

OPTION CARE INC/DE  
Form DEF 14A  
April 11, 2006  
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  x  
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))**
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

**OPTION CARE, INC.**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  - (4) Proposed maximum aggregate value of transaction:
  - (5) Total fee paid:
- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
  - (1) Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:
  - (4) Date Filed:

**485 HALF DAY ROAD  
SUITE 300  
BUFFALO GROVE, ILLINOIS 60089**

Dear Stockholder:

You are cordially invited to the Annual Meeting of Stockholders (the Meeting) of Option Care, Inc. (Option Care or the Company). The Meeting will be held at the Company's Corporate Offices at 485 Half Day Road, Suite 300, Buffalo Grove, Illinois, on Tuesday, May 16, 2006, at 10:00 a.m., local time.

At the Meeting, you will be asked (a) to elect three directors to hold office for a three-year term; (b) to approve a proposal to amend the Option Care, Inc. 2001 Employee Stock Purchase Plan (i) to increase the number of shares of the Company's common stock available for issuance under the plan from 1,000,000 to 2,000,000 and (ii) to increase the number of unissued shares that may be issued per year under the plan from 100,000 to 200,000; (c) to ratify the appointment of Ernst & Young LLP to act as independent registered public accounting firm of the Company for the fiscal year 2006; and (d) to transact any other business as may properly come before the Meeting and any adjournments or postponements of the Meeting.

**Option Care's Board of Directors (the Board) unanimously recommends that you vote FOR the nominees for election as directors, FOR the amendment to the Option Care, Inc. 2001 Employee Stock Purchase Plan and FOR appointment of Ernst & Young LLP to act as independent registered public accounting firm of the Company for the fiscal year 2006.**

In the materials accompanying this letter, you will find a Notice of the Meeting, a Proxy Statement relating to the proposals you will be asked to consider and vote upon at the Meeting, and a Proxy Card. The Proxy Statement includes general information regarding Option Care as well as additional information relating to the specific proposals you will be asked to consider and vote upon at the Meeting. Also enclosed with the proxy materials is Option Care's Annual Report to Stockholders for the year ended December 31, 2005.

All stockholders are invited to attend the Meeting in person. However, whether or not you plan to attend the Meeting, please complete, sign and date the Proxy Card enclosed herewith and promptly return it to Option Care in the enclosed envelope we have provided for that purpose or follow the Internet or telephone voting instructions on the Proxy Card. If you attend the Meeting, you may vote in person if you wish, even though you have previously returned your proxy. It is important that your shares be represented and voted at the Meeting.

Sincerely,  
/s/ RAJAT RAI  
Rajat Rai  
*Chief Executive Officer*

April 18, 2006

**485 HALF DAY ROAD  
SUITE 300  
BUFFALO GROVE, ILLINOIS 60089**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD MAY 16, 2006**

To the Holders of the Common Stock of  
Option Care, Inc.

The Annual Meeting of Stockholders (the Meeting) of Option Care, Inc., a Delaware corporation (the Company), will be held at the Company's Corporate Offices at 485 Half Day Road, Suite 300, Buffalo Grove, Illinois 60089 on May 16, 2006 beginning at 10:00 a.m., local time. The Company's Board of Directors has fixed the close of business on April 6, 2006 as the Record Date for the determination of stockholders entitled to receive notice of and to vote at the Meeting and any adjournments or postponements of the Meeting. At the Meeting, you will be asked to consider and vote upon the following:

1. To elect three (3) directors to hold office for a term of three years or until their successors shall have been duly elected and qualified;
2. To approve a proposal to amend the Option Care, Inc. 2001 Employee Stock Purchase Plan (i) to increase the number of shares of the Company's common stock available for issuance under the plan from 1,000,000 to 2,000,000 and (ii) to increase the number of unissued shares that may be issued per year under the plan from 100,000 to 200,000;
3. To ratify the appointment of Ernst & Young LLP to act as independent registered public accounting firm of the Company for fiscal year 2006; and
4. To consider and act upon such other business as may properly come before the Meeting or any adjournments or postponements of the Meeting.

Each of the matters identified above are discussed in detail in the Proxy Statement attached to this Notice. We encourage you to read the Proxy Statement carefully.

It is extremely important that your shares are voted at the Meeting. To ensure that your shares are voted at the Meeting please complete, sign and date the enclosed proxy card and return it as promptly as possible in the enclosed return envelope we have provided for that purpose or by following the Internet or telephone voting instructions on the proxy card. No postage is required to return the proxy card in the enclosed envelope if mailed in the United States. You may revoke a previously given proxy in the event you change your mind after you return the proxy card to the Company. The delivery of a later dated proxy card to the Company will revoke any previously given proxy. In addition, you may revoke a previously given proxy by attending the Meeting and voting your shares in person.

*By Order of the Board of Directors.*  
/s/ JOSEPH P. BONACCORSI  
*Senior Vice President, General Counsel and Secretary*

April 18, 2006  
Buffalo Grove, Illinois

**485 HALF DAY ROAD  
SUITE 300  
BUFFALO GROVE, ILLINOIS 60089**

---

**PROXY STATEMENT**

**ANNUAL STOCKHOLDERS MEETING**

**TO BE HELD MAY 16, 2006**

---

**GENERAL**

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Option Care, Inc., a Delaware corporation (the Company), for use at the Annual Meeting of Stockholders (the Meeting) to be held on Tuesday, May 16, 2006, at 10:00 a.m., local time, at the Company's Corporate Offices at 485 Half Day Road, Suite 300, Buffalo Grove, Illinois, 60089 and any adjournments or postponements thereof.

The Notice of Annual Meeting to which this Proxy Statement is attached lists the matters which the Company intends to propose for consideration at the Meeting and these matters are discussed in detail later in this Proxy Statement. Other than the matters listed in the Notice of Annual Meeting and discussed herein, the Board does not currently intend, nor does it know of anyone else who intends, to present any other matter for consideration at the Meeting.

All proxies evidenced by a properly completed and returned Proxy Card will be voted in accordance with the instructions set forth in the Proxy Card. If no choice is specified, proxies will be voted FOR the election of the nominees for director proposed by the Board of Directors as set forth in Proposal 1, FOR the amendment to the Company's 2001 Employee Stock Purchase Plan as set forth in Proposal 2 and FOR ratification of the appointment of Ernst & Young LLP to act as independent registered public accounting firm of the Company for fiscal year 2006 as set forth in Proposal 3. If any other matters properly come before the Meeting, the persons named as proxies in the Proxy Card will be authorized to vote or otherwise act on these matters using their judgment and discretion; provided, however, that proxies directing a vote against a proposal may not be voted for a proposal to adjourn the Meeting to permit further solicitation in favor of the original proposal. A stockholder who executes a proxy may revoke it at any time before it is voted by delivering to the Company another proxy bearing a later date, by submitting written notice of such revocation to the Secretary of the Company, or by personally appearing at the Meeting and casting a contrary vote. Even if you plan to attend the meeting in person, please execute, date and return the enclosed proxy promptly. Should you attend the meeting, you may revoke the proxy by voting in person. A postage-paid, return-addressed envelope is enclosed for your convenience. Your cooperation in giving this your prompt attention will be appreciated.

The representation in person or by proxy of at least a majority of the shares entitled to vote at the Meeting is necessary to constitute a quorum. Assuming the requisite numbers of shares are represented at the Meeting, each proposal will be voted on separately and the vote required to approve each proposal is described below. A plurality of the votes cast is required for the election of directors, which means that the three nominees with the highest vote totals will be elected as directors. As a result, abstentions and broker non-votes do not have an effect on the results of the vote for the election of directors. The affirmative vote of a majority of the shares represented at the Meeting in person or by proxy is required to approve all

other matters to be voted on. Abstentions are treated as votes against these matters. Broker non-votes will have no effect on the result of the vote for these matters.

