

EXPRESS SCRIPTS INC

Form DEF 14A

April 14, 2008

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
(Rule 14a-101)**

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

Express Scripts, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
 - Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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**EXPRESS SCRIPTS, INC.
One Express Way
Saint Louis, Missouri 63121**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
May 28, 2008**

The 2008 Annual Meeting of Stockholders of **EXPRESS SCRIPTS, INC.**, a Delaware corporation (the Company), will be held at the principal executive offices of the Company, One Express Way, Saint Louis, Missouri 63121, on Wednesday, May 28, 2008, at 9:30 a.m. Central Time (the meeting), to consider and act upon the following matters:

1. to elect eleven (11) directors to serve until the next Annual Meeting of Stockholders or until their respective successors are elected and qualified;
2. to approve and ratify an amendment to the Company's Amended and Restated Certificate of Incorporation to increase the number of authorized shares of the Company's common stock from 650,000,000 shares to 1,000,000,000 shares;
3. to approve and ratify an increase in the number of shares of the Company's common stock authorized for issuance under the Express Scripts, Inc. Employee Stock Purchase Plan from 2,000,000 shares to 3,500,000 shares;
4. to ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accountants for the Company's current fiscal year;
5. to transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

Only stockholders of record at the close of business on March 31, 2008, are entitled to notice of and to vote at the meeting. At least ten days prior to the meeting, a complete list of stockholders entitled to vote will be available for inspection by any stockholder for any purpose germane to the meeting, during ordinary business hours, at the office of the Secretary of the Company at One Express Way, Saint Louis, Missouri 63121. As a stockholder of record, you are cordially invited to attend the meeting in person. Regardless of whether you expect to be present at the meeting, please either complete, sign and date the enclosed proxy and mail it promptly in the enclosed envelope, or vote electronically via the Internet or telephone as described in greater detail in the proxy statement. Returning the enclosed proxy, or voting electronically or telephonically, will not affect your right to vote in person if you attend the meeting.

By Order of the Board of Directors

Thomas M. Boudreau
Executive Vice President, Law & Strategy and
Corporate Secretary

One Express Way
Saint Louis, Missouri 63121
April 14, 2008

Even though you may plan to attend the meeting in person, please vote by telephone or the Internet, or execute the enclosed proxy card and mail it promptly. A return envelope (which requires no postage if mailed in the

United States) is enclosed for your convenience. Telephone and Internet voting information is provided on your proxy card. Should you attend the meeting in person, you may revoke your proxy and vote in person.

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**EXPRESS SCRIPTS, INC.
One Express Way
Saint Louis, Missouri 63121**

**2008 ANNUAL MEETING OF STOCKHOLDERS
PROXY STATEMENT**

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of Express Scripts, Inc., a Delaware corporation, which we refer to as the Company, to be voted at our 2008 Annual Meeting of Stockholders, which we refer to as the annual meeting or the meeting, and any adjournment or postponement of the meeting. The meeting will be held at our principal executive offices, One Express Way, Saint Louis, Missouri 63121, on Wednesday, May 28, 2008, at 9:30 a.m. Central Time, for the purposes contained in the accompanying Notice of Annual Meeting of Stockholders and in this proxy statement. This proxy statement and the accompanying proxy will be first sent or given to stockholders on or about April 14, 2008.

ABOUT THE MEETING

Why Did I Receive This Proxy Statement?

Because you were a stockholder of our company as of March 31, 2008, or the record date, and are entitled to vote at the annual meeting, our board of directors is soliciting your proxy to vote at the meeting.

This proxy statement summarizes the information you need to know to vote at the meeting. This proxy statement and form of proxy were first mailed or made available to stockholders on or about April 14, 2008.

What Am I Voting On?

