

OMNICELL, Inc  
Form DEF 14A  
April 21, 2014

QuickLinks -- Click here to rapidly navigate through this document

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

**OMNICELL, INC.**

---

(Name of Registrant as Specified In Its Charter)

N/A

---

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  - (4) Proposed maximum aggregate value of transaction:
  - (5) Total fee paid:

Edgar Filing: OMNICELL, Inc - Form DEF 14A

- 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:
-

OMNICELL, INC.  
590 E. Middlefield Road  
Mountain View, California 94043

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held On May 20, 2014

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Omnicell, Inc., a Delaware corporation ("Omnicell," the "Company," "our," "us," or "we"). The meeting will be held on Tuesday, May 20, 2014 at 2:30 p.m. local time at the Company's headquarters located at 590 E. Middlefield Road, Mountain View, California 94043, for the following purposes:

1. To elect three (3) Class I directors to hold office until the 2017 Annual Meeting of Stockholders.
2. To hold an advisory vote to approve named executive officer compensation.
3. To ratify the selection by the Audit Committee of the Board of Directors of Deloitte & Touche LLP as the independent registered public accounting firm of the Company for the year ending December 31, 2014.
4. To conduct any other business properly brought before the meeting.

These items of business are more fully described in the Proxy Statement accompanying this Notice.

The record date for the Annual Meeting is March 27, 2014. Only stockholders of record at the close of business on that date may vote at the meeting or any adjournment thereof.

**Important Notice Regarding the Availability of Proxy Materials for the Stockholders' Meeting to be held on Tuesday, May 20, 2014 at 2:30 p.m. local time at the Company's headquarters located at 590 E. Middlefield Road, Mountain View, California 94043.**

The proxy statement and annual report to stockholders are available at  
<http://ir.omnicell.com/annual.cfm>

By Order of the Board of Directors

/s/ DAN S. JOHNSTON

Dan S. Johnston  
Corporate Secretary

Mountain View, California  
April 21, 2014

**You are cordially invited to attend the meeting in person. Whether or not you expect to attend the meeting, please complete, date, sign and return the enclosed proxy, or vote over the telephone or the Internet as instructed in these materials, as promptly as possible in order to ensure your representation at the meeting. A return envelope (which is postage prepaid if mailed in the United States) is enclosed for your convenience. Even if you have voted by proxy, you may still vote in person if you attend the meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a proxy issued in your name from that record holder.**

---

**Omnicell, Inc.**  
**590 E. Middlefield Road**  
**Mountain View, California 94043**  
**PROXY STATEMENT**  
**FOR THE 2014 ANNUAL MEETING OF STOCKHOLDERS**  
**MAY 20, 2014**  
**QUESTIONS AND ANSWERS ABOUT THESE PROXY MATERIALS AND VOTING**

**Why am I receiving these materials?**

The Company has sent you this proxy statement and the enclosed proxy card because the Board of Directors (the "Board") of Omnicell, Inc. is soliciting your proxy to vote at the 2014 Annual Meeting of Stockholders (the "Annual Meeting"). You are invited to attend the Annual Meeting to vote on the proposals described in this proxy statement. However, you do not need to attend the meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card, or follow the instructions below to submit your proxy over the telephone or over the Internet.

The Company intends to mail this proxy statement and accompanying proxy card on or about April 21, 2014 to all stockholders of record entitled to vote at the Annual Meeting.

**Who can vote at the Annual Meeting?**

Only stockholders of record at the close of business on March 27, 2014 will be entitled to vote at the Annual Meeting. On the record date, there were 36,559,982 shares of common stock outstanding and entitled to vote.

*Stockholder of Record: Shares Registered in Your Name*

If on March 27, 2014 your shares were registered directly in your name with Omnicell's transfer agent, Computershare Trust Company, N.A., then you are a stockholder of record. As a stockholder of record, you may vote in person at the meeting or vote by proxy. Whether or not you plan to attend the meeting, we urge you to fill out and return the enclosed proxy card or vote by proxy over the telephone or on the Internet as instructed below to ensure your vote is counted.

*Beneficial Owner: Shares Registered in the Name of a Broker or Bank*

If on March 27, 2014 your shares were held, not in your name, but rather in an account at a brokerage firm, bank, dealer, or other similar organization, then you are the beneficial owner of shares held in "street name" and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered to be the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct your broker or other agent regarding how to vote the shares in your account. You are also invited to attend the Annual Meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the meeting unless you request and obtain a valid proxy from your broker or other agent.

*Directions to the Annual Meeting*

The Annual Meeting will be held at the Company's headquarters located at 590 E. Middlefield Road, Mountain View, California 94043.

If you need directions to the meeting, please visit <https://goo.gl/maps/pbCcc>.

**What am I voting on?**

There are three (3) matters scheduled for a vote:

The election of three (3) Class I directors to hold office until the 2017 Annual Meeting of Stockholders;

---

## Edgar Filing: OMNICELL, Inc - Form DEF 14A

An advisory vote to approve named executive officer compensation; and

The ratification of the selection by the Audit Committee of the Board of Deloitte & Touche LLP as the independent registered public accounting firm of the Company for the year ending December 31, 2014.

### **What if another matter is properly brought before the meeting?**

The Board knows of no other matters that will be presented for consideration at the Annual Meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy to vote on those matters in accordance with their best judgment.

### **How do I vote?**

You may either vote "For" all the nominees to the Board or you may "Withhold" your vote for any nominee you specify. For each of the other matters to be voted on, you may vote "For" or "Against" or abstain from voting. The procedures for voting are fairly simple:

#### *Stockholder of Record: Shares Registered in Your Name*

If you are a stockholder of record, you may vote in person at the Annual Meeting, vote by proxy using the enclosed proxy card, vote by proxy over the telephone, or vote by proxy over the Internet. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the meeting and vote in person even if you have already voted by proxy.

To vote in person, come to the Annual Meeting and we will give you a ballot when you arrive.

To vote using the proxy card, simply complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. If you return your signed proxy card to us before the Annual Meeting, we will vote your shares as you direct.

To vote over the telephone, dial toll-free 1-800-652-VOTE (1-800-652-8683) using a touch-tone phone and follow the recorded instructions. You will be asked to provide the control number from the enclosed proxy card. Your vote must be received by 11:59 p.m. Pacific Time, on May 19, 2014 to be counted.

To vote over the Internet, go to <http://www.investorvote.com/OMCL> and follow the steps outlined to complete an electronic proxy card. You will be asked to provide the company number and control number from the enclosed proxy card. Your vote must be received by 11:59 p.m. Pacific Time, on May 19, 2014 to be counted.

#### *Beneficial Owner: Shares Registered in the Name of Broker or Bank*

If you are a beneficial owner of shares registered in the name of your broker, bank, or other agent, you should have received a proxy card and voting instructions with these proxy materials from that organization rather than from Omnicell. Simply complete and mail the proxy card to ensure that your vote is counted. Alternatively, you may vote by telephone or over the Internet as instructed by your broker or bank. To vote in person at the Annual Meeting, you must obtain a valid proxy from your broker, bank, or other agent. Follow the instructions from your broker or bank included with these proxy materials, or contact your broker or bank to request a proxy form.

**We provide Internet proxy voting to allow you to vote your shares on-line, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your Internet access, such as usage charges from Internet access providers and telephone companies.**

**How many votes do I have?**

On each matter to be voted upon, you have one vote for each share of common stock you owned as of March 27, 2014.

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

*Stockholder of Record: Shares Registered in Your Name*

If you are a stockholder of record and do not vote by completing your proxy card, by telephone, through the internet or in person at the annual meeting, your shares will not be voted.

*Beneficial Owner: Shares Registered in the Name of Broker or Bank*

If you are a beneficial owner and do not instruct your broker, bank, or other agent how to vote your shares, the question of whether your broker or nominee will still be able to vote your shares depends on whether the New York Stock Exchange ("NYSE") deems the particular proposal to be a "routine" matter. Brokers and nominees can use their discretion to vote "uninstructed" shares with respect to matters that are considered to be "routine," but not with respect to "non-routine" matters. Under the rules and interpretations of the NYSE, "non-routine" matters are matters that may substantially affect the rights or privileges of shareholders, such as mergers, shareholder proposals, elections of directors (even if not contested), executive compensation (including any advisory shareholder votes on executive compensation and on the frequency of shareholder votes on executive compensation), and certain corporate governance proposals, even if management-supported. Accordingly, your broker or nominee may not vote your shares on Proposals 1 or 2 without your instructions, but may vote your shares on Proposal 3.

**What if I return a proxy card or otherwise vote but do not make specific choices?**

If you return a signed and dated proxy card without marking any voting selections, your shares will be voted as follows:

"For" the election of all three (3) Class I directors;

"For" an advisory resolution approving named executive officer compensation; and

"For" the ratification of the selection of Deloitte & Touche LLP as the independent registered public accounting firm of the Company for the year ending December 31, 2014.

If any other matter is properly presented at the meeting, your proxy holder (one of the individuals named on your proxy card) will vote your shares using his or her best judgment.

**Who is paying for this proxy solicitation?**

We will pay for the entire cost of soliciting proxies. In addition to these mailed proxy materials, our directors and employees may also solicit proxies in person, by telephone, or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

**What does it mean if I receive more than one set of proxy materials?**

If you receive more than one set of proxy materials, your shares are registered in more than one name or are registered in different accounts. Please complete, sign and return **each** proxy card to ensure that all of your shares are voted.

**Can I change my vote after submitting my proxy?**

*Stockholder of Record: Shares Registered in Your Name*

Yes. You can revoke your proxy at any time before the final vote at the meeting. If you are the record holder of your shares, you may revoke your proxy in any one of three ways:

You may submit another properly completed proxy card with a later date.

You may send a timely written notice that you are revoking your proxy to Omnicell's Corporate Secretary at 590 E. Middlefield Road, Mountain View, California 94043.

You may attend the Annual Meeting and vote in person. Simply attending the meeting will not, by itself, revoke your proxy.

Your most current proxy card or telephone or internet proxy is the one that is counted.

*Beneficial Owner: Shares Registered in the Name of Broker or Bank*

If your shares are held by your broker or bank as a nominee or agent, you should follow the instructions provided by your broker or bank.

**When are stockholder proposals due for next year's Annual Meeting?**

Our annual meeting of stockholders generally is held in May of each year. We will consider for inclusion in our proxy materials for the 2015 Annual Meeting of Stockholders, stockholder proposals that are received at our executive offices no later than December 22, 2014 and that comply with all applicable requirements of Rule 14a-8 promulgated under the Securities Exchange Act of 1934, as amended. However, if our 2015 Annual Meeting of Stockholders is not held between April 20, 2015 and June 19, 2015, then the deadline will be a reasonable time prior to the time we begin to print and send our proxy materials. Proposals must be sent to our Corporate Secretary at Omnicell, Inc., 590 E. Middlefield Road, Mountain View, California 94043.

