

**PHARMERICA CORPORATION**  
**CORPORATE GOVERNANCE GUIDELINES**

**MISSION STATEMENT**

The mission of PharMerica Corporation (the "Company") is to maximize stockholder value while operating in accordance with the law and a high set of ethical standards. Ultimately, the corporate authority to carry out this mission rests with the Company's board of directors (the "Board"), as the representative of the stockholders. While the Board delegates authority to management to implement the Company's mission on a day-to-day basis, the Board retains primary responsibility over the governance of the Company. Specifically, the Board retains the authority to: (i) recommend candidates to the stockholders for election to the Board; (ii) select and evaluate the Chief Executive Officer (the "CEO"); (iii) oversee the Company's succession plan; (iv) determine senior management compensation; (v) ensure the existence of adequate systems, procedures and controls; and (vi) review and approve the financial operating plan and strategic direction. Additionally, the Board provides advice and counsel to senior management.

**BOARD STRUCTURE**

A. Board Size.

- The Nominating and Governance Committee will periodically review the size of the Board and recommend any proposed changes to the Board.

B. Chairman of the Board and CEO.

- It is the Company's policy to retain the Board's flexibility to allocate the responsibilities of the offices of the Chairman of the Board (the "Chairman") and the CEO in any way that the Board determines is in the best interests of the Company at any point in time.
- The Board expects that if the CEO resigns, he or she will also simultaneously submit his or her resignation from the Board. Whether the individual continues to serve on the Board is a matter for discussion at that time with the new CEO and the Board.

C. Committee Structure.

- It is the general policy of the Company that all major decisions will be considered by the Board as a whole. As a consequence, the committee structure of the Board is limited to those committees considered to be basic to or required for the operation of the Company as a publicly owned entity.

- Standing committees shall include the Audit Committee, the Compensation Committee, and the Nominating and Governance Committee. All of the committees shall be composed solely of independent directors. The Board may form other committees as it determines appropriate.

## **DIRECTOR QUALIFICATION STANDARDS**

It is the responsibility of the Nominating and Governance Committee to identify and recruit qualified candidates to serve on the Board. A list of candidates shall be presented to the Board for nomination and to the stockholders for consideration. The Nominating and Governance Committee may at its discretion seek third-party resources to assist in the process. The CEO will be included in the process on a non-voting basis; however, the Nominating and Governance Committee will make the final recommendation to the Board.

### **A. Personal Characteristics of Directors.**

- The Company will seek Directors who possess all of the following characteristics:
  - character, integrity and accountability;
  - informed judgment;
  - a high level of education;
  - broad business experience;
  - broad based business acumen;
  - industry knowledge;
  - financial literacy;
  - strategic thinking;
  - a willingness to share ideas;
  - maturity and confidence;
  - high performance standards;
  - passion for the Company;
  - creativity; and
  - a network of contacts and diversity of experiences and expertise.

B. Diversity.

- Diversity of experiences and expertise is a factor to be considered in the director identification and nomination process. The Company will seek nominees with a broad diversity of experience, professions, skills, geographic representation and backgrounds. 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 will not be discriminated against on the basis of race, religion, national origin, sexual orientation, disability or any other basis proscribed by law.

C. Independence Requirements.

- The Company shall have a majority of independent directors. It is the Company's policy that a majority of independent directors will increase the quality of Board oversight and lessen the possibility of damaging conflicts of interest.
- The Company's standards for determining independence reflect the independence requirements set forth in Sections 303A.01 and 303A.02 of the NYSE Listed Company Manual. Additionally, in the case of members of the Company's Audit Committee, Rule 10A-3 under the Securities Exchange Act of 1934; and in the case of the Company's Compensation Committee, Section 303A.02 (a)(ii) of the NYSE Listed Company Manual.

D. Other Substantive Qualification Requirements.

- Term Limits
  - It is the policy of the Company to avoid Board term limits which have the disadvantage of discontinuing the availability and contributions of directors who have developed experience with, and insight into, the Company and its needs over a period of time.
- Simultaneous Service on Other Public Boards
  - A director of the Company may not serve on more than three boards of public companies (including the Company) if the director is employed full-time, and not on more than four boards of public companies (including the Company) if the director is employed part-time or full-time in academia.
  - There is no limit on the number of non-public company boards or non-profit boards on which directors may sit.

- Age Limits
  - The Company has a policy that directors must retire at age 75 unless waived by the Board. To ensure that the Board remains composed of high functioning members able to keep their commitments to Board service, the Nominating and Governance Committee will evaluate the qualifications and performance of each incumbent director before recommending the nomination of that director for an additional term.
  
