PharMerica CORP
Form PREM14A
September 06, 2017
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**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

**SCHEDULE 14A**

**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 o

Check the appropriate box:

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

o 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: common stock, par value $0.01 per share

(2) Aggregate number of securities to which transaction applies: As of August 29, 2017, 31,118,849 shares of common stock outstanding, 1,012,713 shares of common stock reserved for issuance in respect of outstanding unvested restricted stock units or performance stock (assuming vesting at the target performance levels permitted under the merger agreement) units and 230,622 shares of common stock subject to outstanding employee stock options

(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): In accordance with Exchange Act Rule 0-11(c), the filing fee of $109,420.22 was determined by multiplying 0.0001159 by the aggregate merger consideration of $944,091,633. The aggregate merger consideration was calculated by multiplying the 31,118,849 outstanding shares of common stock by the per share merger consideration of $29.25, and adding the foregoing sum to (i) $29,621,855, the product obtained by multiplying the 1,012,713 shares of common stock reserved for issuance in respect of outstanding unvested restricted stock units or performance stock units (assuming vesting at the target performance levels permitted under the merger agreement) by the per share merger consideration of $29.25, and (ii) $4,243,445, the product obtained by multiplying the 230,622 shares of common stock subject to outstanding employee stock options by $18.40, the per share merger consideration of $29.25 less the $10.85 weighted average exercise price per share of such outstanding employee stock options (in each case, as of the close of business of August 29, 2017).

(4) Proposed maximum aggregate value of transaction: $944,091,633

(5) Total fee paid: $109,420.22

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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**PRELIMINARY PROXY STATEMENT - SUBJECT TO COMPLETION,
DATED SEPTEMBER 6, 2017**

**PHARMERICA CORPORATION**
**1901 Campus Place**
**Louisville, Kentucky 40299**

[•], 2017

Dear Stockholder:

You are cordially invited to attend a special meeting of the stockholders of PharMerica Corporation, a Delaware corporation (the Company ), which we will hold at [•], on [•], 2017, at [•], local time.

At the special meeting, holders of our common stock, par value $0.01 per share ( common stock ), will be asked to consider and vote on a proposal to adopt an Agreement and Plan of Merger (as it may be amended from time to time, the merger agreement ), dated as of August 1, 2017, by and among the Company, Phoenix Parent Holdings Inc., a Delaware corporation ( Parent ), and Phoenix Merger Sub Inc., a Delaware corporation and wholly owned subsidiary of Parent ( Merger Sub ). Under the merger agreement, Merger Sub will be merged with and into the Company (the merger ), and each share of common stock outstanding immediately prior to the effective time of the merger (other than certain shares as set forth in the merger agreement) will be converted into the right to receive an amount in cash equal to $29.25 per share (such amount, the merger consideration ) without interest and subject to any required tax withholding. If the merger is completed, the Company will become a subsidiary of Parent, an entity which is an affiliate of investment funds affiliated with Kohlberg Kravis Roberts & Co. L.P. ( KKR ) and, at the closing of the merger, Walgreens Boots Alliance, Inc. ( WBA ) will acquire a minority ownership interest in Parent.

**The board of directors of the Company (the board ) unanimously (i) determined that the merger agreement and the transactions contemplated thereby are fair to and in the best interests of the Company and its stockholders, (ii) approved, adopted and authorized the merger agreement and the transactions contemplated thereby, and (iii) resolved to recommend, subject to the provisions of the merger agreement, the adoption of the merger agreement, including the merger, by the stockholders of the Company and directed that such matter be submitted for consideration of the stockholders of the Company at the special meeting.**

**The board unanimously recommends that the stockholders of the Company vote FOR the proposal to adopt the merger agreement.**

At the special meeting, stockholders will also be asked to vote on (i) an advisory (non-binding) proposal to approve specified compensation that may be paid or become payable to the named executive officers of the Company in connection with the merger and (ii) a proposal to approve the adjournment of the special meeting from time to time, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement. **The board unanimously recommends that the stockholders of the Company vote FOR each of these proposals.**

The enclosed proxy statement describes the merger agreement, the merger and related agreements and provides specific information concerning the special meeting. In addition, you may obtain information about us from documents filed with the Securities and Exchange Commission (the SEC ). We urge you to, and you should, read the entire proxy statement carefully, including the annexes and the documents referred to or incorporated by reference in the proxy statement, as it sets forth the details of the merger agreement and other important information related to the merger.

**Your vote is very important. The merger cannot be completed unless holders of a majority of the outstanding shares of common stock vote in favor of the adoption of the merger agreement. If you fail to vote on the adoption of the merger agreement, the effect will be the same as a vote against the adoption of the merger agreement.**

While stockholders may exercise their right to vote their shares of common stock in person, we recognize that many stockholders may not be able to attend the special meeting. Accordingly, we have enclosed a proxy card that will enable your shares of common stock to be voted on the matters to be considered at the special meeting even if you are unable to attend. If you desire your shares of common stock to be voted in accordance with the board s recommendation, you need only sign, date and return the proxy card in the enclosed postage-paid envelope. Otherwise, please mark the proxy to indicate your voting instructions; date and sign the proxy card; and return it in the enclosed postage-paid envelope. You also may submit a proxy by using a toll-free telephone number or the Internet. We have provided instructions on the proxy card for using these convenient services. Submitting a proxy will not prevent you from voting your shares of common stock in person if you subsequently choose to attend the special meeting. Even if you plan to attend the special meeting in person, we request that you complete, sign, date and return the enclosed proxy card and thus ensure that your shares of common stock will be represented at the special meeting if you are unable to attend.

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If you hold your shares of common stock in street name through a broker, bank or other nominee you should follow the directions provided by your broker, bank or other nominee regarding how to instruct your broker, bank or other nominee to vote your shares of common stock. Without those instructions, your shares of common stock will not be voted, which will have the same effect as voting against the proposal to adopt the merger agreement.

If you have any questions or need assistance in voting your shares of common stock, please contact our proxy solicitor, [•], toll free at [•].

On behalf of the Board of Directors of
PharMerica Corporation,

GREGORY S. WEISHAR
Chief Executive Officer

Louisville, Kentucky
[•], 2017

**Neither the SEC nor any state securities commission has approved or disapproved the merger, passed upon the merits or fairness of the merger or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.**

This proxy statement is dated [•], 2017 and is first being mailed to stockholders on or about [•], 2017.

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**PRELIMINARY PROXY STATEMENT - SUBJECT TO COMPLETION,
SEPTEMBER 6, 2017**

**PHARMERICA CORPORATION
1901 Campus Place
Louisville, Kentucky 40299**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

To the Stockholders of PharMerica Corporation:

NOTICE IS HEREBY GIVEN that a Special Meeting of the Stockholders of PharMerica Corporation, a Delaware corporation ( PharMerica, the Company or we ), will be held at [•], at [•] local time on [•], 2017, for the following purposes:

1. to consider and vote on a proposal to adopt the Agreement and Plan of Merger (as it may be amended from time to time, the merger agreement ), dated as of August 1, 2017, by and among the Company, Phoenix Parent Holdings Inc., a Delaware corporation ( Parent ), and Phoenix Merger Sub Inc., a Delaware corporation and wholly owned subsidiary of Parent ( Merger Sub );
2. to approve, on an advisory (non-binding) basis, specified compensation that may be paid or become payable to the named executive officers of the Company in connection with the merger;
3. to approve the adjournment of the special meeting from time to time, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement; and
4. to act upon other business as may properly come before the special meeting or any adjournment or postponement thereof by or at the direction of the board.

The holders of record of our common stock, par value $0.01 per share ( common stock ), at the close of business on [•], 2017, are entitled to receive notice of, and to vote at, the special meeting or at any adjournment thereof. All stockholders are cordially invited to attend the special meeting in person.

The board of directors of the Company (the board ) unanimously (i) determined that the merger agreement and the transactions contemplated thereby are fair to and in the best interests of the Company and its stockholders, (ii) approved, adopted and authorized the merger agreement and the transactions contemplated thereby, and (iii) resolved to recommend, subject to the provisions of the merger agreement, the adoption of the merger agreement, including the merger, by the stockholders of the Company and directed that such matter be submitted for consideration of the stockholders of the Company at the special meeting.

**The board unanimously recommends that the stockholders of the Company vote FOR the proposal to adopt the merger agreement, FOR the advisory (non-binding) proposal to approve specified compensation that may be paid or become payable to the named executive officers of the Company in connection with the merger and FOR the proposal to adjourn the special meeting from time to time, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement.**

Your vote is important, regardless of the number of shares of common stock you own. The adoption of the merger agreement by the affirmative vote of holders of a majority of the outstanding shares of common stock as of the record date is a condition to the consummation of the merger. The advisory (non-binding) proposal to approve specified compensation that may be paid or become payable to the named executive officers of the Company in connection with the merger and the proposal to adjourn the special meeting from time to time, if necessary or appropriate, to solicit

additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement each requires the affirmative vote of holders of a majority of the shares of common stock present in person or represented by proxy at the meeting and entitled to vote thereon. **Even if you plan to attend the special meeting in person, we request that you complete, sign, date and return the enclosed proxy card and thus ensure that your shares of common stock will be represented at the special meeting if you are unable to attend. A failure to vote your shares of common stock or an abstention from voting will have the same effect as a vote against the proposal to adopt the merger agreement.**

You also may submit your proxy by using a toll-free telephone number or the Internet. We have provided instructions on the proxy card for using these convenient services.

If you sign, date and return your proxy card without indicating how you wish to vote, your proxy will be voted in favor of the proposal to adopt the merger agreement, the advisory (non-binding) proposal to approve specified compensation that may be paid or become payable to the named executive officers of the Company in connection with the merger and the proposal to adjourn the special meeting from time to time, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement. If you fail to vote or submit

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your proxy, the effect will be that your shares of common stock will not be counted for purposes of determining whether a quorum is present at the special meeting and will have the same effect as a vote against the adoption of the merger agreement, but will not affect the advisory vote to approve specified compensation that may become payable to the named executive officers of the Company in connection with the merger and the vote regarding the adjournment of the special meeting to solicit additional proxies, if necessary or appropriate.

Your proxy may be revoked at any time before the vote at the special meeting by following the procedures outlined in the accompanying proxy statement.

On behalf of the Board of Directors of
PharMerica Corporation,

GREGORY S. WEISHAR
Chief Executive Officer
Louisville, Kentucky
[•], 2017

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## SUMMARY

This summary discusses material information contained in this proxy statement, including with respect to the merger agreement, the merger and the other agreements entered into in connection with the merger. We encourage you to read carefully this entire proxy statement, its annexes and the documents referred to or incorporated by reference in this proxy statement, as well as any amendments thereto or other related documents filed with the SEC, as this Summary may not contain all of the information that may be important to you. The items in this Summary include page references directing you to a more complete description of that topic in this proxy statement.

Unless stated otherwise or the context otherwise requires, in this proxy statement, all references to:

- PharMerica, the Company, we, our, or us refer to PharMerica Corporation, a Delaware corporation;
- Parent refers to Phoenix Parent Holdings Inc., a Delaware corporation;
- Merger Sub refers to Phoenix Merger Sub Inc., a Delaware corporation and wholly owned subsidiary of Parent;
- common stock refers to the Company's common stock, par value $0.01 per share;
- the board refers to the board of directors of the Company;
- the merger agreement refers to the Agreement and Plan of Merger, dated as of August 1, 2017, as it may be amended from time to time, by and among the Company, Parent and Merger Sub, a copy of which is included as Annex A to this proxy statement;
- the merger refers to the merger of Merger Sub with and into the Company, with the Company continuing as the surviving corporation; and
- the SEC refers to the U.S. Securities and Exchange Commission.

### The Parties to the Merger Agreement

***PharMerica Corporation***

PharMerica Corporation is a Delaware corporation. PharMerica is a national provider of institutional pharmacy, specialty infusion and hospital pharmacy management services. PharMerica s common stock is listed on the New York Stock Exchange, referred to as the NYSE, under the symbol PMC . See The Parties to the Merger Agreement—PharMerica Corporation beginning on page [•] of this proxy statement.

Additional information about PharMerica is contained in our public filings with the SEC that are incorporated by reference herein. See Where You Can Find Additional Information beginning on page [•] of this proxy statement.

***Phoenix Parent Holdings Inc. and Phoenix Merger Sub Inc.***

Phoenix Parent Holdings Inc. is a Delaware corporation. Phoenix Merger Sub Inc. is a Delaware corporation and a wholly owned subsidiary of Parent. Parent and Merger Sub are affiliates of investment funds affiliated with Kohlberg Kravis Roberts & Co. L.P. ( KKR ) and, at the closing of the merger, an affiliate of Walgreens Boots Alliance, Inc. ( WBA ) will acquire a minority ownership interest in Parent. Both Parent and Merger Sub were formed solely for the purpose of entering into the merger agreement and consummating the transactions contemplated by the merger agreement, and have not engaged in any business except for activities incidental to their formation and as contemplated by the merger agreement. See The Parties to the Merger Agreement—Phoenix Parent Holdings Inc. and Phoenix Merger Sub Inc. beginning on page [•] of this proxy statement.

### The Special Meeting

The special meeting of the stockholders of the Company will be held at [•], on [•], 2017, at [•] local time (the special meeting ).

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**Proposals to Be Voted on at the Special Meeting**

At the special meeting, you will be asked to consider and vote upon the following proposals:

- the proposal to adopt the merger agreement (the merger proposal );
- the proposal to approve, on an advisory (non-binding) basis, specified compensation that may be paid or become payable to the named executive officers of the Company in connection with the merger (the compensation proposal ); and
- the proposal to approve the adjournment of the special meeting from time to time, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement (the adjournment proposal ).

**Effect of Merger**

The merger agreement provides that at the effective time of the merger each outstanding share of common stock (other than shares of common stock held by the Company as treasury stock (other than shares in a Company Plan (as defined in the merger agreement)), any subsidiary of the Company, Parent, any subsidiary of Parent (including Merger Sub) and holders who are entitled to and properly exercise appraisal rights under Delaware law) (collectively, the excluded shares )), will be converted into the right to receive an amount in cash equal to $29.25 per share (the merger consideration ). Following the merger, the Company will become a privately held company, wholly owned by Parent, and the Company s common stock will be delisted from the NYSE and deregistered under the Securities Exchange Act of 1934, as amended (the Exchange Act ). Parent is an affiliate of investment funds affiliated with KKR and, at the closing of the transactions contemplated by the merger agreement, affiliates of WBA will acquire a minority ownership interest in Parent.

**Record Date, Stockholders Entitled to Vote and Quorum**

Only holders of record of the shares of common stock as of the close of business on [•], 2017 (the record date ), will be entitled to receive notice of, and to vote at, the special meeting or any adjournments thereof. As of the record date, there were [•] shares of common stock outstanding.

Holders of common stock are entitled to one vote on each matter submitted to a vote for each share of common stock owned at the close of business on the record date.

A majority of the shares of common stock entitled to vote at the special meeting, represented in person or by proxy, constitutes a quorum for the transaction of business at the special meeting. Proxies received but marked as abstentions of common stock will be included in the calculation of the number of shares of common stock considered to be present at the special meeting in determining a quorum. There will be no broker non-votes at the special meeting, as described below under the heading —Required Vote . Under our amended and restated by-laws ( by-laws ), in the absence of a quorum at the special meeting, the meeting of stockholders may be adjourned by the Chairman of the board or, in the event of his or her absence or disability, a presiding officer chosen by the board.

**Required Vote**

For the Company to complete the merger, under Delaware law, stockholders holding at least a majority of the shares of common stock outstanding and entitled to vote thereon must vote **FOR** the merger proposal. In addition, under the merger agreement, the receipt of such required vote is a condition to the consummation of the merger. A failure to vote your shares of common stock, an abstention from voting or the failure, with respect of shares of common stock held in street name through a broker, bank or other nominee, to give voting instructions to such broker, bank or other nominee, will have the same effect as a vote against the merger proposal.

The compensation proposal and the adjournment proposal each requires the affirmative vote of holders of a majority of the shares of common stock present in person or represented by proxy at the meeting and entitled to vote thereon. Accordingly, not voting at the special meeting will have no effect on the outcome of these proposals, but abstentions will have the effect of a vote against these proposals.

Under NYSE rules, brokers, banks or other nominees who hold shares of common stock in street name for a beneficial owner of those shares typically have the authority to vote in their discretion on routine proposals

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when they have not received instructions from beneficial owners. However, brokers, banks or other nominees are not allowed to exercise their voting discretion with respect to the approval of matters that are non-routine without specific instructions from the beneficial owner. All proposals to be voted on by you at the special meeting are non-routine matters, and therefore brokers do not have discretionary authority to vote on any of the proposals. Broker non-votes occur when a broker, bank or other nominee is not instructed by the beneficial owner of shares of common stock to vote on a particular proposal for which the broker does not have discretionary voting power. Accordingly, there can be no broker non-votes at the special meeting, so failure to provide instructions to your broker or other nominee on how to vote will result in your shares of common stock not being counted as present at the meeting.

