

Diplomat Pharmacy, Inc.  
Form DEF 14A  
April 25, 2016

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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  
(Amendment No. )

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

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

**Diplomat Pharmacy, Inc.**

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which the transaction applies:

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

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Per unit price or other underlying value of the 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):

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Fee paid previously with preliminary materials.

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:

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

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(3) Filing Party:

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(4) Date Filed:

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**LETTER TO OUR SHAREHOLDERS**

April 22, 2016

To our Shareholders:

We cordially invite you to attend our 2016 annual meeting of shareholders, which will be held on Monday, June 6, 2016, at 1:00 p.m., Eastern Time, at our corporate headquarters, 4100 S. Saginaw St., Flint, Michigan. The business to be conducted at the annual meeting is set forth in the attached Notice of 2016 Annual Meeting of Shareholders and Proxy Statement.

Our growth in 2015 was driven by all aspects of our business as we grew organically in volume from existing drugs, continued to win access to meaningful specialty drug approvals, and strengthened our expertise and national footprint across complex disease states through key acquisitions. Looking ahead, we anticipate a continuation of many of the same trends that drove growth in 2015.

Our philosophy: "Take good care of patients, and the rest falls into place." As soon as we started down the road of specializing as a pharmacy, we knew Diplomat would need to keep evolving in this rapidly developing industry. "Take good care of patients" what does that really mean today, and in the future? It calls for the need to adapt, as new therapies come to market, and as more opportunities come to customize care for the benefit of the individual in need. Change may be a constant in specialty pharmacy, but one thing that will never change is our relentless drive to make treatment as effective as possible and help our patients thrive.

Thank you for your continued support of Diplomat.

Sincerely,

Philip R. Hagerman  
Chairman of the Board and  
Chief Executive Officer

Corporate Headquarters  
4100 S. Saginaw Street  
Flint, MI 48507  
(888) 720-4450

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**DIPLOMAT PHARMACY, INC.  
NOTICE OF 2016 ANNUAL MEETING OF SHAREHOLDERS**

Our 2016 annual meeting of shareholders will be held on Monday, June 6, 2016 at 1:00 p.m. Eastern Time, at our corporate headquarters at 4100 S. Saginaw St., Flint, Michigan to conduct the following items of business:

To elect two Class II directors named in the accompanying Proxy Statement, each to serve for a three-year term or until his successor has been duly elected and qualified.

To ratify the appointment of BDO USA, LLP as our independent registered public accounting firm for the year ending December 31, 2016.

To approve (on an advisory basis) the compensation of our named executive officers.

To transact any other business that may properly come before the meeting or any postponement or adjournment of the meeting.

Only holders of our common stock at the close of business on April 11, 2016, the record date, are entitled to receive this notice and to attend and vote at the annual meeting.

We have elected to furnish proxy materials to you primarily through the Internet, which expedites your receipt of materials, lowers our expenses and conserves natural resources. On or about April 27, 2016, we intend to mail to our shareholders of record a notice containing instructions on how to access our 2016 proxy statement and 2015 annual report through the Internet and how to vote through the Internet. The notice also will include instructions on how to receive such materials, at no charge, by paper delivery (along with a proxy card) or by e-mail. Beneficial owners will receive a similar notice from their broker, bank or other nominee. Please do not mail in the notice, as it is not intended to serve as a voting instrument. Notwithstanding anything to the contrary, the Company may send certain shareholders of record a full set of proxy materials by paper delivery instead of the notice or in addition to sending the notice.

You can elect to receive future proxy materials by e-mail at no charge instead of receiving these materials by paper delivery by voting using the Internet and, when prompted, indicating you agree to receive or access shareholder communications electronically in future years.

Your vote is important. Whether or not you plan to attend the meeting, we urge you to vote promptly and save us the expense of additional solicitation. If you attend the annual meeting, you may revoke your proxy in accordance with the procedures set forth in the Proxy Statement and vote in person.

