EXPRESS SCRIPTS INC
Form DEF 14A
April 22, 2005

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)
SCHEDULE 14A INFORMATION

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

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

Check the appropriate box:

o Preliminary Proxy Statement

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

x Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to Rule 14a-12

Express Scripts, Inc.

(Name of Registrant As Specified in its Charter)

(Name of Person(s) Filing Proxy Statement. If other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

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

(3) Filing party:

(4) Date filed:

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EXPRESS SCRIPTS, INC.
13900 Riverport Drive
Maryland Heights, Missouri 63043
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
May 25, 2005

The 2005 Annual Meeting of Stockholders of **EXPRESS SCRIPTS, INC**., a Delaware corporation (the Company), will be held at the principal executive offices of the Company, 13900 Riverport Drive, Maryland Heights, Missouri 63043, on Wednesday, May 25, 2005, at 9:30 a.m. Central Time (the meeting), to consider and act upon the following matters:

1. to elect eleven (11) directors to serve until the next Annual Meeting of Stockholders or until their respective successors are elected and qualified;

2. to ratify the appointment of PricewaterhouseCoopers LLP as the Company s independent accountants for the Company s current fiscal year; and

3. to transact such other business as may properly come before the meeting or any adjournments thereof.

Only stockholders of record at the close of business on March 31, 2005, are entitled to notice of and to vote at the meeting. At least ten days prior to the meeting, a complete list of stockholders entitled to vote will be available for inspection by any stockholder for any purpose germane to the meeting, during ordinary business hours, at the office of the Secretary of the Company at 13900 Riverport Drive, Maryland Heights, Missouri 63043. As a stockholder of record, you are cordially invited to attend the meeting in person. Regardless of whether you expect to be present at the meeting, please either complete, sign and date the enclosed proxy and mail it promptly in the enclosed envelope, or vote electronically via the Internet or telephone as described in greater detail in the proxy statement. Returning the enclosed proxy, or voting electronically or telephonically, will not affect your right to vote in person if you attend the meeting.

By Order of the Board of Directors

Thomas M. Boudreau
Senior Vice President, General Counsel and Secretary

13900 Riverport Drive
Maryland Heights, Missouri 63043
April 22, 2005

Even though you may plan to attend the meeting in person, please vote by telephone or the Internet, or execute the enclosed proxy card and mail it promptly. A return envelope (which requires no postage if mailed in the United States) is enclosed for your convenience. Telephone and Internet voting information is provided on your proxy card. Should you attend the meeting in person, you may revoke your proxy and vote in person.

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EXPRESS SCRIPTS, INC.
13900 Riverport Drive
Maryland Heights, Missouri 63043

2005 ANNUAL MEETING OF STOCKHOLDERS
PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of Express Scripts, Inc., a Delaware corporation (the Company), to be voted at the 2005 Annual Meeting of Stockholders of the Company (the annual meeting or the meeting) and any adjournment or postponement of the meeting. The meeting will be held at the principal executive offices of the Company, 13900 Riverport Drive, Maryland Heights, Missouri 63043, on Wednesday, May 25, 2005, at 9:30 a.m. Central Time, for the purposes contained in the accompanying Notice of Annual Meeting of Stockholders and in this proxy statement. This proxy statement and the accompanying proxy will be first sent or given to stockholders on or about April 22, 2005.

ABOUT THE MEETING

Why Did I Receive This Proxy Statement?

Because you were a stockholder of the Company as of March 31, 2005 (the Record Date) and are entitled to vote at the annual meeting, the Board of Directors is soliciting your proxy to vote at the meeting.

This proxy statement summarizes the information you need to know to vote at the meeting. This proxy statement and form of proxy were first mailed to stockholders on or about April 22, 2005.

What Am I Voting On?

You are voting on two items:

1. Election of directors (see page 6)

2. Ratification of PricewaterhouseCoopers LLP as independent accountants for 2005 (see page 28)

How Do I Vote?

Stockholders of Record: If you are a stockholder of record, there are four ways to vote:

by toll-free telephone at 1-800-PROXIES (1-800-776-9437)

by Internet at www.voteproxy.com

by completing and returning your proxy card

by written ballot at the meeting

Street Name Holders: Shares which are held in a brokerage account in the name of the broker are said to be held in street name. If your shares are held in street name you should follow the voting instructions provided by your broker. You may complete and return a voting instruction card to your broker, or, in many cases, your broker may also allow you to vote via the telephone or internet. Check your proxy card for more information. If you hold your shares in street name and wish to vote at the meeting, you must obtain a legal proxy from your broker and bring that proxy to the meeting.

Regardless of how your shares are registered, if you complete and properly sign the accompanying proxy card and return it to the address indicated, it will be voted as you direct.

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What Are The Voting Recommendations of the Board Of Directors?

The Board recommends the following votes:

1. FOR each of the nominees as directors

2. FOR ratification of the appointment of PricewaterhouseCoopers LLP as independent accountants for 2005

Unless you give instructions on your proxy card, the persons named as proxy holders will vote your shares in accordance with the recommendations of the Board of Directors.

Will Any Other Matters Be Voted On?

We do not know of any other matters that will be brought before the stockholders for a vote at the annual meeting. If any other matter is properly brought before the meeting, your signed proxy card gives authority to George Paz and David Lowenberg to vote on such matters in their discretion.

Who Is Entitled to Vote at the Meeting?

