Diplomat Pharmacy, Inc.
Form DEF 14A
April 24, 2019

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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 ý Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o 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)

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

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(1) Amount Previously Paid:

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LETTER TO OUR SHAREHOLDERS

April 24, 2019

To our Shareholders:

We cordially invite you to attend our 2019 annual meeting of shareholders, which will be held on Monday, June 3, 2019, at 2:00 p.m. Central Time, at the Omni Chicago Hotel, 676 N. Michigan Avenue, Chicago, IL 60611. The business to be conducted at the annual meeting is set forth in the attached Notice of 2019 Annual Meeting of Shareholders and Proxy Statement.

In 2018, the Diplomat team executed on our strategy and drove solid performance, while making investments to drive future growth and operational efficiency. While 2018 performance finished strong, market conditions in 2019 are more challenging than expected in our specialty and PBM businesses. As a result, 2019 is a rebuilding year. We are taking comprehensive actions to address these challenges and position the company for a return to growth. I remain confident that Diplomat is making the right investments and executing the right strategy to grow.

As we continue to execute on our strategy, patients remain our top priority. Diplomat is known for high-touch patient care. No matter what, this will not change. Our employees are committed to helping our patients live their best life every day.

Thank you very much for your commitment to Diplomat.

In health,

Brian T. Griffin
Chairman & CEO

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

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DIPLOMAT PHARMACY, INC.
NOTICE OF 2019 ANNUAL MEETING OF SHAREHOLDERS

Our 2019 annual meeting of shareholders will be held on Monday, June 3, 2019 at 2:00 p.m. Central Time, at the Omni Chicago Hotel, 676 N. Michigan Ave, Chicago, IL 60611 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, 2019.

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 9, 2019, 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 24, 2019, we intend to mail to our shareholders of record a notice containing instructions on how to access our 2019 proxy statement and 2018 annual report through the Internet and how to vote through the Internet. The notice will also 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, we 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

Christina Flint
General Counsel and Secretary

Flint, Michigan
April 24, 2019

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 2018 performance of Diplomat Pharmacy, Inc. (the "Company"), review the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

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 2019 annual meeting and follow the instructions below to cast your vote on all of the proposals.

Proposals, Board Recommendations, and Required Vote

	Proposal	Board Recommendation	Required Vote
No. 1 -	Election of Directors (page 6)	FOR each nominee	Plurality
No. 2 -	Ratification of Independent Registered Public Accounting Firm (page 68)	FOR	Majority of the votes cast that are entitled to vote
No. 3 -	Advisory Vote to Approve Named Executive Officer Compensation (page 69)	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 2019 annual meeting in person, please vote promptly using one of the following voting methods (see page 3 for additional details). **Make sure to have your notice, 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 proxy card or voting instruction card.

Send by Mail. Sign, date and return your proxy card or voting instruction card in the enclosed envelope. Please do not mail in the notice, as it is not intended to serve as a voting instrument.

Attend and Vote at Annual Meeting

Date: June 3, 2019

Time: 2:00 p.m. Central Time

Location: Omni Chicago Hotel, 676 N. Michigan Ave, Chicago, IL 60611

Shareholders of record and beneficial owners (if in possession of a proxy from your broker, bank or other nominee) as of April 9, 2019 may attend and vote at the annual meeting.

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Director Nominees

The Board of Directors of the Company (the "Board") currently consists of seven directors serving three-year staggered terms. Two Class II directors are to be elected at the annual meeting to hold office until the 2022 annual meeting of shareholders. The Board has re-nominated two current Class II directors, Mr. Kenneth O. Klepper and Mr. Benjamin Wolin, each 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	65	2014	No	Co-Founder, Chairman and Chief Executive Officer of ReactiveCore, Inc.	None	None
Benjamin Wolin (Lead Director)	44	2015	Yes	Co-Founder and Former Chief Executive Officer of Everyday Health, Inc.	NCGC (Chair) and Audit	Rockwell Medical, Inc. Covetrus, 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.

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Corporate Governance Highlights

The Company and Board are committed to evaluating the Company's corporate governance policies and practices to ensure good corporate governance practices that are appropriate to the Company and its shareholders.

Lead Director. In February 2017 the Board established the role of an independent Lead Director. Currently, Mr. Benjamin Wolin serves as the independent Lead Director. Mr. Wolin served in this position from February 2017 through January 2018 and resumed this role in June 2018. In the interim period, Mr. Wolin served as Chairman.

Board Refreshment; Independence; Diversity. Our board is a majority independent board, which includes two women, with a broad range of industry, governance and financial expertise. Our Board consists of seven directors and each of our committees consists entirely of independent directors. Our board members have an average tenure of less than 8 years and an average age of 60.

Anti-pledging. In March 2018, we revised our Insider Trading Policy to prohibit any covered person (including executive officers and directors) from pledging Company shares in any manner.

Stock Ownership Guidelines for Executive Officers and Non-Employee Directors. Also in March 2018, we adopted stock ownership guidelines for our executive officers and non-employee directors, which generally require our chief executive officer and president to own a number of shares equal in value to 5x his or her base salary, other executive officers to own a number of shares equal in value to 3x their base salary and non-employee Directors to own a number of shares equal in value to 3x their annual cash retainer, in each case within a 5-year compliance period.

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Age Limit for Directors. We further revised our Corporate Governance Guidelines in March 2018 to provide for a mandatory retirement age of 72, absent certain circumstances that allow for waivers of such policy by determination of the Board.

Executive Compensation Highlights

See "Compensation Discussion and Analysis Executive Summary" beginning on page 23 for a summary of key compensation matters for fiscal 2018.

Executive Transitions in 2018 and 2019

In 2018, the Company transitioned the Chairman and Chief Executive Officer role from the Company's founder, Phil Hagerman, to our current Chairman and Chief Executive Officer, Brian Griffin. The hiring process and interim nature of the CEO position in the early part of 2018 had a significant effect on Chief Executive Officer compensation.

On January 4, 2018, the Company's founder, Phil Hagerman, announced his retirement as Chairman and Chief Executive Officer, and the Board appointed one of its previously independent members, Jeff Park, to serve as interim Chief Executive Officer while the Board continued its previously initiated executive search process. Soon after the appointment of Mr. Griffin discussed below, Mr. Park stepped aside as interim Chief Executive Officer effective May 11, 2018. Each of Messrs. Hagerman and Park continued to serve as members of the Board in 2018.

In connection with the end of Mr. Park's interim term, on May 11, 2018, Atul Kavthekar was appointed to act as interim Chief Executive Officer during the brief period between the appointment of Mr. Griffin and the effective date of his assumption of this role on June 4, 2018. On June 4, 2018, Mr. Kavthekar's interim service as Chief Executive Officer came to an end and Mr. Kavthekar continued in his role as Chief Financial Officer.

Following an extensive national search, the Board appointed Brian Griffin Chairman and Chief Executive Officer on May 9, 2018, effective June 4, 2018. Mr. Griffin's extensive managerial, operating, regulatory, compliance, financial and accounting experience, including significant experience in driving growth through acquisitions and organically, which provides him critical industry insight and relationships and related senior leadership expertise, led the Board to determine Mr. Griffin is well suited to lead the Company as Chairman and Chief Executive Officer.

The Chief Executive Officer transitions significantly altered the Company's historical compensation program for such office, as the foregoing compensation of Messrs. Park and Griffin were driven by the interim nature of Mr. Park's services and his status as a Director and, in the case of Mr. Griffin, his employment offer, rather than pursuant to the Company's historical practices. See "Compensation Discussion and Analysis Executive Summary" beginning on page 23 for a more detailed discussion of the Chief Executive Officer transitions and their effect on compensation.

Further executive transitions took place in 2019. On January 4, 2019, the Company and Joel Saban mutually agreed that Mr. Saban would resign from his position as President of the Company. On March 14, 2019, the Company and Mr. Kavthekar mutually agreed that Mr. Kavthekar would resign from his position as Chief Financial Officer and Treasurer of the Company, effective April 5, 2019. On March 14, 2019, Dan Davison was appointed the Company's Chief Financial Officer and Treasurer, effective April 8, 2019. In March 2019, it was determined that Gary Rice should no longer be classified as an executive officer as defined pursuant to the Securities Exchange Act of 1934, as amended.

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True At-Risk Pay

Annual Bonus depends on achievement of performance goals

Introduction of PSUs requiring achievement of performance goals

63% of CEO total target compensation dependent upon achievement of performance goals

43% of other named executive officer target total compensation dependent upon achievement of performance goals

Chief Executive Officer Compensation

As discussed above, the 2018 compensation of Mr. Griffin was primarily driven by individual negotiations in connection with his hiring in May of 2018, effective in June of 2018. The terms of Mr. Griffin's employment offer specified the following:

2018 Base Salary. Mr. Griffin's base salary was established at $1,200,000 annually.

2018 Target Bonus. Mr. Griffin's 2018 target bonus was set at 125% of base salary prorated based on his service time through the year, and was based on specified Adjusted EBITDA (60% of target bonus) and revenue performance goals (40% of target bonus), in each case exclusive of the effect of mergers and acquisitions transacted during the bonus plan year, with 50% to 200% of his target bonus to be earned based on the degree of achievement of the performance goal for each component.

Make-Whole Inducement Equity Awards. For 2018, Mr. Griffin received make-whole equity compensation of $4,500,000, composed of 70% performance-based restricted stock units ("PSUs"), 15% time-based options and 15% time-based restricted stock units ("RSUs") (the "Make Whole Inducement Award"). The PSUs contained in the Make Whole Inducement Award was based on the Company's performance relative to specified Adjusted EBITDA and revenue goals for 2018, and Mr. Griffin was eligible to earn 100% to 400% of the target 2018 equity compensation depending on the degree of achievement with respect to each component of such goals.

Sign-On Inducement Equity Awards. Mr. Griffin also received one-time sign-on equity awards consisting of PSUs with a target value of $7.5 million, which, if earned, will vest entirely in 2020 upon completion of the Company's 2019 audit; and RSUs with a value of $2.5 million. The PSUs are to be earned or forfeited based on the Company's performance relative to specified Adjusted EBITDA and revenue goals for 2018 and 2019, and Mr. Griffin is eligible to earn 100% to 400% of the target equity compensation depending on the degree of achievement with respect to each component of such goals. The RSUs were to vest upon the earlier of one year following the grant date or the achievement of a specified share price goal, which goal was achieved in July of 2018, resulting in full vesting of these RSUs (the "Sign-on Inducement Award").

Each of the option awards, RSU awards and PSU awards contain "double-trigger" vesting upon a change in control, and the Make-Whole options and Make-Whole RSUs vest pro rata over three years from the grant date.

Named Executive Officer Compensation Program (Non-CEO)

The 2018 target annual compensation of the named executive officers was adjusted in March 2018 by the Board, at which time the named executive officers included Mr. Saban, Mr. Kavthekar and Mr. Rice.

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Consistent with the prior year, the Board included the named executive officers then employed (Mr. Saban, Mr. Kavthekar, and Mr. Rice), other than the CEO, in the Company's 2018 annual bonus plan.

The 2018 bonus plan was approved by the Compensation Committee in March 2018. The 2018 bonus plan for Mr. Saban, Mr. Kavthekar and Mr. Rice and certain other eligible key employees was based on specified Adjusted EBITDA (60%) and revenue performance goals (30%), in each case exclusive of the effect of mergers and acquisitions transacted during the bonus plan year, and individual performance goals (10%) for 2018, all of which was consistent with the 2017 bonus plan.

Depending on the degree of achievement of the goals set forth above, Mr. Saban, Mr. Kavthekar and Mr. Rice were eligible for payments ranging between 50%-200% of the target bonus amounts, to be earned based on the degree of achievement of the performance goal for each component.

The 2018 equity award program of annual grants was approved in March 2018. For 2018 compensation, the Compensation Committee altered the mix of equity awards to include performance-based restricted stock units, options, and restricted stock units, to strike an optimal balance between incentive awards and retention goals.

All named executive officers employed at the time of the March 2018 grant, other than Mr. Park, participated in such equity award program and received the annual grant in the form of: (i) options to purchase a number of shares of common stock of the Company, (ii) RSUs and (iii) PSUs, to be earned or forfeited based upon the Company's performance relative to the specified Adjusted EBITDA goal for 2018.

The relative allocation between options, RSUs and PSUs for each of Mr. Saban, Mr. Kavthekar and Mr. Rice consisted of the following: 25% options, 25% RSUs and 50% PSUs.

The options, RSUs and PSUs (to the extent earned), as applicable, vest pro rata over three years.

Each of the option awards, RSU awards and PSU awards contained "double-trigger" vesting upon a change in control.

See "Compensation Discussion and Analysis 2018 Compensation Determinations" for further description of how the components of 2018 target annual compensation were determined.

For a discussion of our annual incentive bonus plan, our long-term incentive compensation, the Chief Executive Officer annual bonus and Chief Executive Officer inducement awards, see "Compensation Discussion and Analysis 2018 Pay-for-Performance 2018 Annual Bonus Plan," " 2018 Equity Awards Performance-Based Restricted Stock Unit Awards," " Chief Executive Officer Annual Bonus," " Chief Executive Officer Inducement Awards," and " 2018 Long-Term Equity 2018 Equity Awards Restricted Stock Units and Options."

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PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS
JUNE 3, 2019

ABOUT THE ANNUAL MEETING

Who is soliciting my vote?

The Board of Directors (the "Board") of Diplomat Pharmacy, Inc. (the "Company," "Diplomat," "our," "us," or "we") is soliciting your proxy, as a holder of our common stock, for use at our 2019 annual meeting of shareholders and any adjournment or postponement of such meeting. The 2019 annual meeting will be held on Monday, June 3, at 2:00 p.m. Central Time, at the Omni Chicago Hotel, 676 N. Michigan Ave, Chicago, IL 60611.

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 24, 2019.

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, 2019.
- 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 9, 2019, 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 9, 2019, we had 74,713,696 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 2018 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 United States Securities and Exchange Commission ("SEC")?

The Company's website, *www.diplomat.is*, under the Investors Financial Information SEC Filings tab, provides free access to the Company's reports with 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 to receive 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 Street, 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 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.

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. 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 at Diplomat Pharmacy, Inc., Attention: General Counsel, 4100 S. Saginaw Street, Flint, Michigan, 48507 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, subject to the timing restrictions noted herein, by voting by telephone or mail or on the internet, 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 vote at the meeting.

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., 29th 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 with your instructions. Proxy cards that are signed and returned, but do not contain voting instructions with respect to certain matters, will be voted in accordance with the recommendations of the Board on such matters.

Beneficial Owners. If you indicate a choice with respect to any matter to be acted upon on your voting instruction card, the shares will be voted in accordance with your instructions. If you do not indicate a choice or return the voting instruction card, the bank, broker, or other nominee will determine if it has the discretionary authority to vote on each matter. Under applicable law and New York Stock Exchange ("NYSE") rules and regulations, a bank, broker, or nominee has the discretion to vote on routine matters, including the ratification of the appointment of an independent registered public accounting firm. For all other matters at the 2019 annual meeting, the Company believes that your broker and certain banks and nominees may be unable to vote on your behalf if you do not instruct them how to vote your shares. If you do not provide voting instructions, your shares may be considered "broker non-votes" with regard to the non-routine proposals because the broker and certain other nominees will not have the discretionary authority to vote thereon. Therefore, it is very important for you to vote your shares for each proposal.

How many shares must be present to hold the meeting?

To conduct the annual meeting, a majority of our outstanding shares entitled to vote as of April 9, 2019 must be present in person or by proxy at the meeting. This is known as a quorum. Abstentions and broker non-votes will be considered present for purposes of determining a quorum.

What vote is required to approve each item of business?

Proposal No. 1 Election of Directors. The two nominees receiving the highest number of "for" votes at the meeting will be elected as Class II directors. This number is called a plurality. Withheld votes and broker non-votes will have no effect on the outcome of the vote.

Proposal No. 2 Ratification of Appointment of BDO. The affirmative vote of holders of a majority of shares cast and entitled to vote, present in person or by proxy, is required for ratification of the appointment of BDO as our independent registered public accounting firm for the year ending December 31, 2019. Abstentions will have no effect on the outcome of the vote.

Proposal No. 3 Advisory Approval of the Compensation of Our Named Executive Officers. The affirmative vote of holders of a majority of shares cast and entitled to vote, present in person or by proxy, is required for the approval of the compensation of our named executive officers. Abstentions and broker non-votes will have no effect on the outcome of the vote.

Other Matters. If any other matter is properly submitted to the shareholders at the annual meeting, its adoption generally will require the affirmative vote of holders of a majority of shares cast and entitled to vote, present in person or by proxy. The Board does not intend to propose to conduct any business at the annual meeting other than as stated above.

Is a registered list of shareholders available?

The names of shareholders of record entitled to vote at the annual meeting will be available to shareholders entitled to vote at the meeting on Monday, June 3, 2019 for any purpose reasonably relevant to the meeting.

Who will count the votes and where can I find the voting results?

Broadridge will tabulate the voting results. We intend to announce the preliminary voting results at the annual meeting and, in accordance with rules of the SEC, we intend to publish the final results in a Current Report on Form 8-K within four business days of the annual meeting.

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PROPOSAL NO. 1 ELECTION OF DIRECTORS

The Board currently consists of seven directors serving three-year staggered terms. The two directors to be elected at the 2019 annual meeting will hold office until the 2022 annual meeting of shareholders (Class II directors). Each director will serve until a successor is duly elected and qualified or until such director's earlier resignation, retirement or death. The remaining directors are Class I directors (terms expire in 2021) or Class III directors (terms expire in 2020).

The Nominating and Corporate Governance Committee will consider re-nominating incumbent directors who continue to satisfy the Committee's criteria for membership on the Board, continue to make important contributions to the Board, and consent to continue their service on the Board. In determining whether to recommend a director for re-election, the Nominating and Corporate Governance Committee also considers the director's past attendance at meetings, participation in and contributions to the activities of the Board and the Company, the results of Board self-evaluations, any potential or actual conflicts of interest, and other qualifications and characteristics. In connection with the selection and nomination process, the Nominating and Corporate Governance Committee also reviews the desired experience, mix of skills and other individual and aggregate qualities and attributes to assure appropriate Board composition, taking into account the current Board members, the specific needs of the Company and the Board, and the Board's ongoing self-evaluations. In accordance with the Corporate Governance Guidelines and as part of this process, the Nominating and Corporate Governance Committee evaluates diversity in the broad sense, recognizing the benefits of racial and gender diversity, but also considers the breadth of background, skills, and experiences that candidates may bring to the Board. If a vacancy on the Board occurs or the Board increases in size, the Committee will actively seek individuals that satisfy the Committee's criteria for membership on the Board.

The Board has re-nominated current Class II directors Mr. Kenneth O. Klepper and Mr. Benjamin Wolin, each to serve as Class II directors for three-year terms. As discussed below, the Board has affirmatively concluded that Mr. Wolin is independent under the applicable rules of the NYSE. As a result of a transaction as further described in "Certain Relationships and Related Person Transactions Related Person Transactions Since January 1, 2018," the Board determined that as of December 13, 2018, Mr. Klepper was not independent under the applicable rules of the NYSE.

Each nominee has consented to be listed in this proxy statement and agreed to serve as a director if elected by the shareholders. If any nominee becomes unable or unwilling to serve between the date of this proxy statement and the annual meeting, the Board may designate a new nominee and the persons named as proxies in the attached proxy card will vote for that substitute nominee. Alternatively, the Board may reduce the size of the Board.

The Board recommends that you vote FOR the election of each of the Class II director nominees.

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Board of Directors

The directors and director nominees of the Company are set forth below. Mr. Hagerman also served as Chief Executive Officer for the Company through his retirement on January 4, 2018. Effective as of June 4, 2018, Mr. Griffin serves as Chief Executive Officer and serves at the pleasure of the Board in such capacity.

Name	Age	Title	Class	Term Ending
Kenneth O. Klepper	65	Director, Nominee	Class II	2019
Benjamin Wolin	44	Lead Director, Nominee	Class II	2019
Regina Benjamin	62	Director	Class III	2020
Brian Griffin	60	Chairman and Chief Executive Officer	Class III	2020
David Dreyer	62	Director	Class I	2021
Philip R. Hagerman	66	Chairman Emeritus, Director	Class I	2021
Shawn C. Tomasello	60	Director	Class I	2021

Specific Qualifications, Attributes, Skills and Experience to be Represented on the Board

The Nominating and Corporate Governance Committee is responsible for reviewing and assessing with the Board the appropriate skills, experience, and background sought of Board members in the context of our business and the then-current membership on the Board. The Nominating and Corporate Governance Committee and the Board review and assess the continued relevance of and emphasis on these factors generally and in connection with candidate searches to determine if they are effective in helping to satisfy the Board's goal of creating and sustaining a Board that can appropriately support and oversee the Company's activities.

The Board believes that the directors have an appropriate balance of knowledge, experience, attributes, skills, and expertise as a group to ensure that the Board appropriately fulfills its oversight responsibilities and acts in the best interests of the Company's shareholders. Although specific qualifications for Board membership may vary from time to time, desired qualities include (A) the highest ethical character, integrity, and shared values with the Company, (B) loyalty to the Company and concern for its success and welfare, (C) sound business judgment, and (D) sufficient commitment and availability to effectively carry out a director's duties. Listed below are additional key skills and experience that we consider important for our directors to have in light of our current business and structure. Thereafter, the biographies of the directors and nominees set forth their business experience during at least the past five years, as well as the specific experience, qualifications, attributes, and skills that led to the Nominating and Corporate Governance Committee's conclusion that each current director should continue to serve on the Board.

- Senior Leadership Experience.

  Directors who have served in senior leadership positions can provide experience and perspective in analyzing, shaping, and overseeing the execution of important operational, organizational, and policy issues at a senior level.

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- Public Company Board Experience.

Directors who have served on other public company boards can offer advice and insights with regard to the dynamics and operation of a board of directors, the relations of a board to the chief executive officer and other management personnel, the importance of particular agenda and oversight matters, and oversight of a changing mix of strategic, operational, governance and compliance-related matters.

- Business Development and Mergers and Acquisitions Experience.

Directors who have a background in business development and in mergers and acquisitions transactions can provide insight into developing and implementing strategies for growing our business, which may include mergers and acquisitions. Useful experience in mergers and acquisitions includes an understanding of the importance of "fit" with the Company's culture and strategy, the valuation of transactions, and management's plans for integration with existing operations.

- Financial and Accounting Expertise.

