

**LINCARE HOLDINGS INC.**  
**19387 U.S. 19 North**  
**Clearwater, Florida 33764**

April 7, 2008

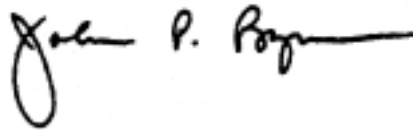
*Dear Stockholder:*

You are cordially invited to attend our Annual Meeting of Stockholders to be held at the Holiday Inn Select, 3535 Ulmerton Road, Clearwater, Florida, on Monday, May 12, 2008, at 9:00 A.M.

You will find information regarding the matters to be voted on in the attached Notice of Annual Meeting of Stockholders and Proxy Statement. A copy of our Annual Report on Form 10-K is enclosed with these materials.

If you are not planning to attend the Annual Meeting, it is still important that your shares be represented. Please submit your vote using one of the voting methods described in the attached materials. Submitting your vote by any of these methods will not affect your right to attend the meeting and vote in person should you so choose, although if you are a beneficial stockholder, you must obtain a legal proxy from the record holder. If you do attend the Annual Meeting and wish to vote in person, you may withdraw your proxy at that time.

Sincerely,



JOHN P. BYRNES  
*Chairman and Chief Executive Officer*

***YOUR VOTE IS IMPORTANT***  
***NO MATTER HOW MANY SHARES YOU OWNED ON THE RECORD DATE, PLEASE***  
***SUBMIT YOUR VOTING INSTRUCTIONS USING ONE OF THE VOTING METHODS***  
***DESCRIBED IN THE ATTACHED MATERIALS. IN ORDER TO AVOID THE ADDITIONAL***  
***EXPENSE TO THE COMPANY OF FURTHER SOLICITATION, WE ASK YOUR***  
***COOPERATION IN PROMPTLY VOTING YOUR SHARES.***



**LINCARE HOLDINGS INC.**  
19387 U.S. 19 North  
Clearwater, Florida 33764

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
To Be Held on May 12, 2008**

The Annual Meeting of Stockholders of Lincare Holdings Inc., a Delaware corporation (“Lincare” or the “Company”), will be held on May 12, 2008, at 9:00 A.M. at the Holiday Inn Select, 3535 Ulmerton Road, Clearwater, Florida.

The Annual Meeting is being held for the following purposes:

- (1) To elect a Board of Directors consisting of five persons to hold office until the next Annual Meeting of Stockholders or until their successors are elected and qualified;
- (2) To ratify the appointment of KPMG LLP as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2008; and
- (3) To transact such other business as may properly come before the Annual Meeting and at any adjournment thereof.

Stockholders of record at the close of business on March 31, 2008, are entitled to notice of the Annual Meeting and to vote the shares held on that date at the Annual Meeting. You may vote your shares by telephone, via the Internet or by mail by following the instructions on your proxy card. If you vote by telephone or via the Internet, you should not return your proxy card. If you choose to vote by mail, please sign, date and return the proxy card in the envelope provided. The proxy may be revoked at any time before your shares are voted at the meeting by submitting written notice of revocation to the Secretary of the Company or by submitting another timely proxy by telephone, Internet or mail. If you are present at the meeting, you may vote your shares in person, and the proxy will not be used. If you hold shares through a broker or other custodian, please check the voting instructions used by that broker or custodian.

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be Held on May 12, 2008.**

**This proxy statement and the 2007 Annual Report to Stockholders are available for viewing, printing and downloading at <http://investor.lincare.com/proxymaterials.cfm>.**

**A copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2007 as filed with the Securities and Exchange Commission, except exhibits, will be furnished without charge to any stockholder upon written or oral request to:**

**LINCARE HOLDINGS INC.  
19387 U.S. 19 North  
Clearwater, Florida 33764  
Attention: Investor Relations Department  
Telephone: (727) 530-7700**

By Order of the Board of Directors.



PAUL G. GABOS  
*Chief Financial Officer and Secretary*

Clearwater, Florida  
April 7, 2008



# LINCARE HOLDINGS INC.

19387 U.S. 19 North  
Clearwater, Florida 33764

---

## PROXY STATEMENT

---

This Proxy Statement is furnished in connection with the solicitation of Proxies by the Board of Directors of Lincare Holdings Inc. (“Lincare” or the “Company”) for use at the Annual Meeting of Stockholders to be held at the Holiday Inn Select, 3535 Ulmerton Road, Clearwater, Florida, on May 12, 2008, at 9:00 A.M. (the “Annual Meeting”), and any adjournment thereof. The matters to be considered and acted upon at the meeting are set forth in the attached Notice of Annual Meeting. This Proxy Statement, the Notice of Annual Meeting, and the form of Proxy will first be sent to stockholders on or about April 7, 2008.

The record date for determining stockholders entitled to notice of, and to vote at, the Annual Meeting has been fixed by the Board of Directors as of the close of business on March 31, 2008. As of that date there were 73,206,626 million shares of common stock of the Company outstanding and entitled to vote. Each share of common stock is entitled to one vote on each of the matters listed in the Notice of Annual Meeting. The common stock is the only outstanding class of the Company’s securities.

If the accompanying Proxy is signed and returned, the shares represented by the Proxy will be voted as specified in the Proxy. Where no choice is specified, the Proxy will be voted in accordance with the recommendations of the Board of Directors. Stockholders who execute Proxies may revoke them by notifying the Secretary at any time prior to the voting of the Proxies. The execution of the enclosed proxy will not affect your right to vote in person should you find it convenient to attend the Annual Meeting and desire to vote in person.

The presence, in person or by proxy, of the holders of common stock representing a majority of the issued and outstanding common stock entitled to vote at the Annual Meeting will constitute a quorum. Votes cast by proxy or in person at the Annual Meeting will be counted by the person(s) appointed by the Company to act as election inspector(s) for the Annual Meeting. Abstentions and broker non-votes will be treated as present for purposes of a quorum, but will have no effect on the outcome of the voting on any of the proposals. The election of directors will be determined by a plurality of the votes cast by stockholders represented and entitled to vote at the Annual Meeting. Approval of each other proposal will be determined by a majority of the votes cast by stockholders represented and entitled to vote at the Annual Meeting.

Stockholders are being asked to consider two proposals at the meeting. The following is a summary of the proposals and the voting recommendations of the Board of Directors:

### Summary of Proposals

<u>Proposal</u>	<u>Board Recommendation</u>
1 – Election of Directors	<b>FOR</b>
2. – Ratification of KPMG LLP as the Company’s independent registered public accounting firm	<b>FOR</b>

**The details of each proposal are contained in this Proxy Statement.**



If any other matters are properly presented at the Annual Meeting, the persons named in the form of Proxy will be entitled to vote on those matters for you. As of the date of mailing of this Proxy Statement, the Company was not aware of any other matters to be raised at the Annual Meeting.

### **Expense and Manner of Solicitation**

The Company will bear the cost of the solicitation of Proxies from its stockholders. The Company will cause banks, brokerage firms and other custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the Company's common stock held of record by such custodians, nominees and fiduciaries. The Company will reimburse such banks, brokerage firms, custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses in doing so. In addition to solicitations by mail, the Company's directors, officers and employees (at no additional compensation) may also solicit Proxies from stockholders by personal contact, by telephone or by any other means if necessary in order to ensure sufficient representation at the Annual Meeting.