**Voting by the Company s Directors and Executive Officers**

At the close of business on the record date for the special meeting, the Company s directors and executive officers and their affiliates beneficially owned and had the right to vote [•] shares of common stock at the special meeting, which represents approximately [•]% of the shares of common stock entitled to vote at the special meeting. The number and percentage of shares of common stock owned by directors and executive officers of the Company and its affiliates as of the record date are not expected to be meaningfully different from the number and percentage as of [•], 2017.

It is expected that the Company s directors and executive officers and their affiliates will vote their shares of common stock:

- **FOR** the adoption of the merger proposal;
- **FOR** the adjournment proposal; and
- **FOR** the compensation proposal.

**Conditions to Completion of the Merger**

The obligations of the Company, Parent and Merger Sub to complete the merger are subject to the satisfaction or waiver of the following conditions:

- the adoption of the merger agreement by the required vote of the Company's stockholders
- the expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act ), and the receipt of all antitrust approvals required by the laws of Bosnia, China, the European Union and Turkey; and
- the absence of any order or law that prohibits the merger.

The obligations of Parent and Merger Sub to complete the merger are subject to the satisfaction (or waiver by Parent) of the following additional conditions, among others:

- the accuracy of the representations and warranties of the Company (subject to materiality, material adverse effect and other qualifications specified in the merger agreement)
- the Company having performed in all material respects its obligations under the merger agreement
- since the date of the merger agreement, there having been no Company material adverse effect; and
- holders of not more than 10% of the outstanding shares of common stock have properly exercised, and not withdrawn, their dissenters' rights under Section 262 of the DGCL.

The obligations of the Company to complete the merger are subject to the satisfaction (or waiver by the Company) of the following additional conditions, among others:

- the accuracy of the representations and warranties of Parent and Merger Sub (subject to materiality, knowledge and other qualifications specified in the merger agreement) and
- Parent and Merger Sub having performed in all material respects all of their obligations under the merger agreement.

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**When the Merger Becomes Effective**

We anticipate completing the merger by early 2018, subject to the adoption of the merger agreement by the Company s stockholders as specified herein and the satisfaction of the other closing conditions as described in the section entitled Conditions to Completion of the Merger beginning on page [•] of this proxy statement.

**Recommendation of the Company s Board of Directors**

The board unanimously (i) determined that the merger agreement and the transactions contemplated thereby are fair to and in the best interests of the Company and its stockholders, (ii) approved, adopted and authorized the merger agreement and the transactions contemplated thereby, and (iii) resolved to recommend, subject to the provisions of the merger agreement, the adoption of the merger agreement, including the merger, by the stockholders of the Company and directed that such matter be submitted for consideration of the stockholders of the Company at the special meeting. The board unanimously recommends that the stockholders of the Company vote **FOR** the merger proposal, **FOR** the compensation proposal and **FOR** the adjournment proposal. For a description of the reasons considered by the board in deciding to recommend approval of the merger proposal, see The Merger (Proposal 1)—Reasons for the Merger beginning on page [•] of this proxy statement.

**Opinions of the Company s Financial Advisors**

***Opinion of UBS***

On August 1, 2017, at a meeting of the board held to evaluate the merger and the merger agreement and the transactions contemplated thereby, PharMerica s financial advisor, UBS Securities LLC ( UBS ), delivered to the board an oral opinion, which opinion was subsequently confirmed by delivery of a written opinion, dated August 1, 2017, to the effect that, as of that date and based on and subject to various assumptions made, matters considered, and qualifications and limitations described in its written opinion, the merger consideration to be received by the holders of common stock (other than Parent, Merger Sub and their affiliates) in the merger was fair, from a financial point of view, to such holders.

The full text of UBS s opinion to the board describes the assumptions made, procedures followed, matters considered, and qualifications and limitations on the review undertaken by UBS. The opinion is attached to this proxy statement as Annex B and is incorporated into this proxy statement by reference. **The summary of UBS s opinion in this proxy statement is qualified in its entirety by reference to the full text of UBS s written opinion. Holders of common stock are encouraged to read UBS s opinion carefully in its entirety. UBS s opinion was provided for the benefit of PharMerica s board (in its capacity as such) in connection with, and for the purpose of, its evaluation of the merger consideration to be received by the holders of common stock (other than Parent, Merger Sub and their affiliates) in the merger from a financial point of view, and does not address any other aspect of the merger or any related transaction. UBS s opinion does not address the relative merits of the merger or any related transaction as compared to other business strategies or transactions that might be available with respect to PharMerica or PharMerica s underlying business decision to effect the merger or any related transaction. UBS s opinion does not constitute a recommendation to any stockholder of PharMerica as to how such stockholder should vote or act with respect to the merger or any related transaction.**

***Opinion of BofA Merrill Lynch***

In connection with the merger, Merrill Lynch, Pierce, Fenner & Smith Incorporated ( BofA Merrill Lynch ), the Company s financial advisor, delivered to the board a written opinion, dated August 1, 2017, as to the fairness, from a financial point of view and as of the date of the opinion, of the merger consideration to be received in the merger by

holders of shares of common stock. The full text of the written opinion, dated August 1, 2017, of BofA Merrill Lynch, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as Annex C to this document and is incorporated by reference herein in its entirety. **BofA Merrill Lynch provided its opinion to the board (in its capacity as such) for the benefit and use of the board in connection with and for purposes of its evaluation of the merger consideration from a financial point of view. BofA Merrill Lynch s opinion does not address any other aspect of the merger and no opinion or view was expressed as to the relative merits of the merger in comparison to other strategies or transactions that might be available to the Company or in which the**

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**Company might engage or as to the underlying business decision of the Company to proceed with or effect the merger. BofA Merrill Lynch s opinion does not address any other aspect of the merger and does not constitute a recommendation to any stockholder as to how to vote or act in connection with the proposed merger or any other matter.**

**Treatment of Company Stock Options and Company RSU Awards**

Under the merger agreement, equity-based awards held by the Company s directors and executive officers as of the effective time of the merger will be treated at the effective time of the merger as follows:

*Company Stock Options.* Except as otherwise agreed between Parent and any holder, each option to purchase shares of common stock granted under any employee or director plan (the Company Plan ) outstanding immediately prior to the effective time, whether vested or unvested, will become fully vested and exercisable as of immediately prior to the effective time and will be cancelled in exchange for the right to receive a cash payment, subject to any required tax withholding, equal to the product of (i) the excess, if any, of the merger consideration over the applicable per share exercise price of such option multiplied by (ii) the number of shares of common stock subject to such option.

*Company RSU Awards*. Except as otherwise agreed between Parent and any holder, each restricted stock unit which has not vested or will not vest as of or prior to the effective time will, at the effective time, be cancelled and in substitution thereof, such holder will be eligible to receive a cash payment, subject to any required tax withholding, equal to the product of (i) the merger consideration multiplied by (ii) the number of shares of common stock subject to such unvested company stock unit (the RSU Payment ). The RSU Payment will initially be unvested and will vest, subject to continued employment or service, based on the same vesting schedule applicable to such cancelled restricted stock unit, subject to any applicable vesting upon a termination of the holder s employment under the applicable Company Plan and award agreement that relates to the original restricted stock unit. Restricted stock units held by certain employees may become vested in connection with the merger and, in some cases, upon a qualifying termination of employment, pursuant to applicable award agreements or employment agreements or other contractual arrangements with the Company. The agreements with the named executive officers are described under the section entitled Interests of the Company s Directors and Executive Officers in the Merger – Change in Control and Severance Arrangements beginning on page [•] of this proxy statement.

*Company PSU Awards*. Except as otherwise agreed between Parent and the holder thereof, each performance stock unit which has not vested or will not vest as of or prior to the effective time will, at the effective time, be cancelled and in substitution thereof, such holder will be eligible to receive a cash payment, subject to any required tax withholding, equal to the product of (i) the merger consideration multiplied by (ii) the number of shares of common stock subject to such unvested performance stock unit, calculated assuming target performance levels (the PSU Payment ). The PSU Payment will initially be unvested and will vest, subject to continued employment or service, on the last day of the performance period applicable to such cancelled performance stock unit, subject to any applicable vesting upon a termination of the holder s employment under the applicable Company Plan and award agreement that relates to the original performance stock unit. Performance stock units held by certain employees may become vested in connection with the merger and, in some cases, upon a qualifying termination of employment, pursuant to applicable award agreements or employment agreements or other contractual arrangements with the Company. The agreements with the named executive officers are described under the section entitled Interests of the Company s Directors and Executive Officers in the Merger – Change in Control and Severance Arrangements beginning on page [•] of this proxy statement.

**Additional Interests of the Company s Directors and Executive Officers in the Merger**

In considering the recommendation of the board with respect to the merger proposal, you should be aware that some of the Company s directors and executive officers may have interests in the merger and the other transactions contemplated by the merger agreement that are different from, or in addition to, the interests of the Company s stockholders generally. Interests of officers and directors that may be different from or in addition to the interests of the Company s stockholders include, among others:

- Under the terms of the director award agreements their restricted stock units will vest upon the closing of the Transaction and the merger agreement provides that vested outstanding Company equity awards will be cashed out.

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- The Company's executive officers, with the exception of Berard Tomassetti, have employment agreements that provide for accelerated or continued vesting of equity awards and enhanced severance benefits in the event of a qualifying termination of employment six months prior to or within 24 months following a change in control for Gregory Weishar; and within one year following a change in control for Robert Dries, Suresh Vishnubhatla, Robert McKay and Thomas Caneris.
- The Company's directors and executive officers are entitled to continued indemnification and insurance coverage under indemnification agreements and the merger agreement.

These interests are discussed in more detail in the section entitled The Merger (Proposal 1)—Interests of the Company s Directors and Executive Officers in the Merger beginning on page [•] of this proxy statement. The board was aware of the different or additional interests set forth herein and considered such interests along with other matters in approving the merger agreement and the transactions contemplated thereby, including the merger.

**Financing**

The Company and Parent anticipate that the total amount of funds required to complete the merger and the related transactions and pay related fees and expenses will be funded through a combination of the following:

- equity financing of $450 million, including (i) $315 million to be provided by KKR Americas Fund XII L.P. ( KKR Americas XII ), or any of its affiliates to which KKR Americas XII assigns all or a portion of its commitment, and (ii) $135 million to be provided by WBA, or any of its affiliates to which WBA assigns all or a portion of its commitment; and
- borrowings under a $1,100 million senior secured credit facility, comprised of a $815 million first lien term loan facility, a $100 million senior secured revolving credit facility (which revolving credit facility is not intended to provide funding for the merger) and a $185 million senior secured second lien term loan facility.

The consummation of the merger is not subject to any financing-related condition (although the funding of the debt financing is subject to the satisfaction of the conditions set forth in the debt commitment letter under which the debt financing will be provided).

**Limited Guarantees**

Subject to the terms and conditions set forth in limited guarantees in favor of the Company from each of KKR Americas XII and WBA (the limited guarantees ), dated August 1, 2017 and executed concurrently with the execution of the merger agreement, KKR Americas XII and WBA have guaranteed the payment obligations of Parent with respect to the following:

- Parent's obligation under the merger agreement to pay the Parent termination fee or the Willful Breach antitrust termination fee, as applicable, if the merger agreement is terminated by the Company under specified circumstances (see the section entitled The Merger Agreement—Termination Fees—Parent Termination Fee and Parent Regulatory Termination Fee beginning on page [•] of this proxy statement);
- other than in a circumstance in which the Company is permitted to terminate the merger agreement and receive the Parent termination fee or the Willful Breach antitrust termination fee, as applicable, any money damages in an amount, individually or in the aggregate, of no more than the amount of the Parent termination fee, that may be owed by Parent and/or Merger Sub to the Company as a result of a Willful Breach of the merger agreement by Parent and/or Merger Sub in accordance with (and subject to the limitations in) the merger agreement; and
- following termination of the merger agreement, Parent's reimbursement and indemnification obligations under the merger agreement relating to financing cooperation.

**Material U.S. Federal Income Tax Consequences of the Merger**

In general, the merger will be a taxable transaction for holders of shares of common stock. For U.S. federal income tax purposes, if you are a U.S. holder (as defined in The Merger (Proposal 1)—Material U.S. Federal Income Tax Consequences of the Merger beginning on page [•] of this proxy statement) you will generally

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recognize gain or loss measured by the difference, if any, between the cash you receive (before reduction for any applicable withholding tax) in the merger and your tax basis in the shares of common stock exchanged in the merger. Gain or loss will be determined separately for each block of your shares of common stock (i.e., shares acquired at the same cost in a single transaction). You should consult your own tax advisor about the tax consequences to you of the merger in light of your particular circumstances.

**Regulatory Approvals**

Under the HSR Act and related rules, certain transactions, including the merger, may not be completed until notifications have been given and information furnished to the Antitrust Division of the United States Department of Justice ( Antitrust Division ) and the Federal Trade Commission ( FTC ) and all statutory waiting period requirements have been satisfied or early termination has been granted by the applicable agencies. On August 15, 2017, both the Company and Parent filed their respective Notification and Report Forms with the Antitrust Division and the FTC. Early termination of the HSR waiting period was received on August 25, 2017.

Under the merger agreement, the parties obligations to complete the merger are conditional on the receipt of all antitrust approvals required by the laws of Bosnia, China, the European Union and Turkey. To date, the parties have submitted merger notification filings in Bosnia, China and the European Union.

**Antitrust Support Side Letter**

In connection with the merger agreement, the Company, KKR Americas XII and WBA have entered into an Antitrust Support Side Letter (the antitrust support side letter ) pursuant to which KKR Americas XII and WBA have agreed to use reasonable best efforts to take all actions necessary to enable Parent to comply with certain of its obligations under the merger agreement, including obtaining regulatory approvals necessary to consummate the transactions contemplated by the merger agreement, subject to certain exceptions, including the limitation that KKR, WBA and their respective affiliates (including KKR Americas XII and any other investment funds or investment vehicles affiliated with, or managed or advised by, KKR or any portfolio company or investment of KKR or of any such investment fund or investment vehicle, other than Parent and its subsidiaries) will have no obligation to agree to or otherwise effect any divestiture, hold separate arrangement, change to its assets or business, litigation or any other action to obtain antitrust or competition approvals, and Parent will have no obligation to cause WBA, KKR or such affiliates to take any such actions. In addition, each of WBA, WBA s affiliates (excluding Parent and Merger Sub, whose obligations are governed by the merger agreement) and KKR Americas XII will use reasonable best efforts not to undertake, announce or enter into certain transactions that involve any (A) long term care pharmacy or (B) business that provides home infusion therapy services to patients, if, in the case of (A) or (B), any of such transactions would be reasonably expected to result in any material impediment or material delay in obtaining applicable clearances required under any applicable antitrust laws; provided that nothing in the antitrust support side letter or merger agreement will in any way restrict the activities of KKR or any of its affiliates (excluding KKR Americas XII but including any other investment funds or investment vehicles affiliated with, or managed or advised by, KKR or any portfolio company or investment of KKR or of KKR Americas XII or any such other investment fund or investment vehicle). A copy of the antitrust support side letter is attached to this proxy statement as Annex D.

**No Solicitation**

Under the merger agreement, the Company and its affiliates and their respective representatives may not:

- solicit, initiate or take any action to knowingly facilitate or encourage any effort or attempt to submit an acquisition proposal (defined below in the section entitled The Merger Agreement – No Solicitation beginning on page [•] of this proxy statement) or any proposal or offer that may reasonably be expected to lead to an acquisition proposal;

enter into, continue or otherwise participate in any discussions or negotiations with, furnish any confidential information relating to the Company or any of its subsidiaries or afford access to the business or assets of the Company or any of its subsidiaries to or otherwise knowingly cooperate in any way with any person relating to an acquisition proposal; or

- make an adverse recommendation change (defined below in the section entitled The Merger Agreement – No Solicitation beginning on page [•] of this proxy statement).

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But if, prior to obtaining the stockholder approval (defined in the section entitled Conditions to Completion of the Merger beginning on page [•] of this proxy statement), the Company receives a bona fide alternative proposal from a third party that the Board determines in good faith, after consultation with outside legal counsel and financial advisors, is, or is reasonably likely to lead to, a superior proposal (defined below in the section entitled The Merger Agreement – No Solicitation beginning on page [•] of this proxy statement), then the Company may take the following actions:

- engage in negotiations or discussions with such third party with respect to such acquisition proposal; and
- provide nonpublic information to such third party after entering into a confidentiality agreement acceptable under the terms of the merger agreement.