Pursuant to Omnicell's bylaws, stockholders wishing to submit proposals or director nominations that are not to be included in our proxy materials must have given timely notice thereof in writing to our Corporate Secretary. To be timely for the 2015 Annual Meeting of Stockholders, you must notify our Corporate Secretary, in writing, not later than the close of business on February 19, 2015, nor earlier than the close of business on January 20, 2015. We also advise you to review Omnicell's bylaws, which contain additional requirements about advance notice of stockholder proposals and director nominations, including the different notice submission date requirements in the event that we do not hold our 2014 Annual Meeting of Stockholders between April 20, 2015 and June 19, 2015. A stockholder's notice to our Corporate Secretary must set forth the information required by Omnicell's bylaws with respect to each matter the stockholder proposes to bring before the annual meeting.

**How are votes counted?**

Votes will be counted by the inspector of election appointed for the Annual Meeting, who will separately count, for the proposal to elect directors, votes "For," "Withheld," and broker non-votes and, with respect to other proposals, votes "For" and "Against," abstentions and broker non-votes. Abstentions on Proposal Nos. 2 and 3 will be counted towards the vote and will have the same effect as "Against" votes. Broker non-votes have no effect on the outcome of the vote for any proposal.

**What are "broker non-votes"?**

As discussed above, when a beneficial owner of shares held in "street name" does not give instructions to the broker or nominee holding the shares as to how to vote on matters deemed by the

NYSE to be "non-routine," the broker or nominee cannot vote the shares. These unvoted shares are counted as "broker non-votes."

**How many votes are needed to approve each proposal?**

For the election of directors, the three (3) nominees receiving the most "For" votes (from the holders of votes of shares present in person or represented by proxy and entitled to vote on the election of directors) will be elected. Only votes "For" or "Withheld" will affect the outcome.

For the approval of the advisory vote to approve named executive officer compensation, Proposal No. 2 must receive a "For" vote from the majority of the outstanding shares of common stock present in person or represented by proxy and entitled to vote at the annual meeting. If you abstain from voting, it will have the same effect as an "Against" vote. Broker non-votes will have no effect.

For the ratification of the selection of Deloitte & Touche LLP as the independent registered public accounting firm of the Company for its fiscal year ending December 31, 2014, Proposal No. 3 must receive a "For" vote from the majority of shares present in person or represented by proxy and entitled to vote either in person or by proxy. If you abstain from voting, it will have the same effect as an "Against" vote. Broker non-votes will have no effect.

**What is the quorum requirement?**

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if at least a majority of the outstanding shares are represented by stockholders present at the meeting or represented by proxy. On the record date, there were 36,559,982 shares outstanding and entitled to vote. Thus, the holders of 18,279,992 shares must be present in person or represented by proxy at the meeting or by proxy to have a quorum.

Your shares will be counted towards the quorum only if you submit a valid proxy (or one is submitted on your behalf by your broker, bank or other nominee) or if you vote in person at the meeting. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, the holders of a majority of shares present at the meeting in person or represented by proxy may adjourn the meeting to another date.

**How can I find out the results of the voting at the Annual Meeting?**

Preliminary voting results will be announced at the Annual Meeting. Final voting results will be published in a current report on Form 8-K that we expect to file within four business days of the Annual Meeting. If final voting results are not available to us in time to file a current report on Form 8-K within four business days after the Annual Meeting, we intend to file a current report on Form 8-K to publish preliminary results and, within four business days after the final results are known to us, file an additional current report on Form 8-K to publish the final results.

**What proxy materials are available on the internet?**

The proxy statement and annual report on Form 10-K are available at <http://ir.omnicell.com/annual.cfm>.



**PROPOSAL NO. 1**

**ELECTION OF DIRECTORS**

Omnice's Board presently has nine members and is divided into three classes, each with a three-year term. Currently, Class I, with a term expiring in 2014, Class II, with a term expiring in 2015 and Class III, with a term expiring in 2016. On March 28, 2014, Donald C. Wegmiller tendered his letter of resignation to the Board of Directors, to be effective immediately prior to the Annual Meeting. The Board appointed Bruce D. Smith to the Board of Directors, effective upon Mr. Wegmiller's resignation from the Board to fill the vacancy created by Mr. Wegmiller's resignation.

The three directors currently serving in Class I, the class whose term of office expires in 2014, have each been nominated for re-election at the Annual Meeting: Randy D. Lindholm, Sara J. White and Joanne B. Bauer. Mr. Lindholm and Ms. White were previously elected by our stockholders. Ms. Bauer was elected to the Board effective January 1, 2014 in connection with an increase in the number of authorized members of the Board from eight to nine approved by the Board. If elected at the Annual Meeting, each of these nominees would serve until the 2017 Annual Meeting of Stockholders and until his or her successor is elected and has qualified, or, if sooner, until the director's death, resignation or removal.

Vacancies on the Board may be filled only by persons elected by a majority of the remaining directors. A director elected by the Board to fill a vacancy in a class, including a vacancy created by an increase in the number of directors, shall serve for the remainder of the full term of that class and until the director's successor is elected and qualified. It is the Company's policy to encourage directors and nominees for director to attend the Company's Annual Meeting of Stockholders. All of our then-current directors attended our 2013 Annual Meeting of Stockholders.

Our Corporate Governance Committee seeks to assemble a board of directors that, as a whole, possesses the appropriate balance of professional and industry knowledge, financial expertise and management experience necessary to oversee and direct the Company's business. To that end, the Corporate Governance Committee has evaluated the Board's current members in the broader context of the Board's overall composition. The Corporate Governance Committee maintains a goal of recruiting members who complement and strengthen the skills of other members and who also exhibit integrity, collegiality, sound business judgment and other qualities that the Corporate Governance Committee views as critical to effective functioning of the Board.

The brief biographies below include information, as of the date of this proxy statement, regarding the specific and particular experience, qualifications, attributes or skills of each nominee for director that led the Corporate Governance Committee to believe that such nominee should continue to serve on the Board. In addition, following the biographies of the nominees are the biographies of directors not currently up for re-election containing information as to why the Corporate Governance Committee believes that such director should continue serving on the Board.

**Class I Nominees for Election for a Three-Year Term Expiring at the 2017 Annual Meeting**

***Randy D. Lindholm***

Randy D. Lindholm, age 59, has served as a director of Omnicell since May 2003. Since April 2002, Mr. Lindholm has served as a consultant to medical device companies. From June 1999 to April 2002, Mr. Lindholm was Chairman, President and Chief Executive Officer of VidaMed, Inc., a medical device company, and from August 1998 to June 1999, served as its Executive Vice President, Sales and Marketing. From 1993 to 1998, Mr. Lindholm held senior field operations positions at Nellcor Puritan Bennett, a provider of solutions to diagnose, monitor and treat respiratory-impaired patients. Mr. Lindholm spent the previous 16 years at GE Medical Systems, a medical device company.

## Edgar Filing: OMNICELL, Inc - Form DEF 14A

Mr. Lindholm received a B.S. in electrical engineering from Michigan Tech University. Mr. Lindholm is also a director of several privately held companies.

The Corporate Governance Committee believes Mr. Lindholm's more than three decades of leadership experience in the healthcare industry, including serving as the chief executive officer for a publicly-held medical device company, his sales, marketing and field operations experience and his experience as a director of other companies in the healthcare industry allow him to effectively contribute to the Board's understanding of the industry. Mr. Lindholm's experience in executive compensation matters, developed during his tenure as chief executive officer, is especially valuable as the Chairman of the Compensation Committee.

### *Sara J. White*

Sara J. White, age 68, has served as a director of Omnicell since April 2003. Since April 2004, Ms. White has served as a pharmacy leadership coach. From 1992 to March 2004, Ms. White was a clinical professor at the School of Pharmacy at the University of California, San Francisco. From 1995 to March 2004, Ms. White was an adjunct professor at the University of the Pacific, School of Pharmacy. From 1992 to 2003, Ms. White was the Director of Pharmacy at Stanford Hospital and Clinics. Ms. White received a B.S. in pharmacy from Oregon State University and an M.S. and Residency in hospital pharmacy management from Ohio State University.

The Corporate Governance Committee believes Ms. White's leadership and clinical pharmacy expertise proven as the director of pharmacy for more than a decade at one of the top acute-care hospitals in the United States provides valuable scientific and medical knowledge regarding the internal operations and clinical needs of our customers. Further, Ms. White's experience as a clinical professor for two nationally-respected university pharmacy programs offers an important understanding of the future direction of the industry that will help us anticipate the needs and demands of our customers' clinical pharmacy decision-makers.

### *Joanne B. Bauer*

Joanne B. Bauer, age 58, has served as a director of Omnicell since January 2014. Since October 2001, Ms. Bauer has served as President of Global Health Care at Kimberly-Clark Corporation, a global company focused on leading the world in essentials for a better life through product innovation and building its personal care, consumer tissue, professional and health care brands. Ms. Bauer joined Kimberly-Clark in 1981 and has held various marketing and management positions within its adult care and health care businesses. Ms. Bauer received a B.A. degree from Lawrence University and an M.B.A. from the University of Wisconsin, Oshkosh.

The Corporate Governance Committee believes Ms. Bauer's leadership and management in the healthcare industry, including serving as the president of the healthcare segment of a large multinational corporation and various management and marketing roles provide the Board with valuable insight regarding the healthcare industry.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS  
A VOTE IN FAVOR OF EACH NAMED NOMINEE.**

**Class II Directors Continuing in Office until the 2015 Annual Meeting**

***Randall A. Lipps***

Randall A. Lipps, age 57, has served as Chairman of the Board and a director of Omnicell since founding Omnicell in September 1992 and as its President and Chief Executive Officer since October 2002. From 1989 to 1992, Mr. Lipps served as the Senior Vice President of ST. Holdings, Inc., a travel and marketing company. From 1987 to 1989, he served as Assistant Vice President of Sales and Operations for a subsidiary of AMR, the parent company of American Airlines, Inc. Mr. Lipps received both a B.S. in economics and a B.B.A. from Southern Methodist University.

The Corporate Governance Committee believes Mr. Lipps' extensive knowledge of the Company, including his founding of the Company and his more than two decades of leading the Company as the President and Chief Executive Officer, provide the Board with invaluable current knowledge of the Company and extensive knowledge of the industry's needs for improvements in healthcare economics and patient safety. In addition, his role in the operations of the Company provides the Board with the practical understanding of the issues and opportunities that face the Company.