### **Security Ownership of Certain Beneficial Owners and Management**

The following table sets forth information available as of March 31, 2008, the record date with respect to the beneficial ownership of the Company's common stock, by each person who is known by the Company to beneficially own more than 5% of the common stock and by each director and executive officer and by all directors and executive officers as a group. As of the record date, there were 73,206,626 shares outstanding and entitled to vote. Beneficial ownership is determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934. Unless otherwise indicated, the address of all directors and executive officers is c/o Lincare Holdings Inc., 19387 U.S. 19 North, Clearwater, FL 33764. Shares beneficially owned by each director and executive officer do not include options to purchase shares of the Company's common stock that are not exercisable within 60 days of the record date with respect to this Proxy solicitation.

<b><u>Beneficial Owner</u></b>	<b><u>Shares Beneficially</u></b>	<b><u>Percent</u></b>
FMR Corp.(1)..... 82 Devonshire Street Boston, MA 02109	11,060,576	15.11%
Barclays Global Investors, N.A.(2)..... 45 Fremont Street San Francisco, CA 94104	5,174,398	7.07%
JP Morgan Chase & Co.(3)..... 270 Park Avenue New York, NY 10017	4,173,481	5.70%
John P. Byrnes(4).....	2,586,158	3.53%
Paul G. Gabos(5).....	877,489	1.20%
Shawn S. Schabel(6).....	1,185,899	1.62%
Stuart H. Altman, Ph.D.(7).....	162,000	(*)
Chester B. Black(8).....	192,000	(*)
Frank D. Byrne, M.D.(9).....	182,600	(*)
William F. Miller, III(10).....	120,000	(*)
All Executive Officers and Directors as a Group (seven persons).....	5,306,146	7.25%

(1) All information relating to FMR Corp. is based on information disclosed in a Schedule 13G filed with the Securities and Exchange Commission on February 14, 2008. According to that filing, FMR Corp. has the sole power to vote, or direct the vote of, 520 shares and the sole power to dispose, or direct the disposition of, 11,060,576 shares.

(2) All information relating to Barclays Global Investors, N.A. is based on information disclosed in a Schedule 13G filed with the Securities and Exchange Commission on January 10, 2008. According to that filing, Barclays Global Investors, N.A. and its affiliates has the sole power to vote, or direct the vote of, 4,410,122 shares and the sole power to dispose, or direct the disposition of, 5,174,398 shares.

(3) All information relating to JP Morgan Chase & Co. is based on information disclosed in a Schedule 13G filed with the Securities and Exchange Commission on February 4, 2008. According to that filing, JP Morgan Chase & Co. and its affiliates have the sole power to vote and the sole power to dispose of 3,495,417 shares and 3,626,088 shares respectively, and the shared power to vote and the shared power to dispose of 537,193 shares.

(4) Includes options to purchase 2,450,001 shares of common stock that are exercisable within 60 days of the record date, and excludes 699,999 options not exercisable within 60 days of the record date.

(5) Includes options to purchase 775,001 shares of common stock that are exercisable within 60 days of the record date, and excludes 349,999 options not exercisable within 60 days of the record date.

- (6) Includes options to purchase 1,095,001 shares of common stock that are exercisable within 60 days of the record date, and excludes 509,999 options not exercisable within 60 days of the record date.
  - (7) Includes options to purchase 162,000 shares of common stock that are exercisable within 60 days of the record date, and excludes 96,000 options not exercisable within 60 days of the record date.
  - (8) Includes options to purchase 192,000 shares of common stock that are exercisable within 60 days of the record date, and excludes 96,000 options not exercisable within 60 days of the record date.
  - (9) Includes options to purchase 180,000 shares of common stock that are exercisable within 60 days of the record date, and excludes 96,000 options not exercisable within 60 days of the record date.
  - (10) Includes options to purchase 120,000 shares of common stock that are exercisable within 60 days of the record date, and excludes 96,000 options not exercisable within 60 days of the record date.
- (\*) Less than one percent.

## **Proposal No. 1 Election of Board of Directors**

A Board of five (5) directors will be elected by a plurality of the votes cast by stockholders represented and entitled to vote at the Annual Meeting. All nominees identified below are expected to serve if elected, and each of them has consented to being named in this Proxy Statement and to serve if elected. All nominees are current directors of the Company. If a nominee is unable or unwilling to serve at the time of the election, the persons named in the form of Proxy shall have the right to vote according to their judgment for another person instead of such unavailable nominee.

**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE  
“FOR” THE ELECTION OF MESSRS. BYRNES, ALTMAN, BLACK, BYRNE AND MILLER.**

### **Information Regarding the Board of Directors and Executive Officers**

The following table provides information regarding each nominee to the Board of Directors, as recommended by the Nominating Committee of the Board of Directors.

<u>Name</u>	<u>Age</u>	<u>Position</u>
John P. Byrnes	49	Chairman of the Board, Chief Executive Officer
Stuart H. Altman, Ph.D. (2)(3)(4)	70	Director
Chester B. Black (1)(2)(3)	62	Director
Frank D. Byrne, M.D. (1)(3)(4)	55	Director
William F. Miller, III (1)(2)(3)	58	Director

- 
- (1) Member of the Audit Committee.
  - (2) Member of the Compensation Committee.
  - (3) Member of the Nominating Committee.
  - (4) Member of the Compliance Committee.

All directors are elected annually and hold office until the next Annual Meeting of Stockholders and until their successors are duly elected and qualified.

## Directors and Executive Officers

**John P. Byrnes** has served as the Chief Executive Officer of the Company since January 1997 and as a Director of the Company since May 1997. Mr. Byrnes was appointed Chairman of the Board in March 2000. Mr. Byrnes also served as the Company's President from June 1996 until April 2003. Prior to becoming the Company's President, Mr. Byrnes served the Company in a number of capacities over a ten-year period, including serving as the Company's Chief Operating Officer throughout 1996. Mr. Byrnes is also a director of Kinetic Concepts, Inc.

**Stuart H. Altman, Ph.D.** has been a director of the Company since December 2001. Dr. Altman, Professor of National Health Policy at Brandeis University, is Dean and a member of the faculty of The Heller School for Social Policy and Management on Brandeis' Waltham, Massachusetts campus and is an economist whose research interests are primarily in the area of federal and state health policy. He was Co-Chair of the Governor/Legislative Health Care Task Force for the Commonwealth of Massachusetts. In 1997, he was appointed by President Clinton to the National Bipartisan Commission on the Future of Medicare. Dr. Altman was Dean of the Heller School from 1977 to 1993 and served as interim President of Brandeis University from 1990 to 1991. Earlier in his career, Dr. Altman was Deputy Assistant Secretary for Planning and Evaluation/Health at the U.S. Department of Health Education & Welfare and has since advised national and state governments on major health care issues and legislation. Dr. Altman is a director of Visicu Corporation, a developer of remote site systems for treating patients in hospital intensive care units, and a director of Aveta Corp., a managed care company with plans in Puerto Rico and California.