In order for the board to change its recommendation in response to a superior proposal or for the Company to terminate the merger agreement to accept a superior proposal, the Company must (among other obligations):

- provide Parent with at least three business days written notice of the board's intention to make a change in recommendation or to terminate the merger agreement with a description of the terms of the superior proposal including, in each case, a description of the identity of the Person making the superior proposal, the material terms and conditions of the superior proposal and copies of the most recent drafts documentation, and its reasons for making the change in recommendation or for terminating the merger agreement and
- provide Parent with three business days to propose revisions to the terms of the merger agreement (and provide additional two business day periods for any revision to the financial terms or other material amendment to such superior proposal), and if requested by Parent, negotiate with Parent in good faith during such three business day period.

Following the end of such three business day period (and any such additional periods), after taking into account any revisions to the terms and conditions of the merger agreement proposed by Parent, the board must determine in good faith, after consultation with its outside legal counsel and financial advisors, that such third-party acquisition proposal continues to constitute a superior proposal and that failure to take such action would be inconsistent with its duties under applicable law. If the Company terminates the merger agreement to enter into an agreement with a third party regarding a superior proposal or the board changes its recommendation in response to a superior proposal and the agreement is terminated by Parent, then the Company must pay a termination fee of $33 million to Parent (as described in more detail under the section entitled The Merger Agreement—Termination Fees—Company Termination Fee beginning on page [•] of this proxy statement).

**Termination**

The Company and Parent may terminate the merger agreement by mutual written consent at any time before the Effective Time of the merger. In addition, either the Company or Parent may terminate the merger agreement if:

- the Effective Time has not occurred on or before May 1, 2018, provided that the right to terminate the merger agreement pursuant to this provision will not be available to any party whose breach of any provision of the merger agreement is the proximate cause of the failure to consummate the merger by such time;
- there is any permanent injunction or other order issued by a governmental authority of competent jurisdiction restraining, making illegal or otherwise prohibiting the merger and such injunction or order has become final and non-appealable, provided that the right to terminate the merger agreement pursuant to this provision will not be available to any party that has not complied with its obligations described under the section entitled The Merger Agreement—Reasonable Best Efforts beginning on page [•] of this proxy statement in respect of such injunction or order; or
- the stockholder approval has not been obtained at the stockholder meeting duly convened or at any adjournment or postponement at which the merger agreement and the transactions contemplated thereby have been voted upon.

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Parent may terminate the merger agreement if:

- (i) the Company is in material breach of the no solicitation provisions, (ii) an adverse recommendation change has occurred, (iii) the board fails to include the Company recommendation in the proxy statement when mailed or (iv) the board fails to publicly reaffirm the Company recommendation within three business days after receipt of a reasonable written request to do so from Parent; or
- the Company breaches any representation or warranty or fails to perform any covenant or agreement contained in the merger agreement that would cause the conditions to the obligations of Parent and Merger Sub to consummate the merger to be incapable of being satisfied or cured by the end date or, if curable, is not cured by the Company by the earlier of (i) 30 days after receipt by the Company of written notice of such breach or failure and (ii) the end date, so long as Parent or Merger Sub is not then in material breach of their obligations under the merger agreement.

The Company may terminate the merger agreement if:

- prior to the receipt of the stockholder approval subject to compliance with the no solicitation provisions, (i) the Company enters into an agreement in principle, letter of intent, term sheet, merger agreement, acquisition agreement, option agreement or other similar instrument relating to a superior proposal by a third party and (ii) pays to Parent the termination fee of $33 million;
- Parent or Merger Sub breaches any representation or warranty or fails to perform any covenant or agreement contained in the merger agreement that would cause the conditions to the obligations of the Company to consummate the merger to be incapable of being satisfied or cured by the end date or, if curable, is not cured by Parent or Merger Sub by the earlier of (i) 30 days after receipt by Parent or Merger Sub of written notice of such breach or failure and (ii) the end date, so long as the Company is not then in material breach of its obligations under the merger agreement;
- WBA or KKR Americas XII fails to perform any covenant or agreement contained in the antitrust support side letter that would cause the conditions to the obligations of each party to consummate the merger to be incapable of being satisfied or cured by the end date or, if curable, is not cured by WBA or KKR Americas XII by the earlier of (i) 30 days after receipt by WBA or KKR Americas XII of written notice of such breach or failure and (ii) the end date, so long as the Company is not then in material breach of its obligations under the merger agreement; or
- if (i) the merger is not consummated by the third business day after the first date upon which Parent was required to consummate the closing under the terms of the merger agreement and (ii) the Company was ready, willing, and able to consummate the merger and provided written notice to Parent confirming such fact.

**Termination Fees**

Upon termination of the merger agreement, under certain specified circumstances, the Company may be required to pay a termination fee of $33 million to Parent pursuant to the terms and conditions of the merger agreement. Upon termination of the merger agreement, under certain specified circumstances, Parent may be required to pay the Company a reverse termination fee of either $56.6 million or $133.3 million pursuant to the terms and conditions of the merger agreement. See the section entitled The Merger Agreement—Termination Fees beginning on page [•] of this proxy statement for a discussion of the circumstances under which either party will be required to pay a termination fee.

**Expenses**

Except as otherwise provided in the merger agreement, all costs and expenses incurred in connection with the merger agreement will be paid by the party incurring such cost or expense.

**Rights of Appraisal**

Under Delaware law, holders of shares of our common stock who do not vote in favor of the adoption of the merger agreement, who properly demand appraisal of their shares of common stock and who otherwise comply with all the

requirements of Section 262 of the General Corporation Law of the State of Delaware, referred to as the DGCL, will be entitled to seek appraisal for, and obtain payment in cash for the judicially determined fair

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value of, their shares of common stock in lieu of receiving the merger consideration if the merger is completed. This value could be more than, the same as, or less than the merger consideration. Any holder of shares of common stock intending to exercise appraisal rights, among other things, must submit a written demand for appraisal to us prior to the vote on the proposal to adopt the merger agreement and must not vote in favor of the proposal to adopt the merger agreement and must otherwise strictly comply with all of the procedures required by Delaware law. The relevant provisions of the DGCL are included as Annex E to this proxy statement. You are encouraged to read these provisions carefully and in their entirety. If you hold your shares of common stock through a bank, brokerage firm or other nominee and you wish to exercise appraisal rights, you should consult with your bank, brokerage firm or other nominee to determine the appropriate procedures for the making of a demand for appraisal by such bank, brokerage firm or nominee. Moreover, due to the complexity of the procedures for exercising the right to seek appraisal, stockholders who are considering exercising such rights are encouraged to seek the advice of legal counsel. Failure to strictly comply with these provisions will result in the loss of the right of appraisal.

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## QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following questions and answers address briefly some questions you may have regarding the special meeting, the merger agreement and the merger. These questions and answers may not address all questions that may be important to you as a stockholder of the Company. Please refer to the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to or incorporated by reference in this proxy statement, as well as any amendments thereto or other related documents filed with the SEC.

**Q: Why am I receiving this proxy statement?**

A: On August 1, 2017, the Company entered into the merger agreement providing for the merger of Merger Sub, a wholly owned subsidiary of Parent, with and into the Company, with the Company surviving the merger as a wholly owned subsidiary of Parent. You are receiving this proxy statement in connection with the solicitation of proxies by the board in favor of the proposal to adopt the merger agreement and the other matters to be voted on at the special meeting.

**Q: What is the proposed transaction?**

A: The proposed transaction is the merger of Merger Sub with and into the Company pursuant to the merger agreement. Following the effective time of the merger, the Company will be privately held as a wholly owned subsidiary of Parent. Parent and Merger Sub are affiliates of investment funds affiliated with KKR and, at the closing of the merger, affiliates of WBA will acquire a minority ownership interest in Parent.

**Q: What will I receive in the merger?**

A: If the merger is completed, each share of common stock outstanding immediately prior to the effective time (other than certain shares of common stock as set forth in the merger agreement) will be converted into the right to receive $29.25 in cash (the merger consideration ), without interest and less any applicable withholding taxes, for each share of our common stock that you own. For example, if you own 100 shares of common stock immediately prior to the effective time, you will be entitled to receive $2,925 in cash in exchange for your shares of common stock, less any applicable withholding taxes. You will not be entitled to receive shares in the surviving corporation or in Parent.

**Q: Where and when is the special meeting?**

A: The special meeting will take place on [•], 2017, starting at [•] local time at [•].

**Q: What matters will be voted on at the special meeting?**

A: You will be asked to consider and vote on the following proposals:

- to adopt the merger agreement;
- to approve, on an advisory (non-binding) basis, specified compensation that may be paid or become payable to the named executive officers of the Company in connection with the merger; and
- to approve the adjournment of the special meeting from time to time to solicit additional proxies, if necessary or appropriate, if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement.

**Q: What vote of our stockholders is required to approve the merger agreement?**

A: Under Delaware law, stockholders holding at least a majority of the shares of common stock outstanding at the close of business on the record date must vote **FOR** the merger proposal. In addition, under the merger agreement, the receipt of such required vote is a condition to the consummation of the merger. A failure to vote your shares of common stock or an abstention from voting will have the same effect as a vote against the merger proposal.

**Q: What is the record date?**

A: The record date for the special meeting is [•], 2017. Only the Company's stockholders as of the close of business on the record date will be entitled to receive notice of, and to vote at, the special meeting or any

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adjournment thereof. Shares of common stock held by the Company as treasury shares and by the Company s subsidiaries will not be entitled to vote at the meeting. As of [•], 2017, the record date for the special meeting, there were [•] shares of common stock outstanding.

**Q: How will our directors and executive officers vote on the proposal to adopt the merger agreement?**

A: The directors and executive officers of the Company have informed the Company that as of the date of this proxy statement, they intend to vote their shares of common stock in favor of the merger proposal.

As of [•], 2017, the record date for the special meeting, the directors and current executive officers owned, in the aggregate, [•]% of the outstanding shares of common stock of the Company entitled to vote at the special meeting.

**Q: Do any of the Company's directors or executive officers have interests in the merger that may differ from or be in addition to my interests as a stockholder?**

A: Yes. In considering the recommendation of the board with respect to the merger proposal, you should be aware that our directors and executive officers may have interests in the merger and the other transactions contemplated by the merger agreement that are different from, or in addition to, the interests of our stockholders generally. The board was aware of and considered these differing interests, among other matters, in evaluating and negotiating the merger agreement and the merger, and in unanimously recommending that the merger agreement be adopted by the Company stockholders. See The Merger (Proposal 1)—Interests of the Company's Directors and Executive Officers in the Merger beginning on page [•] of this proxy statement.

**Q: What vote of our stockholders is required to approve other matters to be presented at the special meeting?**

A: The compensation proposal and the adjournment proposal each require the affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy at the special meeting and entitled to vote thereon.

**Q: What is a quorum?**

A: A quorum will be present if holders of a majority of the shares of common stock outstanding on the record date are present in person or represented by proxy at the special meeting. If a quorum is not present at the special meeting, the special meeting may be adjourned or postponed from time to time until a quorum is obtained.

If you hold the shares of common stock in your own name and submit a proxy but fail to provide voting instructions or abstain on any of the proposals listed on the proxy card, your shares will be counted for purpose of determining whether a quorum is present at the special meeting.

If your shares are held in street name by your broker, bank or other nominee and you do not tell the nominee how to vote your shares, these shares will not be counted for purposes of determining whether a quorum is present for the transaction of business at the special meeting.

**Q: How does the board recommend that I vote?**

A: The board unanimously recommends that our stockholders vote **FOR** the merger proposal. The board also unanimously recommends that our stockholders vote **FOR** the compensation proposal and **FOR** the adjournment proposal.

**Q: What effects will the merger have on PharMerica?**

A: Shares of our common stock are currently registered under the Securities Exchange Act of 1934, as amended, referred to as the Exchange Act, and is quoted on the NYSE under the symbol PMC. As a result of the merger, the Company will cease to be a publicly traded company and will be wholly owned by Parent. Following the consummation of the merger, the registration of shares of our common stock and our reporting obligations under the Exchange Act will be terminated. In addition, upon the consummation of the merger, shares of our common stock will no longer be listed on any stock exchange or quotation system, including the NYSE.

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**Q: When is the merger expected to be completed?**

A: Assuming timely satisfaction of necessary closing conditions, including the stockholder approval and timely receipt of applicable regulatory approvals, the parties to the merger agreement expect to complete the merger by early 2018. However, because the merger is subject to a number of conditions, including the stockholder approval and the completion of certain antitrust approvals, the exact timing of the merger cannot be determined at this time and we cannot guarantee that the merger will be completed.

**Q: What happens if the merger is not consummated?**

A: If the merger agreement is not approved by the Company's stockholders, or if the merger is not consummated for any other reason, the Company's stockholders will not receive any payment for their shares in connection with the merger. Instead, the Company will remain a public company and shares of our common stock will continue to be listed and traded on the NYSE. Under specified circumstances, the Company may be required to pay Parent a termination fee of $33 million, or Parent may be required to pay the Company a termination fee of $56.6 million or $113.3 million in the event the merger agreement is terminated by the Company or Parent under certain circumstances, subject to certain limitations set forth in the merger agreement. See The Merger Agreement—Termination Fees and The Merger Agreement—Expenses beginning on page [•] of this proxy statement.

**Q: What will happen if stockholders do not approve the advisory proposal on executive compensation payable to the Company's named executive officers in connection with the merger?**

A: The approval of this proposal is not a condition to the completion of the merger. The SEC rules require the Company to seek approval on a non-binding, advisory basis of certain payments that will or may be made to the Company's named executive officers in connection with the merger. The vote on this proposal is an advisory vote and will not be binding on the Company or Parent. If the merger agreement is adopted by the stockholders and the merger is completed, the merger-related compensation may be paid to the Company's named executive officers even if stockholders fail to approve this proposal.

**Q: What do I need to do now? How do I vote my shares of common stock?**

A: We urge you to read this proxy statement carefully, including its annexes and the documents referred to as incorporated by reference in this proxy statement, and to consider how the merger affects you. Your vote is important. If you are a stockholder of record, you can ensure that your shares are voted at the special meeting by submitting your proxy via:

- mail, using the enclosed postage-paid envelope;
- telephone, by calling [•] and following the recorded instructions; or
- the Internet, by accessing the website [www.proxyvote.com] and following the instructions on the website.

If you intend to submit your proxy by telephone or over the Internet, you must do so by 11:59 P.M. Eastern Daylight Time on the day before the special meeting. If you intend to submit your proxy by mail, your completed proxy card must be received prior to the special meeting.

If you hold your shares in street name through a broker, bank or other nominee you should follow the directions provided by your broker, bank or other nominee regarding how to instruct your broker, bank or other nominee to vote your shares. Without those instructions, your shares will not be voted, which will have the same effect as voting **AGAINST** the merger proposal. Even if you plan to attend the special meeting, to ensure that your shares of common stock are voted, please submit a proxy to vote your shares of common stock by marking, signing, dating and returning the enclosed proxy card or by using the telephone number printed on your proxy card or by using the Internet voting instructions printed on your proxy card.

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**Q: Can I revoke my proxy?**

A: Yes. You can revoke your proxy at any time before the vote is taken at the special meeting. If you are a stockholder of record, you may revoke your proxy by:

- delivering to the Company's Corporate Secretary in writing at PharMerica Corporation, Attn: Corporate Secretary, 1901 Campus Place, Louisville, Kentucky 40299 a signed written notice of revocation bearing a date later than the date of the proxy, stating that the proxy is revoked and that is received by the Company's Corporate Secretary no later than [•], 2017;
- attending the special meeting and voting in person (your attendance at the meeting will not, by itself, revoke your proxy; you must also vote in person at the special meeting);
- signing and delivering a new proxy relating to the same shares of common stock and bearing a later date and that is received no later than [•], 2017; or
- submitting a new proxy by telephone or over the Internet by 11:59 P.M. Eastern Daylight Time on [•], 2017.

Please note that if you hold your shares of common stock in street name and you have instructed a broker, bank or other nominee to vote your shares, the above-described options for revoking your voting instructions do not apply, and instead you must follow the instructions received from your broker, bank or other nominee to revoke your voting instructions.

**Q: What happens if I do not vote?**

A: The vote to adopt the merger agreement is based on the total number of shares of common stock outstanding on the record date, not just the shares of common stock that are voted. If you do not vote, it will have the same effect as a vote **AGAINST** the proposal to adopt the merger agreement.

**Q: What does it mean if I get more than one proxy card or voting instruction card?**

A: If your shares of common stock are registered differently or are held in more than one account, you will receive more than one proxy card or voting instruction card. Please complete and return all of the proxy cards or voting instruction cards you receive (or submit each of your proxies by telephone or the Internet, if available to you) to ensure that all of your shares are voted.