***Mark W. Parrish***

Mr. Parrish, age 58, has served as a director of Omnicell since January 2013. Since 2008, Mr. Parrish has served as Chairman and Chief Executive Officer of TridentUSA Health Services, a provider of mobile X-ray and laboratory services to the long-term care industry. Earlier, commencing in 2001, he held management roles of increasing significance with Cardinal Health Inc. and its affiliates, including Chief Executive Officer of Healthcare Supply Chain Services for Cardinal Health from 2006 to 2007. Mr. Parrish also serves as a director of Mylan Inc., a global pharmaceutical company; President of the International Federation of Pharmaceutical Wholesalers, an association of pharmaceutical wholesalers and pharmaceutical supply chain service companies; and senior adviser to Frazier Healthcare Ventures, a health care oriented growth equity firm. Mr. Parrish received a B.A. from the University of California, Berkeley.

The Corporate Governance Committee believes Mr. Parrish's extensive leadership experience in the healthcare industry, including serving as the chairman and chief executive officer of a multi service provider in the long-term care market and various management roles provide the Board with valuable insight regarding the healthcare industry and, specifically, the long-term care market.

***Vance B. Moore***

Vance B. Moore, age 53, has served as a director of Omnicell since May 2012. Since April 2011, Mr. Moore has served as Senior Vice President, Operations of Mercy Health, a national healthcare system. From July 2006 to April 2011, Mr. Moore served as the President and Chief Executive Officer of Resource Optimization and Innovation (ROi), the supply chain operating division of Mercy Health. From August 1998 to March 2007, Mr. Moore served in various capacities at ROi, including Chief Operating Officer. From March 1999 to March 2002, Mr. Moore served as the Vice President, Sales and Marketing of the Healthcare Services Division of UPS Logistics Group, a global supply chain management services company. Mr. Moore received a B.S. in industrial management from the University of Arkansas.

The Corporate Governance Committee believes Mr. Moore's extensive supply chain management expertise and his leadership abilities developed during his service in the chief executive role at a large, national healthcare system's supply chain organization allow him to bring important operations and management skills to the Board.

**Class III Directors Continuing in Office until the 2016 Annual Meeting**

***James T. Judson***

James T. Judson, age 59, has served as a director of Omnicell since April 2006. Since March 2006, Mr. Judson has served as a financial executive advisor to small and mid-sized companies. Mr. Judson served as interim Chief Financial Officer of Extreme Networks, Inc., a technology company from March 2011 to July 2012. From April 2005 to March 2006, Mr. Judson was Omnicell's Interim Chief Financial Officer. From February 2005 to April 2005, Mr. Judson was Omnicell's Vice President of Finance. From 1998 until his retirement in January 2002, Mr. Judson served as Vice President of Finance and Planning for the Worldwide Operations group of Sun Microsystems, Inc., a computer systems company. Mr. Judson received a B.S. in industrial management from Purdue University and an M.B.A. from Indiana University.

The Corporate Governance Committee believes that Mr. Judson's financial and operational expertise in executive level financial positions at a rapidly growing, global, publicly-traded company provides the Board with valuable insights into the financial operations of the Company and financial matters generally. The Corporate Governance Committee believes that Mr. Judson's knowledge of the Company and its accounting practices as Omnicell's Interim Chief Financial Officer is especially valuable as Chairman of the Audit Committee.

***Gary S. Petersmeyer***

Gary S. Petersmeyer, age 67, has served as a director of Omnicell since January 2007. From December 2004 to 2010, Mr. Petersmeyer served as the Chairman and Chief Executive Officer of Aesthetic Sciences Corporation, a research-based medical device company focusing on elective surgery applications. From November 2001 to November 2004, Mr. Petersmeyer provided consulting and executive coaching services to senior executives in high growth and research-based organizations. From 2000 to 2001, Mr. Petersmeyer was President and a Director of Pherin Pharmaceuticals, Inc., a pharmaceutical development and discovery company. From 1995 to 2000, he was President, Chief Executive Officer and a Director of Collagen Corporation, a medical technology company focused on worldwide collagen research. Mr. Petersmeyer received a B.A. in political science from Stanford University, an M.A.T. in teaching from the Harvard Graduate School of Education and an M.B.A. from Harvard University. Mr. Petersmeyer is also a director of The Cooper Companies, Inc., a global medical device company.

The Corporate Governance Committee believes Mr. Petersmeyer's leadership experience as the chief executive officer of several publicly-traded and privately-held global companies focused on the healthcare markets positions him to contribute effectively to the industry and operational understanding of the Board. Mr. Petersmeyer's experience in executive compensation matters, developed in his tenures as chief executive officer, is valuable as a member of the Compensation Committee.

**Class III Director Not Continuing in Office following the 2014 Annual Meeting**

***Donald C. Wegmiller***

Donald C. Wegmiller, age 75, has served as a director of Omnicell since May 2004 and as its lead independent director since August 2005. On March 28, 2014, Mr. Wegmiller tendered his letter of resignation to the Board of Directors, to be effective immediately prior to the 2014 Annual Meeting. Since February 2006, Mr. Wegmiller has served as a Senior Consultant and Chairman Emeritus for Integrated Healthcare Strategies, a national executive and physician compensation and benefits consulting firm. In addition, Mr. Wegmiller serves as Chairman of Scottsdale Institute and Chairman and Chief Executive Officer of C-Suite Resources. From February 2002 to February 2006, Mr. Wegmiller was the Chairman of Clark Consulting, a healthcare consulting company and the

predecessor firm of Integrated Healthcare Strategies. From 1993 to February 2002, Mr. Wegmiller was the President and Chief Executive Officer of Clark Consulting's predecessor firm, Healthcare Compensation Strategies. From 1978 to 1993, Mr. Wegmiller served as President and Chief Executive Officer of Health One Corporation (now Allina Health), a hospital ownership and management company. Mr. Wegmiller received both a B.A. in business economics and psychology and an M.H.A. from the University of Minnesota.

### **Class III Director Appointee**

#### ***Bruce D. Smith***

Bruce D. Smith, age 66, was appointed by the Board to serve as a director upon Mr. Wegmiller's resignation from the Board effective immediately prior to the 2014 Annual Meeting. Since 1995, Mr. Smith has served as Senior Vice President and Chief Information Officer of Advocate Health and Hospitals Corporation, an integrated health care system. Mr. Smith received a Bachelor of Business degree from Western Illinois University and an M.B.A. from Loyola University Chicago.

The Corporate Governance Committee believes Mr. Smith's experience as the chief information officer of a large health care system positions him to contribute effectively to the information technology understanding of the Board.

### **INFORMATION REGARDING THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE**

#### **Board Leadership Structure**

The Board is currently chaired by the President and Chief Executive Officer of the Company, Mr. Lipps. The Board has appointed Mr. Wegmiller as lead independent director and has appointed Mr. Judson to be lead independent director, effective upon Mr. Wegmiller's resignation from the Board immediately prior to the 2014 Annual Meeting of Stockholders.

The Company believes that combining the positions of Chief Executive Officer and Board Chair helps to ensure that the Board and management act with a common purpose. In the Company's view, separating the positions of Chief Executive Officer and Board Chair has the potential to give rise to divided leadership, which could interfere with good decision making or weaken the Company's ability to develop and implement strategy. Instead, the Company believes that combining the positions of Chief Executive Officer and Board Chair provides a single, clear chain of command to execute the Company's strategic initiatives and business plans. In addition, the Company believes that a combined Chief Executive Officer/Board Chair is better positioned to act as a bridge between management and the Board, facilitating the regular flow of information. The Company also believes that it is advantageous to have a Board Chair with an extensive history with and knowledge of the Company (as is the case with the Company's Chief Executive Officer) as compared to a relatively less informed independent Board Chair.

The Board appointed Mr. Wegmiller and, effective upon Mr. Wegmiller's resignation from the Board, Mr. Judson, as the lead independent director to help reinforce the independence of the Board as a whole. The position of lead independent director has been structured to serve as an effective balance to a combined Chief Executive Officer/Board Chair. The lead independent director is empowered to, among other duties and responsibilities, provide general leadership of the affairs of the independent directors, including leadership in anticipating and responding to crisis, discuss and collaborate with the Board Chair to set appropriate meeting agendas and meeting schedules, recommend to the Board Chair the retention of outside advisors and consultants who report directly to the Board, preside over Board meetings in the absence of the Board Chair and during independent director closed session portions of the meetings, preside over and establish the agendas for meetings of the independent directors, consult with and coordinate with the committee chairs regarding meeting

agendas and informational requirements, act as liaison between the Board Chair and the independent directors, provide advice and consultation to the Board Chair and other senior executives of the Company, monitor information delivered by the management team to the Board and provide input on such information, and, as appropriate upon request, act as a liaison to stockholders, customers and other key constituents of the Company. In addition, it is the responsibility of the lead independent director to coordinate the Board appointment of an Interim Chief Executive Officer and/or Board Chair during extended periods of the Board Chair's absence. As a result, the Company believes that the lead independent director can help ensure the effective independent functioning of the Board in its oversight responsibilities. In addition, the Company believes that the lead independent director is better positioned to build a consensus among directors and to serve as a conduit between the other independent directors and the Board Chair, for example, by facilitating the inclusion on meeting agendas of matters of concern to the independent directors.

### **Independence of the Board of Directors**

As required under The NASDAQ Stock Market, LLC ("NASDAQ") listing standards, a majority of the members of a listed company's board of directors must qualify as "independent," as affirmatively determined by the board of directors. The Board consults with the Company's counsel to ensure that the Board's determinations are consistent with relevant securities and other laws and regulations regarding the definition of "independent," including those set forth in the applicable listing standards of the NASDAQ, as in effect from time to time.

Consistent with these considerations, after review of all relevant transactions or relationships between each director, or any of his or her family members, and the Company, its senior management and its independent auditors, the Board has affirmatively determined that all of the Company's directors are independent directors within the meaning of the applicable NASDAQ listing standards, except for Mr. Lipps, the President and Chief Executive Officer of the Company. In making this determination, the Board found that none of the nine independent directors, nominees or appointees for director had a material or other disqualifying relationship with the Company. Mr. Lipps, the Company's President and Chief Executive Officer, is not an independent director by virtue of his employment with the Company.

The Board noted that Mr. Moore, a member of the Board, served as the President and Chief Executive Officer of Resource Optimization & Innovation, LLC ("ROi"), the supply chain division of Mercy Health ("Mercy"), from July 2006 until April 2011, and has served as Senior Vice President, Operations, of Mercy since April 2011. Effective December 31, 2009, the Company entered into a group purchasing organization (GPO) agreement with ROi, whereby the Company agreed to provide products and services to ROi's members, including hospitals within Mercy. The Company recorded revenue from Mercy of approximately \$4.6 million, \$2.8 million and \$2.5 million for the years ended December 31, 2011, 2012 and 2013, respectively. The Board determined that Mr. Moore did not derive any direct or indirect material benefit from the agreement with ROi and believes that the agreement is in Omnicell's best interest and on terms no less favorable than could be obtained from other third party group purchasing organizations.