You are voting on four items:

1. Election of directors (see page 5);
2. Approval and ratification of an amendment to the Company's Amended and Restated Certificate of Incorporation to increase the number of authorized shares of the Company's common stock from 650,000,000 shares to 1,000,000,000 shares (see page 45);
3. Approval and ratification of an increase in the number of shares of the Company's common stock authorized for issuance under the Express Scripts, Inc. Employee Stock Purchase Plan (the ESPP) from 2,000,000 shares to 3,500,000 shares (see page 46); and
4. Ratification of PricewaterhouseCoopers LLP as independent registered public accountants for 2008 (see page 50).

How Do I vote?

Stockholders of Record: If you are a stockholder of record, there are four ways to vote:

by toll-free telephone at 1-800-690-6903

by Internet at www.proxyvote.com

by completing and returning your proxy card

by written ballot at the meeting

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Street Name Holders: Shares which are held in a brokerage account in the name of the broker are said to be held in street name. If your shares are held in street name you should follow the voting instructions provided by your broker. You may complete and return a voting instruction card to your broker, or vote via the telephone or internet. Check your proxy card for more information. If you hold your shares in street name and wish to vote at the meeting, you must obtain a legal proxy from your broker and bring that proxy to the meeting.

Regardless of how your shares are registered, if you complete and properly sign the accompanying proxy card and return it to the address indicated, or vote via the telephone or internet, your shares will be voted as you direct.

What Are The Voting Recommendations Of The Board Of Directors?

Our board recommends the following votes:

1. FOR each of the nominees as directors;
2. FOR the approval and ratification of an amendment to the Company's Amended and Restated Certificate of Incorporation to increase the number of authorized shares of the Company's common stock from 650,000,000 shares to 1,000,000,000 shares;
3. FOR the approval and ratification of an increase in the number of shares of the Company's common stock authorized for issuance under the ESPP from 2,000,000 shares to 3,500,000 shares; and
4. FOR the ratification of the appointment of PricewaterhouseCoopers LLP as independent registered public accountants for 2008.

Unless you give instructions on your proxy card, the persons named as proxy holders will vote your shares in accordance with the recommendations of our board of directors.

Will Any Other Matters Be Voted On?

We do not know of any other matters that will be brought before the stockholders for a vote at the annual meeting. If any other matter is properly brought before the meeting, your signed or electronic proxy card gives authority to George Paz and Thomas M. Boudreau to vote on such matters in their discretion.

Who Is Entitled To Vote At The Meeting?

Only stockholders of record at the close of business on the record date are entitled to receive notice of and to participate in the annual meeting. If you were a stockholder of record on that date, you will be entitled to vote all of the shares that you held on that date at the meeting, or any postponements or adjournments of the meeting.

How Many Votes Do I Have?

You will have one vote for every share of our common stock you owned on the record date.

How Many Votes Can Be Cast By All Stockholders?

Approximately 251,100,000, consisting of one vote for each share of our common stock outstanding on the record date. There is no cumulative voting.

How Many Votes Must Be Present To Hold The Meeting?

The holders of a majority of the aggregate voting power of our common stock outstanding on the record date, or approximately 125,550,000 votes, must be present in person, or by proxy, at the meeting in order to constitute a quorum necessary to conduct the meeting.

If you vote, your shares will be part of the quorum. Abstentions and broker non-votes will be counted in determining the quorum. A broker non-vote occurs when a bank or broker holding shares in street name submits a proxy that states that the broker does not vote for some or all of the proposals, because the broker has not received

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instructions from the beneficial owners on how to vote on the proposals and does not have discretionary authority to vote in the absence of instructions.

We urge you to vote by proxy even if you plan to attend the meeting so that we will know as soon as possible that a quorum has been achieved.

What Vote Is Required To Approve Each Proposal?

In the election of directors, the affirmative vote of a plurality of the votes present in person or by proxy and entitled to vote at the meeting is required. A proxy that has properly withheld authority with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for the purposes of determining whether there is a quorum.

For the proposal to approve and ratify the Amendment to the Company's Amended and Restated Certificate of Incorporation, the affirmative vote of a majority of the outstanding shares of common stock entitled to vote at the meeting will be required for approval. Accordingly, abstentions and broker non-votes will have the effect of votes against this proposal.

