

PharMerica CORP
Form DEF 14A
June 16, 2008
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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

Check the appropriate box:

- Preliminary Proxy Statement
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- Definitive Proxy Statement
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PHARMERICA CORPORATION

(Name of Registrant as Specified In Its Charter)

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

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PHARMERICA CORPORATION

1901 Campus Place

Louisville, KY 40299

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD JULY 24, 2008

PharMerica Corporation's Annual Meeting of Stockholders will be held on Thursday, July 24, 2008, at 9:00 a.m. local time. We will meet at the Louisville Marriott Downtown, 280 West Jefferson, Louisville, Kentucky 40202. If you owned common stock at the close of business on May 29, 2008, you may vote at this meeting or any adjournments or postponements thereof. At the meeting, we plan to:

1. elect seven directors for a term to expire at the Annual Meeting of Stockholders in 2009;
2. ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2008;
3. approve an amendment to the Company's 2007 Omnibus Incentive Plan; and
4. transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

The Board of Directors is not aware of any other proposals for the July 24, 2008 meeting.

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

On behalf of the Board of Directors of

PharMerica Corporation,

GREGORY S. WEISHAR

Chief Executive Officer

Louisville, Kentucky

June 16, 2008

**YOUR VOTE IS IMPORTANT. PLEASE COMPLETE AND RETURN THE ENCLOSED
PROXY PROMPTLY SO THAT YOUR VOTE MAY BE RECORDED
AT THE 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 July 24, 2008

INFORMATION ABOUT THE MEETING

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors (the **Board**) of PharMerica Corporation (**we**, **us**, **our**, or the **Company**) for the Annual Meeting of Stockholders to be held on Thursday, July 24, 2008 at 9:00 a.m. local time, at the Louisville Marriott Downtown, 280 West Jefferson, Louisville, Kentucky 40202 and thereafter as it may from time to time be adjourned (the **Meeting**). This proxy statement and the accompanying proxy are first being mailed to stockholders on or about June 16, 2008.

Who May Vote

Each stockholder of record at the close of business on May 29, 2008 (the **Record Date**) is entitled to notice of and to vote at the Meeting. On the Record Date, there were 30,419,056 shares of our common stock, par value of \$.01 per share (the **common stock**) outstanding. On the Record Date, there were no shares of Preferred Stock, par value \$.01, outstanding. You may cast one vote for each share of common stock held by you on all matters presented at the meeting.

How You May Vote

You may vote (1) in person by attending the Meeting or (2) by mail by completing and returning a proxy. To vote your proxy by mail, mark your vote on the enclosed proxy card, then follow the instructions on the card.

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

1. FOR the election as a director of the seven director nominees named herein for a term to expire at the annual meeting of stockholders in 2009;
2. FOR the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2008;

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3. FOR the approval of an amendment to the Company's 2007 Omnibus Incentive Plan; and
4. In the discretion of the proxy holders, FOR or AGAINST such other business as may properly come before the meeting or any adjournment thereof.

How You May Revoke or Change Your Vote

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

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

by giving a later dated proxy; or

by attending the meeting and voting in person.

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Quorum Requirement

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

Required Vote

Every holder of record shares entitled to vote at a meeting of stockholders will be entitled to one vote for each share outstanding in his or her name on the books of the Company at the close of business on the Record Date. With respect to the election of directors, a nominee for director will be elected to the Board by a vote of the majority of the votes cast. In other words, if the votes cast for the nominee's election exceed the votes cast against the nominee's election then that nominee will be elected as a director. However, the directors will be elected by a plurality of the votes cast at any stockholder meeting where (i) the Secretary of the Company receives a notice that a stockholder has nominated a person for election to the Board in compliance with the advance notice requirements for stockholder nominees for director and (ii) such nomination has not been withdrawn by such stockholder on or prior to the day next preceding the date the Company first mails its notice of meeting for the meeting to the stockholders. For the 2008 Annual Meeting of Stockholders, none of the nominees were nominated by stockholders. The affirmative vote of at least a majority of the votes of the shares of common stock present, in person or by proxy, at the Meeting is required to approve all other matters to be voted upon at the Meeting. Votes cast by proxy or in person at the Meeting will be tabulated by one or more inspectors of election, appointed at the Meeting, who will also determine whether a quorum is present for the transaction of business.

How Abstentions will be Treated

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

How Broker-Non Votes will be Treated

Your shares may be voted if they are held in the name of a brokerage firm or bank (a Broker), even if you do not provide the Broker with voting instructions. Brokers have the authority, under applicable rules, to vote shares on certain routine matters for which their customers do not provide voting instructions. The election of directors and the ratification of the appointment of the independent registered public accounting firm of the Company are considered routine matters. The amendment to the Company's 2007 Omnibus Incentive Plan is not considered a routine matter. Broker non-votes are shares held by brokers or nominees for which instructions have not been received from the beneficial owners, or persons entitled to vote, and that are not voted by that broker or nominee. Broker non-votes will have no effect on the election of directors or the ratification of the selection of the independent public accounting firm. With respect to the amendment to the Company's 2007 Omnibus Incentive Plan, although broker non-votes will be counted towards a quorum, they will not be counted.