By Order of the Board of Directors

Sean M. Whelan  
Chief Financial Officer, Treasurer and Secretary

Flint, Michigan  
April 22, 2016

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**PROXY SUMMARY**

*This proxy summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider and therefore you should read the entire proxy statement before voting. For more complete information regarding the 2015 performance of Diplomat Pharmacy, Inc. (the "Company"), review the Company's annual report on Form 10-K for the year ended December 31, 2015.*

**Please Vote Today**

Your vote is important. Whether or not you plan to attend the annual meeting, we urge you to vote promptly to save us the expense of additional solicitation. Please carefully review the proxy materials for the 2016 annual meeting and follow the instructions below to cast your vote on all of the proposals.

**Proposals, Board Recommendations and Required Vote**

|         | <b>Proposal</b>   | <b>Board Recommendation</b> | <b>Required Vote</b>                                 |
|---------|---|-----------------------------|--|
| No. 1 - | Election of Directors (page 5)  | FOR each nominee            | Plurality  |
| No. 2 - | Ratification of Independent Registered Public Accounting Firm (page 38) | FOR                         | Majority of the votes cast that are entitled to vote |
| No. 3 - | Advisory Vote to Approve Named Executive Officer Compensation (page 39) | FOR                         | Majority of the votes cast that are entitled to vote |

**Voting Methods in Advance of Annual Meeting**

Even if you plan to attend the 2016 annual meeting in person, please vote right away using one of the following voting methods (see page 3 for additional details). **Make sure to have your proxy card or voting instruction card in hand and follow the instructions.**

**Use the Internet.** Visit the website listed on your notice card, proxy card, voting instruction card or e-mail notification.

**Call by Telephone.** Call the telephone number on your notice card, proxy card or voting instruction card.

**Send by Mail.** Sign, date and return your proxy card or voting instruction card in the enclosed envelope.

**Attend and Vote at Annual Meeting**

**Date:** Monday, June 6, 2016

**Time:** 1:00 p.m. Eastern Time

**Location:** Corporate Headquarters, 4100 S. Saginaw St., Flint, Michigan  
Shareholders of record and beneficial owners (if in possession of a proxy from your broker, bank or other nominee) as of April 11, 2016 may attend and vote at the annual meeting.

Table of Contents**Director Nominees**

The Board currently consists of seven directors serving staggered terms. Two Class II directors are to be elected at the annual meeting to hold office until the 2019 annual meeting of shareholders. The Board has re-nominated the current Class II directors, Kenneth O. Klepper and Benjamin Wolin, for three-year terms. The following table provides summary information about such director nominees.

| Name               | Age | Director Since | Independent | Primary Occupation   | Committee Memberships                   | Current Public Company Boards |
|--------------------|-----|----------------|-------------|--|---|-------------------------------|
| Kenneth O. Klepper | 62  | 2014           | Yes         | Former President and Chief Operating Officer of Medco Health Solutions, Inc. | NCGC (Chair),<br>Audit,<br>Compensation | None                          |
| Benjamin Wolin     | 41  | 2015           | Yes         | Co-Founder and Chief Executive Officer of Everyday Health, Inc.              | Audit,<br>NCGC                          | Everyday Health, Inc.         |

**Director Qualifications**

We believe that our directors as a group have an appropriate mix of qualifications, attributes, skills and experience.

See "Proposal No. 1 Election of Directors Specific Qualifications, Attributes, Skills and Experience to be Represented on the Board" and " Director Background and Qualifications" beginning on page 7 for further discussion of these key qualifications that we consider important for service on our Board and additional information on each of our directors.

**Ratification of Independent Registered Public Accounting Firm**

At the 2016 annual meeting, shareholders are being asked to ratify the appointment of BDO USA, LLP ("BDO") as the Company's independent registered public accounting firm for 2016.

The following table sets forth the fees the Company was billed for audit and other services provided by BDO in 2015. All of such services were approved in conformity with the pre-approval policies and procedures of the Audit Committee and the Audit Committee, based on its reviews and discussions with

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management and BDO, determined that the provision of these services was compatible with maintaining BDO's independence.

|                    | <b>2015</b>    |
|--------------------|----------------|
|                    | <b>(\$)</b>    |
| Audit Fees         | 557,040        |
| Audit-Related Fees |                |
| Tax Fees           | 212,110        |
| All Other Fees     |                |
| <b>Total Fees</b>  | <b>769,150</b> |

**Executive Compensation Highlights**

See "Compensation Discussion and Analysis Executive Summary" beginning on page 17 for a brief summary of key compensation matters for fiscal 2015.