The Board also noted that Mr. Smith, who was appointed to the Board effective upon Mr. Wegmiller's resignation from the Board, serves as Senior Vice President and Chief Information Officer of Advocate Health and Hospitals Corporation ("Advocate"). Effective December 2005, the Company entered into a master agreement with Advocate, whereby the Company agreed to provide products and services to Advocate. Effective September 2011, the Company entered into a corporate partnership agreement with Advocate, whereby the Company agreed to provide products and services to Advocate members at discounted pricing in consideration for Advocate members' commitment to utilize the Company as their sole source provider for automated pharmacy dispensing cabinets. The Company recorded revenue from Advocate of approximately \$892 thousand, \$1.3 million and

\$971 thousand for the years ended December 31, 2011, 2012 and 2013, respectively. The Board determined that Mr. Smith did not derive any direct or indirect material benefit from the agreements with Advocate and believes that the agreements are in Omnicell's best interest and on terms no less favorable than could be obtained from other third party health systems.

**Role of the Board in Risk Oversight**

One of the Board's key functions is informed oversight of the Company's risk management process. The Board administers this oversight function directly through the Board as a whole, as well as through the Board's standing committees that address risks inherent in their respective areas of oversight. In particular, our Board is responsible for monitoring and assessing strategic risk exposure, including a determination of the nature and level of risk appropriate for the Company. Our Audit Committee has the responsibility to consider and discuss our major financial risk exposures and the steps our management has taken to monitor and control these exposures, including guidelines and policies to govern the process by which risk assessment and management is undertaken. The Audit Committee also monitors compliance with legal and regulatory requirements in addition to oversight of the performance of our audit function. Our Corporate Governance Committee monitors the effectiveness of our corporate governance guidelines, including whether they are successful in preventing illegal or improper liability-creating conduct. Our Compensation Committee assesses and monitors whether any of our compensation policies and programs has the potential to encourage excessive risk-taking.

Typically, the Corporate Governance Committee receives and discusses with management a quarterly report regarding risk management and the areas of risk the Company has addressed in such quarter. The Corporate Governance Committee reports to the entire Board on the risk management activities of the Company at least annually and the applicable Board committees meet at least annually with the employees responsible for risk management in such committees' respective areas of oversight. Both the Board as a whole and the various standing committees receive periodic reports from management, as well as incidental reports as matters may arise. It is the responsibility of the committee chairs to report findings regarding material risk exposures to the Board as quickly as possible.

**Meetings of the Board of Directors**

The Board met six (6) times during 2013. Each Board member attended 75% or more of the aggregate number of the meetings of the Board and of the committees on which he or she served, as held during the period for which he or she was a director or committee member, respectively.

Persons interested in communicating with the independent directors with their concerns or issues may address correspondence to a particular director, or to the independent directors generally, in care of Lead Independent Director, Omnicell, Inc. at 590 E. Middlefield Road, Mountain View, California 94043. If no particular director is named, letters will be forwarded, depending on the subject matter, to the Chair of the Audit, Compensation, or Corporate Governance Committee.

**Information Regarding Committees of the Board of Directors**

The Board has four committees: an Audit Committee, a Compensation Committee, a Corporate Governance Committee and an M&A Committee. The following table provides membership and meeting information for 2013 for each of the Board committees:

Name	Audit	Compensation	Corporate Governance	M&A
James T. Judson <sup>(1)</sup>	X*		X	X
Randy D. Lindholm			X*	X
Gary S. Petersmeyer	X	X		X
Donald C. Wegmiller <sup>(2)</sup>		X		
Sara J. White				X*
Vance B. Moore <sup>(2)</sup>	X			
Mark W. Parrish			X	
Joanne B. Bauer <sup>(1)</sup>			X	
Bruce D. Smith <sup>(2)</sup>				
Total meetings in fiscal year 2013	16	11	4	1

\* Denotes Committee Chairperson

(1) Upon her appointment to the Board effective January 1, 2014, Ms. Bauer was appointed as a member of the Corporate Governance Committee and Mr. Judson left the Corporate Governance Committee.

(2) On March 28, 2014, Mr. Wegmiller tendered his letter of resignation to the Board of Directors, to be effective immediately prior to the 2014 Annual Meeting. Mr. Smith was appointed to the Board, effective upon Mr. Wegmiller's resignation. In addition, Mr. Moore will join the Compensation Committee, effective upon Mr. Wegmiller's resignation.

Below is a description of each committee of the Board. The Board has determined that each member of each committee meets the applicable NASDAQ rules and regulations regarding "independence" and that each member is free of any relationship that would impair his or her individual exercise of independent judgment with regard to the Company.

**Audit Committee**

The Audit Committee of the Board is currently composed of three directors: Mr. Judson (Chair) and Messrs. Petersmeyer and Moore. Following our 2014 Annual Meeting, the Audit Committee will continue to be composed of Mr. Judson (Chair) and Messrs. Petersmeyer and Moore. The Audit Committee met sixteen (16) times during the fiscal year ended December 31, 2013. The Audit Committee was established by the Board in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to oversee the Company's corporate accounting and financial reporting processes and audits of its financial statements. For this purpose, the Audit Committee performs several functions. The Audit Committee evaluates the performance of and assesses the qualifications of the independent registered public accounting firm; determines and approves the engagement of the independent registered public accounting firm; determines whether to retain or terminate the existing independent registered public accounting firm or to appoint and engage a new independent registered public accounting firm; reviews and approves the retention of the independent registered public accounting firm to perform any proposed permissible non-audit services; monitors the rotation of partners of the independent registered public accounting firm on the Company's audit engagement team as required by law; reviews and approves or rejects transactions between the Company and any related persons; confers with management and the independent



## Edgar Filing: OMNICELL, Inc - Form DEF 14A

registered public accounting firm regarding the effectiveness of internal control over financial reporting; establishes procedures, as required under applicable law, for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting control or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and meets to review the Company's annual audited financial statements and quarterly unaudited financial statements with management and the independent registered public accounting firm, including reviewing the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K. The Audit Committee has adopted a written Audit Committee Charter that can be found in the "Corporate Governance" section on Omnicell's corporate website at [www.omnicell.com](http://www.omnicell.com), under "Investor Relations."

The Board reviews the NASDAQ listing standards definition of independence for Audit Committee members on an annual basis and has determined that all members of the Company's Audit Committee are independent (as independence is currently defined in Rule 5605(c)(2)(A)(i) of the NASDAQ listing standards). The Board has also determined that Mr. Judson, the Audit Committee Chairperson, qualifies as an "audit committee financial expert," as defined in applicable Securities and Exchange Commission ("SEC") rules. The Board made a qualitative assessment of Mr. Judson's level of knowledge and experience based on a number of factors, including his formal education and professional experience.

**Report of the Audit Committee of the Board of Directors<sup>(1)</sup>**

The Audit Committee has prepared the following report on its activities with respect to our audited financial statements for the year ended December 31, 2013.

Our management is responsible for the preparation, presentation and integrity of our financial statements and is also responsible for maintaining appropriate accounting and financial reporting practices and policies. Management is also responsible for establishing and maintaining adequate internal controls and procedures designed to provide reasonable assurance that we are in compliance with accounting standards and applicable laws and regulations.

Ernst & Young LLP, our independent registered public accounting firm for 2013, is responsible for expressing opinions on the conformity of our audited financial statements with U.S. generally accepted accounting principles and the effectiveness of our internal control over financial reporting.

The Audit Committee has reviewed and discussed the audited financial statements for the fiscal year ended December 31, 2013 with management of the Company. The Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed pursuant to applicable auditing standards, as adopted by the Public Company Accounting Oversight Board ("PCAOB"). The Audit Committee has also received the written disclosures and the letter from the independent registered public accounting firm regarding the independent registered public accounting firm's independence as required by PCAOB Ethics and Independence Rule 3526, *Communication with Audit Committees Concerning Independence* and has discussed with the independent registered public accounting firm its independence.

Based on the foregoing, the Audit Committee has recommended to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

**AUDIT COMMITTEE**

James T. Judson, Chair  
Gary S. Petersmeyer  
Vance B. Moore

---

(1) The material in this report is not "soliciting material," is not deemed "filed" with the Commission and is not to be incorporated by reference in any filing of the Company under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

## Compensation Committee

The Compensation Committee currently is composed of three directors: Mr. Lindholm (Chair) and Messrs. Petersmeyer and Wegmiller. Following our 2014 Annual Meeting, the Compensation Committee will be composed of Mr. Lindholm (Chair) and Messrs. Petersmeyer and Moore. All members of the Company's Compensation Committee are independent (as independence is currently defined in Rule 5605(a)(2) of the NASDAQ listing standards). The Compensation Committee met eleven (11) times during the fiscal year ended December 31, 2013. The Compensation Committee Charter can be found in the "Corporate Governance" section on Omnicell's corporate website at [www.omnicell.com](http://www.omnicell.com), under "Investor Relations."

The Compensation Committee of the Board acts on behalf of the Board to review, adopt and oversee the Company's compensation strategy, policies, plans and programs, including:

reviewing and approving the overall compensation philosophy for the Company's executive officers and directors;

overseeing the adoption and administration of, and establishing guidelines relating to, the Company's stock option and purchase plans, profit sharing plans, stock bonus plans, deferred compensation plans and other similar programs, including approving and granting options, restricted stock, restricted stock units or other equity awards under such plans to the Company's executive officers, employees and consultants; and

preparing the Company's Compensation Discussion and Analysis, included in this proxy statement.

## Compensation Committee Processes and Procedures

The Compensation Committee meets at least monthly, and with greater frequency if necessary. The agenda for each meeting is usually outlined by the Chair of the Compensation Committee and then more fully developed by the Company's Chief Executive Officer, Chief Financial Officer, head of Human Resources and General Counsel. The Compensation Committee meets regularly in executive session. However, from time to time, various members of management and other employees as well as outside advisors or consultants may be invited by the Compensation Committee to make presentations, provide financial or other background information or advice or otherwise participate in Compensation Committee meetings. The Chief Executive Officer may not participate in or be present during any deliberations or final determinations of the Compensation Committee regarding his compensation. The charter of the Compensation Committee grants the Compensation Committee full access to all books, records, facilities and personnel of the Company, as well as authority to obtain, at the expense of the Company, advice and assistance from internal and external legal, accounting or other advisors and consultants and other external resources that the Compensation Committee considers necessary or appropriate in the performance of its duties. In particular, the Compensation Committee has the sole authority to retain compensation consultants to assist in its evaluation of executive and director compensation, including the authority to approve the consultant's reasonable fees and other retention terms.