**Chester B. Black** has been a director of the Company since January 1991. From November 1990 until December 1995, Mr. Black served as Chairman and Vice Chairman of Med Alliance, Inc. From June 1989 until November 1990, Mr. Black was Chairman and President of RB Diagnostic, a provider of diagnostic imaging services. During the past five years, Mr. Black has been involved as an investor and director in several privately-held health care services businesses.

**Frank D. Byrne, M.D.** has been a director of the Company since December 1999. Since 2004, Dr. Byrne has served as President of St. Mary's Hospital, a 440-bed community hospital in Madison, Wisconsin. From 1991 until 2004, he served Parkview Health, an integrated delivery network headquartered in Fort Wayne, Indiana, in a variety of executive, governance, and clinical leadership roles, including President of Parkview Hospital, from 1995 to 2002. From 1982 to 1994, Dr. Byrne practiced pulmonary and critical care medicine. He is a Clinical Professor of Medicine at the University of Wisconsin School of Medicine and holds fellowships in the American College of Physicians, the American College of Chest Physicians, the American College of Healthcare Executives, and the American College of Physician Executives. Dr. Byrne has a B.S. from the University of Notre Dame, a Master of Medical Management from Carnegie Mellon University, and an M.D. from the State University of New York Downstate Medical Center. He has attended the Executive Program at the University of Michigan Business School and corporate governance education programs at Harvard Business School and the University of Wisconsin. Dr. Byrne also serves as a director of Steel Dynamics, Inc.

**William F. Miller, III** has been a director of the Company since December 1997. Mr. Miller is a partner with the private equity firm Highlander Partners in Dallas, Texas. From 2000 to 2005, Mr. Miller was the Chairman and Chief Executive Officer of HMS Holdings Corp., a provider of innovative revenue enhancement and services to public and private healthcare programs and payors. From 1983 to 1999, Mr. Miller served as President and Chief Operating Officer of Emcare Holdings, Inc., a leading national healthcare services firm focused on the provision of emergency physician medical services. From 1980 to 1983, Mr. Miller served as Chief Operating Officer of Vail Mountain Medical Clinics. Prior to joining Vail Mountain Medical Clinics, Mr. Miller held financial and management positions in the health care industry, including positions as chief executive officer and chief financial officer of various investor owned hospital facilities in Northern California. Mr. Miller is a director of AMN Healthcare Services, HMS Holdings Corp., and various private companies.

**Paul G. Gabos**, age 43, has served as the Chief Financial Officer of the Company since June 1997. Prior to his appointment as Chief Financial Officer, Mr. Gabos served as Vice President,

Administration. Before joining Lincare in 1993, Mr. Gabos worked for Coopers & Lybrand and for Dean Witter Reynolds Inc. Mr. Gabos holds a Bachelor of Science in Economics from The Wharton School of the University of Pennsylvania. Mr. Gabos is also a director of Pediatrix Medical Group, Inc.

**Shawn S. Schabel**, age 43, was appointed President of the Company in April 2003 and Chief Operating Officer of the Company in January 2001. From 1998 to 2001, Mr. Schabel served as Senior Vice President of the Company. Mr. Schabel served the Company in a number of management capacities since joining Lincare in 1989. Mr. Schabel holds a Respiratory Therapy degree from Wichita State University. Mr. Schabel is also a director of Odyssey HealthCare, Inc.

### **Director Independence**

Under applicable Nasdaq rules, a director of the Company will only qualify as an “independent director” if, in the opinion of the Company’s Board of Directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Board has determined that Messrs. Altman, Black, Byrne and Miller have no relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is independent as defined under Rule 4200 of the Marketplace Rules of the Nasdaq Stock Market, Inc. Mr. Byrnes, the Company’s current Chief Executive Officer and Chairman of the Board, is the only director who is not independent as defined under Rule 4200(a)(15) of the Nasdaq Marketplace Rules. The Company applies these same independence standards to the standing committees of its Board of Directors. Mr. Byrnes is not a member of any standing committee of the Board of Directors.

### **Related-Person Transactions**

The Company’s policies and procedures for the review, approval, or ratification of any transactions with related persons are set forth in writing and were approved by the Board of Directors. All directors and executive officers of the Company are required to avoid any transaction that might (i) impair, or appear to impair, the proper performance of their company-related responsibilities or (ii) affect their independence of judgment with respect to any business dealings between the Company and any other organization or individual. To this end, no director or executive officer of the Company may enter into or facilitate any related party transaction, as defined in the policy, on the Company’s behalf unless such transaction has been approved in accordance with the policy. The policy specifies required procedures for identification, reporting, review, and approval of, and record-keeping with respect to, any related-person transactions with the Company.

For purposes of the policy, a related-person transaction includes, but is not limited to, any financial transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements or relationships between or involving the Company (or any of its consolidated subsidiaries or affiliated professional associations, corporations and partnerships) and any related person or any other corporation, firm, association or entity in which any related person is a director or officer or is financially interested. Transactions pertaining to director or executive officer compensation, benefits and perquisites that are approved in accordance with the charter of the Compensation Committee or by the Board of Directors are not subject to the policy. A related person is defined under the policy as any executive officer, director or nominee for director, or holder of more than five percent of the outstanding voting stock of the Company or any of their respective immediate family members.

Any employee or director of the Company who is aware of any related-person transaction that has occurred or that may occur, or who has a question about whether a related-person transaction exists, is required without unreasonable delay to notify the Company’s Chief Financial Officer. If the Company’s Chief Financial Officer or an immediate family member of the Chief Financial Officer appears to be a participant in a related-person transaction, then the transaction would be reported instead to another executive officer who does not appear to be a participant in the transaction (a disinterested executive officer).

The Audit Committee of the Board of Directors is responsible for applying the policy and administering the procedures for reviewing all related-person transactions. If the Chief Financial Officer (or a disinterested executive officer) determines that a related-person transaction has occurred or will occur, then he or she is required to promptly refer the matter to disinterested members of the Audit Committee for their review. In the event that less than a majority of the members of the Audit Committee are disinterested, the matter would be referred promptly to all of the disinterested members of the Board of Directors acting as a committee. The Audit Committee would conduct such review at its next regularly-scheduled meeting, or earlier if a special meeting is called by the Chairman of the Audit Committee. The disinterested members of the Audit Committee would review each referred related-person transaction to determine whether such transaction is in good faith and on fair and reasonable terms that are no less favorable to the Company than those that would be available to the Company in a comparable transaction in arms-length dealings with an unrelated third party at the time it is authorized by the Audit Committee. If approved (based solely on the aforementioned standards of review) by a majority of the disinterested members of the Audit Committee, then such related-person transaction would not be disallowed solely by reason of its related nature. If the related-person transaction has already occurred and the Audit Committee is aware of this fact during its deliberation, then its approval, if given, would constitute a ratification of such transaction. Such approval or ratification would not be construed to require the consummation of such transaction, but rather would evidence solely the Audit Committee's non-objection thereto based only on the related nature of the transaction.

Certain material related-person transactions may be required by law to be disclosed publicly. Therefore, the Audit Committee would, in the course of its review, create or cause to be created a record of information for each transaction reviewed, including without limitation a narrative description of the nature of the transaction, the amount involved and the identity and extent of involvement of each participant who is a related person, the decision of the Audit Committee, the dates of referral to, and review and decision by, the Audit Committee, and the date the transaction was consummated (if applicable).