Knowledge of the financial markets, corporate finance, accounting regulations, and accounting and financial reporting processes can assist our directors in understanding, advising, and overseeing our capital structure, financing and investing activities, financial reporting, and internal control of such activities. The Company also strives to have a number of directors who qualify as financial experts under SEC rules.

- Industry Expertise.

We are a specialty pharmacy and infusion services provider operating at the center of the healthcare continuum for the treatment of complex and chronic diseases. Education or experience in the healthcare, specialty pharmacy, pharmacy benefit management, pharmaceutical, and biotechnology industries is useful in understanding the patients, payors, pharmaceutical partners, hospitals, and healthcare systems with whom we interact, the various procedures that we develop, regulatory requirements, our sales efforts, and the markets in which we compete.

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Director Background and Qualifications
Current Nominees

Kenneth O. Klepper has been a director since December 2014. He currently serves as Co-Founder, Chairman, and Chief Executive Officer of ReactiveCore, Inc., an enterprise AIOS (Artificial Intelligence Operating System) technology start-up company, an entity he co-founded in March 2015. He previously served as President and Chief Operating Officer of Medco Health Solutions, Inc., a supplier of pharmacy benefit management, mail order, and specialty pharmacy services, from March 2006 until the April 2012 acquisition of Medco by Express Scripts, Inc. He joined Medco in June 2003 and served as Executive Vice President, Chief Operating Officer from June 2003 through March 2006. Previously, Mr. Klepper was employed by WellChoice, Inc., a health insurance company and parent of Empire Blue Cross Blue Shield of New York, where he held the positions of Senior Vice President, Process Champion from March 1995 to August 1999 and Senior Vice President for Systems, Technology and Infrastructure from August 1999 to April 2003. From 1991 to 1995, Mr. Klepper served in management roles at CIGNA Health Care (NYSE: CI). Mr. Klepper is a former member of the Defense Business Board and the Chief of Naval Operations Executive Panel, where he served five CNOs. He also serves on the Board of Directors at the United States Naval Institute.

Mr. Klepper has extensive operating, compliance, technology, financial and accounting experience, and expertise from his various executive management positions. In particular, his services as an executive for over 20 years in the healthcare industry, including six years as a leading executive for a provider of specialty pharmaceutical services, provides him critical industry insight and related operations, strategic, marketing, acquisition, and senior leadership expertise. Mr. Klepper has over 17 years of experience in serving in executive roles for public companies, from which he has expertise in finance, financial reporting, accounting, corporate governance, compensation, risk management, and healthcare matters.

Benjamin Wolin has been the independent Lead Director since June 2018 and director since October 2015. Previously, Mr. Wolin served as independent Lead Director from February 2017 to January 2018 and as Chairman of the Board from January 2018 until June 2018.

Mr. Wolin was the Co-founder, Chief Executive Officer, and a member of the board of directors of Everyday Health, Inc., a leading provider of digital health and wellness solutions, from January 2002 until its sale to a subsidiary of j2 Global, Inc. in December 2016. From September 1999 until December 2001, Mr. Wolin served as Vice President of Production and Technology for Beliefnet, Inc., an online provider of religious and spiritual information. Previously, Mr. Wolin served as Web Producer for Tribune Interactive, Inc., a multimedia corporation, and held several consulting positions with interactive companies. In March 2018, Mr. Wolin was appointed to the board of Rockwell Medical, Inc. (Nasdaq: RMTI), a biopharmaceutical company, where he serves as Chairman of the Board and as a member of the Compensation Committee. In February 2019, Mr. Wolin was appointed to the board of Covetrus, Inc. (Nasdaq: CVET), a global, technology-enabled animal health business, where he serves as a member of the Compensation Committee and a member of the Strategy Committee.

Mr. Wolin has extensive technology, executive management, public company board governance, entrepreneurial, financial, and operating expertise from his former role as a founder, director, and principal executive of Everyday Health. His experience as the principal executive officer and a director of a company that completed an initial public offering provides him with unique insights into the dynamics of a growing company and the financial, accounting, governance and operational issues specific to public reporting companies.

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Continuing Directors

Regina Benjamin, MD, has been a director since April 2017. Dr. Benjamin is the Former United States Surgeon General and a practicing family physician. In July 2009, Dr. Benjamin was appointed as the 18th United States Surgeon General and served a four-year term. During such period, Dr. Benjamin served as the Chair of the National Prevention, Health Promotion, and Public Health Council, which consists of 17 cabinet-level Federal agencies that released the first ever National Prevention Strategy, a roadmap for health. In addition, since September 2013, Dr. Benjamin has served as the NOLA.com/Times Picayune Endowed Chair in Public Health Sciences at Xavier University of Louisiana. Dr. Benjamin is the founder and CEO of BayouClinic, Inc., a Federally Qualified Health Center Look-Alike clinic in Alabama which Dr. Benjamin founded in 1990. From December 2013 through July 2015, Dr. Benjamin served on the board of directors of Alere Inc., a healthcare diagnostics company, where she served on the nominating and corporate governance committee. Dr. Benjamin also currently serves on boards of directors of Kaiser Foundation Hospitals and Health Plan since 2015, as well as Ascension healthcare system and the national board of the March of Dimes. In addition, Dr. Benjamin joined the board of Computer Programs and Systems, Inc. (NASDAQ: CPSI) in November 2017 and she currently serves on the Nominating and Corporate Governance Committee.

She was the associate dean for Rural Health at the University of South Alabama College of Medicine and served as the chair of the Federation of State Medical Boards of the United States from 2002 to 2003. In 2002, Dr. Benjamin became the first African-American female president of a state medical society in the United States when she assumed leadership of the Medical Association State of Alabama, a position she held until 2003. She also served as chair of the AMA Council on Ethical and Judicial Affairs from 2003 until 2009 and as president of the American Medical Association Education and Research Foundation from 1997 until 1998. Dr. Benjamin was the first physician under the age of 40 and the first African-American woman to be elected to the American Medical Association Board of Trustees in 1995. In 1992, she was chosen as a Kellogg National Fellow and in 1998 she was chosen as a Rockefeller Next Generation Leader. Dr. Benjamin is a member of the Institute of Medicine and a fellow of the American Academy of Family Physicians.

Dr. Benjamin has approximately 30 years of experience as a practicing family physician and has served in leadership roles at the highest levels of the US government and in the healthcare field. Dr. Benjamin also has significant financial experience, having served on the finance committee of several healthcare, educational and charitable organizations and on the audit committee of the Robert Wood Johnson Foundation. In particular, Dr. Benjamin's experience as the United States Surgeon General is a unique and valuable qualification which provides the Board with insight into governmental practice, policy making and regulation. In addition, her leadership positions with several healthcare industry associations and medical groups, as well as her practical experience as a family physician bring the Board valuable perspectives with respect to key partners of the Company, including patients, physicians, pharmaceutical manufacturers, health plans, and regulatory agencies.

David Dreyer, CPA, has been a director since September 2014. Mr. Dreyer currently serves as Chief Financial Officer for Prolacta Bioscience, Inc., a privately held bioscience and high growth biopharmaceutical company focused on treating premature babies in Neonatal Intensive Care Units. Mr. Dreyer started at Prolacta in February 2017. Previously, Mr. Dreyer served as Chief Financial Officer at BIOLASE, Inc. (Nasdaq:BIOL), a medical device company that develops, manufactures, and markets innovative lasers in dentistry and medicine as well as other digital equipment, from March 2015 to January 2017. From October 2010 to March 2015, Mr. Dreyer served as Chief Financial Officer, Chief Operating Officer and Secretary of Patient Safety Technologies, which develops, markets and sells healthcare products relating to surgical safety, and is a former public reporting company and a subsidiary of Stryker Corporation (NYSE: SYK) since March 2014. Previously, Mr. Dreyer was Chief Financial Officer of Alphastaff Group, Inc., a human resource outsourcing company, from August 2009 to September 2010. From September 2004 to August 2009, Mr. Dreyer served as Chief Financial Officer and Chief Accounting Officer of AMN Healthcare Services, Inc., which provided healthcare staffing for physicians, travel nurses, and allied travel. From 1997 through 2004, Mr. Dreyer served as Chief Financial Officer and Chief Accounting Officer of Sicor, Inc., a manufacturer of complex pharmaceuticals with operations in the United States and internationally, which was acquired by Teva Pharmaceutical Limited in January 2004. Prior to joining Sicor, Mr. Dreyer served in related senior financial management positions within the pharmaceutical industry, working for Elan Corporation plc, Athena Neurosciences and Syntex Corporation. Mr. Dreyer is a certified public accountant in California. Mr. Dreyer was formerly a director of InfuSystem Holdings, Inc. (NYSE: INFU), a provider of infusion pumps and related services, from April 2008 to July 2018, where he served at different times as chair of the Audit, Compensation and Nominating and Governance Committees.

Mr. Dreyer has approximately 30 years of accounting, financial, compliance, and operating experience and expertise in the healthcare field and has extensive senior leadership skills from his executive management positions. Mr. Dreyer also has public company board and executive experience, from which he has expertise in finance, financial reporting, accounting, corporate governance, compensation, risk management, and healthcare matters. His long tenure as a certified public accountant and expertise in accounting and financial reporting matters, including in executive positions for public companies, led our Board to determine that Mr. Dreyer is a financial expert in accordance with SEC rules.

Brian Griffin became Diplomat's Chairman of the Board of Directors and Chief Executive Officer in June 2018. He has more than 30 years of experience as a results-driven healthcare executive. Mr. Griffin's dynamic skillset is rooted in deep expertise in pharmacy benefit management, specialty pharmacy, and health plan leadership.

Most recently, he served since March 2018 as executive vice president and CEO for IngenioRx, the pharmacy benefit manager he led the building and launch of for Anthem. For the previous three years, Mr. Griffin led Anthem's commercial and specialty business division. He joined the company in 2013 as president and CEO of its second-largest affiliated health plan, Empire BlueCross BlueShield.

Before his time with Anthem, he spent 25 years at Medco Health Solutions, which was acquired by Express Scripts in 2012. In more than a decade as president of Medco's health plan division, Mr. Griffin managed relationships with national and regional health plans, BlueCross BlueShield plans, commercial insurance carriers, consumer-driven plans, and third-party administrators.

Mr. Griffin has extensive managerial, operating, regulatory, compliance, financial and accounting experience, and expertise, including significant experience in driving growth through acquisitions and organically, from his various executive management positions. In particular, his services as an executive for over 35 years in the healthcare industry, including more than five years as a leading executive at one of the largest health benefits companies in the United States and 10 years as a leading executive for a provider of specialty pharmaceutical services, provides him critical industry insight and relationships and related operations, strategic, marketing, acquisition, and senior leadership expertise. Mr. Griffin also has over 15 years of experience in serving in executive roles for public companies, from which he has expertise in finance, financial reporting, accounting, corporate governance, compensation, risk management, and healthcare matters. Our Board believes Mr. Griffin's day-to-day leadership of the Company gives him critical insights into our operations, strategy, and competition, and he facilitates the Board's ability to perform its oversight function.

Philip R. Hagerman, RPh, has been the Chairman Emeritus since January 2018 and previously served as Diplomat's Chairman of the Board of Directors and Chief Executive Officer. He has been a director since 1991. Mr. Hagerman co-founded Diplomat with his father in 1975. Mr. Hagerman is also the founder, co-owner and chief executive officer of Skypoint Ventures, an investment entity he founded in 2014.

Mr. Hagerman led Diplomat as its principal executive officer and Chairman of the Board of Directors, and his service as a director has continued for approximately 27 years. He has a unique perspective and understanding of our business, culture and history, having led Diplomat through many economic cycles and

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operational initiatives. His many years of day-to-day leadership of Diplomat gives him critical insights into our operations, strategy and competition. Throughout his career at Diplomat, he demonstrated strong entrepreneurial skills, as well as regulatory, marketing, strategic, and operational expertise. Mr. Hagerman also possesses in-depth knowledge of, and key relationships in, the specialty pharmacy industry on a national basis.

Shawn C. Tomasello has been a director since October 2015. Ms. Tomasello served as the Chief Commercial Officer of Kite Pharma, Inc., a company engaged in the development of cancer immunotherapy products, which was acquired by Gilead Sciences, Inc. in August 2017, from December 2015 to July 2018. Prior to joining Kite Pharma, Ms. Tomasello served as the Chief Commercial Officer of Pharmacyclics Inc., a pharmaceutical manufacturer acquired by Abbvie, Inc. in 2015, a position she held from August 2014 to July 2015. From April 2005 to August 2014, Ms. Tomasello was employed at Celgene Corporation (Nasdaq: CELG), initially as the Vice President, Sales and Training, and then as President of the Americas, Hematology and Oncology, where she was responsible for all aspects of the commercial organization encompassing multiple brands spanning 11 indications. Prior to joining Celgene Corporation, Ms. Tomasello was with Genentech, Inc. from 1989 through 2005. Her last position at Genentech was National Director, Hematology Franchise (Rituxan®) from early 2003 to April 2005. Ms. Tomasello has served on the board of Urogen Pharma, Ltd. (Nasdaq: URGN), a clinical-stage biopharmaceutical company developing advanced non-surgical treatments in the field of urology, with a focus on uro-oncology, since July 2018. Ms. Tomasello has also served on the board of Mesoblast Limited (Nasdaq: MESO), a clinical development cell therapy company, since July 2018.

Ms. Tomasello has considerable drug commercialization, operating, executive management, marketing, strategic, mergers and acquisitions, and compliance experience and expertise from her employment and service on other healthcare-focused public company boards. In particular, Ms. Tomasello's service as an executive for over 18 years in the pharmaceutical manufacturing industry brings her critical industry insight into the opportunities and challenges of the Company generally as well as working with pharmaceutical manufacturers.

Director Independence

The Board recently undertook its annual review of director independence in accordance with the applicable rules of the NYSE and our Corporate Governance Guidelines. The independence rules include a series of objective tests, including that the director is not employed by us and has not engaged in various types of business dealings with us. In addition, the Board is required to make a subjective determination as to each independent director that no relationship exists which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Board has adopted additional categorical standards regarding relationships that the Board does not consider material for purposes of determining a director's independence, as set forth in the Company's Corporate Governance Guidelines, which are available on the Investors Corporate Governance section of our website at *www.diplomat.is*. In making these determinations, the Nominating and Corporate Governance Committee and the Board reviewed and discussed information provided by the directors and us with regard to each director's business and personal activities as they may relate to us and our management.

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The Board has affirmatively determined, after considering all of the relevant facts and circumstances, that Dr. Benjamin, Messrs. Dreyer and Wolin and Ms. Tomasello are independent directors, and Mr. Park was an independent director in 2018 (except during his tenure as interim Chief Executive Officer) under the applicable rules of the NYSE and our Corporate Governance Guidelines. Mr. Griffin is not independent due to his employment with the Company. Mr. Hagerman is not independent due to his former employment with the Company. Further, as a result of a transaction described in "Certain Relationship and Related Person Transactions Related Person Transactions Since January 1, 2018," the Board determined that as of December 13, 2018, Mr. Klepper was not independent under the applicable rules of the NYSE and our Corporate Governance Guidelines.

All current members of the Audit Committee, Compensation Committee and the Nominating and Corporate Governance Committee are independent under NYSE rules. In addition, the Board has affirmatively determined that the current members of the Audit Committee and the Compensation Committee qualify as independent in accordance with the additional independence rules established by the SEC and the NYSE for such committees.

Current Executive Officers

Brian Griffin See, "*Director Background and Qualifications-Brian Griffin*" above.

Dan Davison was appointed our Chief Financial Officer and Treasurer in April 2019. Mr. Davison has over 25 years of experience in the pharmacy benefit management ("PBM") and specialty pharmacy industries. Prior to joining the Company, Mr. Davison served as Senior Vice President, PBM Finance of CVS Health (NYSE: CVS), one of the largest health care companies in the United States, from January 2014 to December 2018, where he managed the finance, planning and accounting functions for the CVS/Caremark and CVS/Specialty groups within the CVS Pharmacy Services Segment. Prior to this position, Mr. Davison served from 1994 to 2012 in a number of leadership roles at Medco Health Solutions, Inc., a provider of PBM and specialty pharmaceutical services (which was acquired by Express Scripts Holding Company, Inc. in 2012), including as Senior Vice President of Financial and Strategic Planning from March 2008 to April 2012 and Chief Financial Officer of the Health Plan division from April 2004 to March 2008.

BOARD MATTERS

The Board of Directors
General

The Board has general oversight responsibility for our affairs and, in exercising its fiduciary duties, the Board represents and acts on behalf of the shareholders. Although the Board does not have responsibility for our day-to-day management, it stays regularly informed about our business and provides oversight and guidance to our management through periodic meetings and other communications. The Board provides critical oversight in, among other things, our strategic planning process, leadership development and succession planning, and risk management, as well as other functions carried out through the Board committees as described below.

Board Leadership

The Board is led by Mr. Griffin, our Chief Executive Officer, a director, and the Chairman of the Board of Directors. The Board believes this structure permits a unified strategic vision for the Company that ensures appropriate alignment between the Board and management and provides clear leadership for the Company. The Board also believes that its independent directors provide significant independent leadership and direction. In order to augment and facilitate this leadership, in February 2017, the Board established the position of an independent Lead Director and made corresponding changes to the Corporate Governance Guidelines to further define this role. Mr. Wolin, chair of our Nominating and Corporate Governance Committee and a member of our Audit Committee, serves as our independent Lead Director. Under our Corporate Governance Guidelines, the Lead Independent Director is empowered to:

- Facilitate communication across Board committees and the Board as a whole and serve as a liaison between the Board and management;
- Act as a sounding board and advisor to the Chief Executive Officer along with other directors;
- Preside at executive sessions of the independent directors and coordinate feedback and follow-up with the Chief Executive Officer as appropriate;
- Call meetings of the independent directors, establish the agenda of such meetings with the input of other directors, and preside over such meetings;
- Be available to meet with key shareholders of the Company as appropriate;
- Approve the Board meeting agenda, schedules, and materials in order to support Board deliberations; and
- Facilitate as appropriate the responsibilities of the Board, the Board committees, and senior management.

In addition, independent directors comprise all of the members of each of the Board committees, which oversee critical matters of the Company such as the integrity of the Company's financial statements, the compensation of and succession planning for executive management, the nomination and/or appointment and evaluation of directors, and the development and implementation of the Company's corporate governance policies. The independent directors also meet regularly in executive session at Board and committee meetings and have access to independent advisors as they deem appropriate.

Board Oversight of Risk Management

The Board oversees the Company's risk management primarily through the following:

- Board's review and approval of management's annual business plan and budget, and review of management's strategic and liquidity plans;
- Board's review of business developments, strategic plans and implementation, liquidity, and financial results;
- Board's oversight of succession planning;
- Board's oversight of capital spending and financings, as well as mergers, acquisitions, and divestitures;
- Audit Committee's oversight of the Company's significant financial risk exposures (including credit, liquidity and legal, regulatory, information technology and cybersecurity and other contingencies), accounting and financial reporting, disclosure control and internal control processes, the internal audit function, and the Company's legal, regulatory, and ethical compliance functions;

Nominating and Corporate Governance Committee's oversight of Board structure, the Company's governance policies, and the self-evaluation assessments conducted by the Board and committees;

Compensation Committee's review and approvals regarding executive officer compensation and its alignment with the Company's business and strategic plans, and the review of compensation

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plans generally and the related incentives, risks and risk mitigants, including anti-hedging and anti-pledging policies, and a clawback policy for incentive programs; and

Board and committee executive sessions consisting solely of the independent directors.

Meetings

The Board and its committees meet throughout the year on a set schedule, and also hold special meetings and act by written consent from time to time as appropriate. The independent directors hold regularly scheduled executive sessions to meet without management present. In 2018, such sessions were led by Mr. Wolin, as Chairman until June 2018 and thereafter as independent Lead Director. These executive sessions generally occur around regularly scheduled meetings of the Board and occur otherwise as appropriate.

All directors are expected to attend all meetings of the Board and of the Board committees on which they serve, as well as the annual meeting of shareholders. The Board met 11 times during 2018. In 2018, each director attended at least 80% of the aggregate of all meetings of the Board and the committees of which he or she was a member. Each of Messrs. Griffin, Hagerman, Klepper, and Wolin and Dr. Benjamin attended our 2018 annual meeting of shareholders.

Committees of the Board

The Board has delegated various responsibilities and authority to Board committees. Each committee has regularly scheduled meetings and reports on its activities to the full Board. Each committee operates under a written charter approved by the Board, which is reviewed annually by the respective committee and the Board. Each committee's charter is posted on the Investors Corporate Governance section of our website at *www.diplomat.is*. The table below sets forth the current membership for the three Board committees and the number of meetings held for each in 2018.

Name	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Regina Benjamin	•	•	•
David Dreyer	C	C	
Brian Griffin			
Philip Hagerman			
Kenny Klepper			
Shawn Tomasello		•	•
Benjamin Wolin	•		C
# of Meetings	8	6	4

C
Committee Chair

Audit Committee Financial Expert

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AUDIT COMMITTEE

The Audit Committee's responsibilities include:

Providing general oversight of our financial reporting and internal control functions;

Reviewing our reports filed with or furnished to the SEC that include financial statements, results, and/or guidance;

Monitoring compliance with significant legal and regulatory requirements and other risks related to financial reporting and internal control; and

The appointment, retention, compensation, and oversight of the work of our independent registered public accounting firm, currently BDO, and oversight of our internal audit function.

COMMITTEE AND MEMBERS

David Dreyer, Chair
Regina Benjamin
Benjamin Wolin

All members are independent

All members are financially literate under NYSE standards

The Audit Committee may form and delegate authority to subcommittees as appropriate. The responsibilities and activities of the Audit Committee are described in greater detail in "Audit Committee Report" and "Audit Committee Matters," as well as in its charter.

The Board has determined that each Audit Committee member has sufficient knowledge in reading and understanding financial statements to serve on the Committee. The Board has further determined that Audit Committee Chair, Mr. Dreyer, qualifies as an "audit committee financial expert" in accordance with SEC rules. The designation of an "audit committee financial expert" does not impose upon such persons any duties, obligations, or liabilities that are greater than those which are generally imposed on each of them as a member of the Audit Committee and the Board, and such designation does not affect the duties, obligations or liabilities of any other member of the Audit Committee or the Board.