In late 2012, as in prior years, the Compensation Committee engaged Pearl Meyer & Partners ("Pearl Meyer") as executive compensation consultants. In late 2013, the Compensation Committee engaged Radford as executive compensation consultants to replace Pearl Meyer. Neither Pearl Meyer nor Radford provided any other services to Omnicell in excess of \$120,000 during 2013. The Compensation Committee requested that Pearl Meyer and Radford assist in continuing to refine the Company's executive compensation program. As part of their successive engagements, Pearl Meyer and Radford were requested by the Compensation Committee to develop a comparative group of companies and to perform analyses of competitive performance and compensation levels for that group.

At the request of the Compensation Committee, the compensation consultants also conducted individual interviews with members of the Compensation Committee and senior management to learn more about the Company's business operations and strategy, key performance metrics and strategic goals, as well as the labor market in which the Company competes. The compensation consultants ultimately developed recommendations regarding executive compensation levels and types of compensation elements that were presented to the Compensation Committee for its consideration. Following an active dialogue with Pearl Meyer during late 2012 and early 2013, and with Radford during late 2013, and suggesting modifications, the Compensation Committee approved the modified recommendations.

The accepted recommendations of the compensation consultants and the specific determinations of the Compensation Committee with respect to executive compensation for 2013 are discussed in the Compensation Discussion and Analysis section of this proxy statement.

#### **Compensation Committee Interlocks and Insider Participation**

Throughout 2013, the Compensation Committee consisted of Messrs. Lindholm (Chair), Petersmeyer and Wegmiller. None of these individuals are or have been officers of Omnicell. None of the Company's executive officers serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our Board or Compensation Committee.

#### **Corporate Governance Committee**

The Corporate Governance Committee of the Board is responsible for identifying, reviewing and evaluating candidates to serve as directors of the Company (consistent with criteria approved by the Board), reviewing and evaluating incumbent directors and recommending appropriate nominee slates for the Board to recommend for election to the Board, making recommendations to the Board regarding the membership of the committees of the Board, assessing the performance of the Board and developing a set of corporate governance principles for the Board and the Company.

The Corporate Governance Committee currently consists of three directors: Ms. White (Chair), Mr. Parrish and Ms. Bauer. Following our 2014 Annual Meeting, the Corporate Governance Committee will continue to be composed of Ms. White (Chair), Mr. Parrish and Ms. Bauer. All members of the Corporate Governance Committee are independent (as independence is currently defined in Rule 5605(a)(2) of the NASDAQ listing standards). The Corporate Governance Committee met four (4) times during the fiscal year ended December 31, 2013. Our Corporate Governance Committee Charter can be found in the "Corporate Governance" section on the Company's corporate website at [www.omnicell.com](http://www.omnicell.com), under "Investor Relations."

The Corporate Governance Committee believes that candidates for director should have certain minimum qualifications, including being able to read and understand basic financial statements, being over 21 years of age and having the highest personal integrity and ethics. The Corporate Governance Committee also intends to consider such factors as possessing relevant expertise upon which to be able to offer advice and guidance to management, having sufficient time to devote to the affairs of the Company, demonstrated excellence in his or her field, having the ability to exercise sound business judgment and having the commitment to rigorously represent the long-term interests of the Company's stockholders. However, the Corporate Governance Committee retains the right to modify these qualifications from time to time. Candidates for director nominees are reviewed in the context of the current composition of the Board, the operating requirements of the Company and the long-term interests of stockholders.

In conducting this assessment, the Corporate Governance Committee considers diversity, age, skills, industry and professional background and such other factors as it deems appropriate given the

current needs of the Board and the Company, to maintain a balance of knowledge, experience and capability. In the case of incumbent directors whose terms of office are set to expire, the Corporate Governance Committee reviews such directors' overall service to the Company during their term, including the number of meetings attended, level of participation, quality of performance, and any other relationships and transactions that might impair such directors' independence. In the case of new director candidates, the Corporate Governance Committee also determines whether the nominee must be independent for NASDAQ purposes, which determination is based upon applicable NASDAQ listing standards, applicable SEC rules and regulations and the advice of counsel, if necessary. The Corporate Governance Committee (and the other members of the Board, as needed) then use their network of contacts to compile a list of potential candidates, but may also engage, if it deems appropriate, a professional search firm. The Corporate Governance Committee conducts any appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates after considering the function and needs of the Board. The Corporate Governance Committee meets to discuss and consider such candidates' qualifications and then selects a nominee for recommendation to the Board by majority vote.

The Company's Corporate Governance Guidelines require that each non-employee director submit to the Board a letter of resignation upon completion of three (3) three-year terms as a member of the Board. The Board is free to accept or reject such letter of resignation. Because they had each served as a director for three (3) three-year terms, Mr. Lindholm and Ms. White tendered respective letters of resignation to the Board in February 2014, to be effective as of the date of the 2014 Annual Meeting, but indicated his and her willingness to continue to serve on the Board. After consultation, the Board rejected Mr. Lindholm and Ms. White's resignations and requested that they each stand for reelection as a director of the Company.

At this time, the Corporate Governance Committee does not consider director candidates recommended by stockholders. The Corporate Governance Committee believes that it is in the best position to identify, review, evaluate and select qualified candidates for Board membership, based on the comprehensive criteria for Board membership approved by the Board.

#### **Stockholder Communications with the Board of Directors**

The Company's Board has adopted a formal process by which stockholders may communicate with the Board or any of its directors. Stockholders who wish to communicate with the Board may do so by sending written communications addressed to the Lead Independent Director of Omnicell, Inc. at 590 E. Middlefield Road, Mountain View, California 94043. These communications will be reviewed by the Lead Independent Director, who will determine whether they should be presented to the Board. The purpose of this screening is to avoid having the Board consider irrelevant or inappropriate communications (such as advertisements, solicitations and hostile communications). The screening procedures have been approved by a majority of the independent members of the Board. All communications directed to the Audit Committee in accordance with the Company's "Open Door Policy for Reporting Complaints Regarding Accounting and Auditing Matters" (the "Omnicell Open Door Policy") that relate to questionable accounting or auditing matters involving the Company will be promptly and directly forwarded to the Audit Committee. The Omnicell Open Door Policy is available in the "Corporate Governance" section on the Company's corporate website at [www.omnicell.com](http://www.omnicell.com), under "Investor Relations."

#### **Code of Ethics**

Omnicell has adopted the Omnicell Code of Conduct, a code of ethics that applies to all officers, directors and employees of the Company. The Omnicell Code of Conduct is available in the "Corporate Governance" section on the Company's corporate website at [www.omnicell.com](http://www.omnicell.com), under "Investor Relations." If the Company makes any substantive amendments to its Code of Conduct or

grants any waiver from a provision of the Code to any executive officer or director, it will promptly disclose the nature of the amendment or waiver on our website.

### **Corporate Governance Guidelines**

The Board has reaffirmed the governance practices followed by the Company by readopting the Corporate Governance Guidelines to assure that the Board will have the necessary authority and practices in place to review and evaluate the Company's business operations as needed and to make decisions that are independent of the Company's management. The guidelines are also intended to align the interests of directors and management with those of the Company's stockholders. The Corporate Governance Guidelines set forth the practices the Board intends to follow with respect to board composition and selection, board meetings and involvement of senior management, Chief Executive Officer performance evaluation and succession planning, and board committees and compensation. The Corporate Governance Guidelines were adopted by the Board to, among other things, reflect changes to the NASDAQ listing standards and SEC rules adopted to implement provisions of the Sarbanes-Oxley Act of 2002. The Corporate Governance Guidelines, as well as the charters for each committee of the Board, are available in the "Corporate Governance" section on the Company's corporate website at [www.omnicell.com](http://www.omnicell.com), under "Investor Relations."

**PROPOSAL NO. 2**

**ADVISORY VOTE ON EXECUTIVE COMPENSATION**

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), and Schedule 14A of the Exchange Act, our stockholders are entitled to vote to approve, on an advisory basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with SEC rules. 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.

The compensation of our named executive officers is disclosed in the Compensation Discussion and Analysis, the compensation tables and the related narrative disclosure contained on pages 27 to 41 of this proxy statement. As discussed in those disclosures, we believe that our compensation policies and decisions are appropriately designed to align the interests of our executive officers with those of our stockholders, to emphasize strong pay-for-performance principles and to enable us to attract and retain talented and experienced executives to lead the Company in a competitive environment.

Applying these philosophies, the Compensation Committee of our Board has set specific compensation goals designed to help the Company achieve our short- and long-term business and performance goals. The Compensation Committee believes that our executive officers should have the potential to earn total cash compensation at approximately the 75<sup>th</sup> percentile of our peer group's total cash compensation if our executive officers accomplish specific performance goals that the Compensation Committee sets to help the Company achieve its performance goals. The Compensation Committee has used an objective of base salary compensation at the 50<sup>th</sup> percentile of our peer group as guidance in its decision-making.

The base salaries of the named executive officers in 2013 ranged from below the 25<sup>th</sup> percentile to the 50<sup>th</sup> percentile of our peer group. The total target cash compensation of our named executive officers in 2013, assuming achievement of performance goals, ranged from the 65<sup>th</sup> percentile to above the 75<sup>th</sup> percentile of our peer group.

With regard to long-term equity incentive compensation, the value of such compensation awarded to the named executive officers, calculated using Black-Scholes-Merton valuation methodology, ranged from the 45<sup>th</sup> percentile to the 55<sup>th</sup> percentile of our peer group in 2013. Such a valuation is necessarily sensitive to movement in the stock price of the target stock, but in 2013 our average compensation value for long-term equity incentive grants to our executives was at approximately the 50<sup>th</sup> percentile of the comparator group.

Beginning in 2011, the Board implemented a policy of declaring half of the equity incentive grants to executives to vest upon the successful achievement of certain market-based performance metrics by the Company. The market-based performance comparison adopted by the Company compares the total stockholder return of its common stock to that of the companies in the Nasdaq Health Care Index (the "Index").

In summary, the elements of our compensation package as well as the amount of compensation paid to our named executive officers emphasize strong pay-for-performance principles and provide reasonable compensation to our named executive officers.

For these reasons, the Board is asking stockholders to support the compensation of the Company's named executive officers as described in this proxy statement by casting a non-binding advisory vote "FOR" the following resolution:

"RESOLVED, that the Company's stockholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company's Proxy Statement for the 2014 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the

## Edgar Filing: OMNICELL, Inc - Form DEF 14A

Securities and Exchange Commission, including the Compensation Discussion and Analysis, the 2013 Summary Compensation Table and the other related tables and disclosure."

While the advisory vote we are asking you to cast is non-binding, the Compensation Committee and the Board value the views of our stockholders and will take into account the outcome of the vote when considering future compensation decisions for our named executive officers.