Each share of Common Stock is entitled to one vote for each of the proposals identified in this Proxy Statement. The close of business on April 6, 2006 has been fixed as the Record Date for the determination of the holders of our Common Stock entitled to notice of and to vote at the Annual Meeting. On April 6, 2006, there were 33,084,013 shares of Common Stock outstanding and entitled to vote. This Proxy Statement, together with the enclosed Notice of Meeting and Proxy Card, were mailed beginning on or about April 18, 2006 to all record owners of the Company's Common Stock as of the Record Date.

**PROPOSAL 1. ELECTION OF DIRECTORS  
(Proposal 1 on the Proxy Card)**

In accordance with the Company's By-laws, the size of the Board of Directors has been fixed at seven members. The Board of Directors is divided into three classes, with two classes having two seats each and one class having three seats. Every year one class is elected to a three-year term. The class currently up for election contains three directors. One of the classes not currently up for election has a vacancy. Despite this vacancy, you may not vote for a greater number of persons than the number of nominees on the enclosed card.

The Nominating and Corporate Governance Committee recommended to the Board of Directors, and the Board of Directors approved, Kenneth S. Abramowitz, John N. Kapoor, Ph.D. and Rajat Rai as the Company's nominees for election to a three-year term as directors of the Company. Mr. Abramowitz has served as a director of the Company since 2002. Dr. Kapoor has served as Chairman of the Board of Directors since 1990. Mr. Rai has served as a director and Chief Executive Officer of the Company since 2001. Because each of the nominees currently serves as a director of the Company, the Board of Directors is fully aware of the ways in which these nominees' experience and expertise compliment the Company's needs. The nominees' existing relationship with the Company also provides the Board of Directors with actual knowledge of the nominees' commitment of time and attention to the Company and allowed this assessment to include consideration of the actual level of the nominees' past participation in Board functions.

Messrs. Abramowitz and Rai and Dr. Kapoor have advised the Board of Directors that they are willing to serve if elected as directors of the Company. However, if prior to the Meeting, the Board of Directors makes a good faith determination that any of the nominees is unable or unwilling to serve as a director, any proxy marked FOR this proposal will include a vote for a substitute nominee selected by the Board of Directors.

**Recommendation of the Board of Directors**

*The Board of Directors recommends that stockholders vote FOR the Company's nominees for election as directors of the Company.*

**INFORMATION CONCERNING OFFICERS AND DIRECTORS****Officers and Directors**

The following table identifies the nominees for election as directors of the Company, each continuing director and each executive officer of the Company. The information in this table is as of April 6, 2006.

Name	Age	Positions or Offices with the Company	Has Served Continuously Since
<b>Nominees with Terms Ending in 2009</b>			
Kenneth S. Abramowitz	55	Director	2002
John N. Kapoor, Ph.D	62	Chairman of the Board of Directors	1990
Rajat Rai	39	Director and Chief Executive Officer	2001
<b>Directors with Terms Ending in 2008</b>			
Edward A. Blechschmidt	53	Director	2005
Leo Henikoff, M.D.	66	Director	2001
<b>Directors with Terms Ending in 2007</b>			
Jerome F. Sheldon	70	Director	1991
<b>Executive Officers</b>			
Joseph P. Bonaccorsi	41	Senior Vice President, Secretary and General Counsel	2002
Paul Mastrapa	41	Senior Vice President and Chief Financial Officer	2002
Richard M. Smith	46	President and Chief Operating Officer	2003

**Nominees**

*Kenneth S. Abramowitz* has served as a director since September 2002. Mr. Abramowitz is a Managing General Partner and co-founder of New Global Network (NGN) Capital, a \$250 million worldwide healthcare venture capital fund. Mr. Abramowitz served at The Carlyle Group from 2001 to 2003 as a Managing Director for the Healthcare Team, focused on U.S. buyout opportunities in the healthcare industry. Prior to that, Mr. Abramowitz worked as an Analyst at Sanford C. Bernstein & Company where he covered the medical supply, hospital management and Health Maintenance Organization (HMO) industries for 23 years. Mr. Abramowitz currently sits on the Board of Directors of EKOS Corporation, OptiScan Biomedical Corporation, Power Medical Interventions, Inc., Sightline Technologies Ltd., and Small Bone Innovations, LLC.

*John N. Kapoor, Ph.D.*, is the Chairman of the Company's Board of Directors, a position he has held since October 1990. Dr. Kapoor served as the Company's Chief Executive Officer from August 1993 to April 1996 and from June 2000 to March 2001. Dr. Kapoor also served as the Company's President from August 1993 through October 1993 and from January 1995 through February 1996 and as Chief Executive Officer and President from March 1991 to May 1991. Since 1990, Dr. Kapoor has served as President of EJ Financial Enterprises, Inc., a provider of funds and strategic advice and consulting services to health care companies that are in the early stages of their lifecycle and display high growth potential. Dr. Kapoor is a director of First Horizon Pharmaceutical Corporation, and is Chairman of the Board of Directors of each of Introgen Therapeutics Inc., Akorn, Inc. and NeoPharm, Inc.

*Rajat Rai* has served as a director since May 2001 and as the Company's Chief Executive Officer since April 2001. Mr. Rai served as President of the Company from June 2000 through May 2003. Prior to that, Mr. Rai held various positions with the Company since August 1992, including Chief Operating Officer from August 1999 to April 2001.



### **Continuing Directors**

*Edward A. Blechschmidt* was appointed to the Board of Directors in November 2005. Mr. Blechschmidt was Chairman, Chief Executive Officer and President of Gentiva Health Services, Inc. from March 2000 until June 2000, and continued to serve as a director for such company until May 2005. Mr. Blechschmidt served as Chief Executive Officer and President of Olsten Corporation from October 1998 to March 2000, at which time Gentiva Health Services, Inc. was spun off from Olsten Corporation. Mr. Blechschmidt is currently a member of the Board of Directors of Healthsouth Corporation, Columbia Laboratories, Inc., and Lionbridge Technologies, Inc.

*Leo Henikoff, M.D.*, has served as a director since November 2001. Dr. Henikoff has served as a Professor of Internal Medicine and Pediatrics at Rush-Medical College since July 1984 and President Emeritus of Rush University in Chicago, Illinois since February 2002. From July 1984 to February 2002, Dr. Henikoff served as President and Chief Executive Officer of Rush-Presbyterian-St. Luke's Medical Center in Chicago, Illinois; President and Chairman of the Rush System of Health, a six-hospital system in the Chicago area; and President of Rush University. Dr. Henikoff is also currently a director of Harris Financial Corporation, Sentry Insurance and the Geisinger Health System.

*Jerome F. Sheldon* has served as a director since November 1991. Mr. Sheldon was founder, Chairman and Chief Executive Officer of Lamar Snowboards, a manufacturer and distributor of snowboard products, from August 1991 until his retirement in July 1998. Mr. Sheldon was President and Chief Executive Officer of Medicine Shoppe International, Inc., a franchisor of retail pharmacies, from March 1980 to June 1990, and was a director of this company from March 1980 to February 1991. Mr. Sheldon has served as Chairman of the Board of First Dental Health since 1998.

### **Information Concerning the Board of Directors**

During the year ended December 31, 2005, the Company's Board of Directors met five times, including four regularly scheduled meetings and one special meeting. During 2005, each director attended at least 75% of the aggregate of all meetings of the Board of Directors and all meetings of committees of which he was a member. The Company does not have a formal policy with respect to director attendance at annual meetings. All continuing directors and nominees for director attended the Company's 2005 Annual Meeting of Stockholders on May 9, 2005, with the exception of Mr. Blechschmidt, who was appointed to Board of Directors in November 2005.

At the recommendation of the Company's Chief Executive Officer, Mr. Rai, the Nominating and Corporate Governance Committee recommended, and the Board of Directors approved, the appointment of Edward A. Blechshmidt to fill an empty seat on the Company's Board of Directors effective November 2005. Mr. Blechschmidt will serve in the director class with term expiring in 2008.