Only stockholders of record at the close of business on the Record Date are entitled to receive notice of and to participate in the annual meeting. If you were a stockholder of record on that date, you will be entitled to vote all of the shares that you held on that date at the meeting, or any postponements or adjournments of the meeting.

How Many Votes Do I Have?

You will have one vote for every share of Express Scripts common stock you owned on the Record Date.

How Many Votes Can Be Cast by All Stockholders?

74,045,868, consisting of one vote for each share of Express Scripts common stock outstanding on the Record Date. There is no cumulative voting.

How Many Votes Must Be Present to Hold the Meeting?

The holders of a majority of the aggregate voting power of the Express Scripts common stock outstanding on the Record Date, or 37,022,935 votes, must be present in person, or by proxy, at the meeting in order to constitute a quorum necessary to conduct the meeting.

If you vote, your shares will be part of the quorum. Abstentions and broker non-votes will be counted in determining the quorum. A broker non-vote occurs when a bank or broker holding shares in street name submits a proxy that states that the broker does not vote for some or all of the proposals, because the broker has not received instructions from the beneficial owners on how to vote on the proposals and does not have discretionary authority to vote in the absence of instructions.

We urge you to vote by proxy even if you plan to attend the meeting so that we will know as soon as possible that a quorum has been achieved.

What Vote Is Required to Approve Each Proposal?

In the election of directors, the affirmative vote of a plurality of the votes present in person or by proxy and entitled to vote at the meeting is required. A proxy that has properly withheld authority with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for the purposes of determining whether there is a quorum.

For the proposal to ratify the appointment of PricewaterhouseCoopers LLP as the Company s independent accountants, the affirmative vote of the holders of a majority of the shares represented in person or by proxy and entitled to vote on the proposal will be required for approval. An abstention with respect to this proposal will not be voted, although it will be counted for the purposes of determining whether there is a quorum. Accordingly, an abstention will have the effect of a negative vote.

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Can I Change My Vote or Revoke My Proxy?

Yes. Just send in a new proxy card with a later date, or cast a new vote by telephone or Internet, or send a written notice of revocation to the Company s Corporate Secretary at the address on the cover of this proxy statement. Also, if you attend the meeting and wish to vote in person, you may request that your previously submitted proxy not be used.

How Can I Access Express Scripts Proxy Materials and Annual Report Electronically?

This proxy statement and the 2004 annual report are available in the Investor Information section of our website at *www.express-scripts.com.* Information on our website does not constitute part of this proxy statement. Most stockholders can elect to view future proxy statements and annual reports over the Internet instead of receiving paper copies in the mail by registering at our website. By electing to receive these materials electronically, you can save the Company the cost of producing and mailing these documents.

Who Can Attend the Annual Meeting?

Any Express Scripts stockholder as of March 31, 2005 may attend the meeting. If you own shares in street name, you should ask your broker or bank for a legal proxy to bring with you to the meeting. If you do not receive the legal proxy in time, bring your most recent brokerage statement so that we can verify your ownership of our stock and admit you to the meeting. However, you will not be able to vote your shares at the meeting without a legal proxy.

If you return a proxy card without indicating your vote, your shares will be voted as follows: (i) for the nominees for director named in this proxy statement; (ii) for ratification of the appointment of PricewaterhouseCoopers LLP as independent accountants for the Company for 2005; and (iii) in accordance with the recommendation of management on any other matter that may properly be brought before the meeting and any adjournment or postponement of the meeting.

VOTING SECURITIES

On the Record Date there were 74,045,868 outstanding shares of the Company s Common Stock, $.01 par value per share (the Common Stock). Unless otherwise provided, all references to shares of Common Stock in this proxy statement have been adjusted to reflect the two-for-one stock split effective June 22, 2001, in the form of a stock dividend of one share for each outstanding share to holders of record on June 8, 2001.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table contains certain information regarding the beneficial ownership of the Company s Common Stock as of March 1, 2005 (unless otherwise noted) by (i) each person known by the Company to own beneficially more than five percent of the outstanding shares of Common Stock, (ii) each director of the Company, (iii) each current or former executive officer of the Company named in the Summary Compensation Table on page 17 (the Named Officers), and (iv) all current executive officers and directors of the Company as a group. The table includes shares that may be acquired on March 1, 2005 or within 60 days of March 1, 2005 upon the exercise of stock options by employees or outside directors. Unless otherwise indicated, each of the persons or entities listed below exercises sole voting and investment power over the shares that each of them beneficially owns.

	Shares Beneficially Owned	
Name and Address	**Number**	**Percent of Class(1)**
Barrett A. Toan(2)	912,179	1.23%
Gary G. Benanav(3)	28,000	*
Frank J. Borelli(4)	96,720	*
Nicholas J. LaHowchic(5)	20,000	*
Thomas P. Mac Mahon(6)	20,000	*
John O. Parker, Jr.(7)	20,000	*
George Paz(8)	202,713	*
Samuel K. Skinner(9)	1,500	*
Seymour Sternberg(10)	31,475	*
Howard L. Waltman(11)	78,000	*
Maura C. Breen(12)	0	*
David A. Lowenberg(13)	148,346	*
Thomas M. Boudreau(14)	124,807	*
Edward Tenholder(15)	43,139	*
Directors and Executive Officers as a Group (22 persons)(16)	1,972,010	2.66%
New York Life Insurance Company; NYLIFE, LLC(17)	12,000,230	16.21%
Capital Research and Management Company(18)	10,156,000	13.72%
Putnam, LLC; Marsh & McLennan Companies, Inc., Putnam Investment Management, LLC; The Putnam Advisory Company, LLC(19)	4,715,765	6.37%

* Indicates less than 1%

(1) Percentages based on 74,022,218 shares of Common Stock issued and outstanding on March 1, 2005.