**Fiscal 2015 Target Annual Compensation Determinations.**

The 2015 base salaries of named executive officers were determined by the Board in December 2014 and adjusted in March 2015 consistent with historical practice prior to the formation of the Compensation Committee.

The 2015 bonus plan was approved by the Board, upon the recommendation of the Compensation Committee, in June 2015. The Board determined to include all named executive officers except Mr. Hagerman, our CEO in the Company's annual bonus plan. The 2015 bonus plan for named executive officers and certain other eligible key employees generally memorialized the Company's historical annual bonus plan.

The 2015 equity award program was also approved in June 2015. All named executive officers participated in the equity award program, as the Board determined to provide all incentive compensation to Mr. Hagerman in the form of performance-based options. The newly designed equity award program for named executive officer annual grants is based upon the grant of options to purchase a number of shares of common stock of the Company, which will be earned or forfeited based upon the Company's performance relative to specified Adjusted EBITDA and revenue goals, in each case exclusive of mergers and acquisitions, for the applicable year.

See "Compensation Discussion and Analysis Process for Making Compensation Determinations 2015 Target Annual Compensation" for further description of how the components of target annual compensation are determined.

**Components of Target Annual Compensation.** The following graphs set forth the various components of target annual compensation approved for the chief executive officer and the other named executive officers in 2015. For purposes of these calculations, base salary includes

car allowances and 401(k) contributions.

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**2015 Actual Performance.** The following tables present actual Adjusted EBITDA and revenue as calculated for purposes of the bonus plan and the equity award program, respectively, and provide the percentage of target bonus and percentage of equity awards earned for 2015. We define Adjusted EBITDA as net income (loss) before interest expense, income taxes, depreciation and amortization, share-based compensation, restructuring and impairment charges, equity loss and impairment of non-consolidated entities, and certain other items that we do not consider indicative of our ongoing operating performance. For purposes of the bonus plan and equity award program, Adjusted EBITDA and revenue exclude the effect of mergers and acquisitions. Accordingly, Adjusted EBITDA and revenue as presented below and elsewhere in this proxy statement differ from the Company's reported Adjusted EBITDA and revenue in 2015.

| Component              | Component<br>% of Target Bonus | 2015 Performance Metric<br>Annual Bonus Plan |                    | % of Target Bonus<br>Earned |
|------------------------|--------------------------------|--|--------------------|-----------------------------|
|                        |                                | Target                                       | Actual             |                             |
| Adjusted EBITDA(1)     | 60                             | \$47,670,000                                 | \$62,000,000(2)    | 125                         |
| Revenue                | 30                             | \$2,981,000,000                              | \$2,970,000,000(2) | 98                          |
| Individual Performance | 10                             | Varied                                       | Varied             | Varied                      |

| Component       | Component<br>% of Target Award | 2015 Performance Metric<br>Equity Award Plan |                 | % of Target Award<br>Earned |
|-----------------|--------------------------------|--|-----------------|-----------------------------|
|                 |                                | Target                                       | Actual(2)       |                             |
| Adjusted EBITDA | 70                             | \$47,670,000                                 | \$62,000,000    | 100                         |
| Revenue         | 30                             | \$2,981,000,000                              | \$2,970,000,000 | 98                          |

(1) Maximum target bonus earned for component.

(2) Subset of total company financial results, as calculated for incentive plans.

For further discussion of our annual incentive bonus plan and our long-term incentive compensation, see "Compensation Discussion and Analysis 2015 Pay for Performance Annual Bonus Plan" and "2015 Equity Awards Performance-based Stock Option Awards."