The Company is actively seeking a qualified candidate to fill one remaining vacancy on the Board in the class with term expiring in 2007. At this time, the Nominating and Corporate Governance Committee has not identified a suitable candidate.

### **Independent Directors**

The Board of Directors has determined that each of our continuing directors and nominees other than Dr. Kapoor and Mr. Rai qualify as independent in accordance with the listing standards of The Nasdaq Stock Market. Dr. Kapoor is not considered independent because of the Company's relationship with EJ Financial Enterprises, Inc., of which Dr. Kapoor is the sole owner, and Mr. Rai is not considered independent because he is an officer of the Company. The Nasdaq independence definition includes a series of objective tests, such as that the director is not an employee of the Company and has not engaged in various types of business dealings with the Company. In addition, as further required by the Nasdaq



rules, the Board has made the subjective determination as to each independent director that no relationships exist that, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making these determinations, the directors reviewed and discussed information provided by the directors and the Company with regard to each director's business and personal activities as they may relate to the Company and the Company's management.

### **Compensation of Directors**

Directors receive \$7,500 in compensation for attendance at each regular meeting of the Board of Directors. Directors are also reimbursed for out-of-pocket expenses incurred in connection with attendance at Board of Directors and committee meetings. Upon election or appointment to the Board of Directors, each non-employee director receives an option to purchase 45,000 shares of the Company's common stock ( Common Stock ) at an exercise price equal to the closing market price on the date of grant. These options are generally exercisable immediately upon issuance. After the director's first year of service to the Board, at the beginning of each additional year of service, each non-employee director is granted an option to purchase 15,000 shares of Common Stock at an exercise price equal to the market price on the date of grant. Each such annual grant generally becomes vested in full on the one-year anniversary of the grant date.

### **Standing Committees**

To better and more efficiently discharge its fiduciary duties to stockholders, the Board has delegated special responsibility and authority with respect to various matters to committees, each of which should have a minimum of three members drawn from the full Board of Directors. The standing committees of the Board include the Audit Committee, the Compensation Committee, the Corporate Compliance Committee and the Nominating and Corporate Governance Committee. The Board has adopted a charter for each committee. These charters are available at the Company's website, [www.optioncare.com](http://www.optioncare.com).

*Audit Committee.* The Audit Committee has complete authority over the selection, direction and compensation of the Company's independent registered public accounting firm. This authority extends to establishing the scope of the audit, determining compensation, approving all non-audit services and monitoring auditor independence. The Audit Committee has assumed formal responsibility for final approval of the Company's critical accounting policies and for monitoring the continued propriety of the methods employed by the Company in connection with significant estimates and accruals. The Audit Committee also participates in, oversees and has other involvement with numerous processes designed to enhance the quality of the Company's financial information, including the Company's internal controls. The Audit Committee reviews all financial disclosure documents and discusses these documents with both management and the Company's independent registered public accounting firm prior to public release. Finally, the Audit Committee monitors the Company's adherence to the Company's corporate compliance program and general corporate policies. Throughout 2005, the members of the Audit Committee were Messrs. Abramowitz and Sheldon and Dr. Henikoff. In February 2006, Mr. Blechschmidt was appointed to also serve on the Audit Committee. Each member of the Audit Committee is independent as that term is defined by the listing standards of The Nasdaq Stock Market. The Board has determined that each of Messrs. Abramowitz and Blechschmidt satisfies the requirements for an audit committee financial expert under the current rules of the Securities and Exchange Commission. The Audit Committee met five times during 2005.

*Compensation Committee.* Although primary authority to establish and review performance standards and set compensation levels below the senior office level has been delegated to the Company's Chief Executive Officer, his decisions remain subject to oversight and review by the Compensation Committee. The function of the Compensation Committee is to determine the annual salary, bonus and

other benefits of selected senior officers of the Company and establish and review, as appropriate, performance standards under compensation programs for senior officers. The Compensation Committee also serves as administrator for the Company's Amended and Restated Stock Incentive Plan (1997). Throughout 2005, the members of the Compensation Committee were Dr. Henikoff and Mr. Sheldon. In February 2006, Mr. Blechschmidt was appointed to also serve on the Compensation Committee. Each member of the Compensation Committee is an independent director as defined in the listing standards of The Nasdaq Stock Market. The Compensation Committee met a total of four times during 2005.

*Nominating and Corporate Governance Committee.* The members of the Nominating and Corporate Governance Committee are Messrs. Abramowitz and Sheldon and Dr. Henikoff. The purpose of the committee is to assist the Board of Directors in identifying qualified individuals to become board members, nominating directors to serve on and to chair the Board committees, periodically reviewing director compensation and benefits, and improving the Company's corporate governance guidelines. Each member of the Nominating and Corporate Governance Committee is an independent director as defined by the listing standards of The Nasdaq Stock Market. The Nominating and Corporate Governance Committee met two times during 2005.

#### **Director Nominee Criteria and Process**

The Board of Directors is responsible for approving candidates for Board membership. The Board has delegated the screening and recruitment process to the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee believes that the criteria for director nominees should ensure effective corporate governance, support the Company's strategies and businesses, account for individual director attributes and the effect of the overall mix of those attributes on the Board's effectiveness, and support the successful recruitment of qualified candidates to the Board.

Qualified candidates for director are those who, in the judgment of the Nominating and Corporate Governance Committee, possess all of the personal attributes and a sufficient mix of experience as described below to assure effective service on the Board. Personal attributes of a Board candidate considered by the Nominating and Corporate Governance Committee include: leadership, personal ethics, independence, interpersonal skills and effectiveness. The experience of a Board candidate considered by the Nominating and Corporate Governance Committee include: financial acumen, general business experience, industry knowledge, diversity of view points, special business experience and expertise.

The Nominating and Corporate Governance Committee may receive recommendations for Board candidates from various sources, including recommendations from directors, executive officers and stockholders. A stockholder wishing to nominate a candidate for election to the Board at the annual meeting is required to give written notice to the Secretary of the Company of his or her intention to make a nomination. To be considered timely, such notice shall be delivered to or mailed to and received by the Secretary not less than 60 days and not more than 90 days before the first anniversary of the preceding year's annual meeting, provided, however, in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the stockholder to be timely must be delivered not earlier than the close of business on the 90th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting or the close of business on the 10th day following the day on which public announcement of the date of such meeting is first made by the Company. A stockholder's notice to the Secretary shall contain, for each person nominated for election or reelection as director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended. Such information shall include, but not be limited to, the nominee's name, age and qualifications for serving as director, including relevant experience and education background, and the nominee's written consent to being named in the proxy statements as a nominee and to serving as a director if elected. In addition, the stockholder giving notice must provide his

or her name and address, and the name and address of such beneficial owner, if any, on whose behalf the proposal is made, as well as the number of shares of the Company's common stock that are owned beneficially and of record by such stockholder and such beneficial owner.

#### **Stockholder Communications to Directors**

Any stockholder interested in communicating with the Board of Directors as a group, or an individual member of the Board of Directors, may do so by writing c/o Joseph P. Bonaccorsi, Senior Vice President, Secretary and General Counsel, Option Care, Inc., 485 Half Day Road, Suite 300, Buffalo Grove, Illinois 60089. All communications to the Board of Directors or a specified individual director will be provided to the Board of Directors, or the specified individual director, at the next Board meeting following receipt of the communication. However, if the Secretary determines the nature of the communication requires the immediate attention of the Board of Directors or the specified individual director, the communication will be provided as soon as reasonably possible. Such correspondence will not be screened and will be forwarded in its entirety.

#### **Executive Officers**

*Joseph P. Bonaccorsi* joined Option Care in January 2002 as Senior Vice President, Secretary and General Counsel. Prior to joining Option Care, Mr. Bonaccorsi was a partner at the Chicago law firm of Sanchez & Daniels, where he practiced from 1993 to 2001.