Advisory approval of this proposal requires the vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS  
A VOTE "FOR" PROPOSAL NO. 2.**



## PROPOSAL NO. 3

## RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board has selected Deloitte & Touche LLP ("Deloitte") as the Company's independent registered public accounting firm for the year ending December 31, 2014 and has further directed that management submit the selection of the independent registered public accounting firm for ratification by the stockholders at the Annual Meeting. Representatives of Deloitte are expected to be present at the Annual Meeting. They will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions. Deloitte has served as our independent registered public accounting firm since April 7, 2014. Prior to such time, Ernst & Young LLP ("Ernst & Young") served as our independent registered public accounting firm. See " *Change in Independent Registered Public Accounting Firm*" below. The Company does not expect that a representative of Ernst & Young will be present at the Annual Meeting.

Neither the Company's Bylaws nor other governing documents or law require stockholder ratification of the selection of Deloitte as the Company's independent registered public accounting firm. However, the Audit Committee of the Board is submitting the selection of Deloitte to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee of the Board will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee of the Board in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if they determine that such a change would be in the best interests of the Company and its stockholders.

## Principal Accountant Fees and Services

The following table represents aggregate fees billed to the Company for the fiscal years ended December 31, 2013 and December 31, 2012 by Ernst & Young.

	Fiscal Year Ended December 31,	
	2013	2012
	(in thousands)	
Audit Fees	\$ 2,004	\$ 1,615
Audit-Related Fees		
Tax Fees	355	66
All Other Fees		112
<b>Total Fees</b>	<b>\$ 2,359</b>	<b>\$ 1,793</b>

*Audit Fees.* Consists of fees billed for professional services rendered for the audit of the Company's annual consolidated financial statements included in the Annual Report on Form 10-K and review of the interim consolidated financial statements included in quarterly reports on Form 10-Q, professional services associated with SEC registration statements and other documents filed with the SEC, consultations with the Company's management as to the accounting treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by the SEC, the Financial Accounting Standards Board or other standard-setting bodies, and other services that are normally provided by Ernst & Young in connection with statutory and regulatory filings or engagements.

*Tax Fees.* Consists of fees billed for professional services for tax compliance, tax advice and tax planning outside of the audit of the income tax accounts.

*All Other Fees.* Consists of fees billed for subscriptions to an on-line accounting and financial reporting research assistance service and other post-acquisition integration advisory services.

### **Pre-Approval Policies and Procedures**

The Audit Committee has adopted a policy and procedures for the pre-approval of audit and non-audit services rendered by the Company's independent registered public accounting firm. The policy generally pre-approves specified services in the defined categories of audit services, audit-related services, tax services and other non-audit services up to specified amounts. Pre-approval may also be given as part of the Audit Committee's approval of the scope of the engagement of the independent registered public accounting firm or on an individual explicit case-by-case basis before the independent registered public accounting firm is engaged to provide each service. The pre-approval of services may be delegated to one or more of the Audit Committee's members, but the decision must be reported to the full Audit Committee at its next scheduled meeting.

The Audit Committee has determined that the rendering of the services other than audit services by Ernst & Young was compatible with maintaining the independent registered public accounting firm's independence.

In 2013, the Audit Committee pre-approved the fees set forth on the previous page in their entirety.

### **Change in Independent Registered Public Accounting Firm**

The Audit Committee has completed a competitive process to review the appointment of the Company's independent registered public accounting firm for the year ending December 31, 2014. As a result of this process, on April 7, 2014, the Audit Committee engaged Deloitte as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2014, and dismissed Ernst & Young, which participated in the process, from that role.

The reports of Ernst & Young on the Company's consolidated financial statements as of and for the fiscal years ended December 31, 2013 and December 31, 2012 did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles.

In connection with the audits of the Company's financial statements for the fiscal years ended December 31, 2013 and December 31, 2012, and in the subsequent interim period through April 7, 2014, there were no disagreements with Ernst & Young on any matter of accounting principles or practices, financial statement disclosure, or auditing scope and procedures, which, if not resolved to the satisfaction of Ernst & Young, would have caused Ernst & Young to make reference to the matter in their reports. There were no "reportable events" as that term is described in Item 304(a)(1)(v) of Regulation S-K.

The Company requested Ernst & Young to furnish it a letter addressed to the SEC stating whether it agrees with certain statements made in a Current Report on Form 8-K (the "Report") filed by the Company on April, 8, 2014. A copy of Ernst & Young's letter dated April 8, 2014 was filed as Exhibit 16.1 to the Report.

During the fiscal years ended December 31, 2013 and December 31, 2012, and the subsequent interim period through April 7, 2014, neither the Company nor anyone acting on its behalf has consulted with Deloitte with respect to (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements, and neither a written report nor oral advice was provided to the Company that Deloitte concluded was an important factor considered by the Company in reaching a decision as to any accounting, auditing, or financial reporting issue or (ii) any matter that was either the subject of a "disagreement" or "reportable event" as those terms are defined in Item 304(a)(1) of Regulation S-K.

**Required Vote and Recommendation of the Board of Directors**

Approval of Proposal No. 3 requires the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting. Abstentions will be counted toward the tabulation of votes cast on Proposal No. 3 and will have the same effect as "Against" votes. Broker non-votes will have no effect on the outcome of the vote.

The Board believes that approval of Proposal No. 3 is in the best interest of the Company and the best interests of the stockholders for the reasons stated above.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS  
A VOTE "FOR" PROPOSAL NO. 3.**

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

The following table sets forth certain information regarding the ownership of the Company's common stock as of February 15, 2014 by: (i) each director and nominee for director; (ii) each of the executive officers named in the Summary Compensation Table; (iii) all current executive officers and directors of the Company as a group; and (iv) all those known by the Company to be beneficial owners of more than 5% of its common stock.

Name and Address of Beneficial Owner	Beneficial Ownership <sup>(1)</sup>	
	Number of Shares	Percent of Total
BlackRock, Inc. <sup>(2)</sup> 40 East 52 <sup>nd</sup> Street New York, NY 10022	3,642,492	10.11%
Oak Ridge Investments, LLC <sup>(3)</sup> 10 South LaSalle Street, Suite 1900 Chicago, IL 60603	2,266,097	6.29%
JPMorgan Chase & Co. <sup>(4)</sup> 270 Park Ave. New York, NY 10017	1,918,884	5.33%
James T. Judson <sup>(7)</sup>	105,784	*
Randy D. Lindholm <sup>(7)</sup>	20,205	*
Randall A. Lipps <sup>(5)(7)</sup>	714,908	1.97%
Vance B. Moore <sup>(7)</sup>	17,810	*
Mark W. Parrish	11,683	*
Gary S. Petersmeyer <sup>(7)</sup>	36,493	*
Donald C. Wegmiller	0	*
Sara J. White <sup>(7)</sup>	43,668	*
Joanne B. Bauer	0	*
Bruce D. Smith	0	*
Robin G. Seim <sup>(7)</sup>	72,965	*
J. Christopher Drew <sup>(6)(7)</sup>	421,386	1.16%
Marga Ortigas-Wedekind <sup>(7)</sup>	83,763	*
Nhat H. Ngo <sup>(7)</sup>	17,073	*
All executive officers and directors as a group (16 persons) <sup>(8)</sup>	1,725,929	4.65%

\*  
Less than one percent.

(1) This table is based upon information supplied by officers, directors and principal stockholders and Schedule 13Gs filed with the SEC. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, the Company believes that each of the stockholders named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned. Applicable percentages are based on 36,031,359 shares outstanding on February 15, 2014, adjusted as required by rules promulgated by the SEC. Unless otherwise indicated, the address of each of the individuals and entities listed below is c/o Omnicell, Inc., 590 E. Middlefield Road, Mountain View, California 94043.

(2) BlackRock, Inc. ("BlackRock") is the beneficial owner of 3,642,492 shares of common stock. BlackRock has sole voting power with respect to 3,511,973 shares of common stock, and sole dispositive power with respect to 3,642,492 shares of common stock. The data regarding the stock ownership of BlackRock is as of December 31, 2013 from the Schedule 13G/A filed by BlackRock on January 10, 2014.

- (3) Oak Ridge Investments, LLC ("Oak Ridge") is the beneficial owner of 2,266,097 shares of common stock. Oak Ridge has sole dispositive power with respect to 758,688 shares of common stock, shared dispositive power with respect to 1,507,409 shares of common stock and sole voting power with respect to 658,221 shares of common stock. The data regarding the stock ownership of Oak Ridge is as of December 31, 2013 from the Schedule 13G/A filed by Oak Ridge on February 3, 2014.
- (4) JPMorgan Chase & Co. ("JPMorgan") has sole voting power with respect to 1,850,291 shares of common stock and sole dispositive power with respect to 1,918,884 shares of common stock. The data regarding the stock ownership of JPMorgan is as of December 31, 2013 from the Schedule 13G filed by JPMorgan on January 30, 2014.
- (5) Includes 56,737 shares held directly by Mr. Lipps; 373,613 shares held in trust by The Lipps Revocable Trust, for which Mr. Lipps and his wife are trustees with shared voting and investment power; and 18,673 shares held in various trusts for the benefit of Mr. Lipps' children, for which Mr. Lipps is trustee.
- (6) Includes 10,504 shares held in trust by the 2004 Drew Family Trust, for which Mr. Drew and his wife are trustees with shared voting and investment power.
- (7) Includes shares which certain executive officers and directors of the Company have the right to acquire within 60 days after February 15, 2014 pursuant to outstanding options as follows: Mr. Judson, 95,841 shares; Mr. Lindholm, 5,000 shares; Mr. Lipps, 265,885 shares; Mr. Moore, 8,650; Mr. Parrish, 8,426 shares; Mr. Petersmeyer, 25,000 shares; Ms. White, 10,443 shares; Mr. Seim, 69,151 shares; Mr. Drew, 351,424 shares; Ms. Ortigas-Wedekind, 68,318 shares; Mr. Ngo, 11,886 shares; and all current executive officers and directors as a group, 1,053,533 shares.
- (8) Consists of shares held by the executive officers and directors listed on the table, including the shares included in footnote 7 above, 86,052 shares Dan Johnston, the Company's Executive Vice President and General Counsel, has the right to acquire within 60 days after February 15, 2014 pursuant to outstanding options, 29,449 shares owned by Mr. Johnston, 47,457 shares Jorge Taborga, the Company's Executive Vice President, Engineering, has the right to acquire within 60 days after February 15, 2014 pursuant to outstanding options, and 17,233 shares owned by Mr. Taborga.

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

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who own more than 10% of a registered class of the Company's equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than 10% stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

The Company submits all applicable Section 16(a) filing requirements on behalf of its officers and directors. To the Company's knowledge, based on the reports filed by the Company, copies of such reports furnished to the Company and written representations that no other reports were required during the fiscal year ended December 31, 2013, all Section 16(a) filing requirements applicable to its officers and directors were complied with, except for: (i) one Form 4 filing for each of our executive officers relating to annual grants of restricted stock units and stock options in February 2013, (ii) one Form 4 filing for each of Messrs. Drew, Johnston, Judson, Petersmeyer, and Lipps and Ms. White covering sales of common stock, (iii) two Form 4 filings for Mr. Ngo covering sales of common stock, and (iv) one Form 4 filing for each of Michael Stevenson, our Senior Vice President of Global Manufacturing, and Jorge Taborga, our Executive Vice President of Engineering, in connection with grants of restricted stock units and stock options in April 2013, each of which was filed late.