For each of the proposal to approve and ratify the increase of shares authorized for issuance under the ESPP and the proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accountants, the affirmative vote of the holders of a majority of the shares represented in person or by proxy and entitled to vote on the proposal will be required for approval. An abstention with respect to each of these proposals will not be voted, although it will be counted for the purposes of determining whether there is a quorum. Accordingly, an abstention will have the effect of a negative vote. Broker non-votes on a proposal (shares held by brokers that do not have discretionary authority to vote on the matter and have not received voting instructions from their clients) are not counted or deemed present or represented for determining whether stockholders have approved that proposal. Please note that brokers that have not received voting instructions from their clients cannot vote on their clients' behalf on the proposal to approve the increase of shares available under the ESPP.

Can I Change My Vote Or Revoke My Proxy?

Yes. Just send in a new proxy card with a later date, or cast a new vote by telephone or Internet, or send a written notice of revocation to our Corporate Secretary at the address on the cover of this proxy statement. Also, if you attend the meeting and wish to vote in person, you may request that your previously submitted proxy not be used.

Why Haven't I Received a Printed Copy of the Proxy or Annual Report?

This year we are taking advantage of the new Securities and Exchange Commission (SEC) rules that allow companies to furnish proxy materials to stockholders via the Internet. If you received a Notice of Internet Availability of Proxy Materials, or Notice, by mail, you will not receive a printed copy of the proxy materials, unless you specifically request one. The Notice instructs you on how to access and review all of the important information contained in the proxy statement and annual report as well as how to submit your proxy over the Internet. If you received the Notice and would still like to receive a printed copy of our proxy materials, you should follow the instructions for requesting these materials included in the Notice. We plan to mail the Notice to stockholders by April 18, 2008.

Who Can Attend The Annual Meeting?

Any Express Scripts stockholder as of March 31, 2008 may attend the meeting. If you own shares in street name, you should ask your broker or bank for a legal proxy to bring with you to the meeting. If you do not receive the legal

proxy in time, bring your most recent brokerage statement so that we can verify your ownership of our stock and admit you to the meeting. However, you will not be able to vote your shares at the meeting without a legal proxy.

If you submit a proxy card without indicating your vote, your shares will be voted as follows:

for the nominees for director named in this proxy statement;

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for the approval and ratification of the amendment to the Company's Amended and Restated Certificate of Incorporation which would increase the number of authorized shares of the Company's common stock from 650,000,000 shares to 1,000,000,000;

for the approval and ratification of an increase in the number of shares of the Company's common stock authorized for issuance under the ESPP from 2,000,000 shares to 3,500,000 shares;

for the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accountants for 2008; and

in accordance with the recommendation of management on any other matter that may properly be brought before the meeting and any adjournment or postponement of the meeting.

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I. ELECTION OF DIRECTORS

The current term of office of all of our directors expires at the meeting or when their successors are duly elected and qualified. The Corporate Governance Committee of our board has nominated eleven of our current directors to be elected to serve until the next Annual Meeting of Stockholders or until their successors are duly elected and qualified. Howard Waltman is retiring from the board upon the expiration of his current term, but will continue to serve as a non-voting emeritus member of the board. Mr. Waltman's retirement will result in one vacancy on the board. The Corporate Governance Committee of the board is currently in the process of identifying a candidate to fill this vacancy. Proxies cannot be voted for a greater number of persons than the number of nominees named below. Unless otherwise specified, all proxies will be voted in favor of the eleven nominees listed below for election as directors of our company.

Our board of directors has no reason to expect that any of the nominees will be unable to stand for election on the date of the meeting or will not serve. If a vacancy occurs among the original nominees prior to the meeting, the proxies will be voted for a substitute nominee named by our board and for the remaining nominees. Directors are elected by a plurality of the votes present in person or by proxy and entitled to vote at the meeting. Our board has determined that, in its judgment, with the exception of Mr. Paz, who is also an executive officer of our company, and Mr. Toan, who retired as an executive officer of our company in March 2005, all of the members of our board of directors are independent, as defined by the listing standards of The Nasdaq Global Select Market, as of the date of this Proxy Statement.