*Paul Mastrapa* rejoined Option Care, Inc. as a Senior Vice President and Chief Financial Officer in February 2002. Previously, Mr. Mastrapa held key senior level positions responsible for the financial management, business development, and operations of several healthcare service companies. Mr. Mastrapa founded and served as Chief Executive Officer for AdvoLife, a venture capital-backed provider of private pay chronic care management services to seniors, leading the company to profitability. In 1991, Mr. Mastrapa joined Option Care, where he supported the IPO process, acquisitions, and financial management needs of the company during the early 1990's. He began his career at Ernst & Young LLP in Chicago.

*Richard M Smith* joined Option Care in May 2003 as President and Chief Operating Officer. From May 2002 to May 2003, Mr. Smith was President and Co-CEO of Healthtiger, a private data management firm specializing in healthcare. He served as President, CEO and CFO at ESP Employment Screening Partners from March 2000 to May 2002.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The table below sets forth information regarding the amount of Common Stock beneficially owned, as of April 6, 2006, by (i) each director of the Company, (ii) each nominee for election as a director of the Company, (iii) each named executive officer, (iv) all directors and executive officers of the Company as a group and (v) any person who is known by us to beneficially own 5% or more of our Common Stock.

Name and Address(1)	Number of Shares Beneficially Owned(2)	Percent of Outstanding Common Stock Beneficially Owned(3)
John N. Kapoor, Ph.D.(4)	7,569,051	21.8 %
Lord, Abbett & Co. LLC (5)	2,253,288	6.5 %
FMR Corporation(6)	2,000,000	5.8 %
Wellington Management Company, LLP (7)	1,973,037	5.7 %
Rajat Rai	1,037,791	3.0 %
Kenneth S. Abramowitz	90,563	*
Edward A. Blechschmidt		*
Joseph P. Bonaccorsi	99,114	*
Leo Henikoff, M.D.	103,126	*
Paul Mastrapa	225,000	*
Jerome F. Sheldon	58,125	*
Richard M. Smith	112,500	*
All directors and executive officers as a group (9 persons)	9,295,271	26.8 %

\* Less than 1%

(1) Except as otherwise indicated, each individual has sole voting and investment power over the shares listed beside his or her name. The address for each person is 485 Half Day Road, Suite 300, Buffalo Grove, Illinois, 60089.

(2) Includes the following shares that such persons may acquire upon the exercise of options exercisable within 60 days of April 6, 2006: Mr. Abramowitz 89,063 shares; Mr. Bonaccorsi 89,687 shares; Dr. Henikoff 103,126 shares; Mr. Mastrapa 225,000 shares; Mr. Rai 940,032 shares; Mr. Sheldon 15,000 shares; Mr. Smith 112,500 shares, and all directors and executive officers as a group 1,574,408 shares.

(3) The percentage calculations for beneficial ownership are based upon 33,084,013 shares of Common Stock issued and outstanding as of April 6, 2006 plus for each person or group, the number of shares of Common Stock subject to options exercisable currently or within 60 days after April 6, 2006 by such person or group.

(4) Includes: 6,169,091 shares owned by E.J. Financial/OCI Management, L.P., of which Pharma Nevada, Inc., a company for which Dr. Kapoor is the sole director and president, is the general partner; 952,381 shares owned by the Kapoor Family Partnership, L.P., of which Dr. Kapoor is the sole general partner; and 447,579 shares owned by the John N. Kapoor Trust dated September 20, 1989, of which Dr. Kapoor is the sole trustee and sole current beneficiary.

(5) The address of Lord, Abbett & Co., LLC is 90 Hudson Street, Jersey City, New Jersey, 07302. This information was derived from a Schedule 13G filed with the Securities and Exchange Commission by such holder to disclose its beneficial ownership of the Company's common stock as of December 31, 2005.

(6) The address of FMR Corporation is 82 Devonshire Street, Boston, Massachusetts, 02109. This information was derived from a Schedule 13G/A filed with the Securities and Exchange Commission by such holder to disclose its beneficial ownership of the Company's common stock as of December 31, 2005.

(7) The address of Wellington Management Company, LLP is 75 State Street, Boston, Massachusetts, 02109. This information was derived from a Schedule 13G filed with the Securities and Exchange Commission by such holder to disclose its beneficial ownership of the Company's common stock as of December 31, 2005.

9

---

**Stock Performance Graph**

The graph below compares the cumulative stockholder return on the Company's Common Stock with the cumulative total return on the S&P 500 Index and the Dow Jones U.S. Healthcare Index for the five-year period ended December 31, 2005, assuming the investment of \$100 in each on December 31, 2000. For purposes of preparing the graph, the Company assumed that all dividends were reinvested at the time they were paid. The Company's Common Stock is traded on The Nasdaq Stock Market. Past financial performance should not be considered to be a reliable indicator of future performance and investors should not use historical trends to anticipate results or trends in future periods.

	12/31/2000	12/31/2001	12/31/2002	12/31/2003	12/31/2004	12/31/2005
Option Care common stock	100	313	159	214	344	401
S&P 500 index	100	87	67	84	92	95
Dow Jones U.S. Healthcare index	100	86	67	79	82	88

**Executive Compensation**

For the years 2005, 2004 and 2003, the following table presents summary information concerning compensation awarded or paid to, or earned by, (i) the Company's Chief Executive Officer and (ii) each of the other four most highly compensated executive officers for the year 2005.

**Summary Compensation Table**

Name and Principal Positions	Year	ANNUAL COMPENSATION			LONG-TERM COMPENSATION			
		Salary(\$)	Bonus(\$)	Other Annual Compensation (\$)(1)	Restricted Stock Awards (\$)	Securities Underlying Options/SARs(#)(2)	LTIP Payouts (\$)	All other Compensation (\$)(3)
Rajat Rai	2005	374,250		9,000				5,670
Chief Executive Officer	2004	353,750	56,667	9,000				6,500
	2003	324,327		9,000				6,000
Joseph P. Bonaccorsi	2005	244,000		6,000				5,926
Senior Vice President,	2004	235,000	16,667	6,000		37,500		6,500
Secretary and General Counsel	2003	199,640		6,000		56,250		6,000
Paul Mastrapa	2005	249,583		6,000				5,735
Senior Vice President and	2004	238,750	16,667	6,000				6,500
Chief Financial Officer	2003	221,410		6,000		150,000		6,000
Richard M. Smith	2005	338,125		6,000				
President and Chief	2004	320,000	16,667	6,000				
Operating Officer	2003	193,269	18,462	3,864		450,000		

(1) Amounts represent automobile allowance for each named executive officer.

(2) Share amounts have been adjusted to reflect the 3-for-2 stock split effective March 31, 2005 for stockholders of record as of March 17, 2005.

(3) Amounts represent matching contributions under the Company's 401(k) plan.

**Options/SARs Granted in Last Fiscal Year**

No stock options or stock appreciation rights were granted to the named executive officers during 2005.

**Aggregated Stock Option Exercises and Year-End Option Value**

The following table sets forth information concerning the number of exercisable and unexercisable stock options at December 31, 2005 as well as the value of stock options having an exercise price lower than the last reported trading price (in-the-money options) on December 31, 2005 held by the named executive officers.

	Shares Acquired on Exercise(2)	Value Realized	Shares Underlying Unexercised Options Held at December 31, 2005 (2)		Value of Unexercised, In-the-Money Options Held at December 31, 2005 (1) (2)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Rajat Rai	4,688	\$ 59,069	940,032	25,313	\$ 7,762,640	\$ 127,324
Joseph P. Bonaccorsi	25,000	\$ 133,169	82,812	79,688	\$ 469,467	\$ 462,846
Paul Mastrapa	75,000	\$ 610,490	140,625	121,875	\$ 610,313	\$ 813,188
Richard M. Smith	225,000	\$ 1,656,645		225,000	\$	\$ 1,649,250

(1) Based on a price per share of \$13.36, the last reported sale price of the Common Stock on December 31, 2005.