- Confidentiality
  - The proceedings and deliberations of the Board and its Committees are confidential. In addition, each director shall maintain the confidentiality of information received in connection with his or her service as a director.
  
- Changes in Status
  - Every director, including the CEO and any other inside directors, must notify the Nominating and Governance Committee of his or her retirement, any change in employer and any other significant change in professional roles and responsibilities. The Nominating and Governance Committee will evaluate the continued appropriateness of Board membership under the new circumstances and make a recommendation to the Board as to any action to be taken with respect to continued Board membership.
  
  - Outside directors must notify the Chair of the Nominating and Governance Committee or General Counsel in a timely fashion before accepting an invitation to serve on the board of another public company. This prior notice is to allow discussion with the Chair of the Nominating and Governance Committee and/or General Counsel to review whether such other service will interfere with the outside director's service on the Company's Board, impact the director's status as an independent director, or create an actual or apparent conflict of interest for the director. The Nominating and Governance Committee shall make a recommendation to the Board as to any actions to be taken with respect to continued Board membership.
  
  - The CEO and other executive officers shall obtain the approval of the Nominating and Governance Committee prior to accepting an invitation to serve on the Board of another public company or on the Board of any private company that would represent a material commitment of time. It is generally advisable for the executive officers to limit such outside directorships to two. The CEO and other executive officers shall not serve on the Board of a company for which a non-employee director of the Company serves as an officer.

## **DIRECTOR RESPONSIBILITIES**

The Board acts as the ultimate decision-making body of the Company and advises and oversees management, who are responsible for the day-to-day operations and management of the Company. In fulfilling this role, each director must act in what he or she reasonably believes to be in the best interests of the Company and its stockholders, and must exercise his or her business judgment. Directors will also, as appropriate, take into consideration the interests of other stakeholders, including employees and the members of the communities in which the Company operates. The Company expects directors to be active and engaged in discharging their duties and to keep themselves informed about the business and operations of the Company.

### **A. Board Meetings.**

#### ➤ Agenda

- The Chairman of the Board, in conjunction with the CEO, will determine the frequency and length of Board meetings and will set the agenda for each Board meeting.
- Draft agendas for Board meetings will be sent to Board members in advance of each meeting. Board members are encouraged to suggest the inclusion of additional items on an agenda, and any director may request that an item be placed on an agenda.
- Committee agendas will be sent to committee members in advance of each committee meeting. Committee agendas will be prepared based on the responsibilities and duties set forth in the charter of each respective committee, expressions of interest by committee members and recommendations of management.
- The Board should at least annually schedule its regular meetings for the upcoming year.

#### ➤ Operation

- Board meetings will be run by the Chairman of the Board and will be conducted in accordance with customary practice in a manner that ensures open communication, meaningful participation and timely resolution of issues.
- The Board will ensure that adequate time is provided for full discussion of important items and that management presentations are scheduled in a manner that permits a substantial proportion of Board meeting time to be available for open discussion.

- Attendance
  - Directors are expected to attend all meetings of the Board and of the committees on which they serve.
- Preparation
  - Directors should devote the time and effort necessary to fulfill their responsibilities and shall be prepared for each meeting by reviewing in advance all materials.
  - The Board must be given sufficient information to fully exercise its governance functions. This information comes from a variety of sources, including management reports, a comparison of performance to plans, security analysts' reports, articles in various business publications, etc. The Company shall make every effort to ensure that, absent mitigating circumstances, Board members will receive information prior to Board and committee meetings so they will have an opportunity to reflect properly on the items to be considered at the meeting.
- Meetings of Non-Management Directors
  - The Company's non-management directors will regularly schedule executive sessions in which management does not participate. Such meetings will normally occur during regularly scheduled Board meetings.
  - An executive session including only independent directors will be held at least once a year.

B. Annual Stockholders Meetings.

- Directors shall endeavor to attend all annual stockholders meetings of the Company, absent unanticipated personal or professional obligations which preclude them from doing so.

C. Company Performance and Corporate Strategy.

- The Board shall review the Company's financial performance on a regular basis at Board meetings and through periodic updates. The Board will review the Company's long-term strategic plans and the most significant financial, accounting and risk management issues facing the Company during at least one Board meeting each year.

## **DIRECTOR ACCESS TO MANAGEMENT AND INDEPENDENT ADVISORS**

Directors are entitled to direct access to the management and employees of the Company and to its outside counsel and auditors. The Board may also engage independent advisors as necessary and appropriate.