(2) Consists of options for 690,300 shares granted under the Company s Amended and Restated 1992 and 1994 Stock Option Plans, and its 2000 Long Term Incentive Plan (collectively, the Employee Stock Option Plans) (See Executive Compensation Employment Agreements for a description of the terms of his employment agreement

with the Company governing his options), 72,783 shares owned by Mr. Toan, 120,000 restricted shares awarded under the 2000 Long Term Incentive Plan (the 2000 LTIP), and 29,096 phantom shares representing fully-vested investments in the Company Stock Fund under the Company s Executive Deferred Compensation Plan (the EDCP).

(3) Consists of options for 26,000 shares granted under the 2000 LTIP and 2,000 shares owned by a trust established by Mr. Benanav.

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(4) Consists of options for 96,000 shares granted under the Amended and Restated 1992 Stock Option Plan for Outside Directors (the Outside Directors Plan) and 720 shares held in trusts for family members.

(5) Consists of options for 19,000 shares granted under the 2000 LTIP, and 1,000 shares owned by Mr. LaHowchic.

(6) Consists of options for 20,000 shares granted under the 2000 LTIP.

(7) Consists of options for 20,000 shares granted under the 2000 LTIP.

(8) Consists of options for 150,430 shares granted under the Employee Stock Option Plans, 20,761 shares owned by Mr. Paz, 26,355 restricted shares awarded under the 2000 LTIP, and 5,167 phantom shares representing fully-vested investments in the Company Stock Fund under the EDCP. Excluded are 1,734 phantom shares representing unvested investments in the Company Stock Fund under the EDCP.

(9) Consists of options for 1,500 shares, granted under the 2000 LTIP.

(10) Consists of options for 26,000 shares granted under the 2000 LTIP, and 5,475 shares owned by Mr. Sternberg, but excludes 720 shares held by Mr. Sternberg s son as to which shares Mr. Sternberg disclaims beneficial ownership.

(11) Consists of options for 76,000 shares granted under the Outside Directors Plan, and 2,000 shares owned by Mr. Waltman.

(12) Ms. Breen has received options to purchase 4,500 shares granted under the 2000 LTIP, none of which have vested.

(13) Consists of options for 93,626 shares granted under the Employee Stock Option Plans, 26,823 shares owned by Mr. Lowenberg, 22,451 restricted shares awarded under the 2000 LTIP, and 5,446 phantom shares representing fully-vested investments in the Company Stock Fund under the EDCP. Excluded are 350 shares held by Mr. Lowenberg s minor children, as to which Mr. Lowenberg disclaims beneficial ownership, and 1,575 phantom shares representing unvested investments in the Company Stock Fund under the EDCP.

(14) Consists of options for 89,010 shares granted under the Employee Stock Option Plans, 17,650 shares owned by Mr. Boudreau, 14,226 restricted shares awarded under the 2000 LTIP, and 3,921 phantom shares representing fully-vested investments in the Company Stock Fund under the EDCP. Excluded are 200 shares held by Mr. Boudreau s spouse, as to which Mr. Boudreau disclaims beneficial ownership, and 1,729 phantom shares representing unvested investments in the Company Stock Fund under the EDCP.

(15) Consists of options for 14,543 shares granted under the Employee Stock Option Plans, 12,500 shares owned by Mr. Tenholder, 16,000 restricted shares awarded under the 2000 LTIP, and 96 phantom shares representing fully-vested investments in the Company Stock Fund under the EDCP. Excluded are 2,633 phantom shares representing unvested investments in the Company Stock Fund under the EDCP.

(16) Consists of options for 1,443,422 shares granted under the Outside Directors Plan and the Employee Stock Option Plans, 170,557 shares owned by directors and officers as a group, 308,546 restricted shares awarded under the 2000 LTIP, and 49,485 phantom shares representing fully-vested investments in the Company Stock Fund under the EDCP. Excluded are 16,149 phantom shares representing unvested investments in the Company Stock Fund under the EDCP.

(17) The information with respect to the beneficial ownership of these shares as of December 31, 2003 has been obtained from a copy of an Amendment No. 5 to Schedule 13G filed February 13, 2004. Such filing reports that the beneficial owner, New York Life Insurance Company (New York Life), shares voting power with respect to all of the shares reported, but has sole dispositive power as to all of the shares reported, and that NYLIFE, LLC (NYLife), a subsidiary of New York Life, owns 4,500,000 of such shares. As described further in Certain Relationships and Related Party Transactions Relationship with New York Life beginning on page 16, in August NYLife entered into a ten-year forward sale contract with respect to 4,500,000 of the shares of Common Stock, and, in April 2003 New York Life entered into a five-year forward sale contract with respect to 5,500,000 of the shares of Common Stock. Absent the occurrence of certain accelerating events, New York Life or NYLife, as applicable, retains the right to vote the shares subject to such forward sale contracts, but is subject to restrictions on the transfer of such shares. The address for New York Life and NYLife is 51 Madison Avenue, New York, NY 10010. Mr. Sternberg, a director of the Company, is also a director and holds various executive positions with New York Life, as described herein, and Mr. Benanav, a director of the Company, was also a director and held various executive positions with New York Life, as described herein, prior to his retirement from New York Life on March 1, 2005. Both Mr. Sternberg and Mr. Benanav disclaim beneficial ownership of the Company s Common Stock owned by NYLife or New York Life.