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COMPENSATION COMMITTEE

The Compensation Committee's responsibilities include:

Administering the compensation programs for our executive officers and non-employee directors, including monitoring compensation trends, establishing the goals and policies of the compensation programs, and approving the compensation structure and amounts that may be earned thereunder;

Recommending or approving equity grants and otherwise administering share-based plans, as well as other benefit plans and policies, to the extent delegated by the Board;

Reviewing our compensation policies and practices for all employees, at least annually, regarding risk-taking incentives and risk management policies and practices;

Monitoring compliance with our Stock Ownership Guidelines for Executive Officers and Non-Employee Directors;

Reviewing certain compensation disclosures and proposals in our proxy statement and other reports filed with or furnished to the SEC; and

The appointment, retention, compensation and oversight of the work of any compensation consultant it engages.

COMMITTEE AND MEMBERS

David Dreyer, Chair
Regina Benjamin
Shawn Tomasello

All members are independent

The Compensation Committee may form and delegate its authority to subcommittees as appropriate. See "Compensation Discussion and Analysis," "Compensation Committee Report," and the Committee's charter for additional information as to the responsibilities and activities of the Committee.

Role of Management. In 2018, the Compensation Committee took direction from the recommendations of Mr. Park given his role, at that time, as interim Chief Executive Officer, with respect to the design and implementation of the Company's 2018 executive compensation program (except with respect to his own compensation). Mr. Park consulted with certain members of management prior to making such recommendations. See "Compensation Discussion and Analysis   2018 Target Annual Compensation Determinations" for further information.

Role of Compensation Consultant. The Compensation Committee has the sole authority to engage outside advisors and establish the terms of such engagement, including compensatory fees. In connection with any such engagement, the Compensation Committee reviews the independence of such outside advisor, based on the factors specified by NYSE as well as any other factors it deems appropriate, and any conflicts of interest raised by the work of such outside advisor. The Compensation Committee utilized Aon as its compensation consultant with respect to the design and implementation of the 2018 executive and non-employee director compensation programs. Aon's 2018 work plan included: assisting to establish a peer group for benchmarking and reviewing the Compensation Committee's compensation philosophy; reviewing executive compensation programs and target compensation; developing a non-executive employee equity strategy; supporting governance matters, including an ISS pay-for-performance analysis; conducting a risk assessment of the Company's compensation programs; and reviewing non-employee director compensation

and related market data. Further, the Compensation Committee received an appropriate independence letter from Aon and confirmed there were no conflicts of interest.

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

The Nominating and Corporate Governance Committee's responsibilities include:

Identifying individuals qualified to become Board members and recommending director nominees to the Board and/or filling any Board vacancies;

Reviewing the composition, organization, function, and performance of the Board and its committees;

Exercising general oversight over the corporate governance policy matters of the Company, including developing, recommending proposed changes to, and monitoring compliance with, the Corporate Governance Guidelines; and

Reviewing certain governance disclosures and proposals in the Company's proxy statement and other reports filed with or furnished to the SEC.

COMMITTEE AND MEMBERS

Benjamin Wolin, Chair
Regina Benjamin
Shawn Tomasello

All members are independent

The Nominating and Corporate Governance Committee may form and delegate its authority to subcommittees as appropriate. The responsibilities and activities of the Corporate Governance Committee are described in greater detail in its charter and the Corporate Governance Guidelines.

The Nominating and Corporate Governance Committee reviews and makes recommendations to the Board, from time to time, regarding the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board, the operations of the Company, and the long-term interests of shareholders. See "Proposal No. 1 Election of Directors Specific Qualifications, Attributes, Skills and Experience to be Represented on the Board" and "Proposal No. 1 Election of Directors Director Background and Qualifications."

See "Proposal 1 Election of Directors" for a description of the experience, mix of skills and other criteria that the Nominating and Corporate Governance Committee considers in the director nomination process. If a vacancy on the Board occurs, the Nominating and Corporate Governance Committee will seek individuals who satisfy similar criteria for appointment to the Board. From time to time, the Nominating and Corporate Governance Committee has engaged a professional third-party search firm to identify Board candidates that have qualifications, skills and expertise consistent with its criteria for Board membership.

The Nominating and Corporate Governance Committee will consider recommendations of director nominees by shareholders so long as such recommendations are sent on a timely basis and are otherwise in accordance with our Amended and Restated By-Laws (as amended from time to time, the "By-Laws") and applicable law. The Nominating and Corporate Governance Committee will evaluate nominees recommended by shareholders against the same criteria that it uses to evaluate other nominees. We did not receive any director nominations by shareholders for the 2019 annual meeting.

Under the By-Laws, shareholders must follow the advance notice procedures to nominate candidates for election as directors or to bring other business before an annual meeting. The advanced notice procedures set forth in the By-Laws do not affect the right of shareholders to request the inclusion of proposals in the

Company's proxy statement and form of proxy pursuant to SEC rules. See "Additional Information Requirements for Submission of Shareholder Proposals and Nominations for 2020 Annual Meeting" for information regarding providing timely notice of shareholder proposals and nominations and review the By-Laws for the requisite notice information to be provided to the Company.

Corporate Governance

The Board, as well as management, is committed to responsible corporate governance to ensure that the Company is managed for the benefit of its shareholders. The Board and management periodically review and update our corporate governance policies and practices as appropriate or required. See "Proxy Summary Corporate Governance Highlights" for highlights regarding corporate governance.

Our board is a majority independent board, which includes two women, with a broad range of industry, governance and financial expertise. Our Board consists of seven directors and each of our committees consists entirely of independent directors. Our board members have an average tenure of less than 8 years and an average age 60.

A copy of the Board's committee charters, the Code of Conduct, and the Corporate Governance Guidelines will be sent to any shareholder, without charge, upon written request to Diplomat Pharmacy, Inc., Attention General Counsel, 4100 S. Saginaw Street, Flint, MI 48507. These documents also are available on the Investors Corporate Governance section of our website at *www.diplomat.is*.

Corporate Governance Guidelines

The Board has adopted Corporate Governance Guidelines, which address, among other things, director responsibilities, qualifications (including independence), compensation, chief executive officer succession, director age limits, and related matters.

Annual Performance Evaluations. The Corporate Governance Guidelines require that the Board and its committees conduct self-evaluations at least annually to review their respective performance and to determine whether the Board and its committees are functioning effectively. These reviews focus on the Board and its committees as a whole, and not on individual directors, unless circumstances warrant otherwise. The Nominating and Corporate Governance Committee oversees the annual performance evaluation process and reports its findings to the Board.

Code of Conduct

The Board has adopted a Code of Conduct, which sets forth the basic principles to guide the actions and decisions of our employees, directors and officers, including our principal executive officer, principal financial officer, and principal accounting officer. The Code of Conduct addresses, among other things, ethical principles, insider trading, conflicts of interest, regulatory licensing processes, labor and employment-related matters, PBM practices, compliance with laws, and confidentiality. Any amendments to the Code of Conduct, or any waivers that are required to be disclosed by the rules of either the SEC or NYSE, will be posted on our website in the Investors Corporate Governance section.

Insider Trading Policy

The Insider Trading Policy is designed to insulate the Company and its directors, officers, employees, and specified other persons from sanctions for insider trading, as well as to prevent the appearance of improper conduct by any such persons. See "Compensation Discussion and Analysis Other Equity-Related Policies Policy on Pledging and Hedging Company Securities" for additional information on the anti-hedging and anti-pledging policy.

Committee Charters

See " Committees of the Board" for a description of the Board's delegation of authority and responsibilities to the three standing committees.

Clawbacks

See "Compensation Discussion and Analysis   Other Equity-Related Policies   Clawbacks" for a description of the clawback provisions included in the annual bonus plan and equity incentive program.

Succession Planning

The succession planning process for executive officers is designed to assist the Board in understanding the Company's readiness and the related transition risks for a crisis as well as a planned transition, and to oversee the development of strong leadership quality and executive bench strength. The Board periodically discusses short-term emergency and ordinary course contingency plans for the departure, death, or disability of senior executive officers. On an annual basis, the independent directors meet in executive session to discuss succession planning and strategies to strengthen and supplement the skills and qualifications of internal succession candidates. The Chief Executive Officer periodically provides the Board with an assessment of key executive officers for potential succession and discusses potential sources of external candidates. In light of the Chief Executive Officer transitions in 2018 and other executive transitions experienced in the last few years, succession planning remains a key focus of the Board. See "Compensation Discussion and Analysis   Executive Summary   Executive Transitions."

Shareholder Engagement

It is a priority of the Company and the Board to maintain an active dialogue with our shareholders. Each year, the Company interacts with its shareholders through various engagement activities, including at various industry conferences, Company investor days, and one-on-one meetings and calls. The Company conducts regular engagement with the Company's shareholders to discuss business, performance, strategy, and other key matters. We believe these interactions provide us with useful feedback and allow us to better understand our shareholders' perspectives.

Director Compensation

Non-employee directors of the Board receive a mix of cash and share-based compensation. The compensation mix is intended to encourage non-employee directors to continue Board service, further align the interests of the Board and shareholders, and attract new non-employee directors with outstanding qualifications. Directors who are employees or officers of the Company do not receive any additional compensation for Board service during such time.

2018 Compensation Program

In September 2018, the Board revised the non-employee director compensation program, effective October 1, 2018. The Compensation Committee, with the assistance of its compensation consultant, reviewed market data and other relevant information, including as related to the executive compensation peer group further described herein. As a result of this review, the Board determined that the equity component of director compensation and cash compensation for serving as a chair or member of a Board

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committee trailed behind market practice among the Company's peers. Accordingly, the non-employee director compensation program was revised as illustrated below.

	Effective October 1, 2018	Effective Prior to October 1, 2018
Annual cash retainer:		
Board	$ 80,000	$ 75,000
Additional annual cash retainer:		
Lead Director	$ 30,000	$ 30,000
Audit Committee-Chair	$ 20,000	$ 15,000
Compensation Committee-Chair	$ 15,000	$ 10,000
Nominating and Corporate Governance Committee-Chair	$ 15,000	$ 10,000
Audit Committee-Member	$ 10,000	$
Compensation Committee-Member	$ 7,500	$
Nominating and Corporate Governance Committee-Member	$ 7,500	$
Special Committee-Member (as applicable)	$ 15,000-20,000	$
Annual grant of restricted stock (grant date fair value):		
Board	$ 150,000	$ 85,000
Special one-time grant of restricted stock (grant date fair value):		
Lead Director	$ 75,000	$ 75,000

In addition, in January of 2018 the Board approved an annual cash retainer of $75,000 in the event of an independent Chair of the Board. As a result of the appointment of Mr. Griffin as Chairman and CEO, the chair was no longer an independent director and accordingly, after Mr. Griffin's appointment no such retainer was paid during 2018. As of October 1, 2018 the cash retainer for service as Chair of the Board was removed from the non-employee director compensation program.

The Company reimburses expenses associated with attendance at Board meetings for all directors. Although the revised non-employee director compensation program provides for additional compensation for service on special committees, no such compensation was paid to any director in 2018.

Annual Cash Retainer - Board. In connection with the changes to the non-employee director compensation program effective October 1, 2018, the increase in annual cash retainer was made as of the effective date of such changes and provided for a pro rata payment of such annual cash retainer to each eligible director.

Restricted Stock - Board. Each non-employee director will be paid the annual grant of restricted stock as of the earlier of (i) June 1 and (ii) the date of the annual meeting of shareholders. Notwithstanding the foregoing, (i) the initial restricted stock grant for a new non-employee director appointed other than at the annual meeting of shareholders shall be made as of the date of initial appointment and (ii) any restricted stock grant made as a result of changes to the non-employee director compensation program shall be made as of the effective date of such changes, each of the foregoing having a pro rata grant date fair value as determined by the Board or the Compensation Committee.

The restricted stock vests in full on the first anniversary of the grant date or earlier upon a change of control of the Company, subject to the director's continued service to the Company through such vesting date. Except as set forth in the prior sentence, the restricted stock will be forfeited in the event of termination of service prior to the vesting date. During the restricted period, the restricted stock entitles the participant to all of the rights of a shareholder, including the right to vote the shares and the right to receive any dividends thereon. Prior to the end of the restricted period, restricted stock generally may not be sold, assigned, pledged, or otherwise disposed of or hypothecated by participants.

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Restricted Stock Lead Director. In connection with Mr. Wolin's initial appointment as Lead Director of the Board in 2017, he received a special one-time grant of restricted stock. The restricted stock vested 50% on the first anniversary of the initial appointment and 50% on the second anniversary.

2018 Director Compensation Table

The table below sets forth the compensation of each non-employee director in 2018 (excluding Mr. Hagerman and Mr. Park, whose compensation is covered in the Summary Compensation Table for 2018 due to their service as Chief Executive Officer during the transitional periods discussed herein). The Company does not provide any perquisites to directors.

Name	Fees Earned or Paid in Cash ($)	Restricted Stock ($)(1)	Total ($)
Regina Benjamin	80,511	128,263	208,744
David Dreyer	102,917	128,263	231,180
Kenneth O. Klepper	88,723	128,263	216,986
Shawn C. Tomasello	78,508	128,263	206,771
Benjamin Wolin	129,895	128,263	258,158
Total	480,554	641,315	1,121,869

(1) Reflects restricted stock awards granted on June 1, 2018 and October 1, 2018 under the 2014 Omnibus Incentive Plan. The amounts reported represent the grant date fair value of a restricted stock award, which is the closing trading price of a share of common stock on the grant date multiplied by the number of shares subject to the award. The Company does not pay in cash the value of fractional shares.

As of December 31, 2018, the restricted stock outstanding held by non-employee directors was as follows: Dr. Benjamin 5,929 shares; Mr. Dreyer, 5,929 shares; Mr. Klepper, 5,929 shares; Ms. Tomasello, 5,929 shares; and Mr. Wolin, 8,488 shares.

Shareholder Communication with the Board

Any shareholder wishing to communicate with a particular director, with all or certain of the independent directors, or with the entire Board should direct the communication to Diplomat Pharmacy, Inc., Attention: General Counsel, 4100 S. Saginaw Street, Flint, MI 48507. If a shareholder does not wish to have the communication screened, the shareholder should indicate that the material sent by the shareholder be delivered unopened to the person or persons to whom it is addressed.

To submit concerns regarding accounting, internal accounting controls, or auditing matters, shareholders and other interested persons may also call the Company's toll free, confidential hotline (1-833-367-3756). Employees may submit such concerns on a confidential and anonymous basis. Communications made through the confidential hotline, or certain communications to the Board, will be reviewed by the Audit Committee at regularly scheduled meetings or otherwise as appropriate.

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COMPENSATION DISCUSSION AND ANALYSIS

This section of the proxy statement explains the philosophy, objectives, process, and components of our 2018 compensation program for our named executive officers. Our named executive officers for 2018 (with titles as of December 31, 2018) were: Mr. Griffin, Chief Executive Officer; Mr. Park, Former Interim Chief Executive Officer; Mr. Hagerman, Former Chief Executive Officer; Mr. Kavthekar, Chief Financial Officer; Mr. Saban, President; and Mr. Rice, Executive Vice President of Operations.

Executive Summary

Executive Transitions

In 2018, the Company transitioned the Chief Executive Officer role from the Company's founder and long-time Chairman and Chief Executive Officer, Phil Hagerman, to our current Chairman and Chief Executive Officer, Brian Griffin. On January 4, 2018, the Company's founder, Phil Hagerman, announced his retirement as Chairman and Chief Executive Officer, and the Board appointed one of its independent members, Jeff Park, to serve as interim Chief Executive Officer. Upon the Company's May 10, 2018 announcement of the appointment of Brian Griffin as Chief Executive Officer, to be effective on Mr. Griffin's June 4, 2018 start date, Mr. Park stepped down as interim Chief Executive Officer and remained on the Board as an independent director. Mr. Kavthekar was appointed interim Chief Executive Officer for the brief transitional period prior to Mr. Griffin's start date (and his compensation was not impacted). The compensation arrangements of Mr. Park and Mr. Griffin were individually negotiated based on the unique circumstances arising from Chief Executive Officer transitions experienced by the Company in 2018. As such, they were outside the Compensation Committee's regular process for setting executive compensation, which is described in greater detail elsewhere in this section.

Compensation of Brian Griffin and Griffin Offer Letter. Effective June 4, 2018, the Board appointed Mr. Griffin to serve as Chairman of the Board and the Company's Chief Executive Officer. In order to induce Mr. Griffin to leave his prior employer and accept the Chief Executive Officer role, the Company negotiated a compensation program for Mr. Griffin in light of Mr. Griffin's then-current cash compensation and significant outstanding equity with his prior employer. Pursuant to the terms of an offer letter between the Company and Mr. Griffin, dated May 9, 2018, Mr. Griffin's 2018 compensation consisted of: (1) a base salary of $1,200,000 (pro rata for 2018), which will be reviewed annually and may be adjusted by the Board at its discretion; (2) a target cash bonus of 125% of his annual base salary (pro rata for 2018), with the potential to earn between 50% to 200% of his target bonus based upon the Company's performance relative to revenue (40%) and Adjusted EBITDA (60%) goals for 2018; (3) the Make Whole Inducement Award of $4,500,000, composed of 70% PSUs (to be earned or forfeited based upon the Company's performance relative to revenue (40%) and Adjusted EBITDA (60%) goals for 2018 and with the potential to earn between 100% to 400% of each component), 15% time-based options and 15% RSUs, each vesting in equal installments over three years; and (4) the Sign-on Inducement Award of (a) PSUs with a target value of $7,500,000 (to be earned or forfeited based upon the Company's performance relative to revenue (40%) and Adjusted EBITDA (60%) goals for 2018 and 2019, on a combined basis, and with the potential to earn between 100% to 400% of each component) vesting in 2020 upon completion of the Company's 2019 audit; and (b) RSUs with a value of $2,500,000, which had a one-year vesting period subject to acceleration based on achievement of the specified share price requirement (and that vested on July 10, 2018).

Compensation of Phil Hagerman. Effective January 4, 2018, Mr. Hagerman resigned as Chairman and Chief Executive Officer. Upon his resignation, Mr. Hagerman served as a consultant of the Company for six months and received $50,000 per month for his service as consultant. Mr. Hagerman continues to serve as a Director and received pro rata compensation under the non-employee director compensation program following the end of his consulting period.

Compensation of Jeff Park. Effective January 4, 2018, the Company appointed Mr. Park as its interim Chief Executive Officer. As compensation for his service, from January 2018 through February 2018 Mr. Park received a pro-rated base salary of $500,000 and continued to participate in the Company's non-employee director program. In late February 2018, the Compensation Committee subsequently revised Mr. Park's compensation arrangement and Mr. Park was granted 69,349 RSUs in lieu of any base salary or other cash compensation. Upon his resignation as interim Chief Executive Officer on May 11, 2018, 47,683 of these RSUs had vested and the remaining 21,666 RSUs were forfeited. Mr. Park continued to serve as a Director until his February 2019 resignation and received pro rata compensation under the non-employee director compensation program following the end of his service as interim Chief Executive Officer.

2018 Target Annual Compensation Determinations

Although the Compensation Committee and Board do not benchmark executive compensation in terms of targeting a specific percentage relative to peers, each does review market survey and peer group data to inform decision-making as appropriate in establishing the target annual compensation of executive officers. In March 2018, the Compensation Committee approved an industry peer group to use as an input to consider when assessing and determining pay levels for senior management (as detailed in the table below). The peer group is based on companies within the healthcare services industry, including suppliers, distributors and facilities managers, with revenues ranging between $2.2 billion to $12 billion.

Executive Compensation Peer Group 2018

DENTSPLY SIRONA Inc.	Intuitive Surgical, Inc.	Quest Diagnostics Incorporated
Edwards Lifesciences Corporation	Laboratory Corporation of America Holdings	Steris Plhc
Envision Healthcare Corporation	Magellan Health, Inc.	Triple-S Management Corporation
Henry Schein, Inc.	MEDNAX, Inc.	Universal Health Services, Inc.
Hill-Rom Holdings, Inc.	Owens & Minor, Inc.	Verian Medical Systems, Inc.
Hologic, Inc.	Patterson Companies, Inc.	Zimmer Biomet Holdings, Inc.

2018 Annual Target Compensation. The Board/Compensation Committee approved the 2018 base salary of Messrs. Kavthekar, Saban and Rice in March 2018, and Mr. Griffin in May 2018. The Board considered market survey and peer group data from Aon in making determinations for Messrs. Kavthekar, Rice, Saban and Griffin, along with the recommendations of Mr. Park, in his role as interim Chief Executive Officer at the time, with respect to Messrs. Kavthekar, Saban and Rice. The Board approved the 2018 annual target compensation for each of the named executive officers, noted above, as follows. Mr. Kavthekar's base salary was increased from $400,000 to $450,000, his annual target bonus was increased from 50% to 65% of base salary, and his annual target equity award was increased from 100% to 222% of base salary. Mr. Saban's base salary was increased from $450,000 to $500,000, his annual target bonus was increased from 60% to 75% of base salary, and his annual target equity award was increased from 100% to 360% of base salary. Mr. Rice's base salary was increased from $320,000 to $340,000, his annual target bonus was increased from 40% to 45% of base salary, and his annual target equity award was increased from 60% to 100% of base salary.

Annual Bonus Plan. The 2018 bonus plan and 2018 annual equity award program were approved by the Board, upon the recommendation of the Compensation Committee, in March 2018.

Historically, the Company's Chief Executive Officer did not participate in the Company's annual bonus plan or receive equity awards, due to Mr. Hagerman's significant equity ownership in Diplomat and the Company's historical shareholder distributions prior to the Company's initial public offering. The 2018 compensation arrangements of Mr. Park and Mr. Griffin were individually negotiated based on the unique circumstances arising from the Chief Executive Officer transitions in 2018. Following the executive transitions in 2018, the Board expects to include all executive officers in the Company's annual bonus plan and equity award program in future periods.

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The 2018 bonus plan for the other named executive officers and certain other eligible key employees generally memorialized the Company's historical annual bonus plan and was generally consistent with the 2017 bonus plan, including the use of Adjusted EBITDA, revenue, and individual performance goals. However, in contrast to our historical practice, the 2018 bonus plan requires a minimum Adjusted EBITDA target to be satisfied for there to be a payout based on each revenue goal. In addition, the 2018 bonus plan provides participants with the potential to earn between 50% and 200% of their, respective, target bonus based on the performance goals for each component.