### **A. Board Access to Senior Management.**

- Board members have full access to senior management and to information about the Company's operations. Except in unusual circumstances, the CEO should be advised of significant contacts with senior management.

### **B. Board Ability to Retain Advisors.**

- The Board and each of its committees is authorized to hire independent legal, financial or other advisors as they may consider necessary, at the Company's expense, without consulting or obtaining the advance approval of management or, in the case of committees, the full Board.

## **DIRECTOR COMPENSATION**

The form and amount of director compensation will be determined by the Compensation Committee in accordance with the Compensation Committee Charter. Only non-employee directors will receive compensation for serving on the Board. In determining compensation, the Compensation Committee will take into consideration the responsibilities of the directors and fees being paid by other companies comparable to the Company.

## **DIRECTOR ORIENTATION AND CONTINUING EDUCATION**

As new members are added to the Board, appropriate arrangements should be made with management to orient such member with the Company, its business operations, its financial reporting, its industry, its management, the functioning of the Board and other appropriate matters. In addition, management should endeavor to continue to keep both new and continuing Board members informed of significant developments at the Company and in the Company's industry by means of periodic written reports, oral updates and presentations made at Board meetings and other appropriate means.

## **MANAGEMENT SUCCESSION**

CEO succession is a Board-driven, collaborative process, with the current CEO having an important role to play. The Board (in conjunction with the Nominating and Governance Committee) must agree on general criteria for succession, including the timing and the necessary qualifications. The Board or the Nominating and Governance Committee will review the Company's succession planning, including succession planning in the case of the incapacitation, retirement or removal of the CEO or in the event of an emergency. The CEO will provide an annual report to the Board or the Nominating and Governance Committee recommending and evaluating potential successors, along with a review of any development plans recommended for

such individuals. The CEO will also provide to the Board, on an ongoing basis, his or her recommendation as to a successor in the event of an unexpected emergency.

## **ANNUAL PERFORMANCE EVALUATIONS**

### **A. Performance Evaluation of the Board and Committees.**

- The Board will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The charter of each committee of the Board requires such committee to conduct an annual performance evaluation of itself.
- The results of such evaluations, as well as other factors referenced in these Corporate Governance Guidelines, shall be considered by the Nominating and Governance Committee when it next nominates a slate of directors for election to the Board. Similarly, each director's age, length of service as a Board member and other relevant factors will be considered by the Nominating and Governance Committee when it next nominates a slate of directors for election to the Board.

### **B. Performance Evaluation of the CEO and Upper Management.**

- The selection and evaluation of the CEO and concurrence with the CEO's selection and evaluation of the Company's top management team are one of the most important functions of the Board. In its broader sense, "selection and evaluation" includes considering compensation, planning for succession and, when appropriate, replacing the CEO or other members of the top management team.
- The performance of the CEO will be reviewed at least annually without the presence of the CEO or other inside directors. The Board should have an understanding with the CEO with respect to criteria on which he or she will be evaluated, and the results of the evaluation will be communicated to the CEO.
- The Compensation Committee will evaluate the performance of the CEO and his or her direct reports and present its findings to the full Board. The Board will review the Compensation Committee's report in order to ensure that management's performance is satisfactory and that management is providing the best leadership for the Company in the long and short term.

## **DISCLOSURE**

It is the Company's policy that making certain information regarding corporate governance publicly available will promote better investor understanding of the Company's policies and procedures, as well as more conscientious adherence to them by the Board and management. Therefore, the Company's website shall at all times include:

- these Corporate Governance Guidelines; and

- the charters of the Company's most important Board committees, including the Audit Committee Charter, the Nominating and Governance Committee Charter and the Compensation Committee Charter.

## **BOARD INTERACTION WITH INSTITUTIONAL INVESTORS, THE PRESS, CUSTOMERS, AND OTHER INTERESTED PARTIES**

The Board believes that the management speaks for the Company and the Chairman speaks on behalf of the Board. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company. Accordingly, it is expected that individual Board members representing the Company will meet or otherwise communicate with constituencies that are involved with the Company only with the knowledge and agreement of the Company's management or the full Board.

## **STOCK OWNERSHIP GUIDELINES**

The Company encourages directors to own stock in the Company. The Compensation Committee adopted stock ownership guidelines to align long-term interests of directors with those of our stockholders and provide a continuing incentive to foster the Company's success. Under the stock ownership guidelines, directors are expected to own Company stock in the amount of 400% of their annual cash retainer (exclusive of board meeting fees).