(18) This information is based on an Amendment No. 2 to Schedule 13G, filed with the Securities and Exchange Commission on February 11, 2005 by Capital Research and Management Company (CRMC) on behalf of itself and The Growth Fund of America (GFA), which indicated that (a) CRMC has sole dispositive power with respect to 10,156,000 shares, with respect to all of which CRMC disclaims beneficial ownership, and (b) GFA has sole voting power with respect to 4,710,000 shares. GFA is an investment company which is advised by CRMC. The address for CRMC is 333 South Hope Street, Los Angeles, CA 90071.

(19) This is based on a Schedule 13G filed with the Securities and Exchange Commission on February 11, 2005 by Putnam, LLC d/b/a Putnam Investments (Putnam Investments), on behalf of itself, its parent, Marsh & McLennan Companies, Inc. (M&MC), and the following of its wholly-owned subsidiaries: Putnam Investment Management, LLC, which beneficially owns and has shared dispositive power with respect to 4,247,803 of such shares, and which has shared voting power with respect

to 123,277 of such shares; and The Putnam Advisory Company, LLC, which beneficially owns and has shared dispositive power with respect to 467,962 of such shares, and which has shared voting power with respect to 341,738 of such shares. M&MC reports no voting or investment power with respect to the shares. Putnam Investments reports that it beneficially owns and has shared dispositive power with respect to 4,715,765 shares, and shared voting power with respect to 465,015 of such shares. The address for Putnam is One Post Office Square, Boston, MA 02109.

Equity Compensation Plans

The following table summarizes information as of December 31, 2004 relating to the Company s equity compensation plans under which equity securities are authorized for issuance.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Plan Category	Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average of Outstanding Options, Warrants, Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a)) (c)
Equity Compensation Plans approved by security holders	3,678,178(3)	$ 43.71(4)	5,414,160(1)(2)
Equity Compensation Plans not approved by security holders	0		0
Total	3,678,178(3)	$ 43.71(4)	5,414,160(1)(2)

(1) The number of shares available for distribution under the 2000 LTIP automatically increased by 1,400,000 shares on January 1, 2004. The number of shares available for distribution under the 2000 LTIP is also increased by any shares made available as a result of forfeitures of awards made under the 2000 LTIP, or any of the Company s Amended and Restated 1992 Stock Option Plan, Amended and Restated 1994 Stock Option Plan or Amended and Restated 1992 Stock Option Plan for Outside Directors.

(2) Includes 4,496,323 shares remaining available for future issuance under the 2000 LTIP. The 2000 LTIP provides for the issuance of restricted stock awards and a portion of these remaining shares will likely be issued as restricted stock awards.

(3) Includes shares which were issued under the Employee Stock Purchase Plan for the month of January 2005. Does not include restricted stock awarded.

(4) Shares allocated to the Executive Deferred Compensation Plan and shares which were issued for the month of January 2005 under the Employee Stock Purchase Plan are not included in the weighted average computation.

I. ELECTION OF DIRECTORS

The current term of office of all of the Company s directors expires at the meeting or when their successors are duly elected and qualified. The Corporate Governance Committee of the Board has nominated eleven (11) of the Company s current directors to be re-elected to serve until the next Annual Meeting of Stockholders or until their successors are duly elected and qualified. Unless otherwise specified, all proxies will be voted in favor of the eleven nominees listed below for election as directors of the Company.

The Board of Directors has no reason to expect that any of the nominees will be unable to stand for election on the date of the meeting or for good cause will not serve. If a vacancy occurs among the original nominees prior to the meeting, the proxies will be voted for a substitute nominee named by the Board of Directors and for the remaining nominees. Directors are elected by a plurality of the votes present in person or by proxy and entitled to vote at the meeting. The Board of Directors has determined that, in its judgment, with the exception of Mr. Paz, who is also an executive officer of the Company, and Mr. Toan who recently retired as an executive officer of the Company, all of the members of the Board of Directors are independent, as defined by the listing standards of The Nasdaq Stock Market, as of the date of this Proxy Statement.

The Company and New York Life Insurance Company are parties to a Stockholder and Registration Rights Agreement which, among other things, requires New York Life and its subsidiaries to vote their shares for election of the eleven nominees, and gives New York Life the right to nominate one candidate for election to the Board, each subject to certain conditions as described in Certain Relationships and Related Party Transactions Relationship with New York Life Stockholder and Registration Rights Agreement beginning on page 27. Mr. Sternberg has been nominated by New York Life. Mr. Benanav has been nominated by the Company; previously, when New York Life was entitled to nominate two directors it had nominated both Mr. Sternberg and Mr. Benanav.