Annual Equity Award Program. In March 2018, for retention purposes and based on input from its compensation consultant, upon recommendation from the Compensation Committee, the Board approved changes to the Company's annual equity award program. The 2018 annual equity award program added PSUs (which agreements along with the RSU and option agreements, respectively, contain "double-trigger" vesting upon a change in control) for named executive officers and changed the allocation of the target annual equity awards (based on grant date fair value) of named executive officers to consist of 50% PSUs; 25% RSUs and 25% time-based options. In addition, the PSU awards provide the named executive officers with the potential to earn between 50% and 200% respectively, of their target bonus based on the relative achievement of performance goals for Adjusted EBITDA. The Board also approved changes to provide for three-year pro rata vesting for all equity awards to named executive officers. The performance-based component of the 2018 annual equity award program for named executive officers was based upon the grant of PSUs, which is to be earned or forfeited based upon the Company's performance relative to specified Adjusted EBITDA goals for the applicable year, excluding the effect of mergers and acquisitions transacted during the bonus plan year, if any. The earned PSUs, if any, vest in three annual installments, with the first installment vesting upon the date the Company files its Annual Report on Form 10-K or Audit Committee confirmation of the satisfaction of the applicable performance goals, and the remaining two installments vesting annually on such date thereafter. The options and RSUs vest in three annual installments, with the first installment vesting upon the first anniversary of the grant date.

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 2018. For purposes of these calculations, base salary (i) includes car allowances and 401(k) contributions, and (ii) is based on base salaries effective on December 31, 2018.

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(1) Information is reflected solely for Mr. Griffin. Percentages reflected above include significant performance awards in connection with Mr. Griffin's hiring that may or may not be earned. Therefore, this chart may not be reflective of Mr. Griffin's target annual compensation in future years.

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2018 Pay-For-Performance

The establishment of performance metrics generally is focused on the Company and its management team as a collective unit, to foster teamwork and maximize the Company's performance in particular on Adjusted EBITDA and revenue goals that would constitute exceptional achievement for the Company. 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.

Chief Executive Officer Compensation

Chief Executive Officer Annual Bonus. Pursuant to the terms of the Griffin Offer Letter, Mr. Griffin was eligible for a target cash bonus of 125% of his annual base salary (pro rata for 2018). Mr. Griffin's bonus was earned based upon performance relative to revenue and Adjusted EBITDA budget goals for 2018.

Performance	Component	2018 Performance Metric Chief Executive Officer Annual Bonus		% of Target Bonus
Component(1)	% of Target Bonus	Target	Actual	Earned
Adj. EBITDA	60	$174,500,000	$167,759,994	68
Revenue	40	$5,800,000,000	$5,492,524,048	69

(1) Achievement of the minimum, target and maximum performance measures results in a payment of 50%, 100%, and 200%, respectively, of the target bonus. There are linear changes between minimum, target, and maximum payouts for the Adjusted EBITDA and revenue components. The revenue component of the target bonus was only payable to the extent a minimum Adjusted EBITDA target was achieved ($164,000,000 at the minimum threshold).

Chief Executive Officer Performance-Based Inducement Awards. Pursuant to the terms of the Griffin Offer Letter, Mr. Griffin received two inducement equity awards upon becoming Chairman and Chief Executive Officer that have performance-based components: (1) the Make-Whole Inducement Award, which includes 70% of the total value in PSUs with a target value of $3,150,000; and (2) the Sign-On Inducement Award, which includes 75% of the total value in PSUs with a target value of $7,500,000.

*Make-Whole Inducement Award Performance-Based Restricted Stock Units***.**

The PSU component of Mr. Griffin's Make-Whole Inducement Award is earned based upon the achievement of Adjusted EBITDA and revenue goals.

Performance	Component	2018 Performance Metric Make-Whole Inducement Award		% of Target Bonus
Component(1)	% of Target Bonus	Target	Actual	Earned
Adj. EBITDA	60	$174,500,000	$167,759,994	0
Revenue	40	$5,800,000,000	$5,492,524,048	0

(1) Achievement of the target, 200%, 300% and maximum performance measures results in a payment of 100%, 200%, 300% and 400%, respectively, of the target value of the PSUs. There are linear changes between target, 200%, 300% and maximum payouts for the Adjusted EBITDA and revenue components.

The target PSU award under Mr. Griffin's Make-Whole Inducement Award was not achieved in 2018.

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*Sign-On Inducement Award Performance-Based Restricted Stock Units***.**

Under the terms of the Griffin Offer Letter, the PSU portion of Mr. Griffin's Sign-On Inducement Award will be earned, if at all, based upon the Company's performance relative to revenue (40%) and Adjusted EBITDA (60%) budget goals for 2018 and 2019, on a combined basis. Mr. Griffin can earn between 374,625 PSUs up to a maximum of 1,498,500 PSUs. The number of PSUs earned, if any, by Mr. Griffin will be determined in 2020 upon completion of the Company's 2019 audit and will be reflected in the Company's 2020 Proxy Statement.

Other NEO Compensation

Named Executive Officers 2018 Annual Bonus Plan (other than CEO). The target bonus for named executive officers was based upon a specified percentage of the participant's annual base salary. Bonuses were earned based upon the achievement of Adjusted EBITDA, revenue, and individual annual performance goals.

Performance Component(1)	Component % of Target Bonus	2018 Performance Metric Annual Bonus Plan Target	Actual	% of Target Bonus Earned
Adj. EBITDA	60	$174,500,000	$167,759,994	68
Revenue	30	$5,800,000,000	$5,492,524,048	69
Individual Performance	10	Varied	Varied	Varied

(1) For the Adjusted EBITDA and revenue components, achievement of the minimum, target and maximum performance measures results in a payment of 50%, 100%, and 200%, respectively, of the target bonus. There are linear changes between minimum, target, and maximum payouts for the Adjusted EBITDA and revenue components. For the achievement of the individual performance goals, payments range from 0% to 200% of the target bonus. The revenue component of the target bonus is only payable to the extent a minimum Adjusted EBITDA target is achieved ($164,000,000 at the minimum threshold).

2018 Equity Awards Performance-Based Restricted Stock Unit Awards (PSUs). The target equity award for named executive officers is based upon a specified percentage of the participant's annual base salary. The PSU component of the equity award program is earned based upon the achievement of Adjusted EBITDA goals.

Performance Component(1)	2018 Performance Metric Equity Award Plan Target	Actual	% of Target Bonus Earned
Adj. EBITDA	$174,500,000	$167,759,994	68

(1) Achievement of the minimum, target and maximum performance measures results in a payment of 50%, 100%, and 200%, respectively, of the target bonus. There are linear changes between minimum, target, and maximum payouts.

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2018 Other Equity

2018 Equity Awards Restricted Stock Units and Options.

In March 2018, as part of the annual equity program:

Mr. Saban received an RSU award of 20,000 shares and an option award to purchase 47,539 shares of the Company's common stock;

Mr. Kavthekar received an RSU award of 11,100 shares and an option award to purchase 26,384 shares of the Company's common stock; and

Mr. Rice received an RSU award of 3,778 shares and an option award to purchase 8,980 shares of the Company's common stock.

In connection with Mr. Park's service as interim Chief Executive Officer, Mr. Park was granted an RSU award of 69,349 shares in February 2018. In addition, Mr. Park received Restricted Stock grants of 3,654 shares and 2,275 shares June 1, 2018 and October 1, 2018, in connection with his service as a non-employee director.

Mr. Hagerman received a restricted stock grant of 5,222 shares on October 1, 2018 in connection with his service as a non-employee director.

In June 2018, as part of the Make-Whole Inducement Award, Mr. Griffin was granted: (i) RSUs of 33,716 shares, and (ii) an option award to purchase 81,351 shares of the Company's common stock, and as part of the Sign-On Inducement Award, RSUs of 124,875 shares.

Executive Compensation and Related Governance Practices

What We Do	What We Don't Do
á 100% independent Board committees	â No significant perquisites
á Stock ownership guidelines	â No tax gross-ups
á Pay for performance, including bonus and equity plan	â No defined benefit, supplemental executive retirement, or nonqualified deferred compensation plans
á Fixed caps on bonus and equity payouts	â No repricing/replacement of underwater stock options
á Oversight to confirm no undue risk in compensation programs	â No hedging nor use of derivatives permitted
á Equity awards for NEOs meaningfully focused more on performance-based	â No pledging permitted
á Annual say-on-pay shareholder vote	
á Double trigger equity awards (beginning in December 2016) vest only if terminated within one year of change in control	
á All of performance-based equity awards, and substantially all (or all for Mr. Griffin) of the bonus award, based on objective performance metrics	
á Compare and consider compensation against an appropriate peer group based on comparable industry and revenue	

Say-On-Pay Shareholder Vote for 2018 Annual Meeting of Shareholders

The Compensation Committee and the Board discussed the results of such shareholder vote in 2018. Over the past four years, over 97% of votes cast have voted in favor of our say-on-pay proposals. Given the high level of shareholder support, the Compensation Committee did not materially revise the Company's compensation policies and decisions relating to the named executive officers as a result of such vote, other than Chief Executive Officer compensation determinations, which was driven by the unique circumstances arising from the Chief Executive Officer transitions experienced by the Company in 2018.

Compensation Philosophy, Program Objectives and Key Features

The Company's named executive officer compensation program has been designed to reward, attract and retain management deemed essential to ensure our success. The program seeks to align compensation with our short- and long-term objectives, business strategy, financial performance, and Company values. In furtherance of such philosophy, the Company's compensation objectives for the named executive officers are designed to:

- Reward executive officers who consistently perform above expectations and are proficient in their roles with higher base pay and/or total compensation opportunity compared to Company salary range guidelines;

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Link pay to performance to create incentives for the named executive officers to perform their duties at a high level, with 60% of the target bonus for named executive officers (other than the Chief Executive Officer) linked to Adjusted EBITDA goals, 30% linked to revenue goals, and 10% linked to individual goals (60% linked to Adjusted EBITDA goals and 40% linked to revenue goals for the Chief Executive Officer);

Grant equity awards to align long-term interests with those of our shareholders, to reward long-term performance, and to assist retention;

Include equity awards for new hires and employment agreements where appropriate to recruit and retain executive talent; and

In exceptional circumstances, discretionary bonuses as appropriate to provide flexibility to reward executive officers for performance and to adjust to significant events during the year.

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The following table sets forth how each component of 2018 compensation was intended to satisfy one or more of the Board's compensation objectives.

Component	Primary Purpose(s)	Key Features
Base Salary		
	Retains and attracts employees in a competitive market	Determinations are based on the Board's collective view of market salaries for executive officers in similar positions with similar responsibilities, and the individual's experience, current performance, responsibilities, anticipated individual growth, internal pay equity, and other subjective factors
	Preserves an employee's commitment in the event of downturns in the specialty pharmacy industry and/or equity markets	
Annual Incentive Cash Bonus		
	Motivates and rewards achievement of annual performance-based measures	The bonus target for each employee is set forth as a percentage of base salary
	Retains and attracts employees for short term	Earned based upon the achievement of Adjusted EBITDA and revenue (each exclusive of the effect of mergers and acquisitions transacted during the bonus plan year) at target amounts, along with the opportunity to earn bonus for individual annual performance goals independent of overall Company results
Equity Awards		
	Provides incentive for employees to focus on long-term fundamentals and thereby create long-term shareholder value	**Performance-Based**: Awarded to named executive officers and earned or forfeited based upon the achievement of targeted Adjusted EBITDA (and revenue for Chief Executive Officer)
	Assist in maintaining a stable, continuous management team in a competitive market	**Time-Based**: Vesting over a several year period from grant date
	Provide alignment with shareholders; increased value when stock price improves	
	Performance-Based: Motivate and reward achievement of annual performance measures	

Time-Based: Assists in retaining key executive officers over longer-term period, particularly where change in strategy may affect achievement of performance-based awards

New Hires: Time-based equity awards to attract and incentivize new talent

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2018 Compensation Determinations

Base Salary

Changes in base salary have generally been effective in March or April each year. The following table sets forth the base salaries of the named executive officers in 2017 and 2018:

Name	Jan 2017 to Dec 2017 ($)	Jan 2018 to Dec 2018 ($)
Brian Griffin(1)		1,200,000
Jeff Park(2)		
Philip R. Hagerman(3)	550,000	
Atul Kavthekar(4)	400,000	450,000
Joel Saban(5)	450,000	500,000
Gary Rice(6)	320,000	340,000

(1) Reflects base salary as of June 4, 2018 upon appointment as Chairman and Chief Executive Officer.

(2) In connection with Mr. Park's service as interim Chief Executive Officer he received a grant of RSUs of 69,349 shares, and from January 2018 through February 2018 he received a pro-rated base salary of $500,000.

(3) Reflects actual base salary amount as set by the Board. Mr. Hagerman voluntarily diverted a portion of his salary payments to the Company's social responsibility budget in order to support the Company's involvement with certain community groups and charities in 2017. Mr. Hagerman resigned as Chairman and Chief Executive Officer on January 4, 2018.

(4) 2017 column reflects base salary as of May 1, 2017 upon appointment as Chief Financial Officer. 2018 column reflects base salary as of March 27, 2018 upon adjustment by Board for market and retention reasons. Mr. Kavthekar's base salary was $400,000 from January 2018 to March 2018.

(5) 2017 column reflects base salary as of August 7, 2017 upon appointment as President. 2018 column reflects base salary as of March 27, 2018 upon adjustment by Board for market and retention reasons. Mr. Saban's base salary was $450,000 from January 2018 to March 2018.

(6) 2017 column reflects base salary as of July 1, 2017 upon adjustment by Board for market and retention reasons. Mr. Rice's base salary was $280,000 from January 2017 to July 2017. 2018 column reflects base salary as of March 27, 2018 upon adjustment by Board for market and retention reasons. Mr. Rice's base salary was $320,000 from January 2018 to March 2018.

Establishing Chief Executive Officer's Performance Goals for 2018 Annual Bonus and Equity Inducement Awards

As previously discussed, Mr. Griffin's employment arrangement was individually negotiated based on the unique circumstances arising from the Chief Executive Officer transitions experienced by the Company in 2018.

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2018 Performance Goals Annual Bonus

Mr. Griffin's 2018 target performance goals for his 2018 cash bonus award were established pursuant to the Griffin Offer Letter. There are linear increases between the minimum, target, and maximum goals for the 2018 annual bonus.

	Minimum		Target		Maximum	
Component	2018 Target ($)	Increase over 2017 Actual (%)	2018 Target ($)	Increase over 2017 Actual (%)	2018 Target ($)	Increase over 2017 Actual (%)
Adj. EBITDA	164,000,000	61	174,500,000	71	180,000,000	77
Revenue	5,300,000,000	18	5,800,000,000	29	5,900,000,000	32

Target Bonus. Pursuant to the terms of the Griffin Offer Letter, Mr. Griffin was eligible for a target cash bonus of 125% of his annual base salary (pro rata for 2018), based upon performance relative to revenue and Adjusted EBITDA budget goals for 2018.

Performance Components. Adjusted EBITDA and revenue goals represented 60% and 40%, respectively, of the target bonus. See " 2018 Performance Goals Annual Bonus" for specific Adjusted EBITDA and revenue goals.

2018 Performance Goals Make-Whole Inducement Award

Mr. Griffin's 2018 target performance goals for the performance-related components of his make-whole inducement award were established pursuant to the Griffin Offer Letter. There are linear increases between the target (100%), 200%, 300% and maximum (400%) goals for the 2018 annual bonus.

	Target		200%		300%		Maximum	
Component	2018 Target	Increase over 2017 Actual (%)	2018 Target	Increase over 2017 Actual (%)	2018 Target	Increase over 2017 Actual (%)	2018 Target	Increase over 2017 Actual (%)
Adjusted EBITDA	$174,500,000	71	$180,000,000	77	$195,000,000	92	$210,000,000	106
Revenue	$5,800,000,000	29	$5,900,000,000	32	$6,000,000,000	34	$6,100,000,000	36

2018 Performance Goals Sign-On Inducement Award. See "Executive Summary 2018-Pay-For-Performance Chief Executive Officer Inducement Awards Sign-On Inducement Award Performance-Based Restricted Stock Units." above for information regarding the performance goals associated with this award.

2018 Annual Bonus - Earned. The following table sets forth information regarding the percentage of the bonus target that may be earned based on the achievement of the minimum, target, and maximum performance goals, and the actual percentage of bonus target earned. No amount is earned below minimum performance. See "Executive Summary 2018 Pay-For-Performance Chief Executive Officer Annual Bonus" for the Company's actual performance with respect to each performance metric.

	Payout Opportunity Based on Component Performance (Expressed as a % of Bonus Target)			Earned Bonus (Expressed as a % of
Component	Minimum	Target	Maximum	Bonus Target)
Adj. EBITDA	30	60	120	68
Revenue	20	40	80	69

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2018 Annual Bonus. The following table sets forth summary information regarding the 2018 target bonus and bonus actually earned in 2018 for Mr. Griffin.

	2018 Bonus Plan Target(1)		Bonus Plan Earned
Name	**% of Base Salary**	**$**	**$**
Brian Griffin	125	875,000	599,875

(1) Mr. Griffin's target bonus and earned bonus amounts stated are prorated based on amounts earned during 2018, multiplied by a bonus target percentage of 125%. Mr. Griffin was appointed Chairman and Chief Executive Officer on June 4, 2018.

Equity Inducement Awards

Upon appointment as Chairman and Chief Executive Officer, Mr. Griffin received two inducement equity awards that have performance-based components: (1) the Make-Whole Inducement Award, which includes 70% of the total value in PSUs with a target value of $3,150,000; and (2) the Sign-On Inducement Award, which includes 75% of the total value in PSUs with a target value of $7,500,000. Mr. Griffin's target grants are based on the value determined by the Board divided by the fair value (closing price on the date of the Griffin Offer Letter for RSUs and PSUs and the fair value on the grant date for the options).

Performance Components. Adjusted EBITDA and revenue performance goals represented 60% and 40%, respectively, of the target grant award. See " 2018 Performance Goals Make-Whole Inducement Award" for specific Adjusted EBITDA and revenue goals.

2018-Make-Whole Inducement Award-Performance-Based Restricted Stock Units Earned. The following table sets forth information regarding the percentage of the target that may be earned based on the achievement of the target, 200%, 300%, and maximum performance goals, and the actual percentage of target earned. No award is earned below target performance. See "Executive Summary-2018 Pay-For-Performance Chief Executive Officer Inducement Award" for the Company's actual performance with respect to each performance metric.

	Make-Whole Inducement Award Opportunity Based on Component Performance (Expressed as a % of Bonus Target)				Earned Equity
Component	**Target**	**200%**	**300%**	**Maximum (400%)**	**(Expressed as a % of Target)**
Adjusted EBITDA	60	120	180	240	0
Revenue	40	80	120	160	0

The following table sets forth summary information regarding the 2018 target equity incentive award and retention-based awards received by Mr. Griffin.

	Total Equity Award(1)	PSUs Target Award			Retention Based Awards			
Name	**% of Base Salary**	**Grant Date Fair Value ($)**	**PSUs Target (#)**	**PSUs Earned (#)(2)**	**RSUs (#)**	**Grant Date Fair Value ($)**	**Options (#)**	**Grant Date Fair Value ($)**
Brian Griffin	1,138	8,984,194	531,968	0	158,591	3,852,176	81,351	823,191

(1)
Amounts included in percentage of Total Equity Award Target include value of PSUs, RSUs and options.

(2)
Does not reflect the number of PSUs from the Sign-On Inducement Award earned, if any. The amount earned by Mr. Griffin, if any, will be determined in 2020 upon completion of the Company's 2019 audit and will be reflected in the Company's 2020 Proxy Statement.

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Establishing Company Performance Goals for 2018 Annual Bonus Plan and PSUs (Non-CEO)

The 2018 target performance goals for all named executive officers other than the chief executive officer were established in March 2018, which represented the Compensation Committee's reasonable judgment of what would be an exceptional outcome for the Company for 2018 after taking into account the significant impact of the acquisitions made by the Company in 2017. There are linear increases between the minimum, target, and maximum goals for the 2018 bonus plan and equity awards.

	Minimum		Target		Maximum	
Component	2018 Goal ($)	Increase over 2017 Actual (%)	2018 Goal ($)	Increase over 2017 Actual (%)	2018 Goal ($)	Increase over 2017 Actual (%)
Adj. EBITDA	164,000,000	61	174,500,000	71	180,000,000	77
Revenue(1)	5,300,000,000	18	5,800,000,000	29	5,900,000,000	32

(1) Revenue is a component for the Annual Bonus Plan only.

Annual Incentive Cash Bonus (2018 Annual Bonus Plan)

The 2018 bonus plan for named executive officers and certain other eligible key employees generally continued the Company's 2017 annual bonus plan, with continuation of provisions to address, among other things, pro rata bonuses, rights upon termination of employment, and the Company's right to clawback such bonus upon specified events.

Target Bonuses of Named Executive Officers. Under the 2018 bonus plan, a participant's bonus target is set forth as a percentage of base salary. The Board increased the 2018 bonus targets as a percentage of base salary of each of Messrs. Kavthekar, Saban and Rice as a result of management recommendations, in consultation with the Compensation Committee, based on input from the compensation consultant, comparative information acquired through industry surveys, as well as judgments regarding the appropriate levels of base, incentive, and total compensation for named executive officers in light of the Company's characteristics and market position.

Performance Components. Adjusted EBITDA, revenue and individual performance goals represented 60%, 30%, and 10%, respectively, of the target bonus. See "Establishing Company Performance Goals for 2018 Annual Bonus Plan and Performance-Based RSUs" for specific Adjusted EBITDA and revenue goals.

Individual Performance Component. The individual performance component is discretionary and takes into account a number of subjective factors evaluating the performance of such named executive officer.

2018-Earned. The following table sets forth information regarding the percentage of the bonus target that may be earned based on the achievement of the minimum, target, and maximum performance goals, and the actual percentage of bonus target earned. No amount is earned below minimum performance. See

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"Executive Summary 2018 Pay-For-Performance" for the Company's actual performance with respect to each performance metric.

	Payout Opportunity Based on Component Performance (Expressed as a % of Bonus Target)			Earned Bonus (Expressed as a % of
Component	**Minimum**	**Target**	**Maximum**	**Bonus Target)**
Adj. EBITDA	30	60	120	68
Revenue	15	30	60	69
Individual	0	10	20	Varied

The following table sets forth summary information regarding the 2017 target bonus, 2018 target bonus, and bonus earned in 2018 for our named executive officers.