**Q: Will my shares of common stock held in street name or another form of record ownership be combined for voting purposes with shares I hold of record?**

A: No. Because any shares you may hold in street name will be deemed to be held by a different stockholder than any shares you hold of record, any shares of common stock so held will not be combined for voting purposes with shares you hold of record and you will need to submit separate proxy cards or voting instruction cards for each. Similarly, if you own shares in various registered forms, such as jointly with your spouse, as trustee of a trust or as custodian for a minor, you will receive, and will need to sign and return, a separate proxy card for those shares of common stock because they are held in a different form of record ownership. Shares of common stock held by a corporation or business entity must be voted by an authorized officer of the entity. Shares of common stock held in an individual retirement account must be voted under the rules governing the account.

**Q: What happens if I sell my shares of common stock before completion of the merger?**

A: If you transfer your shares of common stock, you will have transferred your right to receive the merger consideration in the merger. In order to receive the merger consideration, you must hold your shares of common stock immediately prior to the consummation of the merger.

The record date for stockholders entitled to vote at the special meeting is earlier than the date on which the merger will be consummated. So, if you transfer your shares of common stock after the record date but before the special meeting, you will have transferred your right to receive the merger consideration in the merger, but retained the right to vote at the special meeting.

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**Q: Should I send in my stock certificates or other evidence of ownership now?**

A: **No, do not send in your certificates now**. After the merger is completed, if you hold shares of common stock represented by certificates, you will receive a letter of transmittal from the paying agent for the merger with detailed written instructions for exchanging your shares of common stock for the merger consideration and if you hold book-entry shares you will receive a check or wire transfer for the merger consideration with respect to such shares. If your shares of common stock are held in street name by your broker, bank or other nominee, you may receive instructions from your broker, bank or other nominee as to what action, if any, you need to take to effect the surrender of your street name shares in exchange for the merger consideration.

**Q: I do not know where my stock certificate is - how will I get the merger consideration for my shares?**

A: If the merger is completed, the transmittal materials you will receive after the completion of the merger will include the procedures that you must follow if you cannot locate your stock certificate. This will include an affidavit that you will need to sign attesting to the loss of your stock certificate. You may also be required to provide a customary indemnity agreement in order to cover any potential loss.

**Q: Am I entitled to exercise appraisal rights instead of receiving the merger consideration for my shares of common stock?**

A: If you comply with all the requirements of Section 262 of the DGCL (including not voting in favor of the adoption of the merger agreement), you are entitled to have the fair value (as defined pursuant to Section 262 of the DGCL) of your shares of common stock determined by the Court of Chancery of the State of Delaware and to receive payment based on that valuation instead of receiving the merger consideration. The ultimate amount you would receive in an appraisal proceeding may be more than, the same as or less than the amount you would have received under the merger agreement. To exercise your appraisal rights, you must comply with the requirements of the DGCL. See Rights of Appraisal beginning on page [•] of this proxy statement and the text of the Delaware appraisal rights statute, Section 262 of the DGCL, which is reproduced in its entirety as Annex E to this proxy statement.

**Q: How are the Company's outstanding stock options, restricted stock units and performance stock units treated as a result of the merger?**

A: Unless otherwise agreed between Parent and any holder, all other equity awards will be treated as follows:

- Each option to purchase shares of Company common stock will become fully vested and exercisable as a result of the transaction and will be cancelled in exchange for the right to receive a cash payment, subject to any required tax withholding, equal to the product of (i) the excess, if any, of the merger consideration over the applicable per share exercise price of such option multiplied by (ii) the number of shares of common stock subject to such option.
- All restricted stock units held by non-employee directors will vest and settle in shares of common stock at the effective time of the merger pursuant to the terms of their award agreements. Restricted stock units and performance stock units held by certain employees may accelerate and be settled in shares of common stock in connection with the merger and, in some cases, a qualifying termination of employment, pursuant to the terms of the applicable award agreements or employment agreements or other contractual arrangements with the Company. Awards that accelerate and are settled in stock will be treated as common stock as described in the Q&A above, What will I receive in the merger?
- Unvested restricted stock units and performance stock units with respect to Company common stock ultimately will be converted into a cash award equal to the product of (i) the merger consideration multiplied by (ii) the number of shares of common stock subject to such unvested company stock unit (calculated assuming target performance levels, in the case of performance stock units). Each cash award will be subject to the same terms and conditions as applied to the original restricted stock unit or performance stock unit and will vest based on (x) continued employment or service in accordance with the original vesting schedule, in the case of cash awards converted from restricted stock units, and (y) continued employment or service on the last day of the performance period applicable to the cancelled performance stock unit, in the case of performance stock units.

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**Q: Is the merger expected to be taxable to owners of our common stock?**

A: In general, your receipt of the cash consideration for each of your shares of common stock pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes and may be a taxable transaction under state, local or non-U.S. income or other tax laws. You should read The Merger (Proposal 1) —Material U.S. Federal Income Tax Consequences of the Merger beginning on page [•] of this proxy statement for a discussion of the U.S. federal income tax consequences of the merger. You should also consult your tax advisor on the tax consequences of the merger in light of your particular circumstances.

**Q: What is householding and how does it affect me?**

A: The SEC permits companies to send a single set of proxy materials to any household at which two or more stockholders reside, unless contrary instructions have been received, but only if the applicable stockholder provides advance notice and follows certain procedures. In such cases, each stockholder continues to receive a separate notice of the meeting and proxy card. Certain brokerage firms may have instituted householding for beneficial owners of common stock held through brokerage firms. If your family has multiple accounts holding common stock, you may have already received householding notification from your broker. Please contact your broker directly if you have any questions or require additional copies of this proxy statement. The broker will arrange for delivery of a separate copy of this proxy statement promptly upon your written or oral request. You may decide at any time to revoke your decision to household, and thereby receive multiple copies.

**Q: Who can help answer my other questions?**

A: If you have more questions about the merger, or require assistance in submitting your proxy or voting your shares of common stock or need additional copies of the proxy statement or the enclosed proxy card, please contact [•], which is acting as the proxy solicitation agent for the Company in connection with the merger.

If your broker, bank or other nominee holds your shares of common stock in street name, you should also call your broker, bank or other nominee for additional information.

[•], the Company s proxy solicitor, may be contacted at: [•]

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**CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS**

This proxy statement, and the documents incorporated by reference in this proxy statement, include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which are identified by the use of the words believe, expect, may, could, should, plan, project, anticipate, intend, estimate, will and similar expressions that contemplate future events. Such forward-looking statements are based on management s reasonable current assumptions and expectations, including the expected completion and timing of the merger and other information relating to the merger. You should be aware that forward-looking statements involve a number of assumptions, risks and uncertainties that could cause the actual results to differ materially from such forward-looking statements. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that the actual results or developments we anticipate will be realized, or even if realized, that they will have the expected effects on the business or operations of the Company. These forward-looking statements speak only as of the date on which the statements were made and we undertake no obligation to update or revise any forward-looking statements made in this proxy statement or elsewhere as a result of new information, future events or otherwise, except as required by law. In addition to other factors and matters contained in or incorporated by reference in this document, we believe the following factors could cause actual results to differ materially from those discussed in the forward-looking statements:

- failure to obtain the required vote of the Company’s stockholders;
- the timing to consummate the transaction;
- the risk that a condition to closing of the transaction may not be satisfied or that the closing of the transaction might otherwise not occur;
- the risk that a regulatory approval that may be required for the transaction is not obtained or is obtained subject to conditions that are not anticipated;
- the occurrence of any event, change or other circumstance that could give rise to the termination of the merger agreement;
- the failure of Parent to obtain the necessary financing;
- the outcome of any legal proceedings that have been or may be instituted against the Company and others relating to the merger agreement;
- the diversion of management time on transaction-related issues;
- risk that the transaction and its announcement could have an adverse effect on the Company’s stock price, on its ability to retain customers and retain and hire key personnel; and
- other risk factors as detailed from time to time in the Company’s reports filed with the SEC, including the Company’s annual report on Form 10-K, periodic quarterly reports on Form 10-Q, periodic current reports on Form 8-K and other documents filed with the SEC. The foregoing list of important factors is not exclusive. See Where You Can Find Additional Information beginning on page [•] of this proxy statement.

Many of the factors that will determine our future results are beyond our ability to control or predict. In light of the significant uncertainties inherent in the forward-looking statements contained herein, readers of this proxy statement should not place undue reliance on forward-looking statements, which reflect management s views only as of the date hereof. We cannot guarantee any future results, levels of activity, performance or achievements.

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## THE PARTIES TO THE MERGER AGREEMENT

### PharMerica Corporation

PharMerica Corporation is a Delaware corporation with principal executive offices located at 1901 Campus Place, Louisville, Kentucky 40299. The Company is an institutional pharmacy services company that services healthcare facilities, provides pharmacy management services to hospitals, provides specialty infusion services to patients outside a hospital setting, and offers the only national oncology pharmacy in the United States. The Company s customers are typically institutional healthcare providers, such as skilled nursing facilities, assisted living facilities, hospitals, individuals receiving in-home care and patients with cancer. PharMerica s common stock is currently listed on the NYSE under the symbol PMC . A detailed description of the Company s business is contained in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2016, which is incorporated by reference into this proxy statement. See Where You Can Find Additional Information beginning on page [•] of this proxy statement.

### Phoenix Parent Holdings Inc. and Phoenix Merger Sub Inc.

Phoenix Parent Holdings Inc. is a Delaware corporation. Phoenix Merger Sub Inc. is a Delaware corporation and a wholly owned subsidiary of Parent. Parent and Merger Sub are affiliates of investment funds affiliated with Kohlberg Kravis Roberts & Co. L.P. and at the closing of the transactions contemplated by the merger agreement, an affiliate of WBA will acquire a minority ownership interest in Parent. The principal executive offices of both Parent and Merger Sub are located at 2800 Sand Hill Road, Suite 200, Menlo Park, CA 94025. Both Parent and Merger Sub were formed solely for the purpose of entering into the merger agreement and consummating the transactions contemplated by the merger agreement, and have not engaged in any business except for activities incidental to their formation and as contemplated by the merger agreement.

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## THE SPECIAL MEETING

We are furnishing this proxy statement to the Company s stockholders as part of the solicitation of proxies by the board for use at the special meeting. This proxy statement provides the Company s stockholders with the information they need to know to be able to vote or instruct their vote to be cast at the special meeting or any adjournment or postponement thereof.

### Date, Time and Place of the Special Meeting

This proxy statement is being furnished to our stockholders as part of the solicitation of proxies by the board for use at the special meeting to be held on [•], 2017, starting at [•] local time at [•], or at any adjournment or postponement thereof.

### Purpose of the Special Meeting

The purpose of the special meeting is for our stockholders to consider and vote upon the merger proposal. Our stockholders must adopt the merger agreement for the merger to occur. If our stockholders fail to adopt the merger agreement, the merger will not occur. A copy of the merger agreement is attached to this proxy statement as Annex A and the material provisions of the merger agreement are described under the section entitled The Merger Agreement beginning on page [•] of this proxy statement. Our stockholders are also being asked to approve the proposal to adjourn the special meeting from time to time, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt the merger agreement.

In addition, in accordance with Section 14A of the Exchange Act, the Company is providing its stockholders with the opportunity to cast an advisory (non-binding) vote on the compensation that may be paid or become payable to its named executive officers in connection with the merger, the value of which is disclosed in the table in the section entitled The Merger (Proposal 1)—Interests of the Company s Directors and Executive Officers in the Merger beginning on page [•] of this proxy statement. The vote on the compensation proposal is a vote separate and apart from the vote to approve the merger. Accordingly, a stockholder may vote to approve the executive compensation and vote not to adopt the merger and vice versa. Because the vote is advisory in nature only, it will not be binding on either the Company or Parent. Accordingly, because the Company is contractually obligated to pay the compensation, the compensation will be payable, subject only to the conditions applicable thereto, if the merger is approved and regardless of the outcome of the advisory vote on the compensation proposal.

This proxy statement and the enclosed form of proxy card are first being mailed to our stockholders on or about [•], 2017.

### Recommendation of the Company s Board of Directors

After careful consideration, the board has unanimously (i) determined that the merger agreement and transactions contemplated thereby are fair to and in the best interests of the Company s stockholders, (ii) approved, adopted and declared advisable the merger agreement and the transactions contemplated thereby, and (iii) resolved, subject to the provisions of the merger agreement, to recommend the acceptance of the merger agreement, including the merger, by the stockholders of the Company at the special meeting. Certain factors considered by the board in reaching its decision to approve the merger agreement and approve the merger can be found in the section entitled The Merger (Proposal 1)—Reasons for the Merger beginning on page [•] of this proxy statement.

The board unanimously recommends that the Company s stockholders vote **FOR** the merger proposal, **FOR** the compensation proposal and **FOR** the adjournment proposal.

**Record Date, Stockholders Entitled to Vote and Quorum**

Only holders of record of shares of common stock as of the close of business on the record date, [•], 2017, will be entitled to receive notice of and to vote their shares of common stock at the special meeting or any adjournments thereof. As of the record date, there were [•] shares of common stock outstanding.

Holders of shares of common stock are entitled to one vote on each matter submitted to a vote for each share of common stock owned at the close of business on the record date.

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A majority of the shares of common stock entitled to vote at the special meeting, represented in person or by proxy, constitutes a quorum for the transaction of business at the special meeting. Proxies received but marked as abstentions or treated as broker non-votes will be included in the calculation of the number of shares of common stock considered to be present at the special meeting in determining a quorum. Under our by-laws, in the absence of a quorum at the special meeting, the meeting of stockholders may be adjourned.

**Required Vote**

For the Company to complete the merger, under Delaware law, stockholders holding at least a majority of the shares of common stock outstanding and entitled to vote thereon must vote **FOR** the merger proposal. In addition, under the merger agreement, the receipt of such required vote is a condition to the consummation of the merger. A failure to vote your shares of common stock, an abstention from voting or the failure, with respect of shares held in street name through a broker, bank or other nominee, to give voting instructions to such broker, bank or other nominee, will have the same effect as a vote against the merger proposal.

The compensation proposal and the adjournment proposal each requires the affirmative vote of holders of a majority of the shares of common stock present in person or represented by proxy at the meeting and entitled to vote thereon. Accordingly, not voting at the special meeting will have no effect on the outcome of these proposals, but abstentions will have the effect of a vote against these proposals.

Under NYSE rules, brokers, banks or other nominees who hold shares of common stock in street name for a beneficial owner of those shares typically have the authority to vote in their discretion on routine proposals when they have not received instructions from beneficial owners. However, brokers, banks or other nominees are not allowed to exercise their voting discretion with respect to the approval of matters that are non-routine without specific instructions from the beneficial owner. All proposals to be voted on by you at the special meeting are non-routine matters, and therefore brokers do not have discretionary authority to vote on any of the proposals. Broker non-votes occur when a broker, bank or other nominee is not instructed by the beneficial owner of shares to vote on a particular proposal for which the broker does not have discretionary voting power. Accordingly, there can be no broker non-votes at the special meeting, so failure to provide instructions to your broker or other nominee on how to vote will result in your shares not being counted as present at the meeting.

As of the record date, there were [•] shares of common stock outstanding.

**Voting by the Company s Directors and Executive Officers**

At the close of business on the record date, directors and executive officers of the Company were entitled to vote [•] shares of common stock, or approximately [•]% of the shares of common stock outstanding on that date.

We currently expect that the Company s directors and executive officers will vote their shares of common stock **FOR** the merger proposal and the other proposals to be considered at the special meeting, although none of them is obligated to do so.

**Voting; Proxies; Revocation**

***Attendance***

All holders of shares of common stock as of the close of business on [•], 2017, the record date for voting at the special meeting, including stockholders of record and beneficial owners of common stock registered in the street name of a bank, broker or other nominee, are invited to attend the special meeting. If you are a stockholder of record, please be

prepared to provide proper identification, such as a driver s license. If you hold your shares of common stock in street name, you will need to provide proof of ownership, such as a recent account statement or voting instruction form provided by your bank, broker or other nominee or other similar evidence of ownership, along with proper identification.

***Voting in Person***

Stockholders of record will be able to vote in person at the special meeting. If you are not a stockholder of record, but instead hold your shares of common stock in street name through a bank, broker or other nominee, you must provide a proxy executed in your favor from your bank, broker or other nominee in order to be able to vote in person at the special meeting.

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***Submitting a Proxy or Providing Voting Instructions***

To ensure that your shares of common stock are voted at the special meeting, we recommend that you provide voting instructions promptly by proxy or voting instruction form, even if you plan to attend the special meeting in person.

*Shares Held by Record Holder*. If you are a stockholder of record as of the record date, you may provide voting instructions by proxy using one of the methods described below.