The following information is furnished as of March 1, 2005, for each of the nominees for the Board of Directors:

Name, Position and Principal Occupation

Gary G. Benanav, 59, was elected a director of the Company in January 2000. Mr. Benanav served as Executive Vice President of New York Life Insurance Company, a life insurance and financial services company, from December 1997 until November 1999, and as Vice Chairman of New York Life from November 1999 until his retirement in March 2005. Mr. Benanav also served as Chairman and Chief Executive Officer of New York Life International from December 1997 until his retirement in March 2005, and he continues to serve as Non-executive Chairman of New York Life International. He is also a director of Barnes Group, Inc.

Frank J. Borelli, 69, was elected a director of the Company in January 2000. Mr. Borelli has been a Senior Advisor to MMC Capital, a wholly owned subsidiary of Marsh & McLennan Companies, Inc (M&MC), a global professional services firm, since his retirement from M&MC in January 2001. Prior thereto, he was Senior Vice President of M&MC from April to December 2000 and Senior Vice President and Chief Financial Officer from September 1984 to April 2000. He is also a director and Audit Committee Chairman of Genworth Financial, Inc. and is Presiding Director of the Interpublic Group of Companies. He was a Director of Marsh & McLennan from May 1988 to October 2000.

Maura C. Breen, 49, was elected a director of the Company in July 2004 to fill a vacancy on the Board. Ms. Breen has been Senior Vice President Support Services, Network Services Group for Verizon Communications, Inc., a provider of communications services (Verizon), since December 2003. Ms. Breen also served as Senior Vice President & Chief Marketing Officer, Retail Market Groups for Verizon from July 2001 through December 2003, and as Group Vice President, Verizon Long Distance from April 1999 through July 2001. Ms. Breen was recommended as a potential director by the Corporate Governance Committee with the assistance of Spencer Stuart, an outside director search firm.

Nicholas J. LaHowchic, 57, was elected a director of the Company in July 2001. Mr. LaHowchic has served as President and Chief Executive Officer of Limited Logistics Services, Inc. (LLS), since October 1997, and as Executive Vice President for Limited Brands, Inc., a retail apparel company and the parent of LLS, since April 2004. LLS provides supply chain, compliance and procurement services to retailers including Limited Brands, Inc.

Thomas P. Mac Mahon, 58, was elected a director of the Company in March 2001. Mr. Mac Mahon has served as President and Chief Executive Officer and a member of the Executive and Management Committees of Laboratory Corporation of America Holdings (LabCorp), the second largest independent clinical laboratory company in the U.S., since January 1997. Mr. Mac Mahon has been a director of LabCorp since April 1995, serving as Chairman of the Board since April 1996.

John O. Parker, Jr., 60, was elected a director of the Company in July 2001. Mr. Parker has served as a Venture Partner with Rho Ventures LLC, a venture capital firm, since January 2002. Mr. Parker was a General Partner of Care Capital, LLC, a venture capital firm, from October 2000 to December 2001, and was Senior Vice President and Director of Information Resources of Smithkline Beecham Corporation from November 1991 to September 2000.

George Paz, 49, was elected a director of the Company in January 2004. Mr. Paz was first elected President of the Company in October 2003 and also assumed the role Chief Executive Officer of the Company on April 1, 2005. Mr. Paz joined the Company and was elected Senior Vice President and Chief Financial Officer in January 1998 and continued to serve as the Company s Chief Financial Officer of the Company following his election to the office of President until his successor joined the Company in April 2004.

Samuel K. Skinner, 66, was elected a director of the Company in February 2004. Mr. Skinner is of counsel with the law firm of Greenberg Traurig, LLP. Mr. Skinner previously served as President, Chief Executive Officer and a director of USF Corporation (formerly USFreightways Corporation) (USF), a transportation, freight forwarding and supply chain management company from 2000 until his retirement in 2003. Mr. Skinner was also Chairman of the

Board of USF from 2001 until his retirement. From October 1998 through 2000, Mr. Skinner served as Capital Partner & Co-Chairman of Hopkins & Sutter, a Chicago-based law firm. Mr. Skinner is also a director of Navigant Consulting, Inc., Midwest Air

Group, Inc., Click Commerce, Inc., DiamondCluster International, Inc., Dade Behring Holdings, Inc., APAC Customer Services, Inc. and the Chicago Board Options Exchange. Mr. Skinner has indicated that he will not be standing for reelection to the board of APAC Customer Services, Inc. at its annual meeting in June.

Seymour Sternberg, 61, was elected a director of the Company in March 1992. Mr. Sternberg currently is the Chairman of the Board and Chief Executive Officer of New York Life Insurance Company, a life insurance and financial services company, and has served in this capacity since April 1997. From October 1995 until October 2002, he was the President of New York Life, and from October 1995 until March 1997 he also held the position of Chief Operating Officer of New York Life. Mr. Sternberg is also a director/manager of various New York Life subsidiaries.

Barrett A. Toan, 57, was first elected a director of the Company in October 1990 and has served as Chairman of the Board since November 2000. Mr. Toan was the Company s Chief Executive Officer from March 1992 until his retirement on March 31, 2005. Mr. Toan was an executive employee of the Company from May 1989 until his retirement and served as President of the Company from October 1990 to April 2002. Mr. Toan is also a director of Sigma-Aldrich Corporation, a specialty chemical company.

Howard L. Waltman, 72, has been a director of the Company since its inception in September 1986, and served as Chairman of the Board of the Company from March 1992 until November 2000. Mr. Waltman is also a director of Infocrossing, Inc.

Director Emeritus, Norman Zachary retired from the Company s Board of Directors in May 2004, and has served as a non-voting Director Emeritus since his retirement, at the discretion of the Board. Mr. Zachary was first elected a director of the Company in March 1992.