	2017 Bonus Plan	2018 Bonus Plan Target(1)		
Name	**Target as % of Base Salary**	**% of Base Salary**	**$**	**Bonus Plan Earned $**
Atul Kavthekar	50	65	292,500	180,274
Joel Saban	60	75	375,000	307,500(2)
Gary Rice	40	45	153,000	109,597

(1) The target and earned bonus was based on the base salary in effect as of December 31, 2018.

(2) Represents the amount agreed to be paid to Mr. Saban under the terms of the Saban Separation Agreement (as defined herein).

Equity Incentive Program

In March 2018, upon recommendation of the Compensation Committee, the Board approved PSUs, RSUs and options to be granted to our named executive officers under the 2014 Omnibus Incentive Plan.

PSUs and Time-vested Options and RSUs.

Target Grants to Named Executive Officers. A participant's target grant was based on the value determined by the Board divided by the grant date fair value of each equity award (the Company's closing stock price for RSUs and PSUs) on the grant date.

Performance Components. The Adjusted EBITDA goal represented 100% of the target grant award. See " Establishing Company Performance Goals for 2018 Annual Bonus Plan and PSUs" for specific Adjusted EBITDA goals.

2018-Earned. The following table sets forth information regarding the percentage of the target that may be earned based on the achievement of the minimum, target, and maximum performance goals, and the actual percentage of target earned. No award is earned below minimum performance. See "Executive Summary-2018 Pay-For-Performance" for the Company's actual performance.

	Equity Award Opportunity Based on Component Performance (Expressed as a % of Bonus Target)			Earned Equity (Expressed as a % of
Component	**Minimum**	**Target**	**Maximum**	**Target)**

Adj. EBITDA	50	100	200	68

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The following table sets forth summary information regarding the 2018 target equity incentive award and retention-based awards earned for our named executive officers participating in such programs.

	Total Equity Award(1)	PSUs Target Award			Retention Based Awards			
Name	% of Base Salary	Grant Date Fair Value ($)	PSUs Target (#)	PSUs Earned (#)	RSUs (#)	Grant Date Fair Value ($)	Options (#)	Grant Date Fair Value ($)
Atul Kavthekar	222	455,544	22,200	15,118(2)	11,100(2)	227,772	26,384(2)	223,261
Joel Saban	360	820,200	40,000	27,240(3)	20,000(4)	410,400	47,539(5)	402,275
Gary Rice	100	155,049	7,556	5,146	3,778	77,525	8,980	75,989

(1) Amounts included in percentage of Total Equity Award Target include value of PSUs, RSUs and options.

(2) One-third of this amount vested prior to Mr. Kavthekar's resignation. The remaining two-thirds was forfeited upon Mr. Kavthekar's resignation.

(3) Represents the amount agreed to be paid to Mr. Saban under the terms of the Saban Separation Agreement. Per the terms of the Saban Separation Agreement two-thirds of this amount vested upon filing the Company's 2018 Form 10-K, and the remaining one-third was forfeited.

(4) 13,333 shares of this award vested upon Mr. Saban's resignation. The remaining 6,667 shares were forfeited upon Mr. Saban's resignation.

(5) This award was forfeited upon Mr. Saban's resignation.

Other Equity-Related Policies
Timing and Pricing of Share-Based Grants

With respect to annual equity awards, the Compensation Committee and the Board do not coordinate the timing of share-based grants with the release of material non-public information. Promotion and new hire equity grants are generally made quarterly following the release of the company's quarterly and full-year earnings.

In accordance with the 2014 Omnibus Incentive Plan, the exercise price of each option is the closing price for the Company's common stock on the date approved by the Compensation Committee or the Board to be the grant date (which date is not earlier than the date the Compensation Committee or the Board approved such grant).

Policy on Pledging and Hedging Company Securities

In addition to the restrictions set forth in SEC regulations, the Company's Insider Trading Policy prohibits the hedging and, since March 2018, the pledging of Company securities. In particular, the policy prohibits directors, executive officers and other employees, with respect to the Company's securities, from engaging in short sales, trading in puts, calls, options or other derivative securities. In addition, the policy prohibits pledging of Company securities or holding Company securities in a margin account.

Clawbacks

Both our annual bonus plan and equity incentive program are subject to a clawback provision included therein. Specifically for the annual bonus plan, if the Company's financial statements are the subject of a restatement due to error or misconduct, to the extent permitted by governing law, the Company is authorized to seek reimbursement of excess incentive cash compensation paid under the bonus plan to participants for the relevant performance periods; however, the Company's clawback right extends only to any bonuses earned for the three completed fiscal years prior to the date the Company determines such

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restatement is required. In addition, the Company's PSU awards will be subject to forfeiture and/or recovery under any compensation recovery policy that the Company may adopt from time to time, which recovery right extends to the proceeds realized by the applicable participant due to sale or other transfer of such stock.

Tax and Accounting Implications

Deductibility of Executive Compensation

Section 162(m) of the Internal Revenue Code (the "Code") generally places a $1 million limit on the amount of compensation a company can deduct in any one year for certain executive officers. While the Compensation Committee considers the deductibility of awards as one factor in determining executive compensation, the Compensation Committee also looks at other factors in making its decisions and retains the flexibility to award compensation that it determines to be consistent with the goals of our executive compensation program even if the awards are not deductible for tax purposes.

The exemption from Section 162(m)'s deduction limit for performance-based compensation has been repealed, effective for taxable years beginning after December 31, 2017, such that compensation paid to our covered executive officers in excess of $1 million will not be deductible unless it qualifies for transition relief applicable to certain arrangements in place as of November 2, 2017.

Despite the Compensation Committee's efforts to structure the executive team performance-based equity awards in a manner intended to be exempt from Section 162(m) and therefore not subject to its deduction limits, because of ambiguities and uncertainties as to the application and interpretation of Section 162(m) and the regulations issued thereunder, including the uncertain scope of the transition relief under the legislation repealing Section 162(m)'s exemption from the deduction limit, no assurance can be given that compensation intended to satisfy the requirements for exemption from Section 162(m) in fact will. Further, the Compensation Committee reserves the right to modify compensation that was initially intended to be exempt from Section 162(m) if it determines that such modifications are consistent with our business needs.

Nonqualified Deferred Compensation

Section 409A of the Code provides that amounts deferred under nonqualified deferred compensation arrangements will, upon becoming vested, be included in an employee's income as well as be subject to penalties and interest, unless certain requirements are complied with. We do not offer any nonqualified deferred compensation plans to any of our executive officers. The Company's 2014 Omnibus Incentive Plan and other compensation arrangements for executive officers are intended to comply with or be exempt from the requirements of Section 409A.

Change in Control Payments

If a company makes "parachute payments" to an employee, Section 280G of the Code disallows the company's tax deduction for the portion of the parachute payments constituting "excess parachute payments," and Section 4999 of the Code subjects the employee to an additional 20% excise tax on the excess parachute payments. For this purpose, parachute payments generally are defined as payments to specified persons that are contingent upon a change in control in an amount equal to or greater than three times the person's base amount (the five-year average Form W-2 compensation). The excess parachute payments, which are nondeductible and subject to an additional 20% excise tax, equal the amount of the parachute payments in excess of one times the person's base amount. The Company does not pay tax gross-ups with respect to such excise tax.

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Mr. Griffin has, and Messrs. Saban and Kavthekar had, employment arrangements with the Company that entitle, or entitled, each to payments upon the termination of his respective employment, including following a change of control that may qualify as "excess parachute payments." The Company's 2007 Option Plan and 2014 Omnibus Incentive Plan may entitle participants to payments in connection with a change in control that may result in excess parachute payments.

Other

We do not provide any named executive officer with a tax gross-up or other reimbursement payment for any tax liability that he may owe as a result of the application of Sections 4999 or 409A of the Code.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis ("CD&A") in this proxy statement with management, including Messrs. Griffin and Kavthekar. Based on such review and discussion, the Compensation Committee recommended, and the Board authorized, the inclusion of the CD&A in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 and the proxy statement for the 2019 annual meeting.

The Compensation Committee

David Dreyer, Chair
Regina Benjamin
Shawn Tomasello

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

In 2018, none of our executive officers served on the compensation committee or board of directors of another entity whose executive officer(s) served on the Compensation Committee or our Board of Directors.

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NAMED EXECUTIVE OFFICER COMPENSATION TABLES

Summary Compensation Table for 2018

The table below summarizes the total compensation paid or earned by the named executive officers in 2018, 2017, and 2016.

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)(1)	All Other Compensation ($)(4)	Total ($)
Brian Griffin Chief Executive Officer	2018	669,231		7,674,037	823,191	599,875	5,550	9,771,884
Jeff Park Former Interim Chief Executive Officer	2018	120,701		1,237,845(5)			3,330	1,786,958
Philip R. Hagerman(6)	2018	359,098		99,322			1,216	421,692
Former Chief Executive	2017	352,469		110,003	990,002		20,200	1,472,674
Officer	2016	388,461			1,102,897		20,220	1,511,578
Atul Kavthekar	2018	436,538		683,316	223,261	180,274	18,834	1,542,223
Former Chief Financial Officer Treasurer and Former Interim Chief Executive Officer	2017	261,538	122,667		1,186,000		13,059	1,583,264
Joel Saban	2018	486,538		1,231,200	402,275		328,120	2,448,133
Former President	2017	173,077	103,500		1,241,800		5,085	1,523,462
Gary Rice	2018	336,154	15,300	232,574	75,989	94,297	17,838	772,133
Executive Vice President	2017	300,000	117,760	67,200	100,802		15,802	601,564
of Operations	2016	231,346	7,728		508,926		16,505	764,505

(1) Amounts reflected in the "Bonus" column for 2017 represent a discretionary bonus amount (inclusive of the portion related to individual performance measures) and, in 2018 and 2016, the discretionary portion of such person's cash bonus earned under the 2018 and 2016 bonus plans (i.e., the portion related to individual performance measures). Amounts reflected in the "Non-Equity Incentive Plan Compensation" column represent the Company performance-based portion of such person's cash bonus earned under the 2018, 2017 and 2016 bonus plans for Messrs. Kavthekar and Rice, and the Griffin Offer Letter for Mr. Griffin. Mr. Hagerman did not participate in the bonus plan in any of the years reflected above. None of our current named executive officers earned any Company performance-based portion of such person's cash bonus in 2017 or 2016. Payments of bonuses for 2018 were made in March 2019.

(2) Represents the grant date fair value (excluding the effect of estimated forfeitures) of all RSUs, PSUs (PSU amounts reflected at target (100%)) and RSAs, based on the closing price of the Company's common stock on the grant date. In the event Messrs. Griffin, Kavthekar, Saban and Rice had received the maximum payouts under their 2018 stock awards, the grant date fair values would have been: $19,139,621 for Mr. Griffin; $1,138,860 for Mr. Kavthekar; $2,052,000 for Mr. Saban and $387,623 for Mr. Rice.

(3)
Represents the grant date fair value (excluding the effect of estimated forfeitures) calculated in accordance with Accounting Standards Codification Topic 718. The Company uses the Black-Scholes-Merton option pricing model to determine the grant date fair value of options (both performance-based and time-vested option grants), including assumptions which are specified in Note 12 to the Company's audited financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2018. For Messrs. Saban and Kavthekar the amounts reflected for 2017 represent special new hire option grants ($1,241,800) and ($1,186,000), respectively. For Mr. Griffin the amount reflected for 2018 represents the grant of a Make-Whole Inducement option award ($823,121) in connection with Mr. Griffin's appointment as Chairman and CEO.

(4)
For 2018, includes: 401(k) matching contributions by the Company ($9,214 for Mr. Kavthekar, $11,000 for Mr. Saban, $8,218 for Mr. Rice and $846 Mr. Hagerman); car allowances ($5,550 for Mr. Griffin, $9,620 for Mr. Kavthekar, $9,620 for Mr. Saban $9,620 for Mr. Rice, $3,330 for Mr. Park and $370 for Mr. Hagerman) and a cash payment of $307,500 for Mr. Saban in accordance with the Saban Separation Agreement.

(5)
Represents a grant of RSUs of 69,349 shares in connection with Mr. Park's service as interim Chief Executive Officer from January 2018 to May 2018 (21,666 of which were forfeited upon his departure from this role) and grants of RSAs of 5,929 shares ($128,262) in connection with Mr. Park's service as a member of the Board of Directors. The grants of Restricted Stock were forfeited upon Mr. Park's resignation from the Board in February 2019.

(6)
Mr. Hagerman resigned as Chief Executive Officer on January 4, 2018. The amount reflected in "Stock Awards" represents a grant of Restricted Stock of 5,222 shares ($99,322) in connection with Mr. Hagerman's service as a member of the Board of Directors.

Narrative Discussion of Summary Compensation Table for 2018

Promotions and Transitions.

For periods shown Mr. Hagerman served as Chairman and Chief Executive Officer of the Company until he resigned on January 4, 2018. The amount reflected in Salary for Mr. Hagerman for 2018 includes the payments for consulting services ($50,000/month) provided to the Company during the six months following Mr. Hagerman's resignation and Mr. Hagerman's annual cash compensation for service as a non-employee director.

Mr. Park was appointed interim Chief Executive Officer on January 4, 2018 and resigned from his position on May 11, 2018. The amounts reflected in the Salary column reflect the pro-rated base salary of $500,000 he received from January 2018 through February 2018 and Mr. Park's annual cash compensation for service as a non-employee director.

Mr. Kavthekar was appointed Chief Financial Officer on May 1, 2017. He was appointed interim Chief Executive Officer on May 11, 2018 and resigned from this position on June 4, 2018. He did not receive any additional compensation for his service as interim Chief Executive Officer. Mr. Kavthekar resigned as the Company's Chief Financial Officer in April 2019. Prior to Mr. Kavthekar's resignation, 3,700 RSUs (with a grant date fair value of $75,924) and 5,039 PSUs (with a grant date fair value of $103,400) vested. All unvested Stock Awards and Option Awards were forfeited upon Mr. Kavthekar's resignation.

Mr. Saban was appointed president on August 7, 2017 and served in such position until his resignation on January 4, 2019. The amounts reflected in Stock Awards and Option Awards represent the 2018 target compensation amounts for Mr. Saban. Mr. Saban and the Company mutually agreed that Mr. Saban would resign from his position as President of the Company on January 4, 2019. In connection with Mr. Saban's departure, Mr. Saban executed the Saban Separation Agreement and received a payment, as well as the acceleration of vesting of certain equity awards in connection therewith. In connection with the Saban Separation Agreement

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13,333 RSUs (with a grant date fair value of $273,593) and 18,180 PSUs (with a grant date fair value of $373,054) vested. All unvested Stock Awards and Option Awards were forfeited upon Mr. Saban's resignation.

Mr. Griffin was appointed Chief Executive Officer effective June 4, 2018. Mr. Griffin received inducement equity awards in June 2018 in connection with his appointment as Chief Executive Officer. In addition, pursuant to the Griffin Offer Letter, Mr. Griffin received a Sign-On Inducement Award with a value of $5,162,333 (reflected at target (100%) award amount) based on the Company's performance relative to specified cumulative Adjusted EBITDA and revenue goals for the years ending December 31, 2018 and 2019. The grant date for the Sign-On Inducement Award is January 2019 when the 2019 performance measures became determinable. Accordingly, the Sign-On Inducement Award is not included in the summary compensation table. See "Compensation Discussion and Analysis Executive Summary" for a description of Mr. Griffin's 2018 target annual compensation.

Contractual Arrangements. In 2018, many of the compensation items reflected above were driven by considerations in the Griffin Offer Letter, Mr. Saban's previous employment agreement and the Saban Separation Agreement. For a detailed discussion of these contracts, please see "Potential Payments Upon Termination or Change in Control."

Mr. Hagerman. In 2016 and 2017, Mr. Hagerman voluntarily reduced or suspended his base salary for periods of time and directed such funds to the Company's social responsibility budget. These amounts are not included in this table. Further, Mr. Hagerman did not participate in the annual bonus plan in 2016 and 2017 due to his significant equity ownership, in line with historical practice nor in 2018 due to his resignation from his position as Chief Executive Officer.

Base Salary. Base salary changes generally are effective in March or April each year.

Bonus and Incentive Plan Compensation. See "Compensation Discussion and Analysis 2018 Compensation Determinations" for information regarding Adjusted EBITDA, revenue, and discretionary components of the 2018 bonus plan and Chief Executive Officer 2018 annual bonus and amounts earned thereunder.

Equity Award Program. In March 2018, for retention purposes and based on input from its compensation consultant, upon recommendation from the Compensation Committee, the Board approved changes to the Company's annual equity award program. The 2018 annual equity award program added PSUs (which agreements contain "double-trigger" vesting upon a change in control) for named executive officers, and changed the allocation of the annual equity awards of named executive officers to consist of 50% PSUs; 25% RSUs and 25% time-based options. The allocation of Mr. Griffin's equity awards was specifically negotiated pursuant to the Griffin Offer Letter. The PSU awards provide the named executive officers with the potential to earn between 50% and 200% respectively, of their target bonus based on the relative achievement of performance goals for Adjusted EBITDA. Mr. Griffin can earn between 100% and 400% of his target bonus based on the relative achievement of performance goals for revenue and Adjusted EBITDA. The Equity Program also provides for three-year pro rata vesting for all equity awards. In 2018 each of Messrs. Griffin, Kavthekar, Saban and Rice were granted PSUs that vest pro rata over three years, with the first installment vesting upon the date the Company files its Annual Report on Form 10-K or Audit Committee confirmation of the satisfaction of the applicable performance goals, and the remaining two installments vesting annually on such date thereafter. For Mr. Griffin, the performance-based component of his Sign-On Inducement Award earned, if any, will vest entirely in 2020 upon the date the Company files its Annual Report on Form 10-K or Audit Committee confirmation of the satisfaction of the applicable performance goals.

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2017 Equity Award Program

The 2017 annual equity award program consisted of RSUs and performance-based options. Under the 2017 annual equity award program the relative allocation between RSUs and performance-based options varied in accordance with the relative responsibility of the participants, with the mix more heavily weighted toward performance-based options for more senior employees, including the named executive officers (90% performance-based options in the case of Mr. Hagerman and 60% in the case of Mr. Rice). The performance-based component of the 2017 annual equity award program for named executive officers was based upon the grant of options to purchase a number of shares of common stock of the Company, which were to be earned or forfeited based upon the Company's performance relative to specified Adjusted EBITDA and revenue goals for the applicable year, in each case excluding the effect of mergers and acquisitions transacted during the bonus plan year. The earned options, if any, vest in four annual installments, with the first installment vesting upon the date the Company files its Annual Report on Form 10-K or Audit Committee confirmation of the satisfaction of the applicable performance goals, and the remaining three installments vesting annually on such date thereafter. In addition, the RSUs granted to the named executive officers under the 2017 annual equity award program vest three years following the grant date. The RSUs granted to other participants under the 2017 annual equity award program vest in three annual installments, with the first installment vesting upon the first anniversary of the grant date.

Grants of Plan-Based Awards in 2018

The following table provides information about equity and non-equity awards granted to the named executive officers in 2018.

			Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)(2)			Estimated Possible Payouts Under Equity Incentive Plan Awards(2)						
e	Grant Date	Approval Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options(#)	Exercise or Base Price of Option Awards ($/Sh)	C V C A
	6/4/18	5/9/18					157,343	629,372				3,
	6/4/18	5/9/18							124,875			3,
	6/4/18	5/9/18							33,716			
	6/4/18	5/9/18								81,351	24.29	
	N/A	N/A	437,500(4)	875,000(4)	1,750,000(4)							
k	2/26/18								69,349(5)			1,
	6/1/18								3,654(6)			
	10/1/18								2,275(6)			
.												
an	10/1/18								5,222(6)			
tar	3/27/18					11,100(7)	22,200(7)	44,400(7)				
	3/27/18								11,100(8)			
	3/27/18									26,384(8)	20.52	
	N/A		131,625	263,250	526,500							
oan	3/27/18					20,000(9)	40,000(9)	80,000(9)				
	3/27/18								20,000(10)			
	3/27/18									47,539(11)	20.52	
	N/A		168,750	337,500	675,000							
ce	3/27/18					3,778(12)	7,556(12)	15,112(12)				
	3/27/18								3,778(13)			

3/27/18					8,980	20.52
N/A	68,850	137,700	275,400			

(1) Relates to possible cash payouts attributable to the Company performance-based components of the 2018 bonus plan, exclusive of the 10% discretionary component of the 2018 bonus plan. For Mr. Griffin this represents the possible cash payout attributable to his cash bonus as set forth in the Griffin Offer Letter.

(2) Threshold amounts with respect to both Non-Equity Incentive Plan Awards and Equity Incentive Plan Awards represent threshold achievement of the Adjusted EBITDA component and the revenue component, as applicable.

(3) Each option granted in 2018 had a grant date fair value as follows: March 27, $8.462 and June 4, $10.119. See Notes 2 and 3 to the Summary Compensation Table for information regarding the grant date fair value of options, PSUs and RSUs.

(4) Cash bonus opportunity amounts prorated from Mr. Griffin's initial date of service, June 4, 2018.

(5) RSUs granted in connection with service as interim CEO: 9,166 RSUs vested on the grant date and 60,183 RSUs were to vest in five equal monthly installments on the fourth day of each month between March and July 2018. 21,666 shares were forfeited upon Mr. Park's departure from his role as interim Chief Executive Officer, which amount is not reflected in this table.

(6) Granted in connection with service as a non-employee director pursuant to the Non-Employee Director Compensation Program, vests 100% on the first anniversary of the grant date. Mr. Park forfeited his awards upon his resignation from the Board in February 2019.

(7) Based on the achievement of certain performance conditions in 2018, Mr. Kavthekar earned 15,118 PSUs. One-third of this award vested on March 18, 2019, the date the Company filed its Annual Report on Form 10-K. The remaining two-thirds was forfeited upon Mr. Kavthekar's resignation.

(8) One-third of this RSU award vested prior to Mr. Kavthekar's termination, the remaining two-thirds was forfeited upon Mr. Kavthekar's resignation.

(9) Based on the achievement of certain performance conditions in 2018, Mr. Saban earned 27,240 PSUs. Pursuant to the Saban Separation Agreement two-thirds of this award vested on March 18, 2019, the date the Company filed its Annual Report on Form 10-K, the remaining one-third was forfeited upon Mr. Saban's resignation.

(10) Pursuant to the Saban Separation Agreement two-thirds of this RSU award vested on January 4, 2019, the remaining one-third was forfeited upon Mr. Saban's resignation.

(11) This award was forfeited upon Mr. Saban's resignation.