- *Submit a Proxy by Telephone or via the Internet*. This proxy statement is accompanied by a proxy card with instructions for submitting voting instructions. You may vote by telephone by calling [•] and following the recorded instructions or via the Internet, by accessing the website [www.proxyvote.com] and following the instructions on the website. Your shares will be voted as you direct in the same manner as if you had completed, signed, dated and returned your proxy card, as described below. If you are submitting a proxy by telephone or over the Internet, your voting instructions must be received by 11:59 P.M. Eastern Daylight Time the day before the special meeting.
- *Submit a Proxy Card*. If you complete, sign, date and return the enclosed proxy card by mail so that it is received in time for the special meeting, your shares will be voted in the manner directed by you on your proxy card. If you sign, date and return your proxy card without indicating how you wish to vote, your proxy will be voted in favor of each of the merger proposal, the compensation proposal and the adjournment proposal. If you fail to return your proxy card, unless you attend the special meeting and vote in person, the effect will be that your shares will not be counted for purposes of determining whether a quorum is present at the special meeting and will have the same effect as a vote against the merger proposal, but will not affect the compensation proposal or the adjournment proposal. If you are submitting a proxy by mail, your completed proxy card must be received prior to the special meeting.
- *Shares Held in Street Name.* If your shares are held by a bank, broker or other nominee on your behalf in street name, your bank, broker or other nominee will send you instructions as to how to provide voting instructions for your shares by proxy. Many banks and brokerage firms have a process for their customers to provide voting instructions by telephone or via the Internet, in addition to providing voting instructions by proxy card.

***Revocation of Proxies***

Any person giving a proxy pursuant to this solicitation has the power to revoke and change it at any time before it is voted. If you are a stockholder of record, you may revoke your proxy at any time before the vote is taken at the special meeting by:

- by delivering to the Company's Corporate Secretary in writing at PharMerica Corporation, Attn: Corporate Secretary, 1901 Campus Place, Louisville, Kentucky 40299 a signed written notice of revocation bearing a date later than the date of the proxy, stating that the proxy is revoked and that is received by the Company's corporate secretary no later than [•], 2017;
- by attending the special meeting and voting in person (your attendance at the meeting will not, by itself, revoke your proxy; you must also vote in person at the special meeting);
- by signing and delivering a new proxy relating to the same shares of common stock and bearing a later date and that is received no later than [•], 2017; or
- by submitting a new proxy by telephone or over the Internet by 11:59 P.M. Eastern Daylight Time on [•], 2017.

Please note, however, that only your last-dated proxy will count. Attending the special meeting without taking one of the actions described above will not in itself revoke your proxy. Please note that if you want to revoke your proxy by mailing a new proxy card to the Company or by sending a written notice of revocation to the Company, you should ensure that you send your new proxy card or written notice of revocation in sufficient time for it to be received by the Company before the special meeting.

If you hold your shares in street name through a bank, broker or other nominee, you will need to follow the instructions provided to you by your bank, broker or other nominee in order to revoke your proxy or submit new voting instructions.

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**Abstentions**

An abstention occurs when a stockholder attends a meeting, either in person or by proxy, but abstains from voting. Abstentions will be included in the calculation of the number of shares of common stock represented at the special meeting for purposes of determining whether a quorum has been achieved.

Abstaining from voting will have the same effect as a vote **AGAINST** the merger proposal, a vote **AGAINST** the advisory (non-binding) proposal on executive compensation payable to the Company s named executive officers in connection with the merger and a vote **AGAINST** the adjournment proposal.

**Adjournments and Postponements**

The Company s stockholders are being asked to approve a proposal to adjourn the special meeting from time to time, if necessary or appropriate, for the purpose of soliciting additional proxies in favor of the merger proposal if there are not sufficient votes at the time of the special meeting to adopt the merger agreement. If this adjournment proposal is approved, the special meeting could be adjourned by the board to any date for the purpose of soliciting additional proxies in favor of the merger proposal if there are not sufficient votes at the time of the special meeting to adopt the merger agreement. If there is not a quorum present at the special meeting, under our by-laws the special meeting may be adjourned by the Chairman of the board or, in the event of his or her absence or disability, the other presiding officer chosen by the board or by vote of the holders of a majority of the voting power of the shares represented at the meeting. In addition, the board could postpone the special meeting before it commences, whether for the purpose of soliciting additional proxies or for other reasons specified in the merger agreement. Under the terms of the merger agreement, the special meeting may be adjourned or postponed for one time only not to exceed ten calendar days (unless Parent otherwise agrees in writing) if the Company reasonably believes that it will be unable to obtain a quorum or it will not receive proxies sufficient to adopt the merger agreement. The special meeting may also be adjourned or postponed for up to ten additional calendar days for the filing and distribution of any supplemental or amended disclosure which the board has determined in good faith is necessary under applicable law.

Any adjournment or postponement of the special meeting for the purpose of soliciting additional proxies will allow the Company s stockholders who have already sent in their proxies to revoke them at any time prior to their use at the special meeting as adjourned or postponed.

**Solicitation of Proxies**

The board is soliciting your proxy, and we will bear the cost of soliciting proxies. This includes the charges and expenses of brokerage firms and others for forwarding solicitation material to beneficial owners of shares of our outstanding common stock. [•], a proxy solicitation firm, has been retained to assist it in the solicitation of proxies for the special meeting and we will pay [•] approximately $[•], plus reimbursement of out-of-pocket expenses. Proxies may be solicited by mail, personal interview, e-mail, telephone, or via the Internet by [•] or, without additional compensation by certain of the Company s directors, officers and employees.

**Other Information**

You should not return your stock certificate or send documents representing your shares of common stock with the proxy card. If the merger is completed, the paying agent for the merger will send you a letter of transmittal and instructions for exchanging your shares of common stock for the merger consideration.

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## THE MERGER (PROPOSAL 1)

### Certain Effects of the Merger

If the merger agreement is adopted by the Company s stockholders and certain other conditions to the closing of the merger are either satisfied or waived, Merger Sub will be merged with and into the Company, with the Company being the surviving corporation.

Upon the consummation of the merger, each share of common stock outstanding immediately prior to the effective time of the merger (other than the excluded shares) will be converted into the right to receive an amount in cash equal to $29.25 per share of common stock.

Our common stock is currently registered under the Exchange Act and is quoted on the NYSE under the symbol PMC. As a result of the merger, the Company will cease to be a publicly traded company and will be wholly owned by Parent. Following the consummation of the merger, the registration of shares of our common stock and our reporting obligations under the Exchange Act will be terminated. In addition, upon the consummation of the merger, shares of our common stock will no longer be listed on any stock exchange or quotation system, including the NYSE.

### Background of the Merger

The board of directors, together with members of PharMerica s senior management team, regularly reviews and assesses PharMerica s operations, performance, prospects and strategic direction. In connection therewith, and with the assistance of financial and legal advisors, they consider potential strategic alternatives, including potential business combinations or other transactions, to strengthen PharMerica s business and maximize stockholder value. In addition, from time to time, and as noted below, PharMerica has received inquiries from third parties seeking to determine PharMerica s interest in a business combination transaction.

On June 19, 2015, the board held a meeting. At the invitation of the board, members of senior management were also present. At the meeting, Mr. Gregory Weishar, Chief Executive Officer and Director of PharMerica, reviewed the strategic outlook for PharMerica, the results of preliminary informal discussions that had taken place, at the direction of the board, from April through June 2015 with five private equity firms, including KKR and firms we refer to as Financial Buyer 1, Financial Buyer 2 and Financial Buyer 3. The parties were informally contacted by UBS and BofA Merrill Lynch, which had investment banking relationships with PharMerica. Based on such review, and following a full discussion by the board, the board unanimously determined that PharMerica should initiate a formal process to determine whether there were third parties interested in entering into a potential business combination transaction with PharMerica on terms acceptable to the board, and that management engage one or more investment banking firm(s) and a law firm to advise PharMerica in the process.

Beginning on August 10, 2015 through August 19, 2015, at the direction of the board, UBS and BofA Merrill Lynch contacted eight potential strategic buyers, including WBA and parties we refer to as Strategic Buyer 1, Strategic Buyer 2 and Strategic Buyer 3, and four potential financial buyers, including KKR, Financial Buyer 1, Financial Buyer 2 and Financial Buyer 3 and provided such parties with a summary public information overview regarding a potential business combination transaction with PharMerica. These possible strategic partners were selected because they were among the parties that had previously expressed interest in a potential strategic investment in PharMerica s sector to UBS or BofA Merrill Lynch, they had the financial capability to execute a transaction, and they were positioned to benefit from potential synergies in a business combination transaction involving PharMerica. These possible financial buyers were selected because of the view that there was some likelihood that they would be interested in pursuing a potential business combination transaction with PharMerica. In order to facilitate the preliminary exploration of discussions regarding a potential business combination transaction with PharMerica, three

potential strategic buyers (Strategic Buyer 1, Strategic Buyer 2 and Strategic Buyer 3) and four potential financial buyers (KKR, Financial Buyer 1, Financial Buyer 2 and Financial Buyer 3) subsequently entered into non-disclosure agreements with respect to a potential business combination transaction with PharMerica. Five of the seven non-disclosure agreements contained customary standstill provisions, but none of those provisions precluded any offers in the sale process conducted by the board and none of those provisions currently would restrict any of those parties from making an unsolicited offer to participate in a potential business combination transaction with PharMerica. The remaining five strategic buyers, including WBA, indicated that they were not interested in evaluating the potential business combination transaction and declined to execute a non-disclosure agreement with PharMerica.

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On August 28, 2015, the board held a meeting to discuss the completed acquisition by OptumRx of Catamaran and the potential impact of that acquisition on PharMerica s business, including regarding the differences between the reimbursement rates that each of these entities paid PharMerica. The board also discussed the potential effects of other announced pharmacy benefit manager and insurer consolidations in the industry and deliberated on the most appropriate timing for potentially soliciting interest from third parties for a potential business combination transaction with PharMerica, and the challenges of continuing as a standalone public company (including from PharMerica s size and lack of scale, and the public market s emphasis on short-term results) in light of these developments.

On August 31, 2015, the board held a meeting to continue its discussion held on August 28, 2015. At the invitation of the board, members of senior management and representatives of UBS, BofA Merrill Lynch and Davis Polk & Wardwell LLP (which we refer to as Davis Polk), legal counsel to PharMerica, were also present. Representatives of UBS and BofA Merrill Lynch provided an update on the status of preliminary discussions with potential buyers regarding a potential business combination transaction with PharMerica. Representatives of Davis Polk advised on disclosure obligations with respect to business combination transactions. Following a discussion among the board, management and the advisors, the board determined that PharMerica should continue to pursue discussions with potential strategic buyers regarding a potential business combination transaction with PharMerica, but should suspend discussions with potential financial buyers at such time until PharMerica s budget for 2016 was finalized and until PharMerica had more insight on the effects the pharmacy benefit manager and insurance consolidations would have on PharMerica.

On September 18, 2015, the board held a meeting. At the invitation of the board, members of senior management and representatives of UBS, BofA Merrill Lynch and Davis Polk were also present. Referring to materials provided to the board in advance of the meeting, senior management and representatives of UBS and BofA Merrill Lynch reviewed with the board the results of their preliminary financial analyses of a potential business combination transaction with PharMerica, PharMerica s financial projections prepared by PharMerica s management, and various financial aspects of a possible acquisition of PharMerica by a private equity firm or a strategic buyer and a possible leveraged buyout scenario. The financial advisors also provided an update on the status of preliminary discussions to date with potential buyers regarding a potential business combination transaction with PharMerica. Referring to materials provided to the board in advance of the meeting, a representative of Davis Polk advised on fiduciary duties and disclosure obligations regarding these matters. The board was presented with material relationships disclosures provided by UBS and BofA Merrill Lynch. After discussion and consideration of these disclosures, the board determined that neither UBS nor BofA Merrill Lynch had any material conflict of interest that would prevent it from serving as a financial advisor to PharMerica, and the board approved the engagement of UBS and BofA Merrill Lynch to act as financial advisors to PharMerica for a review of strategic alternatives. PharMerica selected UBS as its financial advisor because UBS is an internationally recognized investment banking firm with substantial experience in similar transactions and because UBS is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, leveraged buyouts, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities, and private placements. PharMerica selected BofA Merrill Lynch to act as PharMerica s financial advisor on the basis of BofA Merrill Lynch s experience in transactions similar to the potential business combination transaction with PharMerica, its reputation in the investment community and its familiarity with PharMerica and its business.

In October and November 2015, PharMerica management conducted presentations and meetings covering certain public and non-public information regarding PharMerica with two potential strategic buyers (Strategic Buyer 1 and Strategic Buyer 2) and four potential financial buyers (KKR, Financial Buyer 1, Financial Buyer 2 and Financial Buyer 3). The board had directed PharMerica management, UBS and BofA Merrill Lynch to re-engage in discussions with financial buyers at this time because PharMerica s budget for 2016 was finalized and PharMerica had more insight on the effects the pharmacy benefit manager and insurance consolidations would have on PharMerica. After such meetings with management, Strategic Buyer 1 and Strategic Buyer 2 declined to proceed with the potential

business combination transaction, citing lack of strategic fit. Strategic Buyer 3 declined to proceed subsequent to signing the non-disclosure agreement and without attending a management meeting. Each of the four financial buyers verbally indicated that they could not offer any premium to PharMerica s then-current stock price, which ranged from $30.13 to $35.19 in November 2015. Each of these verbal indications of interest was preliminary and subject to due diligence.

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On December 15, 2015, the board held a meeting. At the invitation of the board, members of senior management and representatives of UBS, BofA Merrill Lynch and Davis Polk were also present. Referring to materials provided to the board in advance of the meeting, representatives of UBS and BofA Merrill Lynch reviewed with the board their respective illustrative financial analyses of a potential business combination transaction with PharMerica and the status of preliminary discussions with potential buyers regarding a potential business combination transaction with PharMerica, indicating that four potential financial buyers had expressed preliminary interest in a potential business combination transaction and had provided verbal price indications. A representative of Davis Polk reviewed with the board their fiduciary duties and responsibilities and other legal matters applicable in connection with their consideration of a potential business combination transaction, including in relation to discussions between PharMerica s management and a buyer regarding post-closing compensation arrangements. Following discussion with PharMerica s senior management team and representatives of UBS, BofA Merrill Lynch and Davis Polk, given the indication that the potential financial buyers would not be in a position to offer a meaningful premium over PharMerica s then-current stock price (which closed at $30.68 on the day before the meeting, December 14, 2015), the board and the PharMerica management team determined to suspend discussions with potential buyers until the release of PharMerica s results for fiscal year 2015 and the refinement of management s forecasts for fiscal year 2016. A representative of Davis Polk reviewed with the board updated material relationships disclosures provided by each of UBS and BofA Merrill Lynch; the board maintained its view was that neither UBS nor BofA Merrill Lynch had any material conflict of interest that would prevent it from serving as a financial advisor to PharMerica.

In January and February 2016, at the direction of the board, UBS and BofA Merrill Lynch re-engaged in discussions with KKR, Financial Buyer 1, Financial Buyer 2 and Financial Buyer 3. At the direction of the board, the financial advisors also contacted three new potential financial buyers to review public information regarding PharMerica. These possible financial buyers were selected because of the view that there was some likelihood that they would be interested in pursuing a potential business combination transaction. One of such new potential financial buyers declined to proceed and two, which we refer to as Financial Buyer 4 and Financial Buyer 5, expressed interest in meeting with PharMerica management. The board determined to continue such discussions with potential buyers regarding a potential business combination transaction with PharMerica after management had considered PharMerica s preliminary results for fiscal year 2015 and refined its forecasts for fiscal year 2016.

On March 18, 2016, the board held a meeting. At the invitation of the board, members of senior management and representatives of UBS, BofA Merrill Lynch and Davis Polk were also present. Referring to materials provided to the board in advance of the meeting, representatives of UBS and BofA Merrill Lynch reviewed with the board the status of preliminary discussions with potential buyers regarding a potential business combination transaction with PharMerica, an illustrative timeline for the possible acquisition of PharMerica and the current status of the financing markets. The board discussed PharMerica s strategic alternatives, including continuing discussions regarding a potential business combination transaction or ceasing discussions and pursuing PharMerica s standalone plan. The board decided that PharMerica should continue discussions regarding a potential business combination transaction.

Also in March 2016, at the direction of the board, UBS and BofA Merrill Lynch conducted discussions regarding a potential business combination transaction with PharMerica with five previously-contacted financial buyers, including KKR, Financial Buyer 1, Financial Buyer 2, Financial Buyer 4 and Financial Buyer 5, and one new potential financial buyer, which we refer to as Financial Buyer 6, which was selected because of the view that there was some likelihood that it would be interested in pursuing a potential business combination transaction. Each of such financial buyers was given an opportunity to meet with PharMerica management, and discussions included an update on financial performance (including PharMerica s financial results that were announced on February 26, 2016), an overview of financial projections and drivers of future growth. Meetings with potential buyers that had entered into non-disclosure agreements with PharMerica covered certain public and non-public information, and meetings with potential buyers that had not entered into non-disclosure agreements with PharMerica at that time covered only public information regarding PharMerica. After meetings with management, Financial Buyer 2 and Financial Buyer 5 withdrew from the

process.

