	41,666	20,903		9,478	10,197
3/10/2010	21,375	10,825		4,950	5,350
4/20/2010			14,170		
8/7/2010		51,246		15,665	
8/21/2010					16,870
12/31/2010	75,139				
3/3/2011	41,666	20,903		9,478	10,197

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3/10/2011	21,375	10,825		4,950	5,350
4/20/2011			14,170		
8/7/2011		51,246		15,666	
8/21/2011					16,871
3/3/2012	41,666	20,903		9,478	10,197
3/10/2012	21,375	10,825		4,950	5,350
4/20/2012			14,171		
3/3/2013	41,666	20,906		9,478	10,200
4/20/2013			14,171		

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- (3) The unvested shares of stock held by Mr. Weishar will vest in the following amounts on the following dates: 56,354 on December 31, 2010.
- (4) The unvested shares of stock held by Mr. Weishar will vest in the following amounts on the following dates: 23,316 shares on November 17, 2010 and 23,317 shares on November 17, 2011. The unvested shares of stock held by Mr. Culotta will vest in the following amounts on the following dates: 11,800 shares on November 17, 2010 and 11,800 shares on November 17, 2011. The unvested shares of stock held by Mr. McKay will vest in the following amounts on the following dates: 5,416 shares on November 17, 2010 and 5,417 shares on November 17, 2011. The unvested shares of stock held by Mr. Caneris will vest in the following amounts on the following dates: 5,816 shares on November 17, 2010 and 5,817 shares on November 17, 2011.
- (5) The unvested shares of stock held by Mr. Culotta and Mr. McKay will vest on August 7, 2010.
- (6) The unvested shares of stock held by Mr. Caneris will vest on August 21, 2010.
- (7) The unearned shares of performance share units held by Mr. Weishar will be earned on December 31, 2010 upon achievement of certain performance targets, provided that Mr. Weishar is employed with the Company on the payout date in 2011. The unearned shares of performance share units held by Mr. Culotta, Mr. McKay, and Mr. Caneris will be earned on December 31, 2010 upon achievement of certain performance targets, provided that Mr. Culotta, Mr. McKay, and Mr. Caneris are respectively employed with the Company on the payout date in 2011.
- (8) The unearned shares of performance share units held by Mr. Weishar, Mr. Culotta, Mr. Monast, Mr. McKay, and Mr. Caneris will be earned on December 31, 2011 upon achievement of certain performance targets, provided that Mr. Weishar, Mr. Culotta, Mr. Monast, Mr. McKay, and Mr. Caneris are respectively employed with the Company on the payout date in 2012.

**Option Exercises and Stock Vested in 2009**

The following table sets forth information regarding each exercise of stock options and all vesting of stock during the year ended December 31, 2009:

Name and Principle Position	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		\$	56,354	\$ 894,902
Michael Culotta		\$		\$
William Monast		\$		\$
Robert McKay		\$		\$
Thomas Caneris		\$		\$

**Non-Qualified Deferred Compensation Table Fiscal Year 2009**

Name	Executive Contributions in Last Fiscal Year (1)	Registrant Contributions in Last Fiscal Year	Aggregate Earnings in Last Fiscal Year	Aggregate Withdrawals/ Distributions	Aggregate Balance at Last Fiscal Year-End (1)
Gregory Weishar	\$ 897,118	\$	\$ 120,823	\$	\$ 1,289,276
Michael Culotta	\$	\$	\$	\$	\$
William Monast	\$ 100,962	\$	\$ 5,174	\$	\$ 106,136
Robert McKay	\$	\$	\$	\$	\$

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Thomas Caneris	\$	28,167	\$	\$	97	\$	\$	28,264
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- (1) The amounts in this column are Named Executive Officer elective deferrals representing the deferred portion of base salary otherwise payable in 2009 and reported as compensation in the Summary Compensation Table.

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

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

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

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

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

The estimated payments and benefits that would be provided to each Named Executive Officer as a result of a termination (i) without cause or good reason, (ii) with cause or without good reason, (iii) upon a change in control, (iv) upon death or disability, or (v) due to non-renewal of the employment agreement are set forth in the table below. Calculations for this table are based on the assumption that the termination took place on December 31, 2009, the individual was employed for the full year of fiscal 2009, 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.

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Name and Principal Position	Termination without Cause or Resignation for Good Reason	For Cause or Resignation other than for Good Reason	Upon Change in Control (1)	Termination for Death or Disability	Termination Due to Non-Renewal of Employment Agreement
Gregory Weishar					
Accrued Annual Bonus	\$ 718,657(2)	\$	\$ 951,991(3)	\$ 951,991(3)	