(12) Based on the achievement of certain performance conditions in 2018, Mr. Rice earned 5,146 PSUs. One-third of this award vested on March 18, 2019, the date the Company filed its Annual Report on Form 10-K. The remaining two-thirds vest annually on the anniversary of such confirmation date thereafter, subject to Mr. Rice's continued employment with the Company.

(13) Consists of RSUs which vest in three equal increments on each of the first, second and third anniversary of the grant date.

Narrative Discussion of Grants of Plan-Based Awards in 2018 Table

Chief Executive Officer Annual Bonus. Pursuant to the Griffin Offer Letter, 60% and 40% of Mr. Griffin's non-equity target cash bonus target bonus was based upon achievement of a 2018 Adjusted EBITDA performance measure and a 2018 revenue performance measure, respectively.

Chief Executive Officer Inducement Awards. Pursuant to the Griffin Offer Letter, Mr. Griffin received two performance-based equity awards. The PSU component of the Make-Whole Inducement Award target was based on achievement of a 2018 Adjusted EBITDA performance measure (60%) and 2018 revenue performance measure (40%), which is included in the table above. However, none of the PSUs were earned. The remaining components of the Make-Whole Inducement Award, consisting of the RSUs and stock options, vest in equal installments over three years; the PSUs would have vested on a similar pro-rata basis from the date earned.

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The PSU component of the Sign-On Inducement Award target is based on the achievement 2018 and 2019 Adjusted EBITDA performance measures (60%) and 2018 and 2019 revenue performance measures (40%), on a combined basis, with a grant date of January 2019 when the 2019 measures became determinable. Accordingly, the Sign-On Inducement Award is not included in the table above. The PSU component is eligible to vest in 2020 upon the completion of the 2019 audit. The RSU component had a one-year vesting period, subject to acceleration based on the achievement of the specified share price requirement, the satisfaction of which resulted in vesting as of July 10, 2018.

Non-Equity Incentive Plan - 2018 Annual Bonus Plan. For each of Messrs. Kavthekar, Saban and Rice, 60%, 30%, and 10% of the non-equity incentive bonus target was based on achievement of a 2018 Adjusted EBITDA performance measure, a 2018 revenue performance measure, and a subjective individual performance, respectively. Only the amounts eligible to be earned under the objective performance components (Adjusted EBITDA and revenue) are included in this table.

Equity Incentive Plan - PSU Awards. For the participating named executive officers (which did not include Mr. Griffin), the equity incentive bonus target was based on achievement of a 2018 Adjusted EBITDA performance measure.

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Outstanding Equity Awards at December 31, 2018

The following table sets forth certain information with respect to outstanding equity awards held by certain of our named executive officers on December 31, 2018. All options in the table granted prior to 2014 were made pursuant to the 2007 Option Plan, and all other equity awards set forth below were made pursuant to the 2014 Omnibus Incentive Plan, other than Mr. Griffin's Inducement Awards.

		Option Awards				Stock Awards	
Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)
Brian Griffin	6/4/18(1)(2)					33,716	453,817
	6/4/18(1)(2)		81,351	24.29	6/4/28		
Jeff Park	6/1/18(3)					3,654	49,183
	10/1/18(3)					2,275	30,622
Philip R. Hagerman	10/1/18(4)					5,222	70,288
Atul Kavthekar	5/1/17(5)	50,000	150,000	16.00	5/1/27		
	3/27/18(2)(6)					15,118	203,488
	3/27/18(2)					11,100(9)	149,406
	3/27/18(2)		26,384(9)	20.52	3/27/28		
Joel Saban	8/10/17(5)	50,000	150,000	15.94	8/10/27		
	3/27/18(2)(6)					27,240	366,650
	3/27/18(2)					20,000(10)	269,000
	3/27/18(2)		47,539(11)	20.52	3/27/28		
Gary Rice	3/1/12(5)	27,313		4.29	3/1/22		
	1/15/13(5)	131,687		5.88	1/15/23		
	6/5/15(7)	6,822	2,273	39.26	6/5/25		
	10/30/15(5)	56,250	18,750	28.11	10/30/25		
	12/5/16(5)	50,000	50,000	14.40	12/5/26		
	4/4/17(8)					4,587	61,741
	3/27/18(2)(6)					5,146	69,265
	3/27/18(2)					3,778	50,852
	3/27/18(2)		8,980	20.52	3/27/28		

(1) Granted pursuant to the Griffin Offer Letter.

(2) Vests one-third on each of the first, second, and third anniversaries of the grant date, with full vesting achieved on the third anniversary of the grant date.

(3) Granted in connection with Mr. Park's service as a non-employee director, vests 100% on the first anniversary of the grant date. Mr. Park forfeited this award upon his resignation from the Board in February 2019.

(4)
Granted in connection with Mr. Hagerman's service as a non-employee director, vests 100% on the first anniversary of the grant date.

(5)
Vests 25% on each of the first, second, third, and fourth anniversaries of the grant date, with full vesting achieved on the fourth anniversary of the grant date.

(6)
PSUs that were subject to performance conditions in 2018. The table reflects earned PSUs, which vest in three annual installments, with the first installment vesting on March 18, 2019, the date the Company filed its Annual Report on Form 10-K and the remaining two installments vesting annually on the anniversary of such confirmation date thereafter. Pursuant to the Saban Separation Agreement two-thirds of this award vested on

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March 18, 2019, the remaining one-third was forfeited upon Mr. Saban's resignation. One-third of Mr. Kavthekar's award vested on March 18, 2019, the remaining two-thirds was forfeited upon Mr. Kavthekar's resignation.

(7) Performance-based options that were subject to performance conditions in 2015. The table reflects earned options, which vest in four annual installments, with the first installment vesting on February 29, 2016 (the date the Company filed its Annual Report on Form 10-K) and the remaining three installments vesting annually on such confirmation date thereafter.

(8) Vests 100% on the third anniversary of the grant date.

(9) One-third of this award vested prior to Mr. Kavthekar's termination, the remaining two-thirds was forfeited upon Mr. Kavthekar's resignation.

(10) Pursuant to the Saban Separation Agreement two-thirds of this award vested on January 4, 2019, the remaining one-third was forfeited upon Mr. Saban's resignation.

(11) This award was forfeited upon Mr. Saban's resignation.

Option Exercises and Stock Vested in 2018

None of our named executive officers exercised options in 2018. The following table provides information about stock awards which vested in 2018.

Name	Stock Awards(1) Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Brian Griffin	124,875	3,342,904
Jeff Park	52,323	1,266,233

(1) Represents the vesting of RSUs/RSAs. The value realized for purposes of the table is based upon the number of shares of common stock received upon vesting multiplied by the closing price of the Company's common stock on the NYSE on the applicable vesting date.

Potential Payments Upon Termination or Change in Control

The following section describes potential payments and benefits to the named executive officers under the Company's compensation and benefit plans and arrangements upon termination of employment or a change in control of the Company as of December 31, 2018.

Change in Control

The following table sets forth the value of acceleration of unvested options, PSUs, RSAs and RSUs that would have accrued to certain of our named executive officers if a change in control had occurred on December 31, 2018 and, the named executive officer listed below was terminated without cause or left with good reason within one year of such change in control. The unvested portions of the "single-trigger" option awards issued prior to December 2016 have an exercise price higher than the closing trading price

of the Company's common stock as of December 31, 2018, and therefore are not included in the table below. See " 2007 Option Plan" and " 2014 Omnibus Incentive Plan."

Name	Value of Accelerated Stock Awards ($)(1)	Value of Accelerated Options ($)(2)	Total($)
Brian Griffin	29,094,974		29,094,974
Jeff Park(3)	79,804		79,804
Phil Hagerman(4)	70,288		70,288
Joel Saban	1,346,000		1,346,000
Atul Kavthekar	747,030		747,030
Gary Rice	316,000		316,000

(1) Calculated as the closing trading price of our common stock on December 31, 2018 ($13.46) multiplied by the number of shares underlying the RSU award or PSU award (representing the maximum amount of shares to be awarded for PSU awards, including those not earned based on 2018 results). In the case of Mr. Griffin, includes the value of the PSU components of the Sign-On Inducement Award with a grant date of January 2019, as such awards were approved in 2018 in connection with the Griffin Offer Letter and were eligible for acceleration as of December 31, 2018.

(2) Each of the unvested options detailed in the " Outstanding Equity Awards at December 31, 2018" have an exercise price above the closing trading price of our common stock on December 31, 2018. Accordingly, no value would have been realized from the vesting of such options in the event of a change of control as of December 31, 2018.

(3) Reflects the accelerated vesting of Restricted Stock Awards granted to Mr. Park on June 1, 2018 and October 1, 2018, for his service as a member of the Board, in accordance with the Board's Non-Employee Director Compensation Program.

(4) Reflects the accelerated vesting of a Restricted Stock Award granted to Mr. Hagerman on October 1, 2018 for his service as a member of the Board, in accordance with the Board's Non-Employee Director Compensation Program.

2007 Option Plan

The 2007 Option Plan provided for the grant of options, which include nonqualified options and incentive options, to our employees, directors, and consultants. No awards may be granted in the future under this plan.

The options expire on the tenth anniversary of the grant date but are subject to earlier termination upon termination of a participant's employment or service.

Termination of Employment for Cause. Upon a termination of employment or service for cause, we may terminate any options (whether vested or unvested) in our sole discretion as of the termination date.

Termination of Employment Due to Disability or Death. Upon a termination of employment or service due to disability or death, all unvested options will terminate on the termination date and all vested options will terminate one year after the termination date. In the event a deceased participant's vested options are properly exercised, the Board may elect to pay to the participant's legal representative the amount by which the fair market value per share on the date of exercise exceeds the exercise price, multiplied by the number of shares with respect to which the options are being exercised.

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Termination of Employment Other Than for Disability, Death or Cause. Upon a termination of employment or service for reason other than disability, death or cause, all unvested options will terminate on the termination date and all vested options will terminate three months after the termination date, except in the case of the participant's death during such three-month period, in which case, all vested options will terminate one year after the termination date.

Change in Control. In the event of a change in control of the Company, all unvested options immediately vest on the effective date of such change in control.

2014 Omnibus Incentive Plan

The 2014 Omnibus Incentive Plan provides for the award to employees, directors, consultants, advisors, or to nonemployees, to whom an offer of employment has been or is being extended, of the Company and its affiliates of options, restricted stock, restricted stock units, stock appreciation rights, performance awards (which may take the form of performance units or performance shares), and other stock and stock unit awards.

The Board may provide by rule or regulation or in any award agreement, or may determine in any individual case, the circumstances in which awards shall be paid or forfeited in the event a participant ceases to be employed by us, or to provide services to us, prior to the end of a performance period, period of restriction or the exercise, vesting, or settlement of such award.

In December 2016, the Board approved a form of stock option award providing for "double trigger" vesting upon a change in control. However, the following discussion describes the terms of the 2014 Omnibus Incentive Plan prior to such revision, except as specifically discussed below:

Termination of Employment - Unvested Options. Upon a termination of employment or service for any reason, all unvested options will terminate on the termination date.

Termination of Employment - Vested Options.

For Cause. Upon a termination of employment for cause, all vested options will terminate on the termination date.

Upon Death or Disability. Upon a termination of employment upon death or disability, all vested options will terminate one year after the termination date (but no later than the option expiration date).

For Any Reason Other Than Death, Disability, or Cause. Upon a termination of employment for any reason other than death, disability, or cause, all vested options will terminate 90 days after the termination date (but no later than the option expiration date).

Change in Control. In the event of a change in control of the Company, all unvested options immediately vest 10 days prior to such change in control.

Form of Stock Option Award (Performance-Based). In the event of a change in control of the Company, all unvested performance-based option awards immediately vest 10 days prior to such change in control. Except as otherwise determined by the Compensation Committee at the time of a change in control, any portion of the option that has not, prior to or in connection with the change in control, either been exercised or cancelled in exchange for a cash payment equal to the fair value of the option shall terminate, expire, and be forfeited upon closing of the change in control.

Other. In addition, the Board retains the right to cause a forfeiture of awards upon any breach or violation of agreements, policies, or plans of the Company, as well as to the extent permitted by applicable law or regulations.

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Revised Form of Stock Option Award (Time-Based). In December 2016, the Board approved a new Form of Stock Option Award (Time-Based). The revised form is substantially similar to the form used prior to such adoption, except that in the event of a change in control, the unvested options do not vest unless the grantee is terminated without cause or the grantee resigns with good reason within one year of such change in control. The Time-Based option awards granted to each of Messrs. Rice in December 2016 and Messrs. Kavthekar and Saban in May and August 2017, respectively, contain such "double trigger" vesting provisions.

Form of Restricted Stock Unit Award (Time-Based). In April 2017, the Board approved a form of Restricted Stock Unit Award Agreement (Time-Based) (the "RSU Award Agreement") for RSUs to be issued from time to time under the Company's 2014 Omnibus Incentive Plan. Under the terms of the RSU Award Agreement, the Company may issue the right to receive, upon vesting and the satisfaction of any required tax withholding obligation, shares of common stock, no par value, of the Company ("Common Stock"), which will become vested as set forth in the applicable award on the basis of one share of Common Stock for each RSU, provided that the grantee has remained continuously employed by the Company from the grant date to such vesting date. The RSU Award Agreement also contains a "double trigger" vesting provision such that in the event of a change in control, the RSUs do not vest unless the grantee is terminated without cause or the grantee resigns with good reason within one year of such change in control.

Form of Restricted Stock Unit Award (Performance-Based). In March 2018, the Board approved a form of Restricted Stock Unit Award Agreement (Performance-Based) (the "Performance RSU Award Agreement") for RSUs to be issued from time to time under the Company's 2014 Omnibus Incentive Plan. Under the terms of the Performance RSU Award Agreement, the Company may issue the right to receive, upon achieving certain performance metrics, vesting and the satisfaction of any required tax withholding obligation, shares of Common Stock, which will become vested as set forth in the applicable award on the basis of one share of Common Stock for each RSU, provided that the grantee has remained continuously employed by the Company from the grant date to such vesting date. The RSU Award Agreement also contains a "double trigger" vesting provision such that in the event of a change in control, the RSUs do not vest unless the grantee is terminated without cause or the grantee resigns with good reason within one year of such change in control.

Griffin Offer Letter

On May 9, 2018 the Company and Mr. Griffin entered into the Griffin Offer Letter. Pursuant the Griffin Offer Letter, Mr. Griffin's initial compensation is set forth below, subject to annual review and adjustment by the Board or the Compensation Committee at their respective discretion:

2018 Base Salary. Mr. Griffin's base salary is $1,200,000 annually.

2018 Cash Bonus. Mr. Griffin has an annual target bonus of 125% of base salary.

Make-Whole Inducement Award. Pursuant to the Griffin Offer Letter, Mr. Griffin was provided with annual target equity compensation of $4.5 million, composed of 70% PSUs (with the potential to earn up to 400% of the award upon achievement of certain performance metrics), 15% time-based options and 15% RSUs.

Sign-On Inducement Award. Under the terms of the Griffin Offer Letter, Mr. Griffin received a grant of PSUs, with a target value of $7.5 million (with the potential to earn up to 400% of the award upon achievement of certain performance metrics), and a grant of RSUs, with a value of $2.5 million.

Other Benefits. The Griffin Offer Letter further entitles Mr. Griffin to such perquisites and fringe benefits and other employee benefit programs or plans for which senior executive employees are generally eligible in accordance with the policies of the Company, as well as reimbursement of all reasonable out-of-pocket business expenses incurred by Mr. Griffin the course of performing his duties.

Clawback. In accordance with specific award agreements, Mr. Griffin's bonus and performance-based incentive compensation may be subject to clawback by the Company if the Board or a committee thereof determines that any fraud, negligence, or intentional misconduct by Mr. Griffin is a significant contributing factor to the Company having to restate all or a portion of its financial statements and certain other specified conditions are satisfied.

Severance. Pursuant to the terms of the Griffin Offer Letter, Mr. Griffin will receive certain benefits upon termination of his employment under certain circumstances.

Termination by Company Other than for Cause or by Mr. Griffin with Good Reason (other than following a Change in Control). If Mr. Griffin's employment is terminated by the Company other than for Cause, or by Mr. Griffin for Good Reason, Mr. Griffin will receive:

- Base salary that has accrued through the termination date, plus any other salary, compensation or benefits specifically provided for under the Company's employee benefit plans or as otherwise expressly required by applicable law (the "Accrued Benefits");
- Severance payments equal to twelve months of Mr. Griffin's then current annual base salary in effect immediately prior to the event giving rise to the termination (payable ratably over such period in accordance with the Company's normal payroll procedures);
- Reimbursement for COBRA continuation coverage at the same rate as the Company pays for health insurance coverage for its active employees (the "Cobra Benefits") for one year following termination; and
- Mr. Griffin's rights with respect to any equity awards granted to him by the Company (including the inducement equity awards) shall be governed by the terms and provisions of the plans (including plan rules) and award agreements then in effect at the time of termination.

"Cause" is defined as:

- Conviction (including a guilty plea or a no contest plea) of a felony, or of any other crime involving fraud, dishonesty or moral turpitude;
- Attempted commission of or participation in a fraud or act of material dishonesty against the Company;
- Material breach of any written agreement between you and the Company or material breach or material neglect of any statutory or fiduciary duty owed to the Company as reasonably determined by the Company's Board of Directors, after having provided Mr. Griffin with not less than thirty (30) days written notice of same and with the opportunity to cure of the same duration to the extent curable; or
- Conduct that constitutes gross insubordination, incompetence or habitual neglect of duties as reasonably determined by the Company's Board of Directors, after having provided not less than thirty (30) days written notice of same and with the opportunity to cure of the same duration to the extent curable.

"Good Reason" is defined as:

- A material reduction in Mr. Griffin's duties (including responsibilities and/or authorities), provided, however, that a change in job position (including a change in title) shall not be deemed a "material reduction" in and of itself unless Mr. Griffin's new duties are substantially reduced from the prior duties;

The Relocation of Mr. Griffin's principal place of employment to a place that increases Mr. Griffin's one-way commute by more than seventy-five (75) miles as compared to Mr. Griffin's then current principal place of employment immediately prior to such relocation;

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A reduction of at least ten percent (10%) of Mr. Griffin's base salary (unless pursuant to a salary reduction program applicable generally to the Company's executive employees).

Further, Mr. Griffin must provide written notice to the Company of the event qualifying for a "Good Reason" termination, and the Company must have failed to cure such event within 30 days, if curable, and Mr. Griffin must terminate his employment within 90 days following the expiration of such cure period for the termination to qualify for Good Reason.

"Change in Control" is defined as:

the acquisition of the Company by another entity by means of any transaction or series of related transactions (including, without limitation, any reorganization, merger (including, but not limited to, a reverse triangular merger) or consolidation or stock transfer, but excluding any such transaction effected primarily for the purpose of changing the domicile of the Company), unless the Company's stockholders of record immediately prior to such transaction or series of related transactions hold, immediately after such transaction or series of related transactions, at least fifty percent (50%) of the voting power of the surviving or acquiring entity (provided that the sale by the Company of its securities in a bona fide financing transaction shall not constitute a Change of Control hereunder); or

a sale or lease of all or substantially all of the assets of the Company.

Following a Change in Control, Termination by Company Other than for Cause or by Mr. Griffin with Good Reason. If, within one month prior to or one year following a Change in Control, Mr. Griffin is terminated by the Company other than for Cause, or Mr. Griffin terminates for Good Reason, Mr. Griffin will receive:

Severance payments equal to twelve months of Mr. Griffin's then current annual base salary in effect immediately prior to the event giving rise to the termination (payable ratably over such period in accordance with the Company's normal payroll procedures);

Full acceleration of the vesting of all of his then-outstanding equity awards at the maximum performance target, as applicable;

The Cobra Benefits for 18 months following termination; and

The Accrued Benefits.

Confidentiality and Release. The Griffin Offer Letter requires Mr. Griffin to maintain confidential or proprietary information learned during the course of his employment for so long as he is receiving benefits. In addition, the Griffin Offer Letter also requires Mr. Griffin to execute and deliver to the Company a general release of claims in favor of the Company in a form acceptable to the Company within thirty (30) days of termination; and resignation from such board positions as held by Mr. Griffin, including with the Company and any subsidiaries, on the date of termination, to be effective no later than the date of termination (or such other date as requested by the Board).

Upon the adoption of the Diplomat Pharmacy, Inc. Executive Severance Plan (as described below), the severance benefits applicable to Mr. Griffin are as set forth therein. See " 2019 Developments Executive Severance Plan" below for additional information.

Kavthekar Severance Benefits Agreement

On July 24, 2018, the Company and Atul Kavthekar entered into a severance benefits agreement (the "Severance Benefits Agreement"), which provides certain benefits if Mr. Kavthekar's employment is terminated under certain circumstances.

Termination by Company for Cause, by Mr. Kavthekar without Good Reason or for any other reason (other than following a Change in Control). If Mr. Kavthekar's employment is terminated by the Company for Cause, by Mr. Kavthekar without Good Reason or for any other reason, Mr. Kavthekar will receive:

- Base salary that has accrued through the termination date; plus any unpaid annual bonus for any previously completed fiscal year of the Company preceding the date of termination, provided that any unpaid annual bonus shall not be payable in the event Mr. Kavthekar is terminated for Cause; plus any other salary, compensation or benefits specifically provided for under the Company's employee benefit plans or as otherwise expressly required by applicable law (the "Accrued Benefits"); and

- Mr. Kavthekar's rights with respect to any equity awards granted to him by the Company shall be governed by the terms and provisions of the incentive compensation plans (including plan rules) and award agreements then in effect at the time of termination.

"Cause" is defined as:

- The conviction (including conviction upon of a plea of nolo contendere) of a felony or other crime which is punishable by imprisonment;

- The commission of any act or omission involving dishonesty, fraud, or a violation of law with respect to the Company or any of its subsidiaries or affiliates;

- Reporting to work under the influence of alcohol or illegal drugs, the use of illegal drugs (whether or not at the workplace), or other conduct causing the Company or any of its subsidiaries or affiliates public disgrace, disrepute, or economic harm;

- Breach of fiduciary duty, fraud, or willful misconduct with respect to the Company and/or any of its subsidiaries or affiliates; or

- Any material breach of the Severance Benefits Agreement or the Company's policies and procedures by Mr. Kavthekar, unless remedied by Mr. Kavthekar within thirty (30) days after receipt of written notice of such breach.