The Board of Directors unanimously recommends a vote FOR the election of each of the nominees listed above.

THE BOARD OF DIRECTORS AND ITS COMMITTEES

The Company s Board of Directors is responsible for establishing broad corporate policies and for overseeing the overall management of the Company. In addition to considering various matters which require Board approval, the Board provides advice and counsel to, and ultimately monitors the performance of, the Company s senior management.

During 2002 and 2003, the Board conducted a comprehensive review of the Company s corporate governance structure, and adopted revised versions of the Company s Corporate Governance Guidelines as well as the Charters for each of the Board s committees. Copies of the Guidelines and Charters can be found in the Corporate Governance page in the Investor Information section of the Company s website at *www.express-scripts.com* (information on our website does not constitute part of this proxy statement).

Stockholders wishing to communicate with the Board of Directors or with an individual Board member with respect to the Company may do so by writing to the Board or the specific Board member, and mailing the correspondence to: Attention: Corporate Secretary, Express Scripts Inc., 13900 Riverport Drive, Maryland Heights, MO 63043. The outside of the envelope should clearly indicate that it contains a stockholder communication. All such stockholder communications will be forwarded to the director or directors to whom the communications are addressed.

There are four standing committees of the Board of Directors: the Audit Committee, the Compensation and Development Committee, the Corporate Governance Committee, and the Compliance Committee. Each committee is composed entirely of directors deemed to be, in the judgment of the Board, independent in accordance with Nasdaq listing standards. The Board of Directors met six times in 2004. Each director attended at least 75% of the total number of meetings of the Board and the Board committees of which he or she was a member in 2004. While the Company does not have a formal policy requiring members of the Board to attend the Annual Meeting of Stockholders, the Company encourages all directors to attend. Nine of the Board s ten members attended the Annual Meeting in 2004. The following table lists the members, primary functions and number of meetings held for each of the Committees:

Members	Principal Functions	Meetings in 2004
Audit Committee Frank J. Borelli (Chair)* Maura C. Breen Nicholas J. LaHowchic John O. Parker, Jr. * Mr. Borelli has been determined by the Board, in its judgment, to be an audit committee financial expert, as defined under applicable SEC rules	Assist the Board in its oversight of (i) the integrity of the Company s financial statements; (ii) the Company s compliance with securities laws, including financial and disclosure requirements; (iii) the Company s system of internal controls and the performance of the Company s internal audit function; and (iv) the qualifications, independence and performance of the Company s independent accountants. Select, retain and oversee the Company s independent accountants. Review the Company s annual and interim financial statements. Establish procedures for the receipt and handling of complaints regarding accounting, internal accounting controls or auditing matters.	11
Compensation & Development Committee Gary G. Benanav (Chair) Thomas P. Mac Mahon Howard L. Waltman	Review and approve the Company s stated compensation strategy. Review annually the performance of the Company s Chief Executive Officer. Review and approve compensation, and set performance criteria for compensation programs, for all senior executives of the Company. Review and make recommendations to the Corporate Governance Committee regarding compensation of Directors. Approve forms of employment agreements for senior executives of the Company. Approve and oversee the administration of the Company s employee benefit plans and incentive compensation programs.	7
Compliance Committee Nicholas J. LaHowchic (Chair) Samuel K. Skinner Seymour Sternberg	Review and make recommendations to the Board addressing the Company s legal and regulatory compliance practices generally (excluding SEC and financial reporting matters). Review the Company s Corporate Code of Conduct at least annually and make recommendations to the Board with respect to changes to the Code of Conduct. Meet regularly with management of the Company to assess the	4

	Company s compliance policies and procedures.	
	Review and approve a Code of Business Conduct and Ethics, and oversee implementation by management of procedures intended to ensure compliance with such Code.	
Corporate Governance Committee Howard L. Waltman (Chair) Frank J. Borelli John O. Parker, Jr. Seymour Sternberg	Establish criteria for membership of the Company s Board of Directors and its committees. Select and nominate candidates for election or reelection as directors at the Company s annual stockholders meeting. Consider stockholder recommendations for and nominations of candidates for election as directors. Recommend candidates to fill any vacancies on the Board of Directors. Review and make recommendations to the Board regarding the Company s Corporate Governance Guidelines and the nature and duties of the committees of the Board. Approve and make adjustments to the Company s policies regarding compensation of Directors.	4

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Selection of Nominees for the Board of Directors

The Corporate Governance Committee is responsible for evaluating potential candidates to serve on the Company s Board of Directors, and for selecting nominees to be presented for election to the Board at the Company s annual meeting of stockholders. In evaluating potential director candidates, the Corporate Governance Committee considers the skills and characteristics possessed by each candidate in the context of the perceived needs of the Board at that point in time. Among the factors considered by the Corporate Governance Committee in considering a potential nominee are the following:

- the nominee s independence;
- the nominee s relevant professional skills and depth of business experience;
- the nominee s character, judgment, and personal and professional integrity;
- the nominee s ability to read and understand corporate financial statements;
- the nominee s willingness to commit sufficient time to attend to his or her duties and responsibilities as a member of the Board;
- the nominee s qualifications for membership on certain committees of the Board;
- any potential conflicts of interest involving the nominee; and
- the make up and diversity of the Company s existing Board.