(2) All share amounts have been adjusted to reflect the 3-for-2 split of the Company's Common Stock effective March 31, 2005 for shareholders of record on March 17, 2005.





**Equity Compensation Plans**

The following table gives information about the Company's common stock that may be issued upon exercise of options, warrants and rights under the Company's equity compensation plans as of December 31, 2005. (All share and per share amounts set forth in the table have been adjusted to reflect the 3-for-2 stock split effective March 31, 2005 for stockholders of record as of March 17, 2005.):

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans</b>
Equity compensation plans approved by security holders:(1)	3,329,355	\$ 7.52	1,448,754
Equity compensation plans not approved by security holders			
<b>Total</b>	<b>3,329,355</b>	<b>\$ 7.52</b>	<b>1,448,754</b>

(1) Includes the Amended and Restated Stock Incentive Plan (1997) and the 2001 Employee Stock Purchase Plan.

**Employment Contracts and Severance Agreements**

Mr. Bonaccorsi has an Executive Severance Agreement with the Company that entitles Mr. Bonaccorsi to receive twelve months' severance in the event of any termination by the Company without cause or upon Mr. Bonaccorsi's election to leave the Company voluntarily upon a change in control of the Company or other "good reason," as defined in the agreement.

Mr. Mastrapa has an Executive Severance Agreement with the Company that entitles Mr. Mastrapa to receive twelve months' severance in the event of any termination by the Company without cause or upon Mr. Mastrapa's election to leave the Company voluntarily upon a change in control of the Company or other "good reason," as defined in the agreement.

Mr. Rai signed a two-year Employment Agreement with the Company on May 11, 2004. The term of the agreement automatically renews for successive one year terms beginning on May 11, 2006, unless either the Company or Mr. Rai gives the other written notice at least forty-five days before the renewal date of its or his desire to not renew the agreement. Mr. Rai's employment agreement entitles him to receive twenty-four months' severance if his employment is terminated by the Company without cause or by Mr. Rai upon a change in control of the Company or other "good reason," as defined in the agreement.

Mr. Smith signed a one-year Employment Agreement upon joining the Company on May 9, 2003 as the Company's President and Chief Operating Officer. Under the terms of this agreement, Mr. Smith received an initial annual salary of \$300,000, to be reviewed periodically but not less than annually, plus bonus opportunities. The agreement also specified the immediate grant of 300,000 stock options to Mr. Smith. (The grant was pro forma adjusted to 450,000 options to reflect the 3-for-2 stock split effective March 31, 2005 for stockholders of record on March 17, 2005.) On each anniversary of the date of the agreement, Mr. Smith's employment agreement automatically renews for additional one-year terms, unless either the Company or Mr. Smith submits written notice to the other, at least 45 days prior to the anniversary date, of its or his desire to not renew the agreement. Mr. Smith's employment agreement contains a provision that entitles him to receive twelve months' severance if terminated by the Company without cause or upon Mr. Smith's election to leave the Company voluntarily upon a change in control of the Company or other "good reason," as defined in the agreement.

All of the severance agreements provide for the payment of 100% of then-current base salary plus continuation of health insurance and other benefits.

### **Compensation Committee Interlock and Insider Participation**

During 2005, the members of the Compensation Committee of the Board of Directors were Dr. Henikoff and Mr. Sheldon. Neither of these individuals was an officer or employee of the Company or any of its subsidiaries during 2005 or any prior year.

### **Compensation Committee Report on Executive Compensation**

During 2005, the Compensation Committee of the Board of Directors was comprised of Dr. Henikoff and Mr. Sheldon. In February 2006, Mr. Blechschmidt was appointed to the Compensation Committee as well. All Compensation Committee members are non-employee directors of the Company. All decisions by the Compensation Committee relating to the compensation of the Company's executive officers are reviewed by the full Board. In accordance with rules of the Securities and Exchange Commission designed to enhance disclosure of companies' policies toward executive compensation, the following is a report submitted by the above-listed committee members in their capacity as the Board's Compensation Committee addressing the Company's compensation policy as it related to the named executive officers for 2005.

#### *Compensation Philosophy*

The goal of the Company's executive compensation policy is to ensure that an appropriate relationship exists between executive pay and the creation of stockholder value, while at the same time motivating and retaining key employees. To achieve this goal, the Company's executive compensation policies integrate annual base compensation with cash and stock bonuses based upon corporate performance and individual initiatives and stock options granted under the Company's stock-based incentive plans. Measurement of corporate performance is primarily based on the Company's goals and industry performance levels. Accordingly, in years in which performance goals and industry performance levels are achieved or exceeded, executive compensation would be higher than in years in which performance is below expectations. Annual compensation is designed to attract and retain qualified executives. All executive officers and management in general are also eligible for and participate in an incentive compensation plan that consists of cash bonuses and stock options.

#### *Performance Measures*

In evaluating annual bonuses, the Committee examines earnings per share, sales growth and operating results as well as subjective factors relating to performance of management objectives. No specific weight is assigned to any of these factors. The earnings factors are compared with designated Company performance goals, prior years' performance and performance of other companies in the industry. Accordingly, the Company believes it is important that its performance be compared to that of other infusion pharmacy and specialty pharmaceutical companies in order to demonstrate the impact of management's objectives and performance.

#### *Fiscal 2005 Compensation*

For fiscal 2005, the Company's executive compensation program consisted of base salary, a cash bonus based upon the performance measurements described above and stock options. Options are granted based primarily on each such person's potential contribution to the Company's growth and profitability. The Committee believes that options and other stock-based performance compensation arrangements are an effective incentive for managers to create value for stockholders because the value of an option bears a direct relationship to the Company's stock price.

Base salary, maximum annual bonus and annual stock option grants for the Chief Executive Officer and all other executive officers were established by a combination of objective and subjective factors. Actual bonus payout is determined by a combination of objective factors relating to the Company's

performance relative to targets and comparative companies, and subjective factors relating to the completion of specific management objectives.

Base salaries are believed to be within the range of those persons holding comparably responsible positions at other companies, both regionally and nationally. In addition, other factors are taken into consideration, such as cost of living increases and competitors' performance, as well as the individual's past performance and potential with the Company. Bonus compensation is also tied to performance goals.

The Committee believes that linking executive compensation to corporate performance results in a better alignment of compensation with corporate goals and stockholder interest. If performance goals are met or exceeded, resulting in increased value to stockholders, executives are rewarded commensurately. The Committee believes that compensation levels during fiscal 2005 adequately reflect the Company's compensation goals and policies.

#### *Chief Executive Officer Compensation*

Rajat Rai, the Company's Chief Executive Officer, earned an annual salary of \$374,250 for his service to the Company in 2005. Mr. Rai's compensation for this period was based on the Company's evaluation of his past and anticipated future performance in meeting overall business objectives of the Company, particularly in the areas of internal revenue growth, acquisitions plan execution and growth in stockholder value. Mr. Rai's compensation was also determined based on a survey of other persons holding comparably responsible positions at other companies, both regionally and nationally.

#### **THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS**

**EDWARD A. BLECHSCHMIDT**

**JEROME F. SHELDON**

**LEO HENIKOFF**

#### **Report of the Audit Committee of the Board of Directors**

The Audit Committee has assumed its expanded responsibilities following the passage of the Sarbanes-Oxley Act of 2002. The Audit Committee believes that the procedures it currently has in place are sufficient to establish meaningful, independent oversight of the Company's financial reporting, the core goal of Sarbanes-Oxley and other reform-oriented corporate governance initiatives. Nevertheless, the Audit Committee will continue to seek ways in which it can further enhance the quality, timeliness and transparency of the Company's financial disclosures.

The basic responsibilities relating to the Company's financial statements have not changed. The Audit Committee is not responsible for either preparing or expressing an opinion on the Company's financial statements. Management is responsible for the preparation of the Company's financial statements as well as the design, implementation and functioning of the Company's financial reporting processes, including its system of internal controls. The Company's auditors are responsible for performing an audit of the books and records of the Company and expressing an opinion as to whether the Company's annual financial statements have been prepared in conformity with accounting principles generally accepted in the United States and are free of material misstatement, as well as expressing an opinion on management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting.