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.

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PROPOSAL 1

ELECTION OF DIRECTORS

Our Board currently consists of nine directors: Gregory S. Weishar, Frank E. Collins, Paul J. Diaz, Dr. Thomas P. Gerrity, Edward L. Kuntz, Thomas P. Mac Mahon, Daniel N. Mendelson, R. David Yost and Dr. Robert A. Oakley. Three directors, Messrs. Diaz, Yost and Kuntz announced their resignation from our Board in accordance with the terms of the Pharmacy Transaction. Our Certificate of Incorporation, as amended, and Bylaws provides 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 seven.

The Nominating and Corporate Governance Committee has recommended that the seven directors listed in the table below be nominated for election for a one-year term expiring at the 2009 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 seven nominees as directors. Our management has no reason to believe that the nominees will not serve if elected. There is no family relationship between any of the current directors or persons nominated to become a director.

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

NOMINEES FOR ELECTION AT THIS MEETING

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

Name	Age	Position
Gregory S. Weishar	53	Chief Executive Officer and Director
Thomas P. Mac Mahon	61	Chairman of the Board and Director
Frank E. Collins, Esq.	54	Director (Chairman of the Nominating and Governance Committee)
Dr. Thomas P. Gerrity	66	Director
Daniel N. Mendelson	43	Director (Chairman of the Compensation Committee)
Dr. Robert A. Oakley	61	Director (Chairman of the Audit Committee)
W. Robert Dahl, Jr.	51	Nominee for Director

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

Thomas P. Mac Mahon. Mr. Mac Mahon has served as Chairman of our Board since July 31, 2007. He is also a member of our Compensation Committee and served as the Chair of the Compensation Committee from July 2007 to February 2008. Mr. Mac Mahon has served as Chairman of the Board and a director of Laboratory

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Corporation of America Holdings (LabCorp) since April 1996. From April 1995 to April 2006, he served as the Vice Chairman and a director of LabCorp. Mr. Mac Mahon was President and Chief Executive Officer and a member of the Executive and Management Committees of LabCorp from January 1997 until his retirement in December 2006. Mr. Mac Mahon was Senior Vice President of Hoffmann-La Roche, Inc. from 1993 to December 1996 and President of Roche Diagnostics Group and a director and member of the Executive Committee of Hoffmann-La Roche from 1988 to December 1996. Mr. Mac Mahon is a director and Corporate Governance Committee member of Express Scripts, Inc. and a director of Golden Pond Healthcare.

Frank E. Collins, Esq. Mr. Collins has served as a director since July 31, 2007. Mr. Collins serves as a member of the Audit Committee and as Chair of the Nominating and Governance Committee of our Board. Mr. Collins is the Senior Vice President, Legal and Administration and Secretary of Sierra Health Services, Inc. (Sierra). Mr. Collins joined Sierra in 1986 as General Counsel and Secretary. Effective February 25, 2008, Sierra was acquired by UnitedHealth Group. 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.

Dr. Thomas P. Gerrity. Mr. Gerrity has served as a director since July 31, 2007. Dr. Gerrity serves as a member of the Audit Committee and Nominating and Corporate Governance Committee of our Board. Dr. Gerrity served as interim Chair of the Audit Committee from November 2007 to March 2008. Dr. 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. Dr. Gerrity also serves as a director of Internet Capital Group, Inc., Hercules, Inc. and Sunoco, Inc. and as a member of the Corporation of the Massachusetts Institute of Technology. Dr. Gerrity is the Chairman of the Advisory Board and a General Partner of Arden Fund I, a private real estate investment fund managed by the Arden Group in Philadelphia, Pennsylvania. Dr. Gerrity was a director of 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. Fannie Mae restated its audited financial statements for certain periods during which Dr. Gerrity was chair of the audit committee.

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

Dr. Robert A. Oakley. Dr. Oakley has served as a director since March 24, 2008. Dr. Oakley serves as the Chairman of the Audit Committee. Since 2003, Dr. Oakley has served as the Shepard Executive-in-Residence in the Fisher College of Business at The Ohio State University. In 2003, Dr. 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. Dr. Oakley currently serves on the Board of First Mercury Financial Company and the Physicians Assurance Corporation. He received his BS from Purdue University and both an MBA and PhD in Finance from The Ohio State University.

W. Robert Dahl, Jr. Mr. Dahl is currently nominated to serve as a director. Mr. Dahl has served as Vice President of Strategic Business Development and Vice Chairman of the Board of Directors of Golden Pond Healthcare, Inc. since May 15, 2007. From April 1999 until June 2006, Mr. Dahl served as the head of Global Healthcare for the Carlyle Group, a leading private equity firm with over \$50 billion of equity under

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management, where he was responsible for the firm’s investments in the healthcare field. Prior to Carlyle, Mr. Dahl served as co-head of healthcare investment banking in North America at Credit Suisse First Boston. Mr. Dahl is also a director of Slate Pharmaceuticals, Inc., Amkai LLC and Ika Systems Company.