### **Committees and Meetings of the Board of Directors**

The standing committees of the Board of Directors consist of an Audit Committee, a Nominating Committee, a Compensation Committee and a Compliance Committee. No incumbent director during 2007 attended fewer than 75% of the aggregate number of meetings of the Board of Directors and committees of the Board of Directors on which he served. The Board of Directors held seven meetings during 2007. The Company has no policy regarding Board member attendance at the Annual Meeting. In 2007, John P. Byrnes, Chairman of the Board, attended the Annual Meeting.

**Audit Committee.** The Board of Directors has a separately designated standing Audit Committee composed of three independent directors established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934 (the "Exchange Act"). The Audit Committee assists the Board of Directors in achieving its oversight and monitoring responsibilities to the stockholders relating to the accounting and financial reporting processes, financial controls and audits of the financial statements of the Company. The Audit Committee has the specific responsibilities and authority necessary to comply with Rule 10A-3(b)(2-5) under the Exchange Act (subject to the exemptions provided in Rule 10A-3(c)), concerning responsibilities relating to: (i) independent registered public accounting firms, (ii) complaints relating to accounting, internal accounting controls or auditing matters, (iii) authority to engage advisors, and (iv) funding as determined by the Audit Committee. The Board of Directors has approved a formal written charter for the Audit Committee, a current copy of which is available on the Company's web site at [www.lincare.com](http://www.lincare.com), under the heading "Investor Relations." The Audit Committee is comprised of Messrs. Black, Byrne and Miller and held seven meetings in 2007. The Board of Directors has determined that each of the Audit Committee members: (i) are independent as defined under Rule 4200(a)(15) of the Nasdaq Marketplace Rules; (ii) meet the criteria for independence set forth in Rule 10A-3(b)(1) under the Exchange Act (subject to the exemptions provided in Rule 10A-3(c) of the Exchange Act); (iii) have not participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years; and (iv) are able to read and understand fundamental financial statements, including a company's balance sheet, income statement and cash flow statement. At least one member of the Audit Committee has past employment experience in finance or accounting,

requisite professional certification in accounting, or other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. The Board of Directors has determined that Mr. Miller qualifies as an "audit committee financial expert" as defined by the rules and regulations of the Securities and Exchange Commission.

**Nominating Committee.** The Nominating Committee selects and recommends candidates to the Board of Directors to be submitted for election at the Annual Meeting and candidates to fill any vacancies on the Board. The Board of Directors has approved a formal written charter for the Nominating Committee, a current copy of which is available on the Company's web site at [www.lincare.com](http://www.lincare.com), under the heading "Investor Relations." The Nominating Committee will consider director candidates proposed by stockholders in the same manner as it considers Nominating Committee nominees (see "Director Nomination Process"). The Company's Bylaws permit stockholders to nominate directors at a stockholder meeting provided that stockholders give timely notice thereof in writing to the Secretary of the Company and otherwise comply with the procedures set forth in the Company's Bylaws. The Nominating Committee is comprised of Messrs. Altman, Black, Byrne and Miller, each of whom is independent as defined under the Nasdaq Marketplace Rules, and held one meeting in 2007.

**Compliance Committee.** The Compliance Committee reviews health care compliance issues related to the Company's health care compliance programs and, where appropriate, provides reports and recommendations to the Board regarding these programs. The Compliance Committee is comprised of Messrs. Altman and Byrne and held four meetings in 2007.

**Compensation Committee.** The Board of Directors has a standing Compensation Committee comprised of Messrs. Altman, Black and Miller, each of whom is independent as defined under the Nasdaq Marketplace Rules. The Compensation Committee assists the Board of Directors in discharging its responsibilities relating to all aspects of director compensation and executive compensation for the Chief Executive Officer and other senior executives of the Company. The Board of Directors has approved a formal written charter for the Compensation Committee, a current copy of which is available on the Company's web site at [www.lincare.com](http://www.lincare.com), under the heading "Investor Relations." The Compensation Committee reviews and reassesses the adequacy of the committee's formal written charter on an annual basis and recommends any proposed changes to the Board for approval. During 2006, the Board of Directors merged its Stock Plan Committee into its Compensation Committee. The Stock Plan Committee formerly administered the equity-based incentive plans of the Company and was comprised of the same members as the Compensation Committee. In 2007, the Compensation Committee held six meetings.

## **Compensation of Directors**

### **Retainer and Committee Chair Fees**

Directors who are employees of the Company do not receive any additional compensation for their services as directors. During fiscal year 2007, non-employee directors received an annual retainer, which is paid quarterly, and an additional retainer for serving as a chairman of a committee of the Board. The annual retainer for each non-employee director is \$60,000. In addition to the annual retainer, the following annual fees are payable to the respective chairmen of the committees of the Board: (a) Audit Committee (\$20,000), (b) Compensation Committee (\$15,000) and (c) Compliance Committee (\$10,000). In addition to the retainer and committee chair fees, non-employee directors are reimbursed for travel and other reasonable out-of-pocket expenses related to attendance at Board and committee meetings.

### **Equity Compensation**

Non-employee directors are eligible to participate in the Company's stock plans pursuant to which they may be granted options to purchase common stock of the Company or awarded shares of restricted common stock of the Company. Historically, the exercise prices for all stock options granted to non-employee directors have been equal to the market price of the Company's common stock on the date of grant, and the options have generally vested in equal increments over a three-year period and expire within

eight years of the date of grant. Stock options granted to directors become immediately exercisable upon a change of control of the Company. In the event that a director ceases to be a non-employee director for reasons other than a change of control, the vested stock options held by such director as of the date of termination of directorship must be exercised within one year.

The following table shows compensation information for the Company's non-employee directors for fiscal year 2007.

**Director Compensation  
for Fiscal Year 2007**

<u>Name</u>	Fees Earned or Paid in		Option Awards (1)	Non-Equity Incentive Plan Compensation (2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (3)	All Other Compensation (4)	Total (5)
	Cash (6)	Stock Awards (7)					
Stuart H. Altman, Ph.D. Director, Compliance Committee Chairman	70,000	—	462,115 (2)	—	—	—	532,115
Chester B. Black Director, Compensation Committee Chairman	75,000	—	462,115 (3)	—	—	—	537,115
Frank D. Byrne, M.D. Director	60,000	—	462,115 (4)	—	—	—	522,115
William F. Miller III Director, Audit Committee Chairman	80,000	—	462,115 (5)	—	—	—	542,115