While the basic responsibilities have not changed, changes in the relationships among the parties create a significant increase in the Audit Committee's ability to oversee and evaluate the performance of both the Company's management and its independent registered public accounting firm. The most significant change in this regard is the clear articulation of the Audit Committee's right to control the Company's relationship with its independent registered public accounting firm. The involvement of the Audit Committee in the process is expected to enhance the process because the members of the Audit Committee are independent (as determined in accordance with applicable standards) of both active participants in the process, the Company and Ernst & Young LLP.

To fulfill its obligations to monitor and oversee the performance of management and the independent registered public accounting firm, the Audit Committee meets with management and the independent registered public accounting firm, both jointly and individually. In meetings with management, the Audit Committee has inquired into the quality, not just the acceptability, of the decisions made by management in preparing the financial statements. An emphasis has been placed on assessing the reasonableness of any material judgments made by management in the preparation of the financial statements, which includes significant estimates and accruals. The Audit Committee has also pressed management on various contingencies, such as regulatory changes, which could have a significant impact on the Company.

The Audit Committee has reviewed the report of management contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 filed with the Securities and Exchange Commission, as well as Ernst & Young LLP's Report on Form 10-K related to its audit of (i) the consolidated financial statements and financial statement schedule, (ii) management's assessment of the effectiveness of internal control over financial reporting and (iii) the effectiveness of internal control over financial reporting. The Audit Committee continues to oversee the Company's efforts related to its internal control over financial reporting and management's preparations for the evaluation in fiscal 2006.

The Audit Committee has also met with the independent registered public accounting firm both individually and with management present. At these meetings, the Audit Committee has considered the scope of and procedures for the Company's annual audit. The Audit Committee also discussed with the independent registered public accounting firm the results of the independent registered public accounting firm's examination of the Company. During such discussions, the Audit Committee received the independent registered public accounting firm's evaluation of the Company's system of internal controls and the overall quality of the Company's financial reporting. In particular, the Audit Committee has reassessed the Company's position on applicable critical accounting policies, including obtaining guidance on the probable effects of adopting other potentially acceptable policies. The Audit Committee has also reviewed with the independent registered public accounting firm the quality of decisions made by management in the preparation of the financial statements and such other matters as either the Audit Committee or independent registered public accounting firm deemed necessary or appropriate for both parties to discharge their respective duties, which included a discussion of the matters identified in Statement of Accounting Standards 61 and PCAOB Auditing Standard No. 2 regarding the assessment of internal control over financial reporting. The Audit Committee obtained from the independent registered public accounting firm a formal written statement describing all relationships between the auditors and the Company that might bear on the auditors' independence consistent with the Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, discussed with the auditors any relationships that may impact their objectivity and independence and satisfied itself as to the auditors' independence.

The Audit Committee reviewed and discussed the audited financial statements of the Company as of and for the fiscal year ended December 31, 2005 with management and the independent registered public accounting firm. Based on this review and discussions with management and the independent registered public accounting firm and the report of the independent registered public accounting firm, the Audit Committee recommended to the Board that the Company's audited financial statements be included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2005, for filing with the Securities and Exchange Commission. The Audit Committee also has selected and recommended to the stockholders for ratification the reappointment of Ernst & Young LLP as the independent registered public accounting firm to audit the consolidated financial statements of the Company for 2006.

#### **THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

Edgar Filing: OPTION CARE INC/DE - Form DEF 14A

KENNETH S. ABRAMOWITZ EDWARD A. BLECHSCHMIDT JEROME F. SHELDON LEO HENIKOFF

Edgar Filing: OPTION CARE INC/DE - Form DEF 14A

The reports of the Compensation and Audit Committees and the Stock Performance Graph contained in this Proxy Statement shall not be deemed to be incorporated by reference by any general statement

15

---

which incorporates by reference this Proxy Statement into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, and shall not otherwise be deemed to be solicitation materials or filed under such Acts.

**PROPOSAL 2. APPROVAL OF AN AMENDMENT TO THE COMPANY'S 2001 EMPLOYEE STOCK PURCHASE PLAN**

**(Proposal 2 on the Proxy Card)**

The Company's stockholders are being asked to approve an amendment to the Company's 2001 Employee Stock Purchase Plan (the Purchase Plan) which will (a) increase the number of shares of common stock authorized for issuance over the term of the Purchase Plan from 1,000,000 shares to 2,000,000 shares and (b) increase the number of unissued shares that may be issued on an annual basis under the Purchase Plan from 100,000 to 200,000.

The proposed amendment to the Purchase Plan is set forth in Appendix A attached hereto, and the following discussion is qualified in its entirety by the full text of the amendment. The Board adopted the amendment on April 17, 2006, subject to stockholder approval at the Annual Meeting.

**Reasons for Amendments**

**Increase in Number of Available Shares.** Presently, the Company is authorized to issue up to an aggregate of 1,000,000 shares of Common Stock under the Purchase Plan. As of April 18, 2006, only 104,536 shares remain available for issuance under the Purchase Plan. The Board believes that increasing the available shares under the Purchase Plan to 2,000,000 is necessary to reflect the 3-for-2 stock split that occurred on March 31, 2005. Additionally, the Board believes that the proposed increase in the number of shares available under the Plan will assure that a sufficient reserve of common stock remains available for issuance under the Purchase Plan and allows the Company to continue to utilize the Purchase Plan to provide eligible employees with the opportunity to acquire a proprietary interest in the Company, thereby providing employees with an additional incentive to contribute to the long-term profitability and success of the Company.

**Increase in the Number of Unissued Shares That May Be Used Under the Plan.** The Purchase Plan currently provides that 100,000 unissued shares may be issued per year under the Purchase Plan. If Proposal 2 is approved, 200,000 unissued shares may be issued per year under the Purchase Plan. As stated above, the Board believes that the modifications to the Purchase Plan are necessary to provide eligible employees of the Company the opportunity to acquire a proprietary interest in the Company and allow them to participate in the long-term profitability and success of the Company.

**Purchase Plan Summary**

The Purchase Plan is administered by a committee appointed by the Board of Directors. Acts of a majority of the members of the administrative committee at a meeting or acts reduced to writing and signed by all members of the administrative committee, shall be valid acts.

Employees eligible to participate in the Purchase Plan include all employees of the Company and any of its subsidiaries, except, however, that no eligible employee can be granted the right to purchase the Company's Common Stock under the Purchase Plan if such employee would then own 5% or more of the total combined voting power or value of all classes of stock of the Company or any of its subsidiaries. The number of eligible employees that may participate in the Purchase Plan was approximately 2,600 as of December 31, 2005. Employees are eligible to enroll in the Purchase Plan each January 1st or July 1st by submitting a completed payroll deduction authorization form to the administrative committee during the open enrollment periods. Participants may designate payroll deductions in whole percentages rounded to the nearest whole cent. The minimum contribution per pay period is \$10, while the maximum contribution is 15% of base pay provided that no employee may purchase Common Stock in any calendar year having a

Fair Market Value in excess of \$25,000, determined as of the Offering Date. Each eligible employee who makes payroll deductions under the Purchase Plan shall receive an annual account statement, within 30 days after the purchase of related shares, containing such information as will be determined by the Company. If an employee terminates his or her employment prior to the end of an offering period, the total amount of cash withheld will be refunded to the employee with no purchase of the Company's shares.