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In April 2016, Financial Buyer 4 and Financial Buyer 6 entered into non-disclosure agreements with respect to a potential business combination transaction with PharMerica. Both of these non-disclosure agreements contained customary standstill provisions, but neither of those provisions precluded any offers in the sale process conducted by the board and neither of those provisions currently would restrict any of those parties from making an unsolicited offer for PharMerica.

Also in April 2016, a first round process letter was sent to four potential financial buyers (KKR, Financial Buyer 1, Financial Buyer 4 and Financial Buyer 6) to gauge their interest in pursuing a potential business combination transaction. At that time, none of the strategic buyers that had been contacted by the financial advisors remained in the potential sale process. Each of such financial buyers was granted access to a virtual data room containing certain non-public information regarding PharMerica in order to facilitate further due diligence prior to submission of preliminary indications of interest. During the course of the following months, the board, following discussions with the financial advisors, considered whether contacting any of the potential buyers that had previously declined to continue participating in the sale process would be likely to lead to such a buyer re-entering the sale process.

On April 21, 2016, PharMerica received a preliminary non-binding indication of interest from KKR for a purchase price of $27.50 per share in an all cash transaction. Financial Buyer 1, Financial Buyer 4 and Financial Buyer 6 declined to proceed with the potential sale process and to provide a non-binding indication of interest.

On April 25, 2016, the board held a meeting to discuss KKR s proposal. At the invitation of the board, members of senior management and representatives of UBS, BofA Merrill Lynch and Davis Polk were also present. Referring to materials provided to the board in advance of the meeting, representatives of Davis Polk reviewed with the board various terms of KKR s proposal, including that the proposal did not contemplate a financing out, but did contemplate that if there were a financing failure KKR could pay a reverse termination fee and terminate the transaction. A representative of Davis Polk then reviewed with the board their fiduciary duties and responsibilities and other legal matters applicable in connection with their consideration of a potential business combination transaction. After discussion among the board, management and the advisors, the board authorized management to permit KKR to proceed with further due diligence.

On April 26, 2016, KKR was invited to continue with the potential sale process, and the final proposal submission date was set for June 1, 2016. KKR s accounting advisor and Simpson Thacher & Bartlett LLP, which we refer to as Simpson Thacher, legal counsel to KKR, were granted access to a virtual data room to perform accounting, tax and legal due diligence.

On May 9, 2016, management of PharMerica held a call with KKR to provide a business update and discuss financial results for the first quarter of fiscal year 2016. On May 10, 2016, an initial draft of the merger agreement for the proposed transaction was provided to KKR and its advisors in the virtual data room. On May 20, 2016 a full-day meeting was held in Louisville, Kentucky with management and KKR. At the meeting, it was discussed that KKR planned to partner with WBA in seeking to acquire PharMerica, and KKR explained its view that a partnership between KKR and WBA for the acquisition, in which WBA would become a minority investor, would be in both KKR s and PharMerica s interests and would allow KKR to propose a higher price than it would be willing to otherwise propose.

Also in May 2016, Financial Buyer 3 withdrew its interest in a potential business combination transaction with PharMerica.

On May 24, 2016, KKR informed UBS that they would need more time to conduct due diligence and, after discussion with management, KKR communicated that a final proposal should be expected by June 10, 2016. On May 31, 2016, KKR indicated that partnering with WBA would require WBA to conduct its own due diligence, which KKR expected

to take several weeks. On June 1, 2016, WBA entered into a non-disclosure agreement with PharMerica, and the non-disclosure agreement between KKR and PharMerica was amended to permit KKR to work with WBA on the proposed transaction. WBA s non-disclosure agreement with PharMerica contained customary standstill provisions, which have since expired. PharMerica extended the final proposal submission deadline to the week of June 20, 2016, and KKR indicated that it would submit a revised non-binding proposal on June 10, 2016 with an updated indicative price.

On June 6, 2016, the board held a meeting. At the invitation of the board, members of senior management and representatives of UBS, BofA Merrill Lynch and Davis Polk were also present. Referring to materials provided to

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the board in advance of the meeting, representatives of UBS and BofA Merrill Lynch reviewed with the board the status of preliminary discussions with potential buyers regarding a potential business combination transaction with PharMerica, including KKR and WBA. The board discussed the potential implications (including as to timing and deal terms) of the inclusion of WBA, as a minority investor, for the potential KKR/WBA transaction. The board also discussed PharMerica s strategic alternatives, including continuing discussions regarding a potential business combination transaction or ceasing discussions and pursuing PharMerica s standalone plan. The board decided that PharMerica should continue discussions regarding a potential business combination transaction. Referring to a written presentation provided in advance of the meeting, senior management discussed with the board PharMerica s proposed five-year financial projections prepared by PharMerica s management. After discussion, the board approved the addition of financial projections for the fiscal year 2020 to the existing otherwise unchanged projections.

Also on June 6, 2016, KKR and WBA informed PharMerica that they needed to conduct additional due diligence. On June 13, 2016, WBA entered into a clean room confidentiality agreement with PharMerica, and WBA s accounting advisor received data from both PharMerica and WBA to conduct an analysis that was expected to be completed early in the week of June 20, 2016.

On June 16, 2016, the board held a meeting. At the invitation of the board, members of senior management and representatives of UBS, BofA Merrill Lynch and Davis Polk were also present. Referring to materials provided to the board in advance of the meeting, representatives of UBS and BofA Merrill Lynch reviewed with the board the status of preliminary discussions with KKR and WBA. After discussion, the board determined to grant KKR and WBA additional time to conduct due diligence and submit a proposal.

On June 17, 2016, KKR and WBA were granted additional time to conduct due diligence and submit a proposal. On June 23, 2016, KKR informed PharMerica that there had been delays in obtaining synergy estimates and that KKR expected to provide a response early in the week of June 27, 2016. On June 24, 2016, KKR submitted a markup of the merger agreement to PharMerica and its advisors. Among other things, KKR indicated that it would not be willing to agree to the go-shop provision that PharMerica had proposed in the initial draft of the merger agreement. Also on June 24, WBA s accounting advisor completed its analysis of data available in the clean room and delivered its results to WBA.

On June 30, 2016, KKR informed Mr. Weishar and UBS that KKR would not be in a position to submit a revised proposal until the week of July 4, 2016 and needed the additional time to finalize the agreement between KKR and WBA regarding their joint proposal.

On July 1, 2016, the board held a meeting. At the invitation of the board, members of senior management and representatives of UBS, BofA Merrill Lynch and Davis Polk were also present. Referring to materials provided to the board in advance of the meeting, representatives of UBS and BofA Merrill Lynch reviewed with the board the status of preliminary discussions with potential buyers regarding a potential business combination transaction with PharMerica, including KKR and WBA. Referring to materials provided to the board in advance of the meeting, a representative of Davis Polk reviewed with the board key issues in the markup of PharMerica s draft of the merger agreement that had been received from KKR in anticipation of submitting their joint proposal with WBA. Among other things, the board discussed that PharMerica had run an extensive sale process in connection with discussing KKR s unwillingness to agree to a go-shop provision. The board also discussed PharMerica s strategic alternatives, including continuing discussions regarding a potential business combination transaction or ceasing discussions and pursuing PharMerica s standalone plan. The board decided that PharMerica should continue discussions regarding a potential business combination transaction.

At this time and other times in the following months, KKR indicated to PharMerica that the potential business combination transaction with PharMerica would be delayed.

On August 24, 2016, Reuters published an article reporting that PharMerica was exploring a potential sale process. Following that article, UBS and BofA Merrill Lynch received eleven inbound inquiries from potentially interested buyers, including from two strategic buyers (including Strategic Buyer 2 and a strategic buyer that had not previously been contacted by UBS or BofA Merrill Lynch) and nine financial buyers that had not previously been contacted by UBS or BofA Merrill Lynch, one of which we refer to as Financial Buyer 7). None of such inbound inquiries led to an expression of interest in actually pursuing a transaction or the execution of a new non-disclosure agreement. On the day the article was published, PharMerica s stock price increased by 13% over its unaffected stock price of $22.55 on August 23, 2016.

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On September 14, 2016, KKR and WBA submitted a non-binding joint proposal to acquire 100% of PharMerica s common stock for $28.75 per share in an all cash transaction, subject to successful completion of confirmatory due diligence, and requested a three-week exclusivity period. PharMerica s stock closed at $26.20 on September 14, 2016.

On September 16, 2016, the board held a meeting to discuss the KKR/WBA proposal. At the invitation of the board, members of senior management and representatives of UBS, BofA Merrill Lynch and Davis Polk were also present. Referring to materials provided to the board in advance of the meeting, representatives of UBS and BofA Merrill Lynch reviewed with the board the status of preliminary discussions with potential buyers regarding a potential business combination transaction with PharMerica, including the joint proposal from KKR and WBA, and the inbound inquiries they had received following the Reuters article. The financial advisors updated the board on the nature of those inbound inquiries, and in particular that none of such parties indicated that they would provide an indicative price for a potential business combination transaction with PharMerica. Referring to materials provided to the board in advance of the meeting, a representative of Davis Polk reviewed with the board key issues in the markup of PharMerica s draft of the merger agreement that had been received from KKR on June 24, 2016 in anticipation of submitting their joint proposal with WBA. Representatives of UBS and BofA Merrill Lynch reviewed with the board an updated preliminary financial analysis and, in considering KKR and WBA s request for exclusivity, the board discussed the extensive sale process that had been conducted, the absence of other proposals, the fact that other bidders had withdrawn from the process, the fact that the inbound inquiries had produced nothing concrete, had provided indicative prices significantly below the KKR/WBA proposal, and that each of those third parties would still be at a very early stage in their processes. Following a discussion among the board, management and the advisors, the board directed the advisors to negotiate with KKR and WBA and their counsel regarding exclusivity, the purchase price and other outstanding issues.

On September 19, 2016, after receiving feedback from UBS on the board s views regarding price, various contract terms that were being negotiated and the requested exclusivity as directed by the board, KKR and WBA verbally increased their proposal to $29.25 per share but made clear that they would not be willing to offer any further increases on price.

On September 20, 2016, the board held a meeting. At the invitation of the board, members of senior management and representatives of UBS, BofA Merrill Lynch and Davis Polk were also present. Representatives of UBS and Davis Polk updated the board on the status of their negotiations with KKR and WBA. Following discussion of, among other things, KKR and WBA s increased price proposal and strategy on negotiating price, the board instructed the advisors to continue negotiations with KKR and WBA.

On September 23, 2016, after reaching agreement with KKR and WBA on several contract terms in the merger agreement, PharMerica executed an exclusivity agreement with KKR and WBA that was scheduled to expire on October 14, 2016.

During the period between September 23, 2016 and October 14, 2016, KKR and WBA continued to conduct due diligence on PharMerica. In addition, on September 28, 2016, Davis Polk sent Simpson Thacher a draft of the antitrust support side letter.

Upon expiration of exclusivity on October 14, 2016, KKR and WBA reiterated their interest in pursuing a business combination transaction but did not request an extension of the exclusivity period. At that time, KKR and WBA estimated that an additional one to two months would be required before they could pursue a potential PharMerica transaction.

On October 14, 2016, the board held a meeting to review the current status of the transaction process. At the invitation of the board, members of senior management and representatives of UBS, BofA Merrill Lynch and Davis Polk were

also present. The board also discussed PharMerica s strategic alternatives, including continuing discussions regarding a potential business combination transaction or ceasing discussions and pursuing PharMerica s standalone plan. Following discussion, the board determined to continue discussions regarding a potential business combination transaction and to permit KKR and WBA to continue to conduct due diligence despite the expiration of the exclusivity period.

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From October 2016 through March 2017, KKR and WBA continued with their remaining due diligence. On December 7, 2016, KKR informed PharMerica management that KKR and WBA were still interested in pursuing a proposed transaction with PharMerica and indicated that they could be in a position to sign the transaction with PharMerica in mid-January 2017.

The board held meetings on December 13, 2016 and January 26, 2017 to review transaction process updates. At the invitation of the board, members of senior management and representatives of UBS, BofA Merrill Lynch and Davis Polk were also present. The board also discussed other potential strategic alternatives and the board authorized management and the financial advisors to contact other parties potentially interested in a potential business combination transaction with PharMerica.

During the week of February 6, 2017, WBA continued its due diligence and indicated that it was still interested in pursuing a potential business combination transaction with PharMerica.

In February 2017, in parallel with KKR s and WBA s due diligence, UBS and BofA Merrill Lynch, at PharMerica management s instruction and with the approval of the board, contacted two potential strategic buyers (which were selected because of the view that there was some likelihood that they would be interested in a potential business combination transaction with PharMerica given strategic fit) and Financial Buyer 7 (which had previously expressed interest in a potential business combination transaction with PharMerica), to discuss their interest in a potential business combination transaction with PharMerica. All three potential buyers declined to engage. Following discussions with the financial advisors, the board determined that it would not be useful to contact any other potential buyers at that time, given the extensive sale process, the Reuters article reporting that PharMerica was exploring a potential sale process, and discussions with many potential bidders that had been conducted by the financial advisors to date.

On March 1, 2017, KKR and WBA had a meeting with PharMerica s management to review financial results for fiscal year 2016 and an updated budget for fiscal year 2017. The parties also discussed strategy and potential synergies.

On March 24, 2017, the board held a meeting. At the invitation of the board, members of senior management and representatives of UBS, BofA Merrill Lynch and Davis Polk were also present. At the meeting, a representative of UBS updated the board on the status of negotiations with KKR and WBA and the outcome of the financial advisors outreach to other potential financial and strategic buyers. The financial advisors reviewed with the board their respective updated preliminary financial analyses of the potential business combination transaction with the KKR and WBA bidder group. The board then discussed potential strategic alternatives, including continuing discussions regarding a potential business combination transaction with KKR and WBA or ceasing discussions and pursuing PharMerica s standalone plan. Following discussion, the board determined to continue the process to pursue a potential business combination transaction with KKR and WBA and to propose to KKR and WBA a firm timetable to complete the transaction. Mr. Weishar subsequently communicated these expectations to Mr. James Momtazee, Member & Head of Health Care Industry Team – Americas of KKR.

On April 5, 2017, KKR and WBA responded with a proposed timetable to complete remaining diligence and to execute a definitive merger agreement on a target date of May 12, 2017.

On April 27, 2017, KKR and WBA submitted a written non-binding proposal reaffirming their $29.25 per share proposal in an all cash transaction, subject to completion of confirmatory due diligence, finalized financing commitment papers, discussion of management equity arrangements and negotiation of definitive transaction agreements. None of the other potential financial or strategic buyers that UBS and BofA Merrill Lynch had contacted had submitted a written expression of interest at this time, and no other expressions of interest were thereafter received, as all of the previously interested potential buyers had indicated that they were no longer interested in

pursuing a potential business combination transaction with PharMerica.

On May 1, 2017, the board held a meeting. At the invitation of the board, members of senior management and representatives of UBS, BofA Merrill Lynch and Davis Polk were also present. Referring to a written presentation provided in advance of the meeting, management and representatives of UBS and BofA Merrill Lynch discussed with the board PharMerica s five-year financial projections prepared by PharMerica s management. Due to the lapse of time, PharMerica management updated the five-year projections to reflect the expected impact of certain transactions and legislation and to use actual 2016 results as the base for the five-year projections. The updated five-year projections were approved by the board. Referring to written presentations

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provided in advance of the meeting, representatives of UBS and BofA Merrill Lynch presented (i) an update on the status of the transaction process, (ii) an overview of the proposed transaction and the history of the transaction process, and (iii) their respective preliminary financial analyses of the proposed transaction with KKR and WBA. Referring to a written presentation provided in advance of the meeting, representatives of Davis Polk reviewed with the board the terms of the draft merger agreement and antitrust support side letter, including the key outstanding deal points in PharMerica s negotiations with KKR and WBA, including as to termination fees, financing commitments and the undertakings as to antitrust matters in various jurisdictions. Mr. Weishar updated the board on the status of discussions with KKR regarding expectations for management employment and compensation arrangements. The board also discussed PharMerica s strategic alternatives, including continuing discussions regarding a potential business combination transaction or ceasing discussions and pursuing PharMerica s standalone plan. The board decided that PharMerica should continue discussions regarding a potential business combination transaction.