- (1) Amounts shown do not reflect compensation actually received by the directors. Instead, the amounts shown are the compensation costs recognized by Lincare in fiscal year 2007 for stock option awards as determined pursuant to Statement of Financial Accounting Standards No. 123R (SFAS 123R). These compensation costs reflect stock awards granted in prior fiscal years for which compensation costs were recognized in Lincare's 2007 consolidated financial statements. The assumptions used to calculate the value of stock option awards are set forth under Note 11 of the Notes to Consolidated Financial Statements included in Lincare's Annual Report on Form 10-K for fiscal year 2007 filed with the Securities and Exchange Commission.
- (2) Reflects the compensation costs recognized by Lincare in fiscal year 2007 for the applicable portions of stock option grants with the following fair values as of the grant date: (a) \$893,465 for a stock option grant to purchase 72,000 shares of common stock made on August 26, 2005 at an exercise price of \$42.33 per share and (b) \$880,762 for a stock option grant to purchase 72,000 shares of common stock made on May 17, 2007 at an exercise price of \$39.03 per share. Mr. Altman had options to purchase an aggregate of 258,000 shares of common stock outstanding as of December 31, 2007.
- (3) Reflects the compensation costs recognized by Lincare in fiscal year 2007 for the applicable portions of stock option grants with the following fair values as of the grant date: (a) \$893,465 for a stock option grant to purchase 72,000 shares of common stock made on August 26, 2005 at an exercise price of \$42.33 per share and (b) \$880,762 for a stock option grant to purchase 72,000 shares of common stock made on May 17, 2007 at an exercise price of \$39.03 per share. Mr. Black had options to purchase an aggregate of 288,000 shares of common stock outstanding as of December 31, 2007.
- (4) Reflects the compensation costs recognized by Lincare in fiscal year 2007 for the applicable portions of stock option grants with the following fair values as of the grant date: (a) \$893,465 for a stock option grant to purchase 72,000 shares of common stock made on August 26, 2005 at an exercise price

of \$42.33 per share and (b) \$880,762 for a stock option grant to purchase 72,000 shares of common stock made on May 17, 2007 at an exercise price of \$39.03 per share. Dr. Byrne had options to purchase an aggregate of 276,000 shares of common stock outstanding as of December 31, 2007.

- (5) Reflects the compensation costs recognized by Lincare in fiscal year 2007 for the applicable portions of stock option grants with the following fair values as of the grant date: (a) \$893,465 for a stock option grant to purchase 72,000 shares of common stock made on August 26, 2005 at an exercise price of \$42.33 per share and (b) \$880,762 for a stock option grant to purchase 72,000 shares of common stock made on May 17, 2007 at an exercise price of \$39.03 per share. Mr. Miller had options to purchase an aggregate of 216,000 shares of common stock outstanding as of December 31, 2007.

## **Director Nomination Process**

*Director Qualifications* – The Nominating Committee believes that individuals who are nominated by the Committee to be a director should have demonstrated notable or significant achievements in business, education or public service; should have a breadth of knowledge about issues affecting the Company; should possess the requisite intelligence, education and experience to make a significant contribution to the Board and bring a diverse range of skills and perspectives to its deliberations; should demonstrate a willingness to apply sound and independent business judgment and have no present conflicts of interest; and should have the highest ethical standards, a strong sense of professionalism and intense dedication to serving the interests of the stockholders. Consideration will also be given to candidates with financial management, reporting and control expertise or other experience that would qualify the candidate as a “financial expert” under established standards. Further, each candidate must be willing to commit, as well as have, sufficient time available for meetings and consultation on Company matters and to otherwise discharge the duties of Board membership and should have sufficient years available for service to make a significant contribution to the Company over time.

*Selection and Nomination Process* – When recommending to the Board the slate of directors to be nominated for election at the Annual Meeting, the Nominating Committee reviews the qualifications and backgrounds of nominees for director, as well as the overall composition of the Board. The Nominating Committee is authorized to use any methods it deems appropriate for identifying candidates for Board membership, including recommendations from current Board members and recommendations from stockholders. The committee may engage outside search firms to identify suitable candidates. The Nominating Committee is also authorized to engage in whatever evaluation processes it deems appropriate to assess the suitability of a candidate for service on the Board. In formulating its recommendation, the Nominating Committee will consider not only the findings and conclusions of its evaluation process, but also the current composition of the Board, the attributes, capabilities and qualifications of existing Board members, and additional attributes, capabilities or qualifications that should be represented on the Board. In considering whether to recommend directors who are eligible to stand for re-election, the Nominating Committee may consider a variety of factors, including a director’s contributions to the Board and ability to continue to contribute productively, attendance at Board and committee meetings, and the independence of the director, as well as whether the director continues to possess the attributes, capabilities and qualifications considered necessary or desirable for Board service.

*Stockholder Nominations* – The Company’s Bylaws permit stockholders to nominate directors at a stockholder meeting provided that stockholders give timely notice thereof in writing to the Secretary of the Company and otherwise comply with the procedures set forth in the Company’s Bylaws. Stockholders who wish to nominate a person for election as a director may submit the recommendation to the Secretary of the Company in compliance with the procedures described in the Company’s Bylaws. Stockholders may also recommend prospective candidates for consideration by the Nominating Committee, and such candidates will be considered in the same manner as other candidates. A stockholder who wishes to make such a recommendation should notify the Secretary of the Company in writing and include, at a minimum, (i) the name and address, as they appear in the Company’s books, of the stockholder giving the notice, (ii) the class and number of shares of the Company that are beneficially owned by the stockholder, (iii) a statement that the candidate is willing to be nominated and to serve as a director if elected, and (iv) any other information regarding the candidate that the Securities and Exchange Commission would require to

be included in a proxy statement. If the Nominating Committee determines that a stockholder-recommended candidate is suitable for Board membership, it will include the candidate in the pool of candidates to be considered for nomination upon the occurrence of the next Board vacancy or in connection with the next Annual Meeting of Stockholders.

### **Communicating with the Board of Directors**

The Board of Directors provides a process for stockholders to send communications to the Board. The Board will give appropriate attention to written communications that are submitted by stockholders, and will respond if and as appropriate. The Chairman of the Audit Committee, with the assistance of the Company's Compliance Officer, is primarily responsible for monitoring communications from stockholders and for providing copies or summaries to the other directors as he or she considers appropriate.

Communications are forwarded to all directors if they relate to important substantive matters and include suggestions or comments that the Chairman of the Audit Committee considers to be important for the directors to know. In general, communications relating to corporate governance and long-term corporate strategy are more likely to be forwarded than communications relating to ordinary business affairs and matters as to which the Company tends to receive repetitive or duplicative communications.

Stockholders who wish to send communications on any topic to the Board should address such communications to Board of Directors, c/o Audit Committee, Lincare Holdings Inc., 19387 U.S. 19 North, Clearwater, Florida 33764.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and beneficial owners of more than 10% of a registered class of the Company's equity securities, to file with the Securities and Exchange Commission and The Nasdaq Global Market initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company.

Based on a review of the copies of such filings furnished to the Company, the Company believes that all of its directors, executive officers and beneficial owners of more than 10% of its equity securities complied with all filing requirements applicable to them with respect to transactions completed during the 2007 fiscal year, except the following: Shawn Schabel inadvertently failed to timely file a Form 4 disclosing the exercise of stock options and Stuart Altman inadvertently failed to timely file a Form 4 disclosing the receipt of a grant of options to purchase shares of common stock.

### **Compensation Discussion and Analysis**

The Board of Directors has a standing Compensation Committee comprised of Messrs. Altman, Black and Miller, each of whom is independent as defined under the Nasdaq Marketplace Rules. The Compensation Committee operates under a formal written charter that has been approved by the Board of Directors, a current copy of which is available on the Company's website at [www.lincare.com](http://www.lincare.com), in the "Committee Charters" section under the heading "Investor Relations."