The share price paid under the Purchase Plan will be determined based on two Offering Periods. The price for the annual Offering Period will be 85% of the lesser of the Fair Market Value (as defined in the Purchase Plan) of the Company's Common Stock at either the first day of January or the last day of the following December. The price for the six-month Offering Period commencing each July will be the lesser of 85% of the Fair Market Value (as defined in the Purchase Plan) of the stock on the first day of July and the last day of the following December. Total shares available to be purchased under the Purchase Plan may currently not exceed an aggregate of 1,000,000 shares (whether unissued, previously issued shares reacquired and held by the Company or shares acquired in the open market) over the life of the Purchase Plan, nor currently exceed 100,000 unissued shares on an annual basis. Any amount of shares of Common Stock in excess of the 100,000 unissued share annual limitation may be issued from the Company's treasury stock or be purchased by the Company on the open market.

The Purchase Plan is intended to qualify as an employee stock purchase plan under Section 423 of the U.S. Internal Revenue Code of 1986, as amended from time to time. Under present law, a participant will not be deemed to have received any compensation for Federal income tax purposes at either the start of any Offering Period or the subsequent purchase of Common Stock at the end of any period. Participants will recognize taxable income in the year in which there is a disposition of the Common Stock purchased under the Purchase Plan. If the stock is not disposed of until at least two years after the start of the Offering Period, the participant will realize ordinary income in the year of disposal up to the amount by which the share price paid under the Purchase Plan was exceeded by the Fair Market Value of the share, with any excess gain being eligible for capital gain treatment. If the stock is disposed of at any time within two years from the start date of the Offering Period in which it was acquired, the participant will recognize ordinary income for the full amount by which the share price paid was exceeded by the amount realized upon disposal of the shares.

If the stock is not disposed of until at least two years after the start of the purchase period in which the stock was acquired, the Company will receive no income tax deduction for Federal income tax purposes in connection with the employee's purchase of shares under the Purchase Plan. If the employee disposes of the stock of at any time within two years from the start date of the purchase period in which it was acquired, the Company will receive a deduction for Federal income tax purposes equal to the ordinary income recognized by the employee in connection with such disposition.

#### **New Purchase Plan Benefits**

No shares of common stock have been issued under the Purchase Plan on the basis of the 1,000,000 share increase for which stockholder approval is sought under this Proposal 2.

#### **Stockholder Approval**

The affirmative vote of the holders of a majority of the shares of common stock, present in person or represented by proxy and entitled to vote at the Annual Meeting, is required to approve this Proposal 2.

**The Board of Directors recommends a vote FOR approval of Proposal 2.**





**PROPOSAL 3. RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**(Proposal 3 on the Proxy Card)**

The Audit Committee has selected the accounting firm of Ernst & Young LLP as the Company's independent registered public accounting firm with respect to the fiscal year ending December 31, 2006. Ernst & Young LLP has served as the Company's independent registered public accounting firm since January 1998.

Representatives of Ernst & Young LLP will be present at the annual meeting. They will have the opportunity to make a statement and will be available to respond to appropriate questions from stockholders.

**Audit and Related Fees**

The following table shows the fees paid by the Company to Ernst & Young LLP for audit and other services for the fiscal years ended December 31, 2005 and 2004:

	2005	2004
Audit Fees	\$ 521,000	\$ 733,000
Audit-Related Fees	79,000	109,000
Tax Fees		230,000
Total	\$ 600,000	\$ 1,072,000

*Audit Fees.* This category includes the annual audit of the Company's financial statements and review of the financial statements in the Company's quarterly reports. Audit fees also include the audit of management's report on the effectiveness of the Company's internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002.

*Audit-Related Fees.* This category consists primarily of fees for the audits of the Company's 401(k) plan and fees related to registration statements filed by the Company during 2005 and 2004.

*Tax Fees.* This category consists primarily of federal and state income and franchise tax return preparation services provided during 2004. Tax services were not provided by Ernst & Young LLP to the Company in 2005.

**Audit Committee pre-approval policies and procedures.**

Under the Sarbanes-Oxley Act of 2002, the audit committee is responsible for the appointment, compensation and oversight of the work of the independent registered public accounting firm. As part of this responsibility, the Audit Committee is required to pre-approve the audit and non-audit services performed by the independent registered public accounting firm in order to assure that the performance of such services does not impair the registered public accounting firm independence from the Company. The Audit Committee may pre-approve non-audit services up to predetermined cost limits without consideration of specific case-by-case services; or may require specific, case-by-case pre-approval; or may utilize a combination of the two approaches. Audit services will be subject to specific pre-approval of the Audit Committee. The Audit Committee will monitor the audit services engagement as necessary, but no less than on a quarterly basis, and will also approve, if necessary, any changes in terms, conditions and fees resulting from changes in audit scope, Company structure or other items. Audit-related services may be pre-approved generally or on a specific case-by-case basis, as deemed appropriate by the Audit Committee. Tax services, such as tax compliance and tax advice, may be pre-approved if determined to not impair the auditor's independence or constitute prohibited non-audit services as defined by the Securities and Exchange Commission. Tax services may be pre-approved generally to the extent that such services conform to the historical tax services provided by the independent registered public accounting firm. Increases in the scope of such tax services would require specific, case-by-case pre-approval by the Audit Committee. Any other services provided by the independent registered public accounting firm will be

subject to specific, case-by-case pre-approval and will be evaluated to ensure that they do not constitute prohibited non-audit services or otherwise impair auditor independence.

The Audit Committee reviewed and pre-approved all audit services and non-audit services performed by the independent registered public accounting firm during the years ended December 31, 2005 and 2004.

#### **Recommendation of the Board of Directors**

*The Board of Directors recommends that the stockholders vote FOR the proposal to ratify Ernst & Young LLP as the Company's independent registered public accounting firm with respect to the fiscal year ending December 31, 2006.*

#### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires that the Company's officers and directors, and persons who own more than ten percent of the Company's outstanding stock, file reports of ownership and changes in ownership with the Securities and Exchange Commission. To the knowledge of the Company, all Section 16(a) filing requirements applicable to its officers, directors and greater than ten percent beneficial owners were complied with during the year ended December 31, 2005, with the exception of the following: a late filing on Form 4 by Richard M. Smith on October 3, 2005 to report the exercise of an option to purchase shares and subsequent sale of such shares on September 26, 2005.

#### **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The Company and EJ Financial Enterprises, Inc. (EJ), which is 100% owned by Dr. John N. Kapoor, Chairman of the Board, have entered into a consulting agreement dated as of January 1, 1991, pursuant to which EJ provides independent consulting services to the Company. Per an amendment effective October 1, 1999, EJ receives an annual fee of \$175,000, paid monthly, for ongoing consulting services. Either party may terminate the agreement on January 1st of any year. EJ provides consulting principally on strategic corporate objectives and operations, including sales and marketing strategies, growth strategies and acquisition opportunities of the Company.

During 2005 and 2004, the Company obtained legal services from a law firm for which the spouse of the Company's Senior Vice President, Secretary and General Counsel serves as a partner. In 2005 and 2004, respectively, the Company obtained \$1.6 million and \$600,000 in legal services from Bryan Cave LLP, a firm for which the spouse of our Senior Vice President, Secretary and General Counsel is a partner.

#### **STOCKHOLDER PROPOSALS**

Proposals that stockholders intend to present at the 2007 Annual Meeting of Stockholders are due by December 18, 2006 for inclusion in the Company's Proxy Statement relating to that meeting. Upon receipt of any such proposal, the Company will determine whether or not to include such proposal in the Proxy Statement in accordance with regulations governing the solicitation of proxies.

The Company's By-laws provide that stockholder proposals that do not appear in the Proxy Statement may be considered at a meeting of stockholders only if written notice of the proposal is received by the Secretary of the Company not less than 60 days and not more than 90 days before the anniversary of the prior year's Annual Meeting; provided, however, that, in the event the date of the Annual Meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the stockholder to be timely must be delivered not earlier than the close of business on the 90th day prior to such annual meeting and not later than the 60th day prior to such annual meeting or the close of business on the 10th day following the day on which public announcement of the date of such meeting is first made by the Company. Any such notice of a stockholder proposal by a stockholder to the Secretary of the Company must be accompanied by (a) a brief description of the business desired to be brought before the Annual Meeting and the reasons for conducting such business at the Annual Meeting, (b) the name and address of the

stockholder who intends to present the proposal for a vote, (c) the class and number of shares of the Company's common stock which are beneficially owned by the stockholder, and (d) a description of any material interest of the stockholder in such business.