## EXECUTIVE COMPENSATION

### COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis provides information regarding compensation paid to our President and Chief Executive Officer, our Chief Financial Officer and our three other most highly compensated executive officers (the "Named Executive Officers") as of December 31, 2013. These individuals are:

Randall A. Lipps, Chairman, President and Chief Executive Officer;

Robin G. Seim, Chief Financial Officer and Executive Vice President, Finance, Administration and Manufacturing;

J. Christopher Drew, Executive Vice President, Field Operations;

Marga Ortigas-Wedekind, Executive Vice President, Global Marketing and Product Development; and

Nhat H. Ngo, Executive Vice President, Strategy and Business Development.

The compensation programs described herein are available to all of Omnicell's executive officers.

#### *Overview*

Our executive compensation program is designed to provide our executive officers incentives and rewards, while effectively balancing the short-term and long-term interests of our stockholders with our ability to attract and retain talented executives. The Compensation Committee of our Board (the "Committee") has the primary responsibility for establishing our executive compensation philosophy and determining the specific components and levels of each executive's compensation. Our executive compensation program is based on four guiding principles, as set forth by the Committee. We have created a compensation program that combines short-term and long-term components, cash and equity and fixed and performance-based contingent payments, in the proportions we believe achieve these four guiding principles:

Enhance stockholder value by aligning the financial interests of our executive officers with those of our stockholders;

Enable us to attract, motivate and retain the people needed to define and create industry-leading products and services;

Integrate compensation closely with the achievement of our business and performance objectives; and

Reward individual performance that contributes to our short-term and long-term success.

An important element of our compensation philosophy is to provide executives with compensation packages that are competitive with compensation packages for executives in technology companies of similar size and industries in order to attract dynamic and innovative executives to lead our strategic initiatives. As such, the Committee utilizes and relies significantly on a benchmarking analysis when determining the size, components and mix of the executive officers' compensation elements.

Our executive officers' target annual compensation consists of three principal components: (a) base salary, (b) a performance-based cash bonus and (c) long-term equity incentive compensation. In addition, each of our executive officers is eligible for an additional component of compensation in the form of cash bonuses that are paid only in the event of significant overachievement of annualized measurements over one and two year time horizons. Long-term equity incentive compensation includes both time-based and performance-based components. The base salary component is primarily designed



to provide a predictable level of financial stability. The performance-based cash bonus is designed to reward the achievement of short-term goals. The additional cash bonuses are designed to provide incentive to overachieve short-term and long-term goals. The base salary, performance-based cash bonus, and additional cash bonuses are referred to as the cash component of the compensation plan. The equity compensation component is primarily designed to incentivize and retain our executives and to reward the achievement of our long-term financial success. The Committee utilizes a benchmarking analysis when determining total cash compensation, allocating cash compensation between base salary and performance-based bonus and in awarding long-term equity compensation.

In May 2013, we held a stockholder advisory vote on the compensation of our Named Executive Officers. Our stockholders approved, on an advisory basis, the compensation of our Named Executive Officers, with approximately 93% of stockholder votes cast in favor of our "Say on Pay" resolution. In evaluating our compensation practices during fiscal 2013 and in early 2014, we were mindful of the support our stockholders expressed for our philosophy of linking compensation to our operating and organizational objectives and the enhancement of stockholder value. As a result, the Committee retains our general approach to executive compensation, and continued to apply the same general principles and philosophy as in the prior fiscal year in determining executive compensation. The Committee will continue to consider stockholder concerns and feedback in the future.

#### ***Role of the Compensation Committee***

Our Board has delegated to the Committee the responsibility for developing our compensation philosophy, establishing our executive compensation program and overseeing equity awards under our equity incentive plans. On an annual basis, the Committee approves the individual compensation packages for each of our executive officers. Although the Committee maintains ultimate authority over our executive officers' compensation, the Committee considers the input and evaluations of our President and Chief Executive Officer, Randall A. Lipps, as it relates to executive officers other than Mr. Lipps. In conjunction with the Committee's annual review, Mr. Lipps develops cash and equity compensation proposals for each executive to present to the Committee for discussion and approval. Mr. Lipps does not participate in the final determination of his own compensation.

#### ***Benchmarking / Compensation Consultant***

As in prior years, the Committee engaged the services of Pearl Meyer & Partners ("Pearl Meyer") in late 2012 to serve as an independent advisor to the Committee to assist in reviewing the compensation of the Company's executive officers, including identifying companies for competitive analysis and benchmarking. In late 2013, the Committee engaged the services of Radford to replace Pearl Meyer and serve in a similar capacity. As part of their respective engagements, each of Pearl Meyer and Radford worked closely with the Committee to identify comparable peer companies, provided the Committee with reports summarizing a comparison of our total compensation with such peer companies and provided an assessment of the specific elements of our compensation components in relation to the peer companies. The Committee believes benchmarking of executive compensation is crucial to maintaining compensation levels competitive with other leading technology companies with which we compete for personnel. Additionally, benchmarking provides guideposts, which the Committee uses to determine the size, mix and components of executive compensation.

Most of our direct industry competitors are significantly larger than we are with respect to market capitalization, revenue and number of employees, and as a result, historically it has been and continues to be challenging to find appropriately-sized industry competitors for comparison. Therefore, the Committee and its compensation consultants have developed a group of comparable publicly-traded companies based on such factors as revenue, market capitalization and, to the extent possible, industry similarity, that we believe provides a meaningful cross-section from which to benchmark executive compensation. The Committee and its compensation consultants also, to the extent possible, have



## Edgar Filing: OMNICELL, Inc - Form DEF 14A

included companies in the peer group with which Omnicell believes that it may compete for personnel. This peer group focuses on three industry subcategories that are representative of portions of our business: the healthcare information management software industry, the medical equipment and supplies industry, and the supply chain management and logistics software and manufacturing industry. The Committee and its compensation consultants strive to maintain a consistent peer group year over year for comparability of competitive analysis; however, on a yearly basis the peer group is reviewed and refined to take into consideration comparability of financial performance relative to Omnicell, as well as the acquisition of or any fundamental changes in the peer companies' operating businesses. For all compensation decisions in 2013, including the long-term equity compensation awards made in February 2013, the Committee utilized a report prepared by Pearl Meyer in late 2012 (the "Pearl Meyer Report"). To the extent that there are statements relating to percentiles included in this Compensation Discussion and Analysis, they are intended to reference performance against peer companies as identified in the Pearl Meyer Report.

The companies identified for benchmark comparison in each of the 2012 and 2013 reports were:

<b>2012 Peer Group</b>		<b>2013 Peer Group</b>	
Abaxis, Inc.	Manhattan Associates, Inc.	Abaxis, Inc.	Manhattan Associates, Inc.
Accuray, Inc.	MedAssets, Inc.	Accuray, Inc.	MedAssets, Inc.
AngioDynamics, Inc.	Masimo Corp.	AngioDynamics, Inc.	Masimo Corp.
Athenahealth, Inc.	Medidata Solutions Inc.	Arthrocare	Medidata Solutions Inc.
Blackbaud Inc.	Merge Healthcare, Inc.	Athenahealth, Inc.	Merge Healthcare, Inc.
Computer Programs & Systems, Inc.	Merit Medical Systems Inc.	Blackbaud Inc.	Merit Medical Systems Inc.
Greenway Medical Tech Inc.	NxStage Medical	Computer Programs & Systems, Inc.	Natus Medical
JDA Software Group Inc.	Quality Systems Inc.	Genomic Health	NxStage Medical
	Thoratec Corp.	Greenway Medical Tech Inc.	Quality Systems Inc.
			Thoratec Corp.

### *Elements of Compensation and 2013 Determinations*

Our executive compensation program consists of three principal components: a base salary and a performance-based cash bonus plan (together, the "total cash compensation"), and long-term equity incentive compensation. The long-term equity incentive compensation is further divided into two components of equal value: stock options and restricted stock units that vest over time if the executive remains employed with the Company; and restricted stock units that only initially vest upon the achievement of certain Company performance metrics, and thereafter vest over time if the executive remains employed with the Company. We also provide our executive officers with certain other benefits including severance and change-of-control benefits and the ability to participate in our 401(k) plan and other employee benefit plans with all other eligible employees. The philosophy underlying each of the components of compensation and the specific factors weighing on the compensation determinations for 2013 are discussed in each section below.

***Cash Compensation.***

*Overview.* The cash component of our executive compensation program serves a two-fold purpose. Base salaries are intended to provide financial stability, predictability and security of compensation for our executive officers for fulfilling their core job responsibilities, while the performance-based cash bonus plan is intended to incentivize and reward the achievement of predetermined corporate and individual short-term objectives. In addition, short-term and long-term performance cash incentives are utilized to further motivate and reward our executive officers for achieving short and long-term corporate growth and financial performance goals that exceed industry benchmarks and maximize stockholder value in accordance with the Company's long term strategic plans. Long-term incentives also serve to encourage the long-term employment of our executive officers. The Committee's objective has been and continues to be for each executive officer to be able to achieve approximately the 75<sup>th</sup> percentile for comparable positions identified in the Pearl Meyer Report in total cash

Edgar Filing: OMNICELL, Inc - Form DEF 14A

compensation, assuming achievement of each of his or her performance objectives, resulting in payment in full of the executive's total performance-based cash bonus, and for base salary compensation at the 50<sup>th</sup> percentile for comparable positions identified in the Pearl Meyer Report as guidance in its decision-making. In determining the level of base salary and the potential maximum performance-based bonus for each executive officer, the Committee analyzes the comparable total cash compensation metric of the Pearl Meyer Report for each executive and sets the executive's total targeted cash compensation with the goal of achieving the objective percentile for each executive or moving each executive toward the objective percentile in a responsible and measured manner if the executive's current compensation is significantly different than the objective. The Committee also considers management's financial forecasts for the upcoming fiscal year and works to establish an aggregate compensation scheme that fits within the Company's budgetary model.

To determine the level of each component of an executive's total cash compensation targets, the Committee first uses the prior year's base salary as the starting point, and then looks to the applicable base salary metric in the Pearl Meyer Report to ascertain the percentile that the prior year's salary represents. The Committee then sets an approximate base salary for each executive based on the targeted percentile for that executive.

Once an appropriate base salary determination is made, the Committee allocates the difference between the executive's new base salary and targeted total cash compensation as the size of the executive's maximum potential performance-based bonus. The Committee then translates the maximum potential performance-based bonus into a percentage of the executive officer's base salary and makes adjustments to the base salary and bonus percentage from there.