The following information is furnished as of March 1, 2008, for each of the nominees for our Board of Directors:

Name, Position and Principal Occupation

Gary G. Benanav, 62, was elected a director of Express Scripts in January 2000. Mr. Benanav served as Vice Chairman and a Director of New York Life Insurance Company or New York Life, a life insurance and financial services company, from November 1999 until his retirement in March 2005. Mr. Benanav also served as Chairman and Chief Executive Officer of New York Life International from December 1997 until his retirement in March 2006. He is also a director of Barnes Group, Inc.

Frank J. Borelli, 72, was elected a director of Express Scripts in January 2000. Mr. Borelli has been a Senior Advisor to Stone Point Capital, an investment management company and formerly a wholly-owned subsidiary of Marsh & McLennan Companies, Inc. or M&MC, a global professional services firm, since his retirement from M&MC in January 2001 where he served as Senior Vice President, among other positions.. He is also a director and Audit Committee Chairman of Genworth Financial, Inc. and is a director of the Interpublic Group of Companies and a director of Signal Holdings Inc., an investee company of Trident Fund, which is managed by Stone Point Capital LLC.

Maura C. Breen, 52, was elected a director of Express Scripts in July 2004. Ms. Breen is Senior Vice President and General Manager for the New York Region for Verizon Communications, Inc. or Verizon, a provider of communications services, a post to which she was appointed in March 2006. Previously, Ms. Breen was Senior Vice President/Support Services, Network Services Group for Verizon, from December 2003 through March 2006. Ms. Breen also served as Senior Vice President & Chief Marketing Officer, Retail Market Groups for Verizon from July 2001 through December 2003.

Nicholas J. LaHowchic, 60, was elected a director of Express Scripts in July 2001. Mr. LaHowchic has served as President and Chief Executive Officer of Limited Logistics Services, Inc. or LLS , from October 1997, and as Executive Vice President for Limited Brands, Inc., a retail apparel company and the parent of LLS, from April 2004 until his retirement in February 2007. LLS provides supply chain, compliance and procurement services to retailers including Limited Brands, Inc. Mr. LaHowchic is also a director of Advance Auto Parts Inc.

Thomas P. Mac Mahon, 61, was elected a director of Express Scripts in March 2001. Mr. Mac Mahon served as President and Chief Executive Officer and a member of the Executive and Management Committees of Laboratory Corporation of America Holdings or LabCorp , the second largest independent clinical laboratory company in the U.S., from January 1997 until his retirement on December 31, 2006. Mr. Mac Mahon, who has been

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a director of LabCorp since April 1995, continues to serve as Chairman of the Board of LabCorp, a position he has held since April 1996. Mr. Mac Mahon also serves as a director of Pharmacia Corporation and Golden Pond Healthcare, Inc.

Woodrow A. Myers Jr., M.D., 54, was elected a director of Express Scripts in May 2007. Dr. Myers has served as the Managing Director of Myers Ventures, LLC, a healthcare consulting company, since December 2005. Previously, Dr. Myers served as Executive Vice President and Chief Medical Officer of Wellpoint, Inc, a health benefits company, from September 2000 through December 2005. Dr. Myers is also a director of Genomic Health, Inc. and ThermoGenesis Corp.

John O. Parker, Jr., 63, was elected a director of Express Scripts in July 2001. Mr. Parker has served as a Venture Partner with Rho Ventures LLC, a venture capital firm, since January 2002. Mr. Parker also serves on the boards of PHT Corporation and Medical Present Value, Inc., both privately held companies.

George Paz, 52, was elected a director of Express Scripts in January 2004 and has served as Chairman of the Board since May 2006. Mr. Paz was first elected President of Express Scripts in October 2003 and also assumed the role Chief Executive Officer of Express Scripts on April 1, 2005. Mr. Paz joined Express Scripts and was elected Senior Vice President and Chief Financial Officer in January 1998 and continued to serve as Express Scripts Chief Financial Officer following his election to the office of President until his successor joined Express Scripts in April 2004.