"Good Reason" is defined as:

- A material adverse change in Mr. Kavthekar's title, duties, or responsibilities in a manner that is materially inconsistent with the position he holds;

- A material reduction in Mr. Kavthekar's base salary, target annual bonus opportunity or target annual equity compensation;

- A material breach by the Company of its obligations, covenants or agreements under the Severance Benefits Agreement; or

- A requirement that Mr. Kavthekar relocate his principal business office or principal residence outside of the Chicago metropolitan area.

Further, Mr. Kavthekar must provide written notice to the Company of the event qualifying for a "Good Reason" termination, and the Company must have failed to cure such event within 30 days, if curable, and Mr. Kavthekar must terminate his employment within 30 days following the expiration of such cure period for the termination to qualify for

Good Reason.

Termination by Company Other than for Cause or by Mr. Kavthekar with Good Reason (other than following a Change in Control). If Mr. Kavthekar's employment is terminated by the Company other than for Cause, or by Mr. Kavthekar for Good Reason, Mr. Kavthekar will receive:

- Severance payments equal to twelve months of Mr. Kavthekar's then current annual base salary in effect immediately prior to the event giving rise to the termination (payable ratably over such period in accordance with the Company's normal payroll procedures);

- Cobra Benefits;

- The Accrued Benefits; and

- Mr. Kavthekar's rights with respect to any equity awards granted to him by the Company shall be governed by the terms and provisions of the plans (including plan rules) and award agreements then in effect at the time of termination.

Following a Change in Control, Termination by Company Other than for Cause or by Mr. Kavthekar with Good Reason. If, within one year following a Change in Control (as defined in the Company's 2014 Omnibus Incentive Plan), Mr. Kavthekar is terminated by the Company other than for Cause, or Mr. Kavthekar terminates for Good Reason, Mr. Kavthekar will receive:

- The aggregate of the amount equal to the annual base salary (i.e. 12 months of base salary), and the greater of the target bonus for the then current fiscal year under the Company's annual bonus plan or any successor annual bonus plan and the average annual bonus and annual equity incentive paid to or for the benefit of Mr. Kavthekar for the prior 3 full years (or any shorter period during which Mr. Kavthekar has been employed by the Company), payable in four equal quarterly installments during the one-year severance period;

- The Cobra Benefits;

- The Accrued Benefits; and

- Mr. Kavthekar's rights with respect to any equity awards granted to him by the Company shall be governed by the terms and provisions of the plans (including plan rules) and award agreements then in effect at the time of termination.

Clawback. In accordance with specific compensation plans and award agreements, Mr. Kavthekar's bonus is subject to, and performance-based incentive compensation may be subject to, clawback by the Company if the Board or a committee thereof determines that any fraud, negligence, or intentional misconduct by Mr. Kavthekar is a significant contributing factor to the Company having to restate all or a portion of its financial statements and certain other specified conditions are satisfied.

Confidentiality, Non-Solicitation and Non-Compete, Release. The Severance Benefits Agreement contains customary confidentiality terms. The Severance Benefits Agreement also contains non-solicitation and non-competition provisions effective from the Effective Date until the first anniversary following the termination date. If Mr. Kavthekar violates any of the foregoing, the Company's payment obligations under the Severance Benefits Agreement, including any severance payments, cease. In addition, the Severance Benefits Agreement provides that Mr. Kavthekar must sign a general form of release of claims against the Company in order to be eligible for severance.

The Severance Benefits Agreement was subsequently terminated on March 14, 2019. See " 2019 Developments Kavthekar Termination and Separation and Release Agreement" below for additional information.

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Saban Employment Agreement

On August 7, 2017, the Company and Mr. Saban entered into an employment agreement (the "Saban Employment Agreement"). Pursuant to the Saban Employment Agreement, Mr. Saban served as President of the Company for an initial term of two years, and the agreement automatically extends for successive one-year periods unless either party gives at least 90 days' notice prior to the end of the then existing term.

Base Salary. The Saban Employment Agreement established a base salary of $450,000 as of August 2017, which amount will be reviewed at least annually and may be adjusted by the Board or the Compensation Committee (as appropriate, the "Administrator"), at its discretion.

Annual Cash Bonus. The Saban Employment Agreement provided that Mr. Saban is eligible for a cash bonus for each fiscal year the Saban Employment Agreement is in effect, with a target amount of 60% of his annual base salary (prorated for 2017).

One-Time Equity Award. The Saban Employment Agreement provided Mr. Saban with a grant of options to purchase 200,000 of the Company's common shares, at an exercise price equal to the closing price of the Company's common stock on the grant date, vesting in equal annual installments over a four-year period.

Annual Equity Award. For fiscal year 2018 and thereafter, Mr. Saban will be eligible for equity compensation at a target amount of 100% of the annual base salary then in place.

Other Benefits. The Saban Employment Agreement further entitles Mr. Saban to such perquisites and fringe benefits and other employee benefit programs or plans for which senior executive employees are generally eligible in accordance with the policies of the Company, as well as reimbursement of all reasonable out-of-pocket business expenses incurred by Mr. Saban in the course of performing his duties.

Clawback Right. If the Board (or appropriate committee thereof) determines that any fraud, negligence, or intentional misconduct by Mr. Saban is a significant contributing factor to the Company having to restate all or a portion of its financial statements, the Board may require reimbursement of any bonus or incentive compensation paid to Mr. Saban to the extent that (i) the amount of incentive compensation was calculated based upon the achievement of certain financial results that were subsequently reduced due to a restatement, (ii) Mr. Saban engaged in any fraud or misconduct that caused or significantly contributed to the need for the restatement, and (iii) the amount of the bonus or incentive compensation that would have been awarded to Mr. Saban had the financial results been properly reported would have been lower than the amount actually awarded.

Termination Due to Death or Disability, by Company for Cause, or by Mr. Saban without Good Reason. If Mr. Saban's employment is terminated by reason of death or disability, by the Company for Cause, or by Mr. Saban without Good Reason, Mr. Saban will receive:

- Base salary that has accrued through the termination date; plus any unpaid annual bonus for any previously completed fiscal year of the Company preceding the date of termination, provided that any unpaid annual bonus shall not be payable in the event Mr. Saban is terminated for Cause; plus any Accrued Benefits; and

- Mr. Saban's rights with respect to any equity awards granted to him by the Company shall be governed by the terms and provisions of the incentive compensation plans (including plan rules) and award agreements then in effect at the time of termination.

Mr. Saban's employment will terminate upon death or disability. Disability is defined as Mr. Saban's inability to perform the essential functions of Mr. Saban's position with the Company, with or without reasonable accommodations by the Company, for a period of 90 consecutive days or 120 days in any 365 day period.

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"Cause" is defined as:

- The conviction (including conviction upon of a plea of nolo contendere) of a felony or other crime which is punishable by imprisonment;
- The commission of any act or omission involving dishonesty, fraud, or a violation of law with respect to the Company or any of its subsidiaries or affiliates;
- Reporting to work under the influence of alcohol or illegal drugs, the use of illegal drugs (whether or not at the workplace), or other conduct causing the Company or any of its subsidiaries or affiliates public disgrace, disrepute, or economic harm;
- Breach of fiduciary duty, fraud, or willful misconduct with respect to the Company and/or any of its subsidiaries or affiliates; or
- Any material breach of the Saban Employment Agreement or the Company's policies and procedures by Mr. Saban, unless remedied by Mr. Saban within thirty (30) days after receipt of written notice of such breach.

"Good Reason" is defined as:

- A material adverse change in Mr. Saban's title, duties, or responsibilities in a manner that is materially inconsistent with the position he holds;
- A material reduction in Mr. Saban's base salary, target annual bonus opportunity or target annual equity compensation;
- A material breach by the Company of its obligations, covenants or agreements under the Saban Employment Agreement; or
- A requirement that Mr. Saban relocate his principal business office or principal residence outside of the Chicago metropolitan area.

Further, Mr. Saban must provide written notice to the Company of the event qualifying for a "Good Reason" termination, and the Company must have failed to cure such event within 30 days, if curable, and Mr. Saban must terminate his employment within 30 days following the expiration of such cure period for the termination to qualify for Good Reason.

Termination by Company Other than for Cause or by Mr. Saban with Good Reason (other than following a Change in Control). If Mr. Saban's employment is terminated by the Company other than for Cause, or by Mr. Saban for Good Reason, Mr. Saban will receive:

- Severance payments equal to twelve months of Mr. Saban's then current annual base salary in effect immediately prior to the event giving rise to the termination (payable ratably over such period in accordance with the Company's normal payroll procedures);
- Cobra Benefits;

The Accrued Benefits; and

Mr. Saban's rights with respect to any equity awards granted to him by the Company shall be governed by the terms and provisions of the plans (including plan rules) and award agreements then in effect at the time of termination.

Following a Change in Control, Termination by Company Other than for Cause or by Mr. Saban with Good Reason. If, within one year following a Change in Control (as defined in the Company's 2014 Omnibus

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Incentive Plan), Mr. Saban is terminated by the Company other than for Cause, or Mr. Saban terminates for Good Reason, Mr. Saban will receive:

The aggregate of the amount equal to the annual base salary (i.e. 12 months of base salary), and the greater of the target bonus for the then current fiscal year under the Company's annual bonus plan or any successor annual bonus plan and the average annual bonus and annual equity incentive paid to or for the benefit of Mr. Saban for the prior 3 full years (or any shorter period during which Mr. Saban has been employed by the Company), payable in four equal quarterly installments during the one-year severance period;

The Cobra Benefits;

The Accrued Benefits; and

Mr. Saban's rights with respect to any equity awards granted to him by the Company shall be governed by the terms and provisions of the plans (including plan rules) and award agreements then in effect at the time of termination.

Confidentiality, Non-Solicitation and Non-Compete, Release. The Saban Employment Agreement contains customary confidentiality terms. The Saban Employment Agreement also contains non-solicitation and non-competition provisions effective from the Effective Date until the first anniversary following the termination date. If Mr. Saban violates any of the foregoing, the Company's payment obligations under the Saban Employment Agreement, including any severance payments, cease. In addition, the Saban Employment Agreement provides that Mr. Saban must sign a general form of release of claims against the Company in order to be eligible for severance.

The Saban Employment Agreement was subsequently terminated on January 4, 2019. See " 2019 Developments Saban Termination and Separation and Release Agreement" below for additional information.

2019 Developments

Saban Termination and Separation and Release Agreement

On January 4, 2019, the Company and Joel Saban mutually agreed that Mr. Saban would resign from his position as President of the Company, at which time he and the Company entered into a separation and release agreement (the "Saban Separation Agreement"). Pursuant to the Saban Separation Agreement: (i) the Company paid Mr. Saban earned but unpaid base salary through January 4, 2019 and a lump-sum cash payment of $307,500, plus additional amounts relating to accrued but unused paid time off; (ii) immediately following January 4, 2019 13,333 unvested RSUs granted to Mr. Saban on March 27, 2018 in connection with the Company's annual equity incentive compensation vested; and (iii) the portion of the PSUs granted to Mr. Saban on March 27, 2018 in connection with the Company's annual equity incentive compensation, to the extent earned based on actual 2018 performance and for the tranches scheduled to vest upon the filing of the Company 2018 Form 10-K and first anniversary of such date, vested on March 18, 2019. The unvested option awards and RSUs held by Mr. Saban terminated immediately following the Effective Date. The earned but unvested PSUs terminated on March 18, 2019. Except as provided for above, the vested options held by Mr. Saban were exercisable for a period of 90 days following the Termination Date. In addition, Mr. Saban signed a general form of release of claims against the Company, and must comply with customary confidentiality and non-solicitation and non-competition provisions to receive the foregoing amounts and benefits.

In accordance with specific compensation plans and award agreements, any of the foregoing amounts received by Mr. Saban related to his 2018 bonus is subject to, and his performance-based equity incentive compensation may be subject to, clawback by the Company if the Board or a committee thereof determines that any fraud, negligence, or intentional misconduct by Mr. Saban is a significant contributing factor to the Company having to restate all or a portion of its financial statements and certain other specified conditions are satisfied.

Kavthekar Termination and Separation and Release Agreement

On March 14, 2019, the Company and Atul Kavthekar mutually agreed that Mr. Kavthekar would resign from his position as the Company's Chief Financial Officer and Treasurer effective April 5, 2019. In addition, on March 14, 2019, the Company and Mr. Kavthekar entered into a separation and release agreement (the "Kavthekar Separation Agreement"), which included a general release of any claims, and became irrevocable, for the benefit of the Company that provided the terms on which Mr. Kavthekar resigned from his position as the Company's Chief Financial Officer. Pursuant to the Kavthekar Separation Agreement, the Company paid Mr. Kavthekar a lump sum cash payment of $112,500 following the termination date, April 12, 2019 (the "Kavthekar Termination Date"). Any unvested option awards, unvested time-based RSUs and earned but unvested PSUs held by Mr. Kavthekar terminated immediately following the Kavthekar Termination Date. Any vested options held by Mr. Kavthekar are exercisable for a period of 90 days following the Kavthekar Termination Date. Any portion of Mr. Kavthekar's 2018 bonus payment remains subject to, and his performance-based equity incentive compensation may be subject to, clawback by the Company if the Board or a committee thereof determines that any fraud, negligence, or intentional misconduct by Mr. Kavthekar is a significant contributing factor to the Company having to restate all or a portion of its financial statements and certain other specified conditions are satisfied.

Pursuant to the surviving terms of his Severance Benefits Agreement (as described above): (1) Mr. Kavthekar remains subject to confidentiality requirements and (2) Mr. Kavthekar is subject to non-competition and non-solicitation requirements that extend for 12 months following termination of his employment with the Company.

Executive Severance Plan

On March 7, 2019 the Board approved the Diplomat Pharmacy, Inc. Executive Severance Plan (the "Executive Severance Plan"). The Executive Severance Plan provides severance benefits to certain key management employees, including the Named Executive Officers, of the Company and its subsidiaries (each a "Participant"), and whose employment is terminated in a "Qualifying Termination," meaning a termination without Cause or resignation with Good Reason.

Pursuant to the terms of the Executive Severance Plan, if a Participant's employment terminates in a Qualifying Termination, he or she will receive the following severance benefits:

- an amount equal to the (x) "Severance Multiple" multiplied by (y) the Participant's "Monthly Severance Amount", with such amount payable in substantially equal installments over the "Severance Period"; provided that in the event the Qualifying Termination occurs within one year following a Change in Control, an enhanced "CIC Severance Multiple," "Monthly CIC Severance Amount" and "CIC Severance Period" will apply.

  - The "Monthly Severance Amount" for the CEO, CFO and Other Executives will equal such Participant's monthly base salary in effect immediately prior to a Qualifying Termination and, in the case of the CEO and CFO, $^{1}/_{12}$ of such Participant's target annual cash bonus for the calendar year in which the Qualifying Termination occurs. The Severance Multiple and Severance Period for the CEO, CFO and Other Executives are as follows:

    - CEO - Severance Multiple, 24, and Severance Period, 24 months;

    - CFO - Severance Multiple, 12, and Severance Period, 12 months; and

    - Other Executives - Severance Multiple, 12, and Severance Period, 12 months.

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For the CEO and CFO, the Monthly CIC Severance Amount is equal to the Monthly Severance Amount and the Monthly CIC Severance Amount for the Other Executives consists of the Participant's Monthly Severance Amount plus 1/12 of the Participant's target annual cash bonus for the calendar year in which the Qualifying Termination occurs. The CIC Severance Multiple and CIC Severance Period for the CEO, CFO and Other Executives are as follows:

CEO - CIC Severance Multiple, 24, and CIC Severance Period, 24 months;

CFO - CIC Severance Multiple, 18, and CIC Severance Period, 18 months; and

Other Executives - CIC Severance Multiple, 12, and CIC Severance Period, 12 months.

any accrued, but unpaid as of the date of the Qualifying Termination, annual cash bonus for any completed fiscal year preceding a Qualifying Termination, to be paid no later than March 15th following the year of such completed fiscal year;

an amount equal to the Participant's target annual cash bonus of the calendar year in which the Qualifying Termination occurs prorated based on the number of days Participant remained an employee, to be paid within 60 days of the Qualifying Termination;

accrued benefits under any (x) qualified or nonqualified supplemental employee pension benefit plan, as defined in Section 3(2) of ERISA, currently or hereinafter made available by the Company or its affiliates in which Participant is eligible to participate or (y) health, vision or dental plan, disability plan, survivor income plan or life insurance plan, as defined in Section 3(1) of ERISA, currently or hereafter made available by the Company or its affiliates in which Participant is eligible to participate; and

if the Participant timely elects COBRA continuation coverage, reimbursement from the Company equal to the difference between the cost of such COBRA continuation coverage and the amount active employees pay for health coverage through the earlier of the end of the Severance Period and the Participant becoming eligible for health insurance coverage under another employer's plan.

In the event a Participant holds any equity awards granted under the Diplomat Pharmacy, Inc. 2014 Omnibus Incentive Plan or Diplomat Pharmacy, Inc. 2007 Stock Option Plan (each an "Equity Plan"), the treatment of such equity awards in the event of a Qualifying Termination shall continue to be governed by the terms of the applicable Equity Plan and the applicable award agreements.

In addition, Participants are required to enter into a participation and restrictive covenant agreement (which contains certain restrictive covenants being agreed to as a condition of participation) with the Company.

Employment Agreement Change in Control/Severance Payment Table

The following table estimates the potential payments and benefits to Messrs. Griffin, Kavthekar and Saban under the Griffin Offer Letter, Kavthekar Severance Benefits Agreement, and Saban Employment Agreement, respectively, upon the termination of employment or a change in control, assuming such event occurred on December 31, 2018. These estimates do not reflect the actual amounts that will be paid to Mr. Griffin upon such events in the future (or were paid to Messrs. Kavthekar and Saban), if any, the amounts of which would only be known at the time Mr. Griffin becomes eligible for payment and would be payable only if the specified event occurs.

The following items are not reflected in the table set forth below:

Accrued benefits, accrued compensation, costs of COBRA or any other mandated governmental assistance program to former employees, which are de minimis;

Amounts outstanding under the Company's 401(k) Savings Plan;

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Any effects of the Executive Severance Plan, which was not in place as of December 31, 2018; and

The actual payments made to Messrs. Kavthekar and Saban in connection with their respective resignations in 2019.

Named Executive Officer	Cash Severance ($)	Acceleration of Share-Based Awards ($)	Total ($)
Brian Griffin			
Death or Disability			
By Company (for Cause)			
By Executive (without Good Reason)			
By Company (without Cause)	1,200,000		1,200,000
By Executive (for Good Reason)	1,200,000		1,200,000
Change in Control (without termination of employment)			
Change in Control (with termination of employment)	1,200,000	29,094,974	30,294,974
Atul Kavthekar			
Death or Disability			
By Company (for Cause)			
By Executive (without Good Reason)			
By Company (without Cause)	450,000		450,000
By Executive (for Good Reason)	450,000		450,000
Change in Control (without termination of employment)			
Change in Control (with termination of employment)	742,000	747,030	1,489,030
Joel Saban			
Death or Disability			
By Company (for Cause)			
By Executive (without Good Reason)			
By Company (without Cause)	500,000		500,000
By Executive (for Good Reason)	500,000		500,000
Change in Control (without termination of employment)			
Change in Control (with termination of employment)	875,000	1,346,000	2,221,000

CEO PAY RATIO DISCLOSURE

In August 2015, pursuant to a mandate of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC adopted a rule requiring annual disclosure of the ratio of a company's median employee's ("Median Employee") annual total compensation to the total annual compensation of a company's chief executive officer ("CEO"). As of December 31, 2018 the Company's CEO was Mr. Brian Griffin. Mr. Griffin joined the Company as CEO starting June 4, 2018. As a result of the CEO transitions during the course of 2018, the Company has annualized Mr. Griffin's salary as of November 15, 2018 for purposes of calculating CEO annual total compensation and otherwise used the methodology required by the Summary Compensation Table. Based on this, Mr. Griffin's total compensation was $9,771,884 (the "CEO Compensation"). For 2018, the CEO Compensation was approximately 206.9 times the total compensation of the Median Employee, whose compensation for 2018 was $47,220, as illustrated in the table below.

The Median Employee is a full-time hourly employee at our corporate headquarters who was employed for full year 2018. The total compensation of such Median Employee included a small bonus in accordance with Company Policy and the value of a 401k matching contribution. The Company's CEO to Median Employee pay ratio was calculated in accordance with SEC requirements; however, due to the flexibility afforded by Item 402(u) of Regulation S-K in calculating the pay ratio, the pay ratio presented herein is a

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reasonable estimate and may not be comparable to the pay ratio presented by other companies. We monitor the relationship between the compensation of our executive officers and the compensation of our non-managerial employees and we believe our compensation philosophy and process yield an equitable result.

The Company determined to utilize a new median employee due to the significant change in employee population from its December 2017 PBM acquisitions, which employees were not included in determining the median employee for 2017. In determining the new Median Employee, a listing was prepared of all employees as of November 15, 2018, excluding the CEO of the Company and including all of the wholly owned subsidiaries of the Company. November 15, 2018 was used as the list date following completion of the integration of the Company's back-office software platforms. Wages and salaries were annualized for those included permanent employees that were on leave or not employed for the full year of 2018. The value of the Company's 401(k) plan contributions, commissions, bonuses and other perquisites were included in the calculation of total compensation for all active employees. In identifying the Median Employee, the compensation components (wages/salary, bonus, 401K contributions, commissions, and other perquisites) of each employee (excluding the CEO) were totaled and the employees' compensation was ranked from highest to lowest. The employee with the median total compensation was selected and identified as the Median Employee. After identifying the Median Employee, annual total compensation was calculated for the Median Employee using the same as required by the Summary Compensation Table.

	Chief Executive Officer	Median Employee
2018 Annual Total Compensation	$ 9,771,884	$ 47,220
Total Annual Compensation Pay Ratio	206.9	1

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CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

Procedures for Related-Person Transactions

The Board has a formal policy regarding related person transactions to assist the Company in complying with its disclosure obligations and to enhance the Company's disclosure controls. A "related person" is a director, officer, nominee for director, or a more than 5% shareholder (of any class of the Company's voting stock) since the beginning of the Company's last completed fiscal year, and their immediate family members. A related person transaction is any transaction or any series of transactions in which the Company was or is to be a participant, the amount involved exceeds $120,000, and in which any related person had or will have a direct or indirect material interest.