#### **ANNUAL REPORT**

The Annual Report to Stockholders for the year ended December 31, 2005 has been mailed simultaneously to the stockholders of the Company. This Annual Report includes a copy of the Company's Annual Report on Form 10-K for the year ended December 31, 2005, as filed with the Securities and Exchange Commission (excluding certain exhibits).

**Additional copies of the Company's Annual Report on Form 10-K for the year ended December 31, 2005, as filed with the Securities and Exchange Commission (excluding exhibits), may be obtained by any stockholder, without charge, upon written request to Paul Mastrapa, Senior Vice President and Chief Financial Officer, Option Care, Inc., 485 Half Day Road, Suite 300, Buffalo Grove, Illinois 60089. The Company's Annual Report on Form 10-K for the year ended December 31, 2005 is also available through the Company's web site, [www.optioncare.com](http://www.optioncare.com).**

#### **SOLICITATION AND EXPENSES OF SOLICITATION**

The Company will bear the cost of solicitation of proxies. Proxies will be solicited by mail. Proxies may also be solicited by officers and regular employees of the Company and its subsidiaries, personally or by telephone or facsimile, but such persons will not be specifically compensated for such services. Brokerage houses, custodians, nominees and fiduciaries will be requested to forward the soliciting material to the beneficial owners of stock held of record by such persons and will be reimbursed by the Company for their reasonable expenses incurred in connection therewith.

## OTHER MATTERS

Management knows of no business to be brought before the Annual Meeting of Stockholders other than that set forth herein. Should any other matters properly come before the meeting, the persons named in the proxy intend to vote such proxy in accordance with their judgment on such matters.

### **Delivery of Documents to Security Holders Sharing an Address**

The Securities and Exchange Commission permits companies and intermediaries, such as brokers and banks, to satisfy delivery requirements for proxy statements with respect to two or more stockholders sharing the same address by delivering a single proxy statements and annual report to those stockholders. This method of delivery, often referred to as householding, is meant to reduce the amount of duplicate information that stockholders receive and lower printing and mailing costs for companies. We are not householding proxy materials for our stockholders of record in connection with the Annual Meeting, but we have been notified that certain intermediaries may household proxy materials. If you hold your shares of our common stock through a broker or bank that has determined to household proxy materials:

- Only one proxy statement and 2005 Annual Report to Stockholders will be delivered to multiple stockholders sharing an address unless you notify your broker or bank to the contrary;
- We will promptly deliver to you a separate copy of the proxy statement and 2005 Annual Report to Stockholders if you so request by calling us at (847) 465-2100, or by writing to our Secretary at Option Care, 485 Half Day Road, Suite 300, Buffalo Grove, Illinois, 60089. You may also contact your bank or broker to make a similar request; and
- If your household is receiving multiple copies of our proxy statement and annual report, you can request delivery from your bank or broker of only a single copy of our proxy statement and annual report.

April 18, 2006  
Buffalo Grove, Illinois

*By Order of the Board of Director*  
Joseph P. Bonaccorsi  
*Senior Vice President, General Counsel and Secretary*

**OPTION CARE, INC. (the Company )**

**AMENDMENTS TO 2001 EMPLOYEE STOCK PURCHASE PLAN (the Purchase Plan )**

The following sets forth amendments to the Purchase Plan approved by the Company's Board of Directors on April 17, 2006 pursuant to Sections 141 and 144 of the Delaware General Corporation Law:

1. Section 1.5(a) of the Purchase Plan is hereby amended in its entirety to read as follows:

(a) The Stock subject to purchase under the Plan will be shares of the Company's authorized but unissued common shares, or previously issued shares of common Stock reacquired and held by the Company, or common shares acquired in the market. The number of shares of Stock that may be purchased under the Plan shall not exceed an aggregate of 2,000,000 shares and not more than 200,000 unissued shares per annum.

2. Except as specifically otherwise modified herein, the Purchase Plan is unchanged and remains in full force and effect.

**OPTION CARE, INC.**

**MAIL**

Mark, sign and date your proxy card.

Detach your proxy card.

Return your proxy card in the postage

paid envelope provided.

DETACH PROXY CARD HERE

The Board of Directors has proposed and recommends a vote for the following:

**1. ELECTION OF DIRECTORS**

- FOR** the nominee listed below (except as marked below)
- WITHHOLD AUTHORITY** to vote for the nominee listed below

**(INSTRUCTIONS: To withhold authority to vote for any individual nominee, strike a line through the nominee's name in the list below.)** Please Detach Here You Must Detach This Portion of the Proxy Card Before Returning it in the Enclosed Envelope

FOR TERM EXPIRING IN 2009:

*Nominees:* 01 Kenneth S. Abramowitz 02 John N. Kapoor, Ph.D 03 Rajat Rai

**2. PROPOSAL TO AMEND THE COMPANY'S 2001 EMPLOYEE STOCK PURCHASE PLAN.**

This proxy, when properly executed, will be voted in the manner directed herein by the undersigned stockholder. If no direction is made, this proxy will be voted **FOR** the named nominees for director and **FOR** all Proposals 2 and 3 or otherwise in accordance with the recommendation of the Board of Directors.

- FOR**
- AGAINST**
- ABSTAIN**

**3. PROPOSAL TO RATIFY THE APPOINTMENT OF ERNST & YOUNG LLP** The undersigned acknowledges receipt of the 2005 Annual TO ACT AS INDEPENDENT AUDITOR OF OPTION CARE FOR THE FISCAL Report to Stockholders, the Notice of the 2006 Annual Meeting



Edgar Filing: OPTION CARE INC/DE - Form DEF 14A

YEAR 2006.

FOR                       AGAINST     ABSTAIN

and the Proxy Statement.

Dated: \_\_\_\_\_, 2006

Signature [Please sign exactly as name appears  
hereon.]

Signature [Please sign exactly as name appears  
hereon.]

Joint owners should each sign personally. If stockholder is a corporation, please sign full corporate name by the President or other authorized officer and, if a partnership, please sign full partnership name by an authorized partner or other authorized person. Executors, trustees, officers, etc., should indicate their titles when signing.

**YOUR VOTE IS IMPORTANT.**

**PLEASE MARK, SIGN, DATE AND RETURN THE  
PROXY CARD  
PROMPTLY USING THE ENCLOSED ENVELOPE.**

---

DETACH PROXY CARD HERE

**PROXY**

**OPTION CARE, INC.**

**This Proxy is Solicited on Behalf of the Board of Directors  
For the Annual Meeting of Stockholders to be held May 16, 2006**

The undersigned stockholder of Option Care, Inc. hereby appoints Rajat Rai and Joseph P. Bonaccorsi proxies, with full authority, which may be exercised by either one or both of them, with power of substitution to vote all shares of the common stock of Option Care which the undersigned is entitled to vote at the Annual Meeting of Stockholders of Option Care to be held at the **Company's Corporate Offices, 485 Half Day Road, Suite 300, Buffalo Grove, Illinois, 60089 at 10:00 a.m., local time, on Tuesday, May 16, 2006** (the Meeting), and at any adjournment or postponement thereof as follows:

- A. as directed herein with respect to each of the proposals identified below; and
- B. in their discretion with respect to any other business that may properly come before the Meeting.

By delivery of this proxy, the undersigned stockholder hereby revokes all proxies previously given by the undersigned with respect to the shares of common stock covered hereby.

**A STOCKHOLDER WISHING TO VOTE IN ACCORDANCE WITH THE RECOMMENDATIONS OF THE BOARD OF DIRECTORS NEED ONLY SIGN AND DATE THIS PROXY ON THE REVERSE SIDE AND RETURN IT IN THE ENCLOSED ENVELOPE.**

---