The Compensation Committee assists the Board of Directors in discharging its responsibilities relating to all aspects of director and executive officer compensation. The Committee reviews corporate goals and objectives relevant to such compensation and makes recommendations to the Board for adoption. The Compensation Committee evaluates the performance of the directors and executive officers based on corporate goals and objectives and other such factors as it deems appropriate, such as, (i) the short-term and long-term performance of the Company, (ii) the performance of the executive officers in light of relevant goals and objectives recommended by the Committee and approved by the Board, (iii) executive compensation levels at comparable companies, and (iv) the recommendations of the Chief Executive Officer. Based on its evaluation, the Compensation Committee recommends to the Board the

compensation of the directors and executive officers, including salary, annual and long-term incentive compensation, annual incentive goals, option awards, stock awards, non-equity incentive plan compensation, benefits, perquisites and other compensation. The Committee also makes recommendations to the Board regarding director and executive officer employment contracts or arrangements.

### **Compensation Committee Process**

The Compensation Committee evaluates the internal equity and external competitiveness of the compensation offered to the directors and executive officers and recommends action to the Board as it deems appropriate. The Committee makes recommendations to the Board with respect to equity-based and non-equity-based plans of the Company and it administers such plans with authority to make and modify grants under, and to approve or disapprove participation in, such plans. The Compensation Committee is directly responsible for the appointment, compensation, retention and oversight of any compensation consultants engaged to assist the Committee in carrying out its functions and responsibilities. At the request of the Committee to do so, the Chief Executive Officer or Chief Financial Officer may pre-negotiate engagement fees with such compensation consultants and may provide a recommendation to the Committee for its consideration. The Company provides for appropriate funding, as determined by the Committee, for payment of compensation to any consultants employed by the Committee and ordinary administrative expenses that are necessary and appropriate in carrying out its duties. The Committee may form and delegate authority to one or more sub-committees, but has not ever done so in the past.

In early 2004, in advance of negotiating new five-year employment agreements with the Company's executive officers and prior to the expiration of the agreements in effect at that time, the Compensation Committee engaged Pearl Meyer & Partners, executive compensation consultants, to assist with its review of the Company's executive compensation levels, practices and programs. The scope of the engagement included assessment of the competitiveness of the Company's compensation levels including base salary, short-term incentives and long-term incentives, analysis of alternative long-term incentive vehicles appropriate for the Company, recommendations regarding potential changes to compensation programs to ensure alignment with market norms, desired competitive position and strategic objectives, and commentary on current trends and issues in executive officer employment contracts for consideration by the Committee.

Pearl Meyer employed two sources of compensation data in presenting its findings to the Committee, (i) a peer group consisting of 14 publicly-traded health services companies headquartered in the United States with annual revenues, market capitalizations, and product and service offerings similar to those of the Company, and (ii) a broader group of companies with annual revenues similar in size to the Company selected from a database compiled by Pearl Meyer. The peer group consisted of: AMN Healthcare Services, Amsurg, Apria Healthcare Group, Caremark Rx, Davita, Express Scripts, Gentiva Health Services, Mid Atlantic Medical Services, Neighborcare, Omnicare, Polymedica Corporation, Renal Care Group, Select Medical and Sierra Health Services. The Company's executives were matched to the market data based on similarity of job responsibilities. Pearl Meyer also presented the Compensation Committee with a comparative analysis of various performance metrics derived from three publicly-traded direct competitors of the Company (American HomePatient, Apria and Rotech), including market capitalization, annual revenue growth, operating income, net income, free cash flow, and years of continuous employment of each executive officer with his respective company. The analysis included a comparison of the cash and equity-based compensation elements of each of the Company's executive officers for the most recently available fiscal year to the respective compensation amounts earned by the executive officers of the peer companies.

In 2004, the Committee considered Pearl Meyer's observations and recommendations in evaluating the components and levels of executive compensation to be set forth in the executive officers' employment agreements. Pearl Meyer presented the comparative position of the various elements of the Company's executive compensation program relative to market percentiles. The Committee believes that these comparisons were useful in evaluating the competitiveness of the Company's program. While the Committee does not establish specific percentile targets for the individual elements of compensation or for aggregate compensation, the Committee generally aims to set the Company's executive compensation

levels between the 50<sup>th</sup> and 75<sup>th</sup> percentiles. The Committee concluded that it was important to establish compensation levels for the Company's executive officers that were higher than the average compensation levels earned by individuals employed by peer companies in positions of similar job responsibilities. Compensation levels within the 50<sup>th</sup> and 75<sup>th</sup> percentiles were deemed relevant by the Committee in light of the superior relative performance achieved by the Company under the direction of its executive officers in the preceding five-year period, as shown in the comparative performance data presented by Pearl Meyer. The Committee considered the Pearl Meyer observations and recommendations as it negotiated new employment agreements with the executive officers in November 2004. These employment agreements cover the employment period from November 15, 2004 through December 31, 2009, and they set forth specific compensation levels covering that period. Although it may do so, the Committee has not engaged Pearl Meyer or any other compensation consultant since 2004. The Committee has the authority to make recommendations to the Board with regard to amending the employment agreements or establishing additional elements of executive compensation when and if it deems appropriate.

### **Compensation Policies and Overall Objectives**

The Company's executive compensation program is intended to attract, retain and motivate high quality executives with a performance-based compensation package that promotes Company growth and enhancement of stockholder value. The executive compensation program consists of two primary components: (i) cash compensation and (ii) equity-based compensation, historically delivered through the grant of stock options and restricted stock pursuant to the Company's shareholder-approved stock plans. The Company's executive compensation program is administered by the Compensation Committee of the Board of Directors. The Committee does not target a specific mix of cash and equity-based, or short-term and long-term, compensation elements in structuring such program.

The Compensation Committee views the cash compensation component to be in recognition of the contribution by the executive officers to the Company's financial performance in the current fiscal year. The cash compensation component of executive pay is comprised of two primary elements: (i) base salary and (ii) performance-based bonus compensation. The cash component of the Company's executive compensation program is intended to provide compensation for carrying out the duties expected of each executive position and to reward achievement of short-term annual financial goals, as measured by the Company's operating results in the current fiscal year. The Committee seeks to offer salaried compensation to the Company's executive officers that provides fair payment for the responsibilities and demands of their respective position, consistent with the experience, qualities and commitment of each individual and competitive with potential market demand for their services. The performance-based bonus compensation is intended to motivate and reward the executive officers for contributing to the Company's delivering strong operating performance as reflected in its financial results.

The Compensation Committee believes that the Company's executive officers should be motivated to achieve, and participate significantly in, the creation of long-term shareholder value attained through appreciation in the market price of the Company's common stock. Stock options and/or restricted shares are typically granted annually to the Company's executives at the discretion of the Compensation Committee in order to enhance the link between shareholder value creation and executive pay. Stock options are granted with an exercise price equal to the fair market value of the Company's common stock on the date of the grant. Accordingly, stock options have realizable value to the recipient only if the stock price appreciates after the date the options are granted. Further, stock options issued to the Company's executive officers become exercisable after a defined vesting period, usually in scheduled increments between 18 and 30 months, and expire eight years from the date of grant. Shares of restricted stock may also be awarded to executives from time to time in order to encourage ownership of the Company's shares. The vesting of restricted stock awards may be subject to meeting pre-established long term, performance-based and service-based requirements. Such requirements might include achievement of pre-approved annual earnings per share targets and continued employment with the Company. The Compensation Committee believes that this approach focuses executives on the creation of shareholder value over the long term while providing incentive for the executive to remain in the employ of the Company.