Specifically, the policy establishes a process for identifying related persons and procedures for reviewing and approving such related person transactions. In addition, directors and executive officers are required to complete an annual questionnaire in connection with the Company's proxy statement for its annual meeting of shareholders, which includes questions regarding related person transactions, and such persons also are required to provide written notice to the Company's General Counsel or outside counsel of any updates to such information prior to the annual meeting. Further, the Company's legal, financial and other departments have established additional procedures to assist the Company in identifying existing and potential related person transactions and other potential conflict of interest transactions, including policies and procedures designed to comply with Auditing Standard No. 18 issued by the Public Company Accounting Oversight Board.

The Audit Committee and/or the independent directors of the Board review such proposed business transactions to ensure that the Company's involvement in such transactions is on terms comparable to those that could be obtained in arm's length dealings with an unrelated third party and is in the best interests of the Company and its shareholders.

The Board of Directors also has adopted a written Code of Business Conduct and Ethics for the Company in compliance with Sarbanes-Oxley, which is publicly available on our website at *www.diplomat.is* under the section Investors Corporate Governance. Under the Code of Business Conduct and Ethics, the Company's employees, officers, and directors are discouraged from entering into any transaction that may cause a conflict of interest for the Company. In addition, they must report any potential conflict of interest, including related person transactions, to the General Counsel or the Compliance Officer, who then reviews and summarizes the proposed transaction for the Audit Committee.

Related Person Transactions Since January 1, 2018

Loans to the Company

The Company historically maintained an approximately 25% minority interest in WorkSmart MD, LLC, also known as Ageology, though it fully impaired its investment during the fourth quarter of 2014. In February 2017, an affiliated entity owned by Mr. Hagerman elected to convert its $16 million in outstanding loans into additional equity in Ageology, which equated to an approximate ownership of 43%. Concurrently, the Company converted its $2.5 million in outstanding loans (which the Company had previously written off) into equity in Ageology, which resulted in the Company having an ownership interest of approximately 22% following the recapitalization. The Audit Committee approved the transaction following the consideration of the relative dilution that the Company might have experienced had Ageology obtained investment from an unaffiliated third party. Subsequently, for the remainder of 2017 Mr. Hagerman's entity loaned $3.91 million plus an additional $3.63 million including interest throughout 2018 for a total of $7.54 million loaned to Ageology. In November of 2018, the outstanding loans plus accrued interest were then converted into equity, which further diluted the Company's ownership interest to approximately 4.7%.

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Other Family Relationships

The Company employs Jennifer Hagerman, Mr. Hagerman's daughter, as its Vice President of Education and Quality. In this capacity, Ms. Hagerman directs Diplomat University, the Company's educational and training department that educates both Diplomat employees and external professionals seeking education in the specialty pharmacy industry. Ms. Hagerman also oversees the Company's quality assurance program and serves as the director of Diplomat's Postgraduate Year One Pharmacy Residency Program, which is accredited by the American Society of Health-System Pharmacists. Ms. Hagerman was voted President-elect of the Michigan Pharmacists Association by its membership in November 2013. Ms. Hagerman earned the following compensation for her services during fiscal 2018: base salary, $202,534; performance-based bonus, $60,258; car allowance, $9,620; 401(k) matching contribution, $7,473; and an equity award of 3,156 RSUs with a grant date fair value of $64,761. The RSUs vest in 33% increments on each of the first, second and third anniversaries of the grant date, with full vesting achieved in March 2021.

ReactiveCore, Inc.

On December 13, 2018, the Company signed a definitive agreement with ReactiveCore, Inc. ("ReactiveCore") in which ReactiveCore will provide information technology services to the Company over a period of three years. Over the course of the Agreement, the Company will pay base fees to ReactiveCore of approximately $2,400,000, with the potential of paying additional fees for the provision of additional services. Kenneth Klepper, a director on the Company's board of directors, is the co-founder, chairman and chief executive officer of ReactiveCore. Prior to the signing of the agreement, the Board reviewed and approved this transaction in accordance with the Company's related persons transaction policy. In addition, upon entering in to this Agreement the Board determined that Mr. Klepper no longer satisfied the independence requirements as set forth by the NYSE. Furthermore, on the date of entering into the Agreement, Mr. Klepper was removed from all committees upon which he served and independent directors were appointed in his place.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership (as defined in Rule 13d-3 of the Exchange Act) of our common stock as of April 9, 2019 by (A) each of the directors, nominees, and named executive officers, (B) all of the directors and executive officers as a group, and (C) to our knowledge, beneficial owners of more than 5% of our common stock. As of April 9, 2019, there were 74,713,696 shares of our common stock outstanding. Unless otherwise indicated and subject to applicable community property laws, each owner has sole voting and investment powers with respect to the securities listed below.

Name of Beneficial Owner	Shares Owned (1)	Right to Acquire (2)	Total	Aggregate Percent of Class
Philip R. Hagerman(3)	17,296,066		17,296,066	23.1
Brian Griffin	136,113	27,117	163,230	*
Regina Benjamin	9,893		9,893	*
David Dreyer	21,587		21,587	*
Atul Kavthekar	8,573	58,794	67,367	*
Kenneth O. Klepper	49,036		49,036	*
Jeff Park	45,682		45,682	*
Gary Rice	2,139	277,338	279,477	*
Joel Saban	35,270		35,270	*
Shawn C. Tomasello	13,411		13,411	*
Benjamin Wolin	18,531		18,531	*
Daniel Davison				*
Executive officers and directors as a group (12 persons)	17,636,381	363,249	17,999,550	24.1
Blackrock, Inc.(4) 55 East 52nd Street New York, NY 10055	8,650,451		8,650,451	11.6
Deerfield Mgmt, L.P.(5) 780 Third Avenue, 37th Floor New York, NY 10017	6,899,297		6,899,297	9.3
Capital International Investors(6) 11100 Santa Monica Boulevard, 16th Floor Los Angeles, CA 90025	6,031,327		6,031,372	8.1
Capital World Investors(7) 333 South Hope Street Los Angeles, CA 90071	5,999,133		5,999,133	8.1
The Vanguard Group(8) 100 Vanguard Blvd. Malvern, PA 19355	5,654,319		5,654,319	7.6

* Less than one percent.

Resigned as Chief Financial Officer, effective April 5, 2019.

Resigned as Director, effective February 22, 2019.

Removed as Executive Officer, effective March 7, 2019.

Resigned as President, effective January 4, 2019.

Appointed Chief Financial Officer, effective April 8, 2019.

(1)
Includes shares of common stock represented by RSUs that vest within 60 days of April 9, 2019.

(2)
Represents shares of our common stock issuable on the exercise of options that are currently exercisable or exercisable within 60 days of April 9, 2019.

(3)
Includes the following trusts for which Mr. Hagerman is the sole trustee and therefore may be deemed to have beneficial ownership: 1,280,099 shares of Common Stock held by the Philip R. Hagerman Revocable Trust; 3,600,091 shares of Common Stock held by the JH GST Trust; 1,311,292 shares of Common Stock held by the 2013 Irrevocable Exempt Trust for Jennifer K. Hagerman; 1,075,293 shares of Common Stock held by the 2013 Irrevocable Exempt Trust for Megan Lineberger; 313,337 shares of Common Stock held by the 2014 Irrevocable Exempt Trust for Jennifer K. Hagerman; 313,337 shares of Common Stock held by the 2014 Irrevocable Exempt Trust for Megan Lineberger; 263,500 shares of Common Stock held by the JH Marital Trust; 394,910 shares of Common Stock held by the Irrevocable Trust for Thomas Hagerman; 394,910 shares of Common Stock held by the Irrevocable Trust for Taylor Hagerman; 367,256 shares of Common Stock held by the Philip Hagerman 2014 Irrevocable Non-Exempt Trust fbo Taylor Hagerman; and 367,256 shares of Common Stock held by the Philip Hagerman 2014 Irrevocable Non-Exempt Trust fbo Thomas Hagerman. Also includes the following trusts for which Jocelyn Hagerman, Mr. Hagerman's wife, is the sole trustee: 1,475,876 shares of Common Stock held by the 2013 Irrevocable Exempt Trust for Thomas R. Hagerman; 1,475,876 shares of Common Stock held by the 2013 Irrevocable Exempt Trust for Taylor G. Hagerman; and 367,528 shares of Common stock held by the Jocelyn Hagerman Living Trust; and the following trusts for which Mrs. Hagerman is a co-trustee: 3,391,609 shares of Common Stock held by the 2007 Hagerman Family GST Trust; 313,337 shares of Common Stock held by the 2014 Irrevocable Exempt Trust for Thomas Hagerman; 313,337 shares of Common Stock held by the 2014 Irrevocable Exempt Trust for Taylor Hagerman; and 272,000 shares of Common Stock held by the PH Marital Trust. Mr. Hagerman disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

(4)
Pursuant to Schedule 13G/A (Amendment No. 3) filed with the SEC on January 28, 2019. Blackrock, Inc. has sole power to vote 8,515,319 and sole power to dispose 8,650,451 shares.

(5)
Pursuant to Schedule 13G filed with the SEC on February 25, 2019. Deerfield Mgmt, L.P., Deer Field Management Company, L.P., Deerfield Partners, L.P. and James E. Flynn have shared power to vote 6,899,297 shares, and shared power to dispose 6,899,297 shares.

(6)
Pursuant to Schedule 13G filed with the SEC on February 14, 2019. Capital International Investors, a division of Capital Research and Management Company, has sole power to vote 6,031,327 shares and sole power to dispose 6,031,372 shares

(7)
Pursuant to Schedule 13G/A (Amendment No. 1) filed with the SEC on February 14, 2019. Capital World Investors, a division of Capital Research and Management Company, has sole power to vote 5,999,133 shares and sole power to dispose 5,999,133 shares.

(8)
Pursuant to Schedule 13G/A (Amendment No. 2) filed with the SEC on February 11, 2019. Vanguard Group Inc. has sole power to vote 105,652 shares, sole power to dispose 5,548,182 shares, shared power to vote 6,815 shares, and shared power to dispose 106,137 shares.

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AUDIT COMMITTEE REPORT

The Board has determined that each of the existing members of the Audit Committee is independent under applicable rules and regulations of the NYSE and the SEC. The Audit Committee operates under a written charter approved by the Board, which is reviewed annually by the Audit Committee and the Board, and is posted on the Investor Relations section of the Company's website at *www.diplomat.is*.

As described more fully in its charter, the purpose of the Audit Committee is to assist the Board in its general oversight of the Company's financial reporting and internal control functions, to review our reports filed with or furnished to the SEC that include financial statements or results, to monitor compliance with significant legal and regulatory requirements, and other risks related to financial reporting and internal control, and the Audit Committee is directly responsible for the appointment, retention, compensation and oversight of the work of our independent registered public accounting firm, currently BDO, and our internal audit team. See "Audit Committee Matters" below for a description of the Audit Committee's pre-approval policies regarding BDO's services. The Audit Committee further has the authority to engage independent advisors as it determines appropriate, apart from counsel or advisors hired by management. Management has the primary responsibility for the preparation, presentation, and integrity of the Company's financial statements, accounting and financial reporting principles, internal controls and compliance with applicable laws and regulations. BDO is responsible for performing an independent audit of the Company's consolidated financial statements and the effectiveness of the Company's internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (U.S.) ("PCAOB") and for expressing their opinions thereon.

In 2018, among other matters, the Audit Committee:

- Reviewed and discussed with management and BDO the unaudited quarterly financial statements included in each Quarterly Report on Form 10-Q filed with the SEC.

- Reviewed and discussed with BDO the overall scope and plans for its audit for 2018.

- Reviewed and discussed with management and BDO the audited consolidated financial statements, and BDO's opinion thereon, included in the Annual Report on Form 10-K for 2018 filed with the SEC and the 2018 annual report delivered to shareholders.

- Discussed with BDO and management the adequacy of the Company's internal accounting controls, and accounting, financial, and auditing personnel.

- Discussed with BDO the matters required to be discussed by PCAOB Auditing Standard No. 1301, (Communications with Audit Committees).

- Received the written disclosures and the letter from BDO required by the applicable requirements of the PCAOB regarding BDO's communications with the Audit Committee concerning independence, and discussed with BDO its independence with respect to the Company, including any relationships which may impact its objectivity and independence and whether the provision of specified non-audit services is compatible with the auditors' independence under current guidelines.

Based on the foregoing, the Audit Committee recommended to the Board that the audited consolidated financial statements of the Company be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018, which was filed with the SEC on March 18, 2019.

Submitted by the Audit Committee:
David Dreyer, Chairman
Regina Benjamin
Benjamin Wolin

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AUDIT COMMITTEE MATTERS

Pre-Approval Policies and Procedures

In accordance with Audit Committee policy and applicable law, the Audit Committee must pre-approve all services to be provided by BDO, including audit services, audit-related services, tax services, and other services. In determining whether to pre-approve such services, the Audit Committee must consider whether the provision of such services is consistent with the independence of BDO. The full Audit Committee generally provides pre-approval for up to a year related to a particular defined task or scope of work and subject to a specific budget. In other cases, the chair of the Audit Committee may pre-approve such services between Audit Committee meetings pursuant to delegated authority from the Audit Committee; the chair then communicates such pre-approvals to the full Audit Committee at the next regularly scheduled meeting.

BDO Fees

The following table sets forth the fees we were billed for audit and other services provided by BDO in 2018 and 2017. All of such services described below were approved in conformity with the Audit Committee's pre-approval policies and procedures described above.

	2018 ($)	**2017 ($)**
Audit Fees(1)	1,597,303	1,001,432
Audit-Related Fees(2)	12,600	266,080
Tax Fees(3)	809,575	351,876
Total Fees	2,419,478	1,619,388

(1) Audit fees in 2018 and 2017 consisted of services related to the audits of the consolidated financial statements and internal control over financial reporting, review of the interim financial statements, and consultation on accounting matters.

(2) Audit-related fees in 2018 and 2017 consisted primarily of fees related to acquisition activity.

(3) Tax fees in 2018 and 2017 consisted of tax compliance and various tax-related planning and research.

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PROPOSAL NO. 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2019

In accordance with applicable law, the Audit Committee has ultimate authority and responsibility to appoint, compensate, evaluate and, when appropriate, replace our independent registered public accounting firm. In April 2019, the Committee reappointed BDO to be our independent registered public accounting firm for 2019. BDO has served in such capacity initially in connection with the 2014 initial public offering, and has provided the Company with auditing services since 2008. See "Audit Committee Report" and "Audit Committee Matters" for additional information on BDO's services provided to us in 2018 and 2017.

As the Audit Committee has responsibility for the appointment of our independent registered public accounting firm, your ratification of the appointment of BDO is not necessary. However, the Committee will take your vote on this proposal into consideration when appointing our independent registered public accounting firm in the future. Even if the shareholders ratify the appointment of BDO, the Committee may in its sole discretion terminate the engagement of BDO and direct the appointment of another independent registered public accounting firm at any time during the year, although it has no current intent to do so.

Representatives of BDO will attend the meeting, will have the opportunity to make a statement, if they desire to do so, and will be available to answer appropriate questions from our shareholders.

The Board recommends that you vote FOR the ratification of the Audit Committee's appointment of BDO USA, LLP as our independent registered public accounting firm for 2019.

PROPOSAL NO. 3 ADVISORY VOTE ON NAMED EXECUTIVE OFFICER COMPENSATION

Our Board proposes that shareholders provide advisory (non-binding) approval of the compensation of our named executive officers, as disclosed in this proxy statement in accordance with the SEC's rules (commonly known as a "say-on-pay" proposal). We recognize the interest our shareholders have in the compensation of our executive officers and we are providing this advisory proposal in recognition of that interest and as required by Section 14A of the Exchange Act. The next advisory say-on-pay vote will occur at our 2020 annual meeting of shareholders.

As described in detail under the heading "Compensation Discussion and Analysis," our named executive officer compensation program is designed to attract, motivate, and retain our named executive officers who are critical to our success, and to ensure alignment of such persons with shareholders. Under this program, our named executive officers are rewarded for their service to the Company, the achievement of specific performance goals, and the realization of increased shareholder value. We believe our executive officer compensation program also is structured appropriately to support our Company and business objectives, as well as to support our culture. The Compensation Committee regularly reviews the compensation program for our named executive officers to ensure the fulfillment of our compensation philosophy and goals.

Please read the "Compensation Discussion and Analysis," beginning on page 23, and the "Named Executive Officer Compensation Tables," beginning on page 40, for additional details about our named executive officer compensation program, including information about the target and earned compensation of our named executive officers in 2018.

We are asking our shareholders to indicate their support for our named executive officer compensation as described in this proxy statement. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies, and practices described in this proxy statement. Accordingly, we will ask our shareholders to vote "FOR" the following resolution at the 2019 annual meeting:

> "RESOLVED, that the Company's shareholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company's Proxy Statement for the 2019 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the Summary Compensation Table, and the other related tables and disclosure."

The say-on-pay vote is advisory, and therefore not binding on the Company, the Compensation Committee, or our Board. We value the opinions of our shareholders and to the extent there is any significant vote against the named executive officer compensation as disclosed in this proxy statement, we will consider our shareholders' concerns and the Compensation Committee will evaluate whether any actions are necessary to address those concerns.

The Board recommends a vote FOR the approval of the compensation of our named executive officers, as disclosed in this proxy statement pursuant to the rules of the SEC.

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ADDITIONAL INFORMATION

Equity Compensation Plans

The following table sets forth certain information as of December 31, 2018 concerning our equity compensation plans:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	6,353,970(1)	$18.33(2)	3,890,795(3)
Equity compensation plans not approved by security holders(4)	744,439	24.29(2)	
Total	7,098,409	$18.42	3,890,795

(1) Consists of (A) 356,630 outstanding options for our common stock under the 2007 Option Plan, (B) 4,748,044 outstanding options for our common stock under the 2014 Omnibus Incentive Plan, (C) 43,355 outstanding shares of restricted stock under the 2014 Omnibus Incentive Plan, (D) 1,066,429 outstanding RSUs under the 2014 Omnibus Incentive Plan and (E) 139,512 outstanding PSUs (reflected at the maximum award amount) under the 2014 Omnibus Incentive Plan.

(2) Excludes restricted stock, which has no exercise price.

(3) Consists of shares of common stock that may be issued pursuant to options, restricted stock, and other equity awards under the 2014 Omnibus Incentive Plan. No additional awards may be issued under the 2007 Option Plan.

(4) Represents Inducement Awards Granted to Brian Griffin pursuant to the Griffin Offer Letter (with performance-based awards reflected at maximum (400%)). Consists of (A) 81,351 outstanding options for our common stock, (B) 33,716 outstanding RSUs and (C) 629,372 outstanding PSUs. In addition, pursuant to the Griffin Offer Letter, Mr. Griffin received a Sign-On Inducement Award of up to 1,498,500 PSUs (reflected at maximum 400% award amount) based on the Company's performance relative to specified cumulative Adjusted EBITDA and revenue goals for the years ending December 31, 2018 and 2019. The grant date for the Sign-On Inducement Award is January 2019 when the 2019 performance measures became determinable. Accordingly, the Sign-On Inducement Award is not included in the table above.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors, our executive officers and persons who beneficially own more than 10% of a registered class of our equity securities ("insiders") to file reports with the SEC regarding their pecuniary interest in our equity securities and any changes thereto, and to furnish copies of these reports to us. Based on our review of the insiders' forms furnished to us or filed with the SEC and representations made by the directors and applicable executive officers, no insiders failed to file on a timely basis a Section 16(a) report in 2018.

Availability of 2018 Annual Report to Shareholders

SEC rules require us to provide a copy of our 2018 Annual Report to shareholders who receive this proxy statement. Our 2018 annual report to shareholders includes our Annual Report on Form 10-K for 2018. We will also provide copies of our 2018 annual report to shareholders, and to brokers, dealers, banks, voting trustees, and their nominees for the benefit of beneficial owners. Additional copies of the 2018 annual report to shareholders (excluding certain exhibits or documents incorporated by reference in our Annual Report on Form 10-K for 2018) are available to shareholders at no charge upon written request to: Diplomat Pharmacy, Inc., Attention: General Counsel, 4100 S. Saginaw Street, Flint, MI 48507 or on the Investors section of our website at *www.diplomat.is*.

Requirements for Submission of Shareholder Proposals and Nominations for 2020 Annual Meeting

Under the rules of the SEC, if a shareholder wants us to include a proposal in our proxy statement and form of proxy for presentation at our 2020 annual meeting of shareholders (pursuant to Rule 14a-8 of the Exchange Act), the proposal must be received by us at our principal executive offices (Diplomat Pharmacy, Inc., Attention: General Counsel, 4100 S. Saginaw Street, Flint, MI 48507) by the close of business (5:00 pm Eastern Time) on December 26, 2019. As the rules of the SEC make clear, simply submitting a proposal does not guarantee that it will be included.

Any shareholder director nomination or proposal of other business intended to be presented for consideration at the 2020 annual meeting, but not intended to be considered for inclusion in our proxy statement and form of proxy relating to such meeting (i.e. not pursuant to Rule 14a-8 of the Exchange Act), must be received by us at the address stated above not less than 90 days and not more than 120 days before the first anniversary of the date of the 2019 annual meeting. Therefore, such notice must be received between February 4, 2020 and the close of business on March 5, 2020 to be considered timely. However, if our 2020 annual meeting occurs more than 30 days before or 60 days after June 3, 2020, we must receive nominations or proposals (A) not later than the close of business on the later of the 90th day prior to the date of the 2020 annual meeting or the 10th day following the day on which public announcement is made of the date of the 2020 annual meeting, and (B) not earlier than the 120th day prior to the 2020 annual meeting.

The above-mentioned proposals must also be in compliance with our By-Laws and the proxy solicitation rules of the SEC and the NYSE, including, but not limited to, the information requirements set forth in our By-Laws. We reserve the right to reject, rule out of order, or take other appropriate action with respect to any proposal that does not comply with the foregoing and other applicable requirements.

Solicitation by Board; Expenses

We will pay the cost of preparing, assembling, and mailing the proxy materials. We have requested banks, brokers, and other nominees to send the proxy materials to, and to obtain proxies from, the beneficial owners and we will reimburse such record holders for their reasonable expenses in doing so. In addition, our directors, officers, and regular employees may solicit proxies by mail, telephone, facsimile or in person, but they will not receive any additional compensation for such work.

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Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be Held on June 3, 2019

The 2019 proxy statement and 2018 annual report are available at https://materials.proxyvote.com/25456K.

Your cooperation in giving this matter your immediate attention and in voting your proxies promptly is greatly appreciated.

By Order of the Board of Directors,

Christina Flint
General Counsel and Secretary
April 24, 2019