Throughout May, June and July of 2017, PharMerica s management regularly updated the board regarding the progress of final diligence and negotiation of the merger agreement and the other transaction agreements. The board held meetings on June 1, 2017, June 14, 2017, June 21, 2017, June 25, 2017 and July 10, 2017 to discuss the status of negotiations regarding the proposed transaction. At the invitation of the board, members of senior management and representatives of UBS, BofA Merrill Lynch and Davis Polk also were present at these meetings. In addition, the board was presented with the final version of the BofA Merrill Lynch material relationships disclosure memorandum, dated July 20, 2017, which we refer to as the BofA Merrill Lynch disclosure memorandum. Previous versions of the BofA Merrill Lynch disclosure memorandum, dated September 6, 2015, April 24, 2016, July 7, 2016 and April 28, 2017, and related email disclosure dated December 14, 2015, had already been presented to the board. The BofA Merrill Lynch disclosure memorandum included certain information concerning BofA Merrill Lynch s material relationships with KKR and WBA and noted, among other things, that a senior member of the financial advisory deal team working with PharMerica is a member of the coverage team for WBA and a member of the financial advisory deal teams advising and seeking to advise WBA regarding acquisition and disposition transactions unrelated to PharMerica, and that certain members of the financial advisory deal team working with PharMerica had included PharMerica as one of several potential opportunities in discussion materials for KKR and Financial Buyer 4, among others, and discussed generally PharMerica with WBA during ordinary course coverage discussions (though no discussion materials were provided). Also, the board was presented with the final version of the UBS material relationships disclosure memorandum on July 31, 2017, which we refer to as the UBS disclosure memorandum. Previous versions of the UBS disclosure memorandum were delivered to the board on August 26, 2015 and February 1, 2017, and a preliminary disclosure memorandum was delivered on November 24, 2015. The UBS disclosure memorandum included certain information concerning UBS material relationships with KKR and WBA. Following consideration of these disclosures, the board reaffirmed its view that neither UBS nor BofA Merrill Lynch had any material conflict of interest that would prevent it from serving as a financial advisor to PharMerica.

On August 1, 2017, the board held a meeting to review the terms of the proposed transaction with KKR and WBA. At the invitation of the board, members of senior management and representatives of UBS, BofA Merrill Lynch and Davis Polk also were present. Prior to the meeting, copies of the current drafts of the merger agreement, antitrust support side letter and related transaction agreements were provided to the board. At the meeting, representatives of Davis Polk reviewed the terms of the draft merger agreement and other transaction documents, and updated the board as to the resolution of deal points that had been open. Representatives of Davis Polk also discussed with the board the debt financing commitment letters, as well as the no-shop restrictions in the merger agreement and reviewed with the board public disclosure obligations and operating restrictions that would apply to PharMerica between the signing of the merger agreement and the closing of the proposed transaction. UBS reviewed with the board its financial analysis of the merger consideration and delivered to the board an oral opinion, which was confirmed by delivery of a written opinion dated August 1, 2017, to the effect that, as of that date and based on and subject to various assumptions and limitations described in its opinion, the merger consideration to be received in the merger by holders of common stock (other than Parent, Merger Sub and their affiliates), was fair, from a financial point of view, to such holders. Also at

this meeting, BofA Merrill Lynch reviewed with the board its financial analysis of the merger consideration and delivered to the board an oral opinion, which was confirmed by delivery of a written opinion dated August 1, 2017, to the effect that, as of the date of its opinion and based on and subject to various assumptions and

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limitations described in its opinion, the merger consideration to be received in the merger by holders of common stock, was fair, from a financial point of view, to such holders. Following questions from and discussions among the board and with their advisors regarding the proposed transaction, the board unanimously determined it was advisable, fair to and in the best interests of PharMerica and its stockholders to enter into the merger agreement, substantially in the form presented, and to consummate the merger and the other transactions contemplated thereby, and the board unanimously approved, adopted and authorized the merger agreement, the antitrust support side letter and the transactions contemplated thereby, resolved, subject to the provisions of the merger agreement, that the merger agreement be submitted to PharMerica s stockholders and recommended that PharMerica s stockholders approve and adopt the merger agreement and the merger. The board also unanimously approved the creation of a Special Meeting Committee to perform certain administrative functions related to the special meeting of PharMerica s stockholders.

On August 1, 2017, after the ending of trading on the New York Stock Exchange, the parties executed the merger agreement, the antitrust support side letter and related transaction agreements.

Early in the morning on August 2, 2017, and prior to the commencement of trading on the New York Stock Exchange, PharMerica issued a press release announcing the transaction. PharMerica filed this press release on August 2, 2017 with the SEC.

**Reasons for the Merger**

On August 1, 2017, the board unanimously approved the merger agreement and determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable, fair to and in the best interests of PharMerica and its stockholders. **Accordingly, the board unanimously recommends that PharMerica stockholders vote FOR the merger proposal.**

In the course of making the unanimous decision to approve and recommend the merger agreement and the transactions contemplated thereby, including the merger, the board consulted with outside legal and financial advisors and PharMerica s management team, and considered a number of factors that it believed supported its decision, including, without limitation, the following (which are not necessarily presented in order of relative importance):

*Attractive Value*. The board concluded that the consideration of $29.25 per share in cash represented an attractive valuation for the Company and an opportunity for the Company s stockholders to receive a meaningful premium over the market price of the common stock and over the unaffected market price of the common stock. The board reviewed the current and historical market prices of the common stock, including the market performance of the common stock relative to those of other participants in the Company s industry and general market indices, and the extensive sale process undertaken by the Company, including:

- the fact that the $29.25 per share price to be paid in cash in respect of each share of common stock represents an attractive premium of approximately 17% to the Company's stock price as of closing on the last trading day prior to announcement of the merger agreement and a premium of approximately 18% to the Company's 90-day volume weighted average price;
- the fact that UBS and BofA Merrill Lynch, at the board's instruction, contacted ten strategic buyers and ten financial buyers, that of these prospective buyers, ten (including each of KKR and Walgreens) entered into non-disclosure agreements with respect to a potential transaction with the Company, five (including each of KKR and Walgreens) of which conducted preliminary due diligence, and that no parties other than the KKR and Walgreens group were willing to continue pursuing an acquisition of the Company after conducting preliminary due diligence;
- the fact that the Company had not received any other substantive alternative acquisition proposals, despite speculation in the press since late August 2016, including the *Reuters* article published on August 24, 2016, that the Company was considering a sale;

- the fact that the Company actively solicited increases in the proposal made by KKR and Walgreens, and KKR and Walgreens indicated that the merger consideration was their best and final offer and
- the risk that prolonging the sale process further could have resulted in the loss of an opportunity to consummate a transaction with KKR and Walgreens and distracted senior management from

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implementing the Company s business plan, in a situation where, in the judgment of the board and management, informed by the views of the Company s advisors, there was no realistic likelihood of an alternative attractive bid.

*Best Alternative for Maximizing Stockholder Value*. The board considered that the merger consideration of $29.25 in cash per share was more favorable to the Company s stockholders than the likely value that might result from other potential transactions or remaining a standalone company. This decision was based on, among other things, the board s assessment of:

- the Company's future prospects, including risks related to achieving the revenue growth and profitability reflected in the Company's financial projections as a standalone company and the risks inherent in the Company's industry, including the competitive threat of consolidations and strategic transactions in the healthcare industry and the resulting changes in contract terms with pharmacy benefit managers, including potential declines in reimbursement rates;
- the possible alternatives to a sale of the entire Company, including continuing as a standalone company (taking into account the Company's size and scale in its current healthcare industry environment), engaging in smaller acquisitions and considering large-scale or other transformative transactions, which alternatives the board evaluated with the assistance of its outside legal and financial advisors and determined did not present the best reasonably available alternative for our stockholders in light of, among other factors, the potential risks, rewards and uncertainties associated with those alternatives
- the board's belief that its negotiations had resulted in the highest price per share for the common stock that KKR and Walgreens were willing to pay and
- the board's belief that the process conducted by the Company had resulted in the highest price reasonably available to the stockholders of the Company.

*Opinions of the Company s Financial Advisors.* The board considered the financial analysis presentations related to the fairness opinions delivered by each of UBS and BofA Merrill Lynch to the board on August 1, 2017, as well as:

- the opinion of UBS, dated August 1, 2017, to the board as to the fairness, from a financial point of view and as of the date of the opinion, of the merger consideration to be received in the merger by the holders of common stock (other than Parent, Merger Sub and their affiliates), as more fully described below in the section entitled Opinions of the Company's Financial Advisors – Opinion of UBS beginning on page [•] of this proxy statement; and
- the opinion of BofA Merrill Lynch, dated August 1, 2017, to the board as to the fairness, from a financial point of view and as of the date of the opinion, of the merger consideration to be received in the merger by holders of common stock, as more fully described below in the section entitled Opinions of the Company's Financial Advisors – Opinion of BofA Merrill Lynch beginning on page [•] of this proxy statement.

*Relationships with Financial Advisors*. The determination of the board that the relationships between each of UBS and BofA Merrill Lynch, on the one hand, and each of the Company, KKR and Walgreens, on the other hand, disclosed to the board by UBS and BofA Merrill Lynch, respectively, would not impair the ability of either UBS or BofA Merrill Lynch to provide impartial advice to the board.

*Greater Certainty of Value*. The board considered that the proposed merger consideration is all cash, so that the transaction provides stockholders certainty of value and liquidity for their shares. The receipt of cash consideration also eliminates the risk for our stockholders of the continued execution of our business on a standalone basis.

*Business Reputation of KKR and Walgreens*. The board considered the business reputation, management and financial resources of KKR and Walgreens, with respect to the transaction. The board believed these factors supported the conclusion that a transaction with affiliates of KKR and Walgreens could be completed relatively quickly and in an orderly manner.

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*Likelihood of Completion*. The board considered the likelihood of completion of the merger in light of the terms of the merger agreement and the closing conditions, including:

- the fact that Parent and Merger Sub have obtained committed debt financing for the transaction from reputable financial institutions and committed equity financing, the limited number and nature of the conditions to the debt and equity financing, the obligation of Parent to use reasonable best efforts to consummate the debt financing and the requirement that, in the event of a failure of the merger to be consummated in circumstances related to the failure of Parent and Merger Sub to obtain such financing, Parent will pay the Company a termination fee of $56.6 million, as more fully described under The Merger (Proposal 1)—Financing beginning on page [•] of this proxy statement;
- the merger is not subject to any financing-related condition (although the funding of the debt financing is subject to the satisfaction of the limited conditions set forth in the debt commitment letter under which the debt financing will be provided);
- the Company's ability, under circumstances specified in the merger agreement, to specifically enforce Parent's obligation to enforce the financing commitments and to cause the equity financing sources to fund their contributions as contemplated by the merger agreement and the equity commitment letters;
- the conditions to closing contained in the merger agreement, which are limited in number and scope, and which, in the case of the condition related to the accuracy of the Company's representations and warranties, are generally subject to a material adverse effect or other materiality qualifications;
- the relative likelihood of obtaining required regulatory approvals, KKR and Walgreens' obligation to accept certain remedies to obtain antitrust approvals, including certain actions that would reasonably be expected to result in or account for, either individually or in the aggregate, an annual loss of net worldwide sales revenues (as measured by 2016 sales revenue) of up to $85 million to Parent and its subsidiaries (including, following the closing, the Company and its subsidiaries), taken as a whole, and KKR and Walgreens' obligations under the antitrust support side letter to use reasonable best efforts to take all actions necessary to enable Parent to comply with the antitrust covenants in the merger agreement, subject to certain exceptions therein; and
- the requirement that, in the event of a failure of the merger to be consummated under circumstances relating to the failure to obtain required antitrust approvals, Parent will pay the Company a termination fee of $56.6 million or $113.3 million, depending on the circumstances, without the Company having to establish any damages, and the guarantee of such payment obligations by KKR and Walgreens pursuant to the limited guarantees, as more fully described under The Merger Agreement—Termination Fees beginning on page [•] of this proxy statement.

*Opportunity to Receive Unsolicited Alternative Proposals and to Terminate the Transaction in Order to Accept a Superior Proposal*. The board considered the terms of the merger agreement permitting PharMerica to receive unsolicited alternative proposals, and the other terms and conditions of the merger agreement, including:

- PharMerica's right, subject to certain conditions, to respond to and negotiate unsolicited acquisition proposals made prior to the time PharMerica's stockholders approve the proposal to adopt the merger agreement. In this regard, the board took into consideration that the non-disclosure agreements entered into by eight potentially interested parties (other than KKR and Walgreens) either did not contain standstill provisions or contained standstill provisions that fell away once the Company entered into a definitive transaction agreement;
- the provision of the merger agreement allowing the board to terminate the merger agreement in specified circumstances relating to a superior proposal, subject, in specified cases, to payment of a termination fee of $33 million; and
- the fact that as of [•], 2017, the date of this proxy statement, no person has made an unsolicited offer or proposal to acquire PharMerica.

*Other Factors*. The board also considered:

- the availability of appraisal rights under Delaware law to holders of shares of common stock who do not vote in favor of the proposal to adopt the merger agreement and comply with all of the required

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procedures under Delaware law, which provides those eligible stockholders with an opportunity to have a Delaware court determine the fair value of their shares, which may be more than, less than, or the same as the amount such stockholders would have received under the merger agreement;

- the benefits that the Company was able to obtain during extensive negotiations with KKR and Walgreens and that the merger agreement and related transaction agreements were the product of arm's-length negotiations and contained terms and conditions that were, in the board's view, advisable, fair to and in the best interests of the Company and its stockholders;
- the merger agreement is subject to adoption by the Company's stockholders, who are free to reject the merger agreement;
- the current state of the economy, debt financing markets and uncertainty surrounding forecasted economic conditions both in the near term and the long term, generally, and within the Company's industry in particular; and
- the interests of the Company's directors and executive officers in the merger as more fully described under The Merger (Proposal 1)—Interests of the Company's Directors and Executive Officers in the Merger beginning on page [•] of this proxy statement.

In the course of reaching the determinations and decisions and making the recommendation described above, the board considered the following risks and potentially negative factors relating to the merger agreement, the merger and the other transactions contemplated thereby:

- that the Company's stockholders generally will have no ongoing equity participation in the Company following the merger, and that such stockholders will cease to participate in the Company's future earnings or growth, if any, or to benefit from increases, if any, in the value of the common stock, and will not participate in any potential future sale of the surviving corporation to a third party;
- the risk of incurring substantial expenses related to the merger;
- the risk of litigation arising in respect of the merger agreement or the transactions contemplated by the merger agreement, including the merger;
- the risk that there can be no assurance that all conditions to the parties' obligations to complete the merger will be satisfied, and as a result, it is possible that the merger may not be completed even if the merger agreement is adopted by the Company's stockholders. If the merger is not completed, (i) the Company will have incurred significant risk and transaction and opportunity costs, including the possibility of disruption to our operations, diversion of management and employee attention and a potentially negative effect on our business, (ii) the trading price of shares of our common stock would likely be adversely affected and (iii) the market's perceptions of the Company's prospects could be adversely affected;
- the risk that the debt financing contemplated by the debt commitment letters or the equity financing contemplated by the equity commitment letters will not be obtained, resulting in Parent and Merger Sub not having sufficient funds to complete the merger;
- that completion of the merger would require antitrust clearance in the United States and certain foreign jurisdictions and the satisfaction of certain other closing conditions, including that no Company material adverse effect has occurred, which conditions are not entirely within the Company's control and that there can be no assurances that any or all such conditions will be satisfied;
- the merger agreement's restrictions on the conduct of the Company's business prior to the completion of the merger, generally requiring the Company to conduct its business only in the ordinary course, subject to specific limitations, which may delay or prevent the Company from undertaking business opportunities that may arise pending completion of the merger;
- the risks and costs to the Company if the merger does not close, including uncertainty about the effect of the proposed merger on the Company's employees, customers and other parties, which may impair the Company's ability to attract, retain and motivate key personnel, and could cause customers, suppliers and others to seek to change existing business relationships with the Company;

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- that the receipt of cash by stockholders in exchange for shares of common stock pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes;
- the possibility that, under certain circumstances under the merger agreement, the Company may be required to pay a termination fee of $33 million as more fully described under The Merger Agreement—Termination Fees beginning on page [•] of this proxy statement;
- that the terms of the merger agreement prohibit the Company and its representatives from soliciting third-party bids and Parent has the right to match an unsolicited third-party bid, if made, which terms could reduce the likelihood that other potential acquirers would propose an alternative transaction that may be more advantageous to our stockholders; and
- the fact that Parent and Merger Sub are newly formed corporations with essentially no assets and that the Company's remedy in the event of breach of the merger agreement by Parent and Merger Sub may be limited to the receipt of a $56.6 million or $113.3 million termination fee, depending on the circumstance, payable by Parent and guaranteed by KKR and Walgreens pursuant to the limited guarantees.