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public companies for compensation in excess of \$1.0 million paid to certain of their most highly compensated executive officers. Qualifying performance-based compensation will not be subject to the deduction limit if certain requirements are met. It is the Committee's objective to maximize deductibility under Section 162(m) with minimal sacrifices in flexibility and corporate objectives. In accordance with that objective, certain long-term incentives such as stock options issued pursuant to equity plans approved by stockholders are designed as qualifying performance-based compensation, while annual salaries and bonuses that are not approved by stockholders are not considered as such for tax purposes. Shareholder approval of bonus compensation arrangements would be required to qualify for exclusion from the deduction limit, and the Committee believes that such approval would limit its flexibility in negotiating or otherwise determining such arrangements with management on behalf of the stockholders.

On December 29, 2007, the Company entered into second amended employment agreements with each of its executive officers containing clarifications and changes to certain sections within the agreements. The changes were adopted to comply with the requirements of the final regulations concerning deferred compensation promulgated by the Internal Revenue Service under Section 409A of the Internal Revenue Code.

### **Base Salaries**

The Compensation Committee reviews each executive officer's base salary annually. The Committee generally establishes the base salary of each executive officer at the time that it enters into an employment agreement with each executive. The employment agreements currently in place for the Company's executive officers, Mr. John Byrnes (Chief Executive Officer), Mr. Paul Gabos (Chief Financial Officer and Secretary) and Mr. Shawn Schabel (President and Chief Operating Officer), set forth the terms and conditions of employment for each executive for the period from January 1, 2005 through December 31, 2009. The base salary amounts established at the commencement of the employment period in the agreements were initially set at an annual rate equal to each executive's 2004 salary increased by the annual percentage increase in the Consumer Price Index for All Urban Consumers (the "CPI-U", as published by the Bureau of Labor Statistics of the U.S. Department of Labor) for the twelve month period ended December 31, 2004. The employment agreements provide for annual increases in the base salary amounts based on the CPI-U for the preceding twelve months, or such higher amounts as may be determined from time to time by the Compensation Committee in its sole discretion. These increases are established by the Committee at the beginning of each year upon its review of the published CPI-U data for the preceding calendar year.

Based on its review of the findings and considerations presented by Pearl Meyer, the Compensation Committee determined that adjusting the base salaries of Messrs. Byrnes and Gabos annually at rates consistent with inflation as measured by the CPI-U was reasonable and appropriate. However, the Committee determined that Mr. Schabel's base salary was at a level that was less than competitive versus the market for executives with similar job responsibilities and profiles. Effective January 3, 2005, the Compensation Committee adjusted Mr. Schabel's base salary from an annual rate of \$393,000 to \$542,000. In establishing the rates of increase in the base salaries for each executive officer in 2005, 2006, 2007 and 2008, before factoring in the adjustment to Mr. Schabel's base salary in 2005, the Compensation Committee adhered to the CPI-U adjustment factor referenced in the employment agreements which resulted in annual percentage increases for those years of 3.5%, 3.4%, 2.5% and 4.1%, respectively.

### **Annual Cash Bonuses**

The Compensation Committee determines the annual performance-based cash compensation for the Company's executive officers pursuant to the terms of the officers' respective employment agreements. The Committee believes that the cash bonus plan promotes the Company's performance-based compensation philosophy by providing executives with direct cash incentives for achieving specific performance goals. Under the terms of the employment agreements with the executive officers, and prior to January 2007, the bonus amounts were calculated pursuant to a formula that was based on a percentage

of base salary corresponding to the percentage growth above a target level in reported diluted EPS over the prior year period. The Committee also had discretionary authority to retrospectively adjust upward or downward the Company's reported financial results for purposes of determining performance under the bonus plan to account equitably for items that were non-recurring in nature or beyond the control of management. Such adjustments would have been attributable to, for example, any extraordinary charges, any unusual non-recurring items or changes in accounting policies required under generally accepted accounting principles.

On January 23, 2007, the Compensation Committee recommended, and the Board of Directors approved, an amendment to each executive officer's employment agreement that changed the cash bonus formula and that took effect in the Company's 2007 fiscal year. The new cash bonus formula compares the Company's reported diluted EPS in each fiscal year with the expected diluted EPS of the Company for such year as set forth in the annual business plan prepared in advance by the Company and approved by the Board of Directors ("Business Plan EPS"). Bonus payments under the new formula are subject to a maximum cash bonus payment of 200% of annual salary. Each executive officer's employment agreement was modified accordingly to reflect the new bonus compensation formula. Under the new formula, in respect of each calendar year (or applicable portion thereof) during the term of his or her employment, the Company will pay bonus compensation to each executive officer in an amount equal to the lesser of 200% of such executive's annual salary or: (i) the percentage of salary set forth in the table below which corresponds to the percentage by which the Company's reported diluted EPS for such calendar year compares with the Business Plan EPS, multiplied by (ii) the executive's annual salary for such calendar year.

<b><u>Fully Diluted EPS as a % Of Business Plan EPS</u></b>	<b><u>% of Salary</u></b>
0-99%	0%
100%	80%
101%	90%
102%	100%
103%	110%
104%	120%
105%	130%
> 105%	130% + an additional 10% for each full percentage point of EPS achieved over Business Plan EPS

The Compensation Committee believes that this change in the bonus compensation formula was appropriate and in the best interests of the stockholders of the Company. In recommending the change, the Committee considered the impact that ongoing reductions in payment amounts put into effect by government payors, such as Medicare, for the Company's products and services were likely to have on the Company's EPS growth in the future. The Committee concluded that moving to a formula based on achieving or exceeding the target operating results set forth in the Company's annual business plan, which include an estimate of the impact of expected Medicare price reductions in the coming year, was more consistent with the overall objectives of the performance-based component of the cash compensation program. While the Committee retained its right under the new employment agreements to adjust upward or downward the bonus amount awarded to each executive officer under his respective agreement, the Committee believes that a bonus plan that establishes performance targets in advance and incorporates anticipated changes in reimbursement for the Company's products and services or other factors expected to affect the Company's financial results in a given year is preferable to one that adjusts reported financial results for such factors retrospectively. The Committee concluded that a prospective change in the bonus calculation for fiscal years beginning in 2007 was equitable and consistent with the Committee's belief that an appropriate, performance-based executive compensation plan aligns management's interests with the interests of the Company's stockholders.

The Committee believes that EPS is the most appropriate company performance measure for determining bonus compensation because EPS is determined in accordance with generally accepted

accounting principles, includes all income and expense components of net profitability, and takes into account potential stockholder dilution (or anti-dilution) from all equity-based transactions. The percentage of base salary paid as a cash bonus under the formula increases incrementally with increases in the percentage by which annual reported EPS exceeds the Business Plan EPS. The Committee recognizes that EPS is a Company-level metric and, as such, the individual performance of each executive officer within their respective areas of responsibility is not considered in establishing the amount of bonus earned and believes that it is important for the executive officers to work toward a common performance goal on behalf of the stockholders. In the event that the Company's performance goals were met, the Committee believes that the cash bonus plan should result in an annual cash bonus payment to each executive officer that was approximately equal to the amount of annual salary compensation for such officer. This level of bonus compensation was also consistent with the findings and considerations presented to the Committee by Pearl Meyer in 2004 in connection with its evaluation of the Company's executive compensation programs.