In identifying potential candidates for the Board, the Committee relies on recommendations from a number of possible sources, including current directors and officers. The Corporate Governance Committee may also retain outside consultants or search firms to help in identifying potential candidates for membership on the Board. In the past, the Corporate Governance Committee has engaged the firm of Spencer Stuart to assist with director searches, including the search which resulted in the identification of Mr. Skinner and Ms. Breen. The Corporate Governance Committee will also consider candidates recommended by stockholders, and will consider them on the same basis as other candidates.

Any stockholder wishing to recommend a candidate for consideration by the Corporate Governance Committee to become a nominee for election to the Board may do so by submitting a written recommendation to the committee in accordance with the Company s procedures for the submission of Stockholder Proposals, as set out in the Company s Bylaws (See Stockholder Proposals beginning on page 29). For a nominee to be considered, the following information must be submitted in accordance with the required procedures: (i) the name, age, business and residence addresses, principal occupation or employment of both the nominee and the recommending stockholder; (ii) the nominee s general biographical information, including the identification of any other boards on which the nominee serves; (iii) with respect to the Common Stock, the current ownership information and trading history over the preceding 24 months for both the nominee and the recommending stockholder; (iv) a description of any transactions or relationships between the nominee and/or the recommending stockholder on one hand, and the Company or its management on the other hand; (v) a description of any material proceedings to which the nominee or the recommending stockholder, or either of their associates or affiliates, is a party that are adverse to the Company; (vi) a description of all arrangements and understandings between the stockholder and the nominee or any other person (including their names) pursuant to which the nomination is made; and (vii) any other information relating to the nominee or the recommending stockholder that is required to be disclosed in solicitations for proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder. The request for nomination must also be accompanied by a written consent of the proposed nominee to being named as a nominee and to serve as a director if elected. The Company s Corporate Secretary will review all such stockholder recommendations, and will forward those that comply with the above-described requirements to the Corporate Governance Committee for evaluation and consideration.

The Company and New York Life are parties to a Stockholder and Registration Rights Agreement which, among other things, gives New York Life the right to nominate one candidate for election to the Board, subject to certain conditions as described in Certain Relationships and Related Party Transactions Relationship with New York Life Stockholder and Registration Rights Agreement beginning on page 27. Mr. Sternberg has been nominated by New York Life.

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REPORT OF THE AUDIT COMMITTEE

The Audit Committee of Express Scripts, Inc. (the Committee) is composed of four directors who, in the judgment of the Board of Directors, meet the independence requirements of the Nasdaq Stock Market. Since 1992 the Committee has operated under a Charter adopted by the Board of Directors. The Charter, as amended, is available through the Investor Information section of the Company s website at *www.express-scripts.com*. The primary function of the Audit Committee is to assist the Board of Directors in its oversight of the Company s financial reporting processes. Management is responsible for the Company s financial statements and overall reporting process, including the system of internal controls. The independent auditors are responsible for conducting annual audits and quarterly reviews of the Company s financial statements and expressing an opinion as to the conformity of the annual financial statements with generally accepted accounting principles.

The Committee submits the following report pursuant to the Securities and Exchange Commission rules:

The Committee has reviewed and discussed with management and with PricewaterhouseCoopers LLP (PwC), the Company s independent auditors, the audited consolidated financial statements of the Company for the year ended December 31, 2004 (the Financial Statements).

PwC has advised the management of the Company and the Committee that it has discussed with them all the matters required to be discussed by Statement of Accounting Standards 61, as modified, which include among other items, matters related to the conduct of the audit of the Financial Statements.

The Committee has received from PwC the written disclosures and the letter required by Independent Standards Board Standard No. 1 (which relates to the auditor s independence from the Company and its related entities) and has discussed PwC s independence with them.

Based upon the aforementioned review, discussions and representations of PwC, and the unqualified audit opinion presented by PwC on the Financial Statements, the Committee recommended to the Board of Directors that the Financial Statements be included in the Company s Annual Report on Form 10-K.

Respectfully submitted,

Frank Borelli, Chairman
Maura C. Breen
Nicholas J. LaHowchic
John O. Parker, Jr.

DIRECTORS COMPENSATION

Directors of the Company who are employed by the Company or its subsidiaries do not receive compensation for serving as directors. As of January 1, 2004, directors who were not employees of the Company, or its subsidiaries, were entitled to receive an annual retainer of $30,000 for Committee Chairpersons and $25,000 for the other non-employee directors, as well as a meeting fee of $2,000 for each meeting attended in person, and $1,000 for each meeting attended telephonically. In February 2004, the Corporate Governance Committee approved an increase in the annual retainer for the Company s non-employee directors. Under the new policy, eligible directors are entitled to receive an annual retainer of $35,000 for Committee Chairpersons and $30,000 for the other non-employee directors. The meeting fees did not change. The Company also reimburses non-employee directors for out-of-pocket expenses incurred in connection with attending Board and Committee meetings.