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**Corporate Governance Highlights**

The Company is committed to good corporate governance appropriate to the Company and its shareholders. Highlights include:

4 out of 7 independent directors (as of October 2015) and fully independent Board committees (as of March 2016) as we transitioned from controlled company status

Annual Board and committee performance evaluations

Hedging and pledging policies

Robust governance policies

Shareholder engagement, as appropriate

An engaged Board On average, each director attended over 90% of the meetings of the Board and the committees of which he or she was a member

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## PROXY STATEMENT

### ANNUAL MEETING OF SHAREHOLDERS JUNE 6, 2016

#### ABOUT THE ANNUAL MEETING

##### Who is soliciting my vote?

The Board of Directors (the "Board") of Diplomat Pharmacy, Inc. (the "Company") is soliciting your proxy, as a holder of our common stock, for use at our 2016 annual meeting of shareholders and any adjournment or postponement of such meeting. The 2016 annual meeting will be held on Monday, June 6, 2016, at 1:00 p.m. Eastern Time, at the Company's headquarters at 4100 S. Saginaw St, Flint, Michigan.

The notice of annual meeting, proxy statement and form of proxy was first mailed to shareholders of record of our common stock on or about April 27, 2016.

##### What is the purpose of the annual meeting?

At the annual meeting, you will be voting on:

The election of two Class II directors named in this proxy statement, each to serve for a three-year term or until his successor has been duly elected and qualified.

The ratification of the appointment of BDO USA, LLP ("BDO") as our independent registered public accounting firm for the year ending December 31, 2016.

The approval (on an advisory basis) of the compensation of our named executive officers.

The Board recommends a vote **FOR** each of the director nominees listed in this proxy statement, **FOR** the ratification of BDO's appointment, and **FOR** the approval of the compensation of our named executive officers. We are not aware of any other matters that will be brought before the shareholders for a vote at the annual meeting. If any other matter is properly brought before the meeting, your signed proxy card gives authority to your proxies to vote on such matter in their best judgment; proxy holders named in the proxy card will vote as the Board recommends or, if the Board gives no recommendation, in their own discretion.

During or immediately following the annual meeting, management will report on our performance and will respond to appropriate questions from shareholders. Representatives of BDO will be present at the annual meeting, will make a statement, if they desire to do so, and will answer appropriate questions from our shareholders.

##### Who is entitled to vote?

You may vote if you owned shares of our common stock at the close of business on April 11, 2016, the record date, provided such shares are held directly in your name as the shareholder of record or are held for you as the beneficial owner through a broker, bank or other nominee. Each share of common stock is entitled to one vote on each matter properly brought before the meeting. As of April 11, 2016, we had 65,940,307 shares of common stock outstanding and entitled to vote.

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**What is the difference between holding shares as a shareholder of record and a beneficial owner?**

**Shareholders of Record.** If your shares are registered directly in your name with the Company's transfer agent, Computershare, you are considered the shareholder of record with respect to those shares, and the applicable proxy materials are being sent directly to you by Broadridge Investor Communications Solutions ("Broadridge") on behalf of the Company. As the shareholder of record, you have the right to grant your voting proxy directly to the Company through a proxy card, through the Internet or by telephone, or to vote in person at the annual meeting.

**Beneficial Owners.** Many of the Company's shareholders hold their shares through a broker, bank or other nominee rather than directly in their own names. If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares, and the applicable proxy materials are being forwarded to you by your broker, bank or nominee who is considered the shareholder of record with respect to those shares. As the beneficial owner, you have the right to direct your broker, bank or nominee on how to vote and are also invited to attend the annual meeting. Your broker, bank or nominee has enclosed voting instructions for you to use in directing the broker, bank or nominee on how to vote your shares. Since you are not the shareholder of record, you may not vote these shares in person at the annual meeting unless you obtain a proxy from your broker, bank or nominee and bring such proxy to the annual meeting.

**Why did I receive a Notice in the mail regarding Internet availability of proxy materials?**

The Company has elected to furnish proxy materials to you primarily through the Internet, which expedites the receipt of materials, lowers our expenses and conserves natural resources. If you received the Notice containing instructions on how to access this proxy statement and the 2015 annual report through the Internet, please do not mail in the Notice, as it is not intended to serve as a voting instrument.