Samuel K. Skinner, 69, was elected a director of Express Scripts in February 2004. Mr. Skinner has been Of Counsel with the law firm of Greenberg Traurig, LLP since 2004. Mr. Skinner previously served as President, Chief Executive Officer and a director of USF Corporation (formerly USFreightways Corporation) or USF, a transportation, freight forwarding and supply chain management company, from 2000 until his retirement in 2003. Mr. Skinner was also Chairman of the Board of USF from 2001 until his retirement. Mr. Skinner is also a director of Navigant Consulting, Inc., Midwest Air Group, Inc., Diamond Management and Technology Inc., Dade Behring Holdings, Inc., and the Chicago Board Options Exchange.

Seymour Sternberg, 64, was elected a director of Express Scripts in March 1992. Mr. Sternberg currently is the Chairman of the Board and Chief Executive Officer of New York Life and has served in this capacity since April 1997. From October 1995 until October 2002, he was the President of New York Life, and from October 1995 until March 1997 he also held the position of Chief Operating Officer of New York Life. Mr. Sternberg is also a director of CIT Group, Inc., and is a director/manager of various New York Life subsidiaries.

Barrett A. Toan, 60, was elected a director of Express Scripts in October 1990 and served as Chairman of the Board from November 2000 until May 2006. Mr. Toan was Express Scripts Chief Executive Officer from March 1992 until his retirement in March 2005. Mr. Toan was an executive employee of Express Scripts from May 1989 until his retirement and served as President of Express Scripts from October 1990 to April 2002. Mr. Toan is also a director of Sigma-Aldrich Corporation, a specialty chemical company, and Genworth Financial, Inc., an insurance and financial services company.

The Board of Directors unanimously recommends a vote FOR the election of each of the nominees listed above.

Director Emeritus

Our bylaws authorize the board to elect one or more directors emeritus to serve at the pleasure of the board. Each director emeritus serves as an advisor and consultant to the board, and may also be appointed by the board to serve as an advisor and consultant to one or more committees of the board. A director emeritus is invited to attend meetings of the board and any such committees, and may participate in discussions during such meetings. However, no director

emeritus shall be entitled to vote on any business that comes before the board or any committee.

Howard L. Waltman, 75, is retiring from the board at the end of his current term, which expires on the date of the annual meeting. The Board currently intends to elect Mr. Waltman to serve as Director Emeritus following his retirement. Mr. Waltman has been a director of Express Scripts since its inception in September 1986, and has served as Presiding Director since October 2006. Mr. Waltman served as Chairman of the Board of Express Scripts from March 1992 until November 2000. Mr. Waltman is also a director of Emergent Group, Inc.

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Our board of directors is responsible for establishing broad corporate policies and for overseeing the overall management of the Company. In addition to considering various matters which require board approval, our board provides advice and counsel to, and ultimately monitors the performance of, our senior management.

Committees of the Board. Our board has four standing committees of the Board of Directors: the Audit Committee, the Compensation and Development Committee or the Compensation Committee, the Corporate Governance Committee, and the Compliance Committee. Each committee has a written charter and is composed entirely of directors deemed to be, in the judgment of our board, independent in accordance with Nasdaq listing standards. Our board of directors met 14 times in 2007. Each director attended at least 75% of the total number of meetings of the board and the board committees of which he or she was a member in 2007. While we do not have a formal policy requiring members of the board to attend the annual meeting, we encourage all directors to attend. All of the board's twelve members attended the annual meeting in 2007. The following table lists the members, primary functions and number of meetings held for each of the committees:

Members	Principal Functions	Meetings in 2007
Audit Committee		
Frank J. Borelli (Chair)* Maura C. Breen Nicholas J. LaHowchic John O. Parker, Jr. * Mr. Borelli has been determined by the Board, in its judgment, to be an audit committee financial expert, as defined under applicable SEC rules	Assist the board in its oversight of (i) the integrity of our financial statements; (ii) our compliance with securities laws, including financial and disclosure requirements; (iii) our system of internal controls and the performance of our internal audit function; and (iv) the qualifications, independence and performance of our independent accountants. Select, retain and oversee our independent accountants. Review our annual and interim financial statements. Establish procedures for the receipt and handling of complaints regarding accounting, internal accounting controls or auditing matters.	7
Compensation & Development Committee		
Gary G. Benanav (Chair) Thomas P. Mac Mahon Howard L. Waltman	Review and approve our stated compensation strategy. Review annually the performance of our Chief Executive Officer. Review and approve compensation, and set performance criteria for compensation programs, for all of our senior executives. Review and make recommendations to the Corporate Governance Committee regarding compensation of directors. Approve forms of employment agreements for our senior executives. Approve and oversee the administration of our employee benefit plans and incentive compensation programs.	5

Compliance Committee

Nicholas J. LaHowchic (Chair) Woodrow A. Myers, Jr. Samuel K. Skinner Seymour Sternberg	Review and make recommendations to the board addressing our legal and regulatory compliance practices generally (other than SEC and financial reporting matters). Review our Corporate Code of Conduct at least annually and make recommendations to the board with respect to changes to the Code of Conduct. Meet regularly with our management to assess our compliance policies and procedures. Review and approve a Code of Business Conduct and Ethics, and oversee implementation by management of procedures intended to ensure compliance with such Code.	3
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Corporate Governance Committee

Howard L. Waltman (Chair) Frank J. Borelli John O. Parker, Jr. Seymour Sternberg	Establish criteria for membership on our board of directors and its committees. Select and nominate candidates for election or reelection as directors at our annual stockholders meeting. Consider stockholder recommendations for and nominations of candidates for election as directors. Recommend candidates to fill any vacancies on our board of directors. Review and make recommendations to the board regarding our Corporate Governance Guidelines and the nature and duties of the committees of the board. Approve and make adjustments to our policies regarding compensation of directors.	5
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The Board also formed a special Transaction Committee to consider matters related to our efforts to acquire Caremark Rx, Inc. in early 2007. Messrs. Borelli, Mac Mahon and Waltman served on the Transaction Committee, which is no longer active.

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Presiding Director. Our corporate governance guidelines were revised in October 2006 to call for the selection of a Presiding Director of the board at such times as the position of chairman of the board is held by a member of management. The Presiding Director is a non-employee director selected by the other non-employee directors whose duties include the following:

chair all meetings or executive sessions of the non-employee or independent directors; and

review and provide input to the scheduling of, and agendas for, the board and committee meetings.

Mr. Waltman was elected as Presiding Director of our board in October 2006. A new Presiding Director will be selected following Mr. Waltman's retirement.

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DIRECTORS COMPENSATION

Directors who are employed by our company or its subsidiaries do not receive compensation for serving as directors. Directors who are not employees of our company or its subsidiaries are entitled to receive:

an annual retainer as follows:

\$45,000 for the Audit Committee Chairperson,

\$40,000 for the Compensation and Development Committee Chairperson,

\$35,000 for other Committee Chairpersons, and

\$30,000 for the other non-employee directors;

a meeting fee of \$2,000 for each meeting attended in person; and

a meeting fee of \$1,000 for each meeting attended telephonically.

We also reimburse non-employee directors for out-of-pocket expenses incurred in connection with attending board and committee meetings.

Our non-employee directors also receive equity awards under our 2000 Long-Term Incentive Plan, as amended or the 2000 LTIP , as follows:

an equity grant with a notional value of \$115,000 on the date of the first board meeting each such director attends as a non-employee director, and

annual equity grants with a notional value of \$200,000 granted on the date of each annual meeting of stockholders, with new directors who have taken office since the previous annual meeting receiving a pro-rated grant for the partial first year.