Under the Express Scripts, Inc. 2000 Long-Term Incentive Plan, as amended (the 2000 LTIP), the Company s non-employee directors were entitled to receive (i) an option to purchase 6,000 shares of the Company s Common Stock on the date of the first Board of Directors meeting each such director attended as a non-employee director, and a like grant on each anniversary of such date, and (ii) an option to acquire 8,000 shares of the Company s Common Stock on the date of the first Board of Directors meeting each such director attended as a non-employee director, and a like grant each third year thereafter. As part of the change in the Company s non-employee director compensation policy first approved in May 2003 and further revised in February 2004, the equity component was reduced such that each non-employee director receives an option to purchase 4,500 shares of the Company s Common Stock on the date of the first Board of Directors meeting he or she attends as a non-employee director, and an option to acquire 6,000 shares of the

Company s Common Stock on the date of the Company s Annual Meeting of Stockholders thereafter. The grants awarded on the date of the 2004 Annual Meeting of Stockholders were prorated based on the amount of time that had passed since each non-employee director s most recent annual grant.

All of the options granted to the non-employee directors under the 2000 LTIP have a purchase price of 100% of the fair market value of the shares on the date they are granted, and a seven-year term. These options vest at the rate of one-third each year and terminate immediately at such time as the individual ceases to be a non-employee director for any reason other than death or disability or change in control (as defined in the 2000 LTIP) of the Company, provided that if the non-employee director is 65 or older at the time of such cessation, any unexercisable portion terminates immediately, and any exercisable portion terminates three months after such cessation. If the optionee ceases to be a non-employee director because of death or disability, all options are immediately exercisable and terminate three months after such cessation. In the event of a change in control (as defined in the 2000 LTIP) of the Company, the options fully vest.

REPORT OF THE COMPENSATION AND DEVELOPMENT COMMITTEE ON EXECUTIVE COMPENSATION

The Compensation and Development Committee of the Board of Directors (the Committee) administers the Company s compensation plans, including the Company s 2000 Long-Term Incentive Plan and its Executive Deferred Compensation Plan. The Committee s overall recommendations regarding compensation are subject to approval of the Board of Directors.

Compensation Plan

The Company s general compensation policy for its executive officers, including the Chief Executive Officer (CEO), is to provide short-term compensation consisting of two components, a fixed base salary and a cash bonus that is awarded based upon achievement of specific short-term financial and non-financial objectives for the executive and the Company, and long-term compensation consisting of a mix of equity-based programs, primarily options to purchase the Company s stock and grants of restricted stock. The stock option and restricted stock awards are based upon the Committee s judgment as to the relative contribution of each executive to the long-term success of the Company as well as the then current marketplace for executive compensation. The Company has adopted a non-qualified deferred compensation plan for executives and has entered into employment agreements with certain key executives.

The CEO consults with the Committee regarding the compensation of the Company s senior executives. The Committee reviews executive compensation at least on an annual basis. The Company s policy is to combine short-term compensation, long-term incentive compensation and other components of the compensation package for executives to create a total compensation package that is above the median compensation level for executive officers of similarly sized companies in comparable businesses if the Company achieves its base work plan and financial objectives, and that can be at or above the 75th percentile of such compensation level if the Company achieves its stretch financial and work plan goals.

During 2004, the Company engaged a nationally recognized consulting firm to review compensation levels for the Company s executive officers. The study was based on a group of companies in health care and technology intensive businesses judged to be comparable to the Company, together with other companies with high-growth characteristics determined to be similar to those of the Company (the Comparable Companies). These companies included companies different from those in the peer group index in the Company s performance graph. The consultant compared total compensation for the Company s executive officers, including its CEO, against the total compensation received by executives in comparable positions at the Comparable Companies. After reviewing the consultant s report, the Committee determined that, in its judgment, compensation for the Company s senior executives was generally in line with compensation at the Comparable Companies.

The Committee continues to evaluate the impact of Section 162(m) of the Internal Revenue Code on the deductibility of executive officer compensation. The Committee endeavors to maximize the deductibility of compensation to the extent practicable while maintaining competitive compensation.

Components of Executive Compensation

Base Salary: The Committee determines the salary ranges for each executive officer position in the Company based upon the level and scope of responsibilities of the position and the pay levels of similarly positioned executive officers in companies deemed comparable by the Committee. The CEO s evaluation of the level of responsibility of each position (other than his own) and the performance of each other executive officer is of paramount importance when base salary is determined.

Annual Bonus Compensation: Each executive officer has a base bonus target which is stated as a percentage of the executive officer s base salary. These base bonus target percentages range from 50% to 100%. For any bonus amount to be paid, the Company must meet an annual financial goal which is based on budgeted EBITDA (earnings before interest, taxes, depreciation and amortization) and earnings per share. If the corporate financial target is not met, then the corporate bonus pool is reduced to the extent necessary to enable the Company to meet its target.

If the Company has met its annual financial goal, then actual bonus awards for executive officers are determined based on the executive officers respective bonus targets and an evaluation by the Committee (and in the case of senior executives also by the CEO) of the extent to which work plan goals were achieved. In addition, if the Company meets certain stretch financial and work plan targets, bonus targets may be increased by as much as 100%. The Committee reviews and approves the annual financial targets and the stretch work plan goals.

In determining the extent of the achievement of departmental work plan goals, the Committee and the CEO evaluate the executive s individual contribution to his or her departmental work plan and the extent to which the departmental work plan goals have been achieved. The departmental work plan goals are determined based upon the departmental function, and include such items as development and marketing of new products and programs within a specified time frame, systems enhancements to support new products and programs, improvements in mail service pharmacy processing costs and enhancements in the provider networks. In 2004, the Company did not achieve its stretch financial and work plan goals, and, accordingly, there was no enhancement of bonuses awarded to executive officers.