Adjustments in cash compensation derived from base salary versus performance-based cash bonus are based on such factors as an executive's historical base salary, an executive's duties and responsibilities and his or her position in the Company, as well as competitive pay practices for comparable positions identified in the Pearl Meyer Report.

*2013 Base Salary and Total Cash Compensation Determination.* In determining total cash compensation for 2013, the Committee used its objective of base salary compensation at the 50<sup>th</sup> percentile as guidance, and targeting total cash compensation to the 75<sup>th</sup> percentile, in each case as compared to the peer group.

The following table sets forth base salaries and the targeted total cash compensation in 2013 for each Named Executive Officer and corresponding percentile that the total cash compensation represents in comparison to peer companies identified in the Pearl Meyer Report, and the percentage increase the 2013 targeted total cash compensation represents from the 2012 targeted total cash compensation:

Named Executive Officer	2013 Base Salary (\$)	2013 Percentile to Peer Group	2013 Targeted Total Cash Compensation <sup>(1)</sup> (\$)	2013 Targeted Total Cash Percentile to Peer Group	2012 Target Total Cash Compensation (\$) <sup>(2)</sup>	2012	
						Targeted Cash Percentile to Peer Group	Percentage Increase from 2012 Targeted Total Cash <sup>(3)</sup>
Randall A. Lipps	510,000	30 <sup>th</sup>	1,147,500	75 <sup>th</sup>	1,102,500	75 <sup>th</sup>	4%
Robin G. Seim	288,000	25 <sup>th</sup>	547,200	70 <sup>th</sup>	533,900	65 <sup>th</sup>	3%
J. Christopher Drew	316,000	50 <sup>th</sup>	600,400	65 <sup>th</sup>	587,100	75 <sup>th</sup>	2%
Marga Ortigas-Wedekind	288,000	35 <sup>th</sup>	547,200	>75 <sup>th</sup>	533,900	75 <sup>th</sup>	3%
Nhat H. Ngo	268,000	<25 <sup>th</sup>	509,200	>75 <sup>th</sup>	494,000	75 <sup>th</sup>	3%

(1) 2013 targeted total cash compensation refers to an executive officer's annualized salary and incentive target at the rate effective July 1, 2013, assuming achievement of 100% of an executive officer's Individual Targets (as defined below) and the achievement of the Corporate Threshold Targets (as defined below).

(2) 2012 targeted total cash compensation refers to an executive officer's annualized salary and incentive target at the rate effective July 1, 2012, assuming achievement of 100% of an executive officer's Individual Targets (as defined below) and the achievement of the Corporate Threshold Targets (as defined below).

(3) The Committee determined targeted total cash increases for 2013 based on the benchmarking study performed by Pearl Meyer in the fall of 2012.

*Performance-Based Bonus.* The second component of cash compensation for our executive officers is a quarterly performance-based bonus, which is intended to be a substantial component of our executives' cash compensation. The size of the potential maximum bonus is derived from the difference between the executive's targeted total cash compensation and his or her base salary. As it did in 2012, for 2013 the Committee established Incentive Targets (as defined below) based on the executive's targeted total cash compensation less base salary, and then translated this number into a percentage of salary. The percentages for 2013 remained the same as those determined by the Committee for 2012.

The Committee continued to use the bonus plan established in March 2010 (the "2010 Bonus Plan") to determine the performance-based bonuses for 2013. Under the 2010 Bonus Plan, the Company maintained its quarterly threshold target provision, under which the Company had to meet a certain threshold strategic financial performance criterion set by the Committee for an executive to earn any cash bonus (the "Corporate Threshold Target") for a particular quarter. Upon successful achievement of the Corporate Threshold Targets in a given quarter, the executive was then eligible to receive his or her individual bonus amounts, derived as a percentage of his or her quarterly salary, based on such executive's achievement of his or her individual objectives ("Individual Targets"). For the fourth quarter of 2013, the Committee did not establish Individual Targets for the Named Executive Officers and instead the executives were subject to the Annual Profit Threshold Target or Annual Acquisition Revenue Threshold Target, as applicable, and Bookings Threshold, each as described below. If the Corporate Threshold Targets and all of a participant's Individual Targets were achieved, the executive received 100% of his or her eligible cash bonus amount (the "Incentive Target"). In addition, the 2010 Bonus Plan allows the Committee to set additional threshold or overachievement bonus payment criteria to reward executives for particularly high company performance or for the achievement of specified financial target(s) that are of strategic importance to the Company (the "Strategic Goals"). In prior years, the Committee had established a fourth quarter threshold based on the Company's publicly reported year-end product backlog number. In 2013, the Committee replaced the backlog threshold with the Bookings Threshold because product backlog represents a smaller portion of the Company's future revenues following the acquisition of MTS Medication Technologies, Inc. in May 2012 and product bookings has become a more meaningful measure of the Company's current business.

*2013 Performance Metrics.* For the first, second and third quarter of 2013, the Committee set one Corporate Threshold Target that consisted of one performance criterion based on the Company achieving a quarterly profit amount. This was set at the minimum profit required to meet the cash equivalent of that quarter's desired earnings per share target (the "Profit Target"). For the fourth quarter of 2013, the Committee set one Corporate Threshold Target consisting of a year-end profit amount determined by the Committee (the "Annual Profit Threshold Target") for all of our executive officers except our Executive Vice President, Strategy and Business Development, Mr. Ngo. Mr. Ngo was subject to one Corporate Threshold Target consisting of a year-end annualized revenue run rate contribution from new company acquisitions (the "Annual Acquisition Revenue Threshold Target"). The Annual Acquisition Revenue Threshold Target was calculated by summing the quotients derived by dividing the actual revenue generated from each acquisition completed during 2013 by the number of days that we owned the acquired entity and multiplying that sum by 365.

The Committee also established one fourth quarter 2013 discretionary Strategic Goal that would have the effect of eliminating the executive officers' actual performance-based bonuses in the fourth quarter of 2013 if the Company did not achieve an annual bookings amount determined by the Committee (the "Bookings Threshold").

The Committee also determined that if the Company's publicly reported annual bookings number exceeded certain overachievement metrics set by the Committee (the "Bookings Overachievement Targets"), an additional overachievement payment potential would be triggered. The overachievement potential payment would be based on the percentage of overachievement and would apply that

## Edgar Filing: OMNICELL, Inc - Form DEF 14A

percentage to the amount of such individual targeted bonus for the full year of 2013, as more specifically set forth in the table below. Specifically, in the fourth quarter 2013 the Committee determined the Bookings Threshold would be met if the Company publicly reported bookings amount was at least \$305,000,000 and the Bookings Overachievement Target would be met if such publicly-reported bookings amount was \$318,000,000 or greater.

<b>Bookings Threshold Target</b>	<b>Annual</b>	<b>Bookings Overachievement Percentage<sup>(1)</sup></b>
	<b>Bookings Amount</b>	
1 <sup>st</sup> Bookings Overachievement Target	\$ 318,000,000	Additional 10% of Incentive Target
2 <sup>nd</sup> Bookings Overachievement Target	\$ 327,000,000	Additional 20% of Incentive Target
3 <sup>rd</sup> Bookings Overachievement Target	\$ 332,000,000	Additional 30% of Incentive Target
4 <sup>th</sup> Bookings Overachievement Target	\$ 337,000,000	Additional 45% of Incentive Target
5 <sup>th</sup> Bookings Overachievement Target	\$ 340,000,000	Additional 55% of Incentive Target

(1) The bookings overachievement percentage is prorated where the annual reported bookings exceeds \$318,000,000, but falls between one of the bookings threshold targets. No overachievement payments shall be made in excess of 55% of any executive officer's incentive target. The annual target variable pay used to calculate the bookings overachievement bonus will be the annual target variable pay in effect on December 31, 2013.

*Long-term Cash Incentive.* The third and final component of cash compensation for our executive officers is a long-term performance-based cash award, which is intended to motivate and award our executive officers for achieving long-term corporate growth and financial performance goals that exceed industry benchmarks and maximize stockholder value in accordance with our long term strategic plan. These awards are paid only in the event of significant overachievement of annualized measurements over one and two year time horizons.

On February 7, 2012, the Committee approved long-term performance cash awards pursuant to the Company's 2009 Equity Incentive Plan that vested and paid a cash bonus to each of the Company's executive officers upon the Company's achievement of certain revenue goals for the fiscal year ending December 31, 2013.

For Mr. Drew and Ms. Ortigas-Wedekind, the long-term cash incentive was weighted 100% on the achievement of a specified level of revenue generated from all Omnicell product lines excluding those brought into the Company through acquisition during 2012 and 2013 ("Organic Revenue"), subject to a threshold operating margin. For Mr. Ngo, the long-term cash incentive was weighted 100% on the revenue run rate generated from acquisitions of other companies or technologies through December 31, 2013 ("Inorganic Revenue"). For Messrs. Lipps and Seim, the long-term cash incentive was weighted 2/3rds on the achievement of a specified level of Organic Revenue and 1/3rd on the achievement of a specified level of Inorganic Revenue.

Revenue run rate for Inorganic Revenue is calculated by summing the quotients derived by dividing the actual 2013 revenue generated from each acquisition completed during 2012 and 2013 by the number of days that the Company owned the acquired entity in 2013 and multiplying that sum by 365.

At threshold and maximum performance, respectively, Mr. Lipps could receive 32% and 156% of his expected 2013 base salary, Mr. Drew and Ms. Ortigas-Wedekind could receive 53% and 158% of such officer's 2013 expected base salary, Mr. Seim could receive 34% and 112% of his expected 2013 base salary and Mr. Ngo could receive 30% and 90% of his 2013 expected base salary. Performance below thresholds would result in no payouts and performance above the maximum would result in no additional payout. To be eligible for a payment under the long-term cash incentive, our executive officers must also have been employed continuously by us through December 31, 2013.

2013 Long-Term Performance Cash Awards

Named Executive Officer	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
	Low-end Organic Revenue Growth Award <sup>(1)</sup>	Low-end Organic Revenue Threshold Vesting Criteria <sup>(2)</sup>	High-end Organic Revenue Growth Award <sup>(3)</sup>	High-end Organic Revenue Threshold Vesting Criteria <sup>(4)</sup>	Inorganic Revenue Growth Award <sup>(5)</sup>	Inorganic Revenue Threshold Vesting Criteria <sup>(6)</sup>	Transformative Acquisition Exceeding \$45M Revenue Contribution <sup>(7)</sup>	Total Maximum Possible Cash Award Amounts (Columns a+c+e)
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Randall A. Lipps	175,333	295,000,000	350,667	310,000,000	263,000	45,000,000	87,667	789,000
J. Chris Drew	167,000							