Recommendation of Our Board of Directors

Our Board recommends a vote FOR the seven directors listed above to hold office until the 2009 Annual Meeting of Stockholders and until their successors have been duly elected and qualified.

Required Vote

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

CORPORATE GOVERNANCE

Meetings

During 2007, the Board held a total of two regular meetings. Each director attended at least 75% of the aggregate of (1) the total number of meetings of the Board during the period which he was a director and (2) the total number of meetings of all Board Committees on which he served during the period which he was a director. The non-management members of the Board generally meet in executive session at each regularly scheduled meeting of the Board.

It is the policy of the Board to encourage its members to attend the Company’s Annual Meeting of Stockholders. This is the Company’s first Annual Meeting of Stockholders.

Board Committees

The Board has three standing Committees: Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. Copies of the charters of each of the Audit Committee, Compensation Committee and the 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 <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 Member
Thomas P. Mac Mahon			
Gregory S. Weishar			
Frank E. Collins, Esq.	Member	Chairman	
Paul J. Diaz (1)			
Dr. Thomas P. Gerrity (2)	Member	Member	
Edward L. Kuntz (1)			
Daniel N. Mendelson		Member	Chairman
R. David Yost (1)			
Dr. Robert A. Oakley (2)	Chairman		

(1) Messrs. Diaz, Kuntz and Yost announced their resignation, effective as of July 24, 2008, from the Board in accordance with the terms of the Pharmacy Transaction.

(2)

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Dr. Oakley was appointed as Chairman of the Audit Committee in March 2008. Prior to that time, Dr. Gerrity had served as interim chairman since November 2007. Dr. Gerrity was appointed as interim chairman after the death of director George L. (Jay) James III.

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Audit Committee

The Company has a standing audit committee established by the Board for the purpose of overseeing the Company's accounting and financial reporting processes and audits of the Company's financial statements. The Audit Committee held a total of three meetings in 2007. The Board has determined that Dr. Robert A. Oakley and Dr. Gerrity 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 Dr. Oakley, Dr. Gerrity and Mr. Collins are independent within the meaning of the listing standards of the New York Stock Exchange 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, 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 two meetings in 2007. The Compensation Committee reviews periodic reports from the CEO and other officers as to the performance and compensation of the officers, employees and directors.

The Company's executive compensation program was initially adopted as part of the formation of the Company and Mercer Human Resource Consulting (Mercer) was retained in 2006 to serve as an outside compensation consultant. 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 Compensation Committee used 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 our outside compensation consultant for subsequent periods. See the discussion under Compensation Discussion and Analysis for more information on Mercer's role in setting 2007 compensation.

Nominating and Corporate Governance Committee

The purpose of the Nominating and Corporate Governance Committee of the Board is to (1) identify individuals qualified to become members of the Board (consistent with criteria approved by the Board); (2) select, or recommend that the Board select, the director nominees for the next annual meeting of shareholders and nominees to fill vacancies on the Board; (3) develop and recommend to the Board a set of corporate governance guidelines applicable to the Company; (4) oversee the evaluation of the Board, its committees and management; and (5) 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. Spencer Stuart was retained by the Nominating and Corporate Governance Committee to assist the committee in identifying and evaluating candidates. The Nominating and Corporate Governance Committee held one meeting in 2007.

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

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

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

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

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

Whether the candidate has the personal attributes necessary for successful service on the Board, such as character and integrity, a high level of education and business experience, broad based business acumen, an understanding of the Company's business and the institutional pharmacy industry generally, strategic thinking, a willingness to share ideas, a network of contacts and diversity of experiences and expertise;

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

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

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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.

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Board Independence

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

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 Principles.

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee are Mr. Mendelson, who serves as Chair, and Mr. Mac Mahon, 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 that no other reports were required, during the year ended December 31, 2007, 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. 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.

Communication with the Board of Directors

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

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

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

any special interest, meaning an interest not in the capacity of a stockholder of the Company, of the person in the subject matter of the communication; and

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

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

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

communications that advocate the Company engaging in illegal activities;

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

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

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

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, 2007.

Name (1)	Fees Earned or Paid in	Stock	Option	Total
	Cash	Awards (2)(4)	Awards (3)(4)	
Frank E. Collins	\$ 54,000	\$ 10,716	\$ 6,434	\$ 71,150
Dr. Thomas P. Gerrity	\$ 59,000	\$ 10,716	\$ 6,434	\$ 76,150
Edward L. Kuntz	\$ 43,000	\$ 10,716	\$ 6,434	\$ 60,150
Thomas P. Mac Mahon	\$ 67,500	\$ 10,716	\$ 6,434	\$ 84,650
Daniel N. Mendelson	\$ 49,000	\$ 10,716	\$ 6,434	\$ 66,150
George L. James, III (5)	\$ 52,000	\$ 80,000	\$ 90,077	\$ 222,077
Paul J. Diaz (6)				
R. David Yost (6)				