**How can I access the Company's proxy and other reports filed with the SEC?**

The Company's website, *www.diplomat.is*, under the Investors SEC Filings tab, provides free access to the Company's reports with the U.S. Securities and Exchange Commission (the "SEC") as soon as reasonably practicable after the Company electronically files such reports with, or furnishes such reports to, the SEC, including proxy materials, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports. Further, you can view these documents on a website maintained by the SEC at *www.sec.gov*.

As noted above, most shareholders will receive a Notice with instructions on how to view the proxy materials through the Internet (at *www.proxyvote.com*). The Notice includes a control number that must be entered at the website in order to view the proxy materials. The Notice also describes how to receive the proxy materials by paper delivery or e-mail. You can elect to receive future proxy materials by e-mail at no charge by voting using the Internet and, when prompted, indicating you agree to receive or access shareholder communications electronically in future years. If you would like additional paper copies without charge, please send a written request to the Company's executive office: Diplomat Pharmacy, Inc., Attention: General Counsel, 4100 S. Saginaw St., Flint, MI 48507.

The references to the website addresses of the Company and the SEC in this proxy statement are not intended to function as a hyperlink and, except as specified herein, the information contained on such websites is not part of this proxy statement.

**May I vote my shares in person at the annual meeting?**

Even if you plan to be present at the meeting, we encourage you to vote your shares prior to the meeting.

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**Shareholders of Record.** If you are a shareholder of record and attend the annual meeting, you may deliver your completed proxy card or vote by ballot.

**Beneficial Owners.** If you hold your common shares through a bank, broker or other nominee and want to vote such shares in person at the annual meeting, you must obtain a proxy from your broker, bank or other nominee giving you the power to vote such shares.

**Can I vote my shares without attending the annual meeting?**

**By Mail.** If you received your annual meeting materials by paper delivery, you may vote by completing, signing and returning the enclosed proxy card or voting instruction card. Please do not mail in the Notice, as it is not intended to serve as a voting instrument.

**By Telephone.** You may vote by telephone as indicated on your enclosed proxy card or voting instruction card.

**Through the Internet.** You may vote through the Internet as instructed on your Notice, proxy card, voting instruction card, or e-mail notification. In order to vote through the Internet, you must enter the control number that was provided on your Notice, proxy card, voting instruction card, or e-mail notification. If you do not have any of these materials and are a *shareholder of record*, you may contact Diplomat's Legal Department, 4100 S. Saginaw St., Flint, Michigan, 48507, Attention: General Counsel to request a proxy card (which will include your control number) to be mailed to your address on record or an e-mail with your control number to be sent to your e-mail address on record. If you do not have any of these materials and are a *beneficial owner*, you must contact your broker, bank or other nominee to obtain your control number.

**Can I change my vote?**

**Shareholders of Record.** You may change your vote at any time before the proxy is exercised by voting in person at the annual meeting or by filing with our Secretary either a notice revoking the proxy or a properly signed proxy, in each case bearing a later date. Your attendance at the annual meeting in person will not cause your previously granted proxy to be revoked unless you file the proper documentation for it to be so revoked.

**Beneficial Owners.** If you hold your shares through a bank, broker or other nominee, you should contact such person prior to the time such voting instructions are exercised.

**What does it mean if I receive more than one Notice, proxy card, voting instruction card or e-mail notification?**

If you receive more than one Notice, proxy card, voting instruction card or e-mail notification, it means that you have multiple accounts with banks, brokers, other nominees and/or our transfer agent. Please vote each document that you receive. We recommend that you contact your nominee and/or our transfer agent, as appropriate, to consolidate as many accounts as possible under the same name and address. Our transfer agent is Computershare Trust Company, 480 Washington Blvd., 29<sup>th</sup> Floor, Jersey City, NJ 07310; Telephone: (201) 680-5258.

**What if I do not vote for some of the items listed on my proxy card or voting instruction card?**

**Shareholders of Record.** If you indicate a choice with respect to any matter to be acted upon on your proxy card, the shares will be voted in accordance w