The equity grants are divided between shares of restricted stock and stock-settled stock appreciation rights, or SSARs , as follows:

One-third of the value of the equity grant in shares of restricted stock, valued based on the fair market value of our common stock as of the grant date; and

Two-thirds of the value of the equity grant in SSARs, valued using the method we utilize in valuing the grants for financial reporting purposes (currently the Black-Scholes valuation model).

Historically we have granted non-qualified stock options or stock options to our non-employee directors instead of SSARs and we may consider returning to the use of stock options in the future. All of the SSARs and stock options granted to the non-employee directors under the 2000 LTIP have an exercise price of 100% of the fair market value of the shares on the date they are granted, and a seven-year term. The SSARs and restricted stock vest ratably over three years, with accelerated vesting upon the director's retirement, provided that the director's combined age and years of service on the Board total at least 75, or upon the failure by the Company to renominate the director for election.

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The following table provides information regarding our compensation of non-employee directors for 2007:

DIRECTOR COMPENSATION IN 2007

Name (a)	Fees Earned or		Stock Awards (\$)(2) (c)	Option Awards (\$)(3) (d)	Total (\$) (h)
	Paid in Cash (\$)(1) (b)				
Gary Benanav(4)	\$ 68,000	\$	53,081	\$ 133,084	\$ 254,165
Frank Borelli(5)	\$ 84,000	\$	53,081	\$ 137,577	\$ 274,658
Maura Breen(6)	\$ 60,000	\$	53,081	\$ 138,416	\$ 251,497
Nicholas LaHowchic(7)	\$ 70,000	\$	53,081	\$ 136,054	\$ 259,135
Thomas P. Mac Mahon(8)	\$ 61,000	\$	53,081	\$ 137,577	\$ 251,658
Woodrow A. Myers(9)	\$ 34,000	\$	42,764	\$ 73,118	\$ 149,882
John O. Parker(10)	\$ 71,000	\$	53,081	\$ 136,054	\$ 260,135
Samuel K. Skinner(11)	\$ 55,000	\$	53,081	\$ 139,351	\$ 247,432
Seymour Sternberg(12)	\$ 61,000	\$	53,081	\$ 133,084	\$ 247,165
Barrett Toan(13)	\$ 50,000	\$	53,081	\$ 92,364	\$ 195,445
Howard Waltman(14)	\$ 76,000	\$	53,081	\$ 137,577	\$ 266,658

- (1) This column reports the amount of cash compensation received for 2007 Board and committee service.
- (2) Each director received a Restricted Stock award on May 23, 2007 of 1,352 shares which vests 331/3% per year on each of the first three anniversaries of the date of the grant. Grant date fair value was \$66,627. In addition, on May 23, 2007, in accordance the Company's policy for new non-employee directors attending their first board meeting, Mr. Myers also received 778 shares of Restricted Stock. Grant date fair value was \$38,340. Stock awards have been valued in the same manner as described in footnote 1 to the Summary Compensation Table on page 24.
- (3) Each director received a grant of 8,484 SSARs on May 23, 2007, which vests 331/3% per year on each of the first three anniversaries of the date of the grant. Grant date fair value was \$132,084. In addition, on May 23, 2007, in accordance with the Company's policy for new non-employee directors attending their first board meeting, Mr. Myers also received 4,878 SSARs. Grant date fair value was \$76,658. SSARs have been valued in the same manner as described in footnote 2 to the Summary Compensation Table on page 24.
- (4) At year-end, Mr. Benanav held 55,232 vested options, 8,000 unvested options, 2,588 shares of unvested Restricted Stock, 3,124 vested SSARs and 14,730 unvested SSARs.
- (5) At year-end, Mr. Borelli held 224,000 vested options, 8,000 unvested options, 2,588 shares of unvested Restricted Stock, 3,124 vested SSARs and 14,730 unvested SSARs.
- (6) At year-end, Ms. Breen held 0 vested options, 8,000 unvested options, 2,588 shares of unvested Restricted Stock, 3,124 vested SSARs and 14,730 unvested SSARs.

(7) At year-end, Mr. LaHowchic held 0 vested options, 8,000 u