The foregoing discussion of the information and factors considered by the board includes the material factors considered by the board and is not intended to be an exhaustive list of the information and factors considered by the board in its consideration of the merger. In view of the variety of factors considered in connection with its evaluation of the merger, the board did not find it practicable to, and did not, quantify or otherwise assign relative weights to the specific factors considered in reaching its determination and recommendation. In addition, individual directors may have given different weights to different factors. The board recommended the merger agreement and the merger based upon the totality of the information it considered.

**Recommendation of the Company s Board of Directors**

After careful consideration, the board has unanimously (i) determined that the merger agreement and transactions contemplated thereby are fair to and in the best interests of the Company s stockholders, (ii) approved, adopted and declared advisable the merger agreement and the transactions contemplated thereby, and (iii) resolved, subject to the provisions of the merger agreement, to recommend the acceptance of the merger agreement, including the merger, by the stockholders of the Company at the special meeting. Certain factors considered by the board in reaching its decision to approve the merger agreement and approve the merger can be found in the section entitled The Merger (Proposal 1)—Reasons for the Merger beginning on page [•] of this proxy statement.

**The board unanimously recommends that the stockholders of the Company vote FOR the merger proposal.**

**Opinions of the Company s Financial Advisors**

***Opinion of UBS***

PharMerica retained UBS to act as financial advisor to PharMerica. As part of that engagement, the board requested that UBS render an opinion as to the fairness, from a financial point of view, to the holders of common stock (other than Parent, Merger Sub and their affiliates) of the merger consideration to be received by such holders in the merger. On August 1, 2017, at a meeting of the board held to evaluate the merger and the merger agreement and the transactions contemplated thereby, UBS delivered to the board an oral opinion, which opinion was subsequently confirmed by delivery of a written opinion, dated August 1, 2017, to the effect that, as of that date and based on and subject to various assumptions made, matters considered, and qualifications and limitations described in its written opinion, the merger consideration to be received by the holders of common stock (other than Parent, Merger Sub and their affiliates) in the merger was fair, from a financial point of view, to such holders.

The full text of UBS s opinion to the board describes the assumptions made, procedures followed, matters considered, and qualifications and limitations on the review undertaken by UBS. The opinion is attached to this proxy statement as

Annex B and is incorporated into this proxy statement by reference. **Holders of common stock are encouraged to read UBS s opinion carefully in its entirety. UBS s opinion was provided for the benefit of the board (in its capacity as such) in connection with, and for the purpose of, its evaluation of**

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**the merger consideration to be received by the holders of common stock (other than Parent, Merger Sub and their affiliates) in the merger from a financial point of view, and does not address any other aspect of the merger or any related transaction. UBS s opinion does not address the relative merits of the merger or any related transaction as compared to other business strategies or transactions that might be available with respect to PharMerica or PharMerica s underlying business decision to effect the merger or any related transaction. UBS s opinion does not constitute a recommendation to any stockholder of PharMerica as to how such stockholder should vote or act with respect to the merger or any related transaction. The following summary of UBS s opinion is qualified in its entirety by reference to the full text of UBS s opinion.**

In arriving at its opinion, UBS, among other things:

- reviewed certain publicly available business and financial information relating to PharMerica;
- reviewed certain internal financial information and other data relating to the business and financial prospects of PharMerica that were not publicly available, including financial forecasts and estimates prepared by the management of PharMerica that the board directed UBS to utilize for purposes of its analyses;
- conducted discussions with members of the senior management of PharMerica concerning the business and financial prospects of PharMerica;
- performed a discounted cash flow analysis of PharMerica in which UBS analyzed the future cash flows of PharMerica using financial forecasts and estimates prepared by the management of PharMerica;
- reviewed publicly available financial and stock market data with respect to certain other companies UBS believed to be generally relevant;
- compared the financial terms of the merger with the publicly available financial terms of certain other transactions UBS believed to be generally relevant;
- reviewed current and historical market prices of the common stock;
- reviewed the merger agreement; and
- conducted such other financial studies, analyses and investigations, and considered such other information, as UBS deemed necessary or appropriate.

In connection with its review, with the consent of the board, UBS assumed and relied upon, without independent verification, the accuracy and completeness in all material respects of the information provided to or reviewed by UBS for the purpose of the opinion. In addition, with the consent of the board, UBS did not make any independent evaluation or appraisal of any of the assets or liabilities (contingent or otherwise) of PharMerica, nor was UBS furnished with any such evaluation or appraisal. With respect to the financial forecasts and estimates referred to above, UBS assumed, at the direction of the board, that they were reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of PharMerica as to the future financial performance of PharMerica. In addition, UBS assumed, with the approval of the board, that the financial forecasts and estimates referred to above will be achieved at the times and in the amounts projected. The opinion of UBS was necessarily based on economic, monetary, market and other conditions as in effect on, and the information available to UBS as of, the date of its opinion.

At the direction of the board, UBS was not asked to, nor did it, offer any opinion as to the terms, other than the merger consideration to the extent expressly specified in the opinion, of the merger agreement or any related documents or the form of the merger or any related transaction. UBS expressed no opinion as to (i) the fairness of the amount or nature of any compensation to be received by any officers, directors or employees of any parties to the merger, or any class of such persons, relative to the merger consideration, or (ii) the price at which the common stock will trade at any time. In rendering its opinion, UBS assumed, with the consent of the board, that (a) the parties to the merger agreement will comply with all material terms of the merger agreement, and (b) the merger will be consummated in accordance with the terms of the merger agreement without any adverse waiver or amendment of any material term or condition thereof. UBS also assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the merger will be obtained without any material adverse effect on PharMerica, Parent or the

merger.

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In connection with rendering its opinion to the board, UBS performed a variety of financial and comparative analyses, which are summarized below. The following summary is not a complete description of all analyses performed and factors considered by UBS in connection with its opinion. The preparation of a fairness opinion is a complex process involving subjective judgments and is not necessarily susceptible to partial analysis or summary description. With respect to the selected public company analysis and the selected transactions analysis summarized below, no company or transaction used as a comparison was identical to PharMerica, or the transactions contemplated by the merger agreement. These analyses necessarily involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the public trading or acquisition values of the companies concerned.

UBS believes its analyses and the summary contained in this proxy statement must be considered as a whole and that selecting portions of its analyses and factors or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying UBS s analyses and opinion. UBS did not draw, in isolation, conclusions from or with regard to any one factor or method of analysis for purposes of its opinion, but rather arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole.

The estimates of the future performance of PharMerica underlying the analyses of UBS are not necessarily indicative of actual future results or values, which may be significantly more or less favorable than those estimates. These estimates are necessarily subject to uncertainty because, among other things, they are based upon numerous factors and events beyond the control of PharMerica or its advisors. In performing its analyses, UBS considered industry performance, general business and economic conditions and other matters, many of which were beyond the control of PharMerica. Estimates of the financial value of companies do not purport to be appraisals or necessarily reflect the prices at which businesses or securities actually may be sold or acquired.

The merger consideration to be received by the holders of common stock was determined through negotiations between Parent and PharMerica and the decision by PharMerica to enter into the merger agreement to effect the transaction was solely that of the board. UBS s opinion and financial analyses were only one of many factors considered by the board in its evaluation of the merger and should not be viewed as determinative of the views of the board or the management of PharMerica with respect to the merger or the merger consideration. While UBS provided advice to the board in connection with the proposed merger, the board determined the consideration and UBS did not recommend any specific amount or type of consideration.

***Summary of the Financial Analyses of UBS***

The following is a summary of the material financial analyses performed by UBS and reviewed with the board on August 1, 2017 in connection with UBS s opinion. **The financial analyses summarized below include information presented in tabular format. In order for UBS s financial analyses to be fully understood, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of UBS s financial analyses.**

***Selected Public Companies Analysis***

UBS compared selected financial data of PharMerica with corresponding data of the following nine publicly traded U.S. companies, which, based on its professional judgment and expertise, UBS believed to be generally relevant to its analysis (the Selected Companies ), three of which were pharmaceutical distributors, three of which were long term care providers, and solely for reference purposes (as such companies had businesses that had comparatively less

overlap with the business of PharMerica), one of which was a pharmaceutical benefits management company, one of which was an infusion services company, and one of which was a specialty pharmacy company:

Selected Companies

- Pharmaceutical Distributor Companies
- AmerisourceBergen Corporation
- Cardinal Health, Inc.
- McKesson Corporation

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- Long Term Care Companies
- Ensign Group, Inc.
- Genesis Healthcare Inc.
- Kindred Healthcare, Inc.
- Pharmaceutical Benefits Management Company
- Express Scripts Holding Company
- Infusion Services Company
- BioScrip, Inc.
- Specialty Pharmacy Company
- Diplomat Pharmacy, Inc.

UBS reviewed, among other things:

- the enterprise values, calculated as equity market value based on closing stock prices on July 31, 2017 (or in the case of Kindred Healthcare, Inc., April 9, 2017, which was the latest unaffected date prior to sale rumors), the last practicable price date prior to the delivery of UBS's oral opinion, plus debt at book value, less cash and cash equivalents, plus minority interest at book value of each of the Selected Companies as a multiple of calendar year 2017 and 2018 estimated EBITDA of such Selected Company ( EV/EBITDA Multiples ); provided that with respect to the Selected Companies that were long term care companies, enterprise values were calculated inclusive of capitalized lease expense at 8.0x (which multiple is, in the professional judgment of UBS, standard for the industry), and EBITDA was calculated as EBITDAR, which represents EBITDA plus lease expense; and
- the closing stock prices on July 31, 2017 (or in the case of Kindred Healthcare, Inc., April 9, 2017, which was the latest unaffected date prior to sale rumors), the last practicable price date prior to the delivery of UBS's oral opinion, of each of the Selected Companies as a multiple of calendar year 2017 and 2018 estimated earnings per share of such Selected Company (including stock based compensation expense and adjusted for amortization) ( Adj. P/E Multiples ).

Financial data for the Selected Companies were based on FactSet data, public filings and other publicly available information as well as analyst research.

UBS then compared such multiples derived for the Selected Companies that were pharmaceutical distribution companies and long term care companies, and solely for reference purposes, the Selected Companies that were a pharmaceutical benefits management company, an infusion services company, and a specialty pharmacy company, with corresponding multiples implied for PharMerica, based on, among other things:

- the enterprise value on July 31, 2017 of PharMerica as a multiple of calendar year 2017 and 2018 estimated EBITDA; and
- the closing share price of PharMerica on July 31, 2017, as a multiple of calendar year 2017 and 2018 estimated adjusted earnings per share.

Estimated financial data used for the EV/EBITDA Multiples of PharMerica and Adj. P/E Multiples of PharMerica were based on the financial forecasts and estimates prepared by the management of PharMerica. See Projected Financial Information.

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This analysis indicated the following implied EV/EBITDA Multiples and Adj. P/E Multiples for the Selected Companies that were pharmaceutical distribution companies and long term care companies, and solely for reference purposes, the Selected Companies that were a pharmaceutical benefits management company, an infusion services company, and a specialty pharmacy company, as compared to corresponding implied EV/EBITDA Multiples and Adj. P/E Multiples for PharMerica:

| | EV/EBITDA Multiples | | Adj. P/E Multiples | |
|---|---|---|---|---|
| | **2017E** | **2018E** | **2017E** | **2018E** |
| **Pharmaceutical Distributor Companies** | | | | |
| Mean | 9.5x | 9.0x | 14.6x | 13.8x |
| Median | 9.6x | 9.0x | 14.6x | 14.1x |
| **Long Term Care Companies** | | | | |
| Mean | 8.0x | 7.7x | 13.6x | 12.1x |
| Median | 7.9x | 7.7x | 13.6x | 12.1x |
| **Pharmaceutical Distributor and Long Term Care Companies Overall** | | | | |
| High | 10.2x | 9.7x | 16.2x | 15.0x |
| Mean | 8.8x | 8.3x | 14.2x | 13.1x |
| Median | 8.5x | 8.0x | 14.6x | 14.1x |
| Low | 7.8x | 7.5x | 11.0x | 9.1x |
| **Pharmaceutical Benefits Management Company** | | | | |
| Express Scripts Holding Company | 6.7x | 6.5x | 9.0x | 8.2x |
| **Infusion Services Company** | | | | |
| BioScrip, Inc. | 19.6x | 14.3x | nm | nm |
| **Specialty Pharmacy Company** | | | | |
| Diplomat Pharmacy, Inc. | 12.8x | 11.6x | 24.5x | 21.4x |
| **PharMerica** | | | | |
| As of July 31, 2017 at $25.15 per share | 8.7x | 7.8x | 12.9x | 11.5x |
| At merger consideration of $29.25 per share | 9.6x | 8.6x | 15.0x | 13.4x |

***Discounted Cash Flow Analysis***

UBS performed discounted cash flow analyses utilizing financial forecasts and estimates prepared by the management of PharMerica. See Projected Financial Information. UBS calculated ranges of implied present values (as of June 30, 2017) of the standalone, unlevered, free cash flows that PharMerica was forecasted to generate from July 1, 2017 through December 31, 2021 and of terminal values for PharMerica. Implied terminal values were derived by applying to PharMerica s 2021 estimated EBITDA a range of estimated terminal last twelve months EBITDA multiples of 7.5x

to 9.5x, which range was selected based on current and historical trading EBITDA multiples of PharMerica and certain of the Selected Companies. Implied present values of cash flows and terminal values were calculated using discount rates ranging from 8% to 9%, reflecting estimates of PharMerica s weighted average cost of capital. The discounted cash flow analyses resulted in a range of implied equity values of $24.00 to $33.90 per share for PharMerica.

***Selected Transactions Analysis***

In order to provide certain context for the primary valuation and financial analyses in connection with its opinion as described above, UBS performed the selected transactions analysis summarized below, solely for reference purposes. UBS does not consider such analysis to be a determinative valuation methodology for purposes of its opinion.

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UBS reviewed publicly available information and Wall Street research analyst reports relating to the following 14 acquisition transactions involving public target companies of which two were institutional pharmacy / specialty pharmacy companies, five were pharmaceutical benefits management companies, three were infusion services companies, and four were long term care companies, which, based on its professional judgment and expertise, UBS believed to be generally relevant to its analysis (the Selected Transactions ).

**Institutional Pharmacy / Specialty Pharmacy**

| Announcement Date | Acquiror | Target |
|---|---|---|
| May, 2015 | CVS Health Corporation | Omnicare, Inc. |
| October, 2014 | Catamaran Corporation | Salveo Specialty Pharmacy, Inc. |

**Pharmaceutical Benefits Management**

| Announcement Date | Acquiror | Target |
|---|---|---|
| March, 2015 | UnitedHealth Group Incorporated | Catamaran Corporation |
| February, 2015 | Rite Aid Corporation | Envision Pharmaceutical Services, Inc. |
| August, 2013 | Catamaran Corporation | Restat, LLC |
| April, 2012 | SXC Health Solutions Corp. | Catalyst Health Solutions, Inc. |
| July, 2011 | Express Scripts Inc. | Medco Health Solutions Inc. |

**Infusion Services**

| Announcement Date | Acquiror | Target |
|---|---|---|
| November, 2013 | CVS Caremark Corp. | Coram, LLC |
| June, 2013 | BioScrip, Inc. | CarePoint Partners Holdings LLC |
| January, 2010 | BioScrip, Inc. | Critical Homecare Solutions Holdings, Inc. |

**Long Term Care**

| Announcement Date | Acquiror | Target |
|---|---|---|
| November, 2014 | HealthSouth Corporation | EHHI Holdings, Inc. |
| October, 2014 | Kindred Healthcare Inc. | Gentiva Health Services Inc. |
| August, 2014 | Genesis HealthCare, LLC | Skilled Healthcare Group, Inc. |
| June, 2012 | Genesis HealthCare, LLC | Sun Healthcare Group, Inc. |

UBS reviewed, among other things, transaction values of the target company in each of the Selected Transactions as a multiple of such target company s EBITDA for the prior twelve months and EBITDA for the next twelve months. UBS then compared such multiples derived for the target companies with corresponding multiples calculated for PharMerica. Financial data regarding the Selected Transactions and used to determine the multiples were based on public filings, Wall Street research analyst reports, and press releases. Estimated financial data used for PharMerica were based on the financial forecasts and estimates prepared by the management of PharMerica. See Projected Financial Information.

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These analyses indicated the following multiples for the target companies in each of the Selected Transactions, as compared to the corresponding implied multiples for PharMerica:

| | Multiple of EBITDA | |
|---|---|---|
| | **LTM** | **NTM** |
| **Institutional Pharmacy / Specialty Pharmacy** | | |
| Mean | 15.1x | 13.0x |
| Median | 15.1x | 13.0x |
| **Pharmaceutical Benefits Management** | | |
| Mean | 16.9x | 12.6x |
| Median | 17.6x | 13.0x |
| **Infusion Services** | | |
| Mean | 12.4x | 12.9x |
| Median | 12.4x | 12.9x |
| **Long Term Care** | | |