On February 13, 2008, the Committee approved the cash bonus amounts to be paid to each executive officer for services performed in 2007 in accordance with the annual performance-based bonus compensation provisions contained in the amended employment agreements. The resulting bonus amounts awarded to Messrs. Byrnes, Gabos and Schabel for fiscal year 2007 were \$990,719, \$559,972 and \$747,002, respectively, based on achieving diluted EPS (\$2.58) in 2007 of 105% over Business Plan EPS (\$2.46) for the year.

### **Long-Term, Stock-Based Compensation**

The Compensation Committee believes that the Company's executive officers should be motivated to achieve, and participate significantly in, the creation of long-term shareholder value attained through appreciation in the market price of the Company's common stock. Stock options and/or restricted shares are granted annually to the Company's executives at the discretion of the Committee in order to enhance the link between shareholder value creation and executive pay. The Committee has generally favored the award of stock options to the award of shares of restricted stock for several reasons, including: (1) stock options are granted with an exercise price equal to the fair market value of the Company's common stock on the date of the grant, so stock options have realizable value to the recipient only if the stock price appreciates after the date the options are granted; (2) stock options result in cash proceeds to the Company through the sale of newly issued shares of common stock at a price equal to the exercise price of the option; and (3) non-qualified stock options are deemed to be performance-based under Section 162(m) of the Internal Revenue Code and result in more favorable tax treatment to the Company. However, the Committee reserves its right to issue stock options, restricted stock, or a combination of both, in accordance with the terms of the Company's stockholder-approved equity plans.

On May 17, 2007, the Committee awarded options to purchase 400,000, 200,000 and 300,000 shares of the Company's common stock to Messrs. Byrnes, Gabos and Schabel, respectively. In determining the number of stock options awarded to the executive officers, the Committee considered each officer's position and level of responsibility, his contribution to the long-term success of the Company and each officer's historical award levels. The findings and recommendations presented to the Committee by Pearl Meyer in 2004 include a long-term equity incentive framework for the Committee to consider that takes into account the size of equity grants and resulting stockholder dilution and compares the practices of the Company to companies in its peer group. While the Committee does not target a specific mix of cash and equity-based, or short-term and long-term, compensation elements, the Committee believes that the current mix of long-term compensation creates the appropriate incentives for its executive officers consistent with the overall objectives of the Company. The Company's long-term incentive program and the amounts awarded under such program are reviewed annually and are determined solely at the discretion of the Committee.

Stock-based compensation awarded to the Company's executive officers is subject to the terms and conditions set forth in the respective agreements underlying the award of stock options and restricted shares. Generally, rights to exercise stock options granted by the Company are subject to vesting provisions that typically entitle the optionee to exercise the options in scheduled increments between 18

and 30 months and expire eight years from the date of grant. Restricted stock grants are generally subject to performance and service conditions, the achievement of which removes the restrictions on the shares over a three-year period as defined in the underlying agreement. Such performance conditions may include achievement of certain EPS or other financial targets established by the Committee and are subject to continued employment of the executive over the measurement period.

The Committee does not have a formal policy for determining when stock-based awards are granted, but does require, in the case of stock options, that such awards be granted with an exercise price equal to the market price of the Company's stock on the date of grant. The Committee generally grants equity awards on an annual basis, but has not established a specific time frame for doing so. However, it is the Committee's policy not to grant equity awards when the Company is in possession of material, non-public information (including during pre-defined "blackout periods" set forth in the Company's internal policies regarding share-based transactions by employees). The Committee has not established any equity ownership requirements or guidelines specifying applicable amounts and forms of ownership of the Company's common stock. However, the Company maintains a policy that prohibits any employee from hedging the economic risk of ownership and/or engaging in the purchase or sale of any derivative securities derived from the Company's common shares.

### **Benefits and Perquisites**

The Company's executives are eligible to participate in certain benefit programs available to all employees of the Company including health insurance, life and disability insurance, Company contributions to a 401(k) plan (subject to certain regulatory and other limits) and participation in an employee stock purchase plan. The employee stock purchase plan allows employees to accumulate payroll deductions for the purpose of purchasing shares of the Company's common stock on a quarterly basis at a price per share equal to 85% of the lower of the market price of a share of common stock on the last day of the previous plan quarter or the last trading day of the current plan quarter. Except for the severance arrangements described below, the Company does not offer any post-employment or retirement benefits to any of its employees. The Compensation Committee does not believe that such retirement benefits serve the interests of the Company's stockholders.

A limited number of perquisites are available to the Chief Executive Officer and other executive officers that are not otherwise available to non-executive employees of the Company. The Company pays for a golf club membership on behalf of the Chief Executive Officer. The club is in close proximity to the corporate headquarters office and is thereby convenient for use in conjunction with various business-related activities. The Company also pays for the Chief Executive Officer to undergo an extensive annual physical examination that is not otherwise available to employees of the Company. The Company makes available to its executive officers personal use of Company owned and operated aircraft. The Compensation Committee believes that the use of such aircraft provides for a higher level of personal security for the Company's executive officers and that maintaining such personal security is of vital importance to the Company's business and prospects. The personal use of Company owned aircraft, if any, is included in each executive officer's earnings reported to the Internal Revenue Service and the Company does not reimburse the individual for the income taxes payable on such earnings. The Company also makes available to its executive officers a financial planning allowance not to exceed \$35,000 per individual over five years.

The executive officers' employment and equity compensation agreements contain various severance and change of control provisions. Such provisions provide for the payment of cash compensation in the event of termination of the executive's employment by the Company at any time other than for cause (as defined in the employment agreement) in an amount equal to two times the sum of then-current annual salary plus bonus in respect of the immediately preceding calendar year, paid in 24 equal monthly installments. An equivalent amount of severance compensation is also payable to the executive officer upon a change of control of the Company (as defined in the respective agreements) plus an additional amount equal to two times the average annual cost for Company employees of obtaining medical, dental and vision insurance under COBRA, and such severance amounts payable pursuant to a change of control are paid in a lump sum within 10 business days after the change of control regardless of

whether the executive experiences a termination of employment. The employment agreements also contain non-competition and non-solicitation provisions during the two-year period commencing on the date the employment term ends for any reason whatsoever.

The Company's stock option and restricted stock agreements with its executive officers contain provisions that accelerate in full the vesting of rights to exercise stock options and removal of the Company's purchase option related to unvested restricted shares upon a change of control. The Committee believes such change of control provisions help ensure management's focus and commitment during a contentious period that might include a contest for control of the Company. The Company's relatively diffuse ownership structure as a publicly-held corporation may increase the probability of managerial resistance to takeover bids that would enhance shareholder value. Without exit compensation, management may be more likely to choose to resist a takeover bid, and this managerial resistance could lead to a depletion of valuable corporate resources. The Committee believes that exit compensation upon a change of control serves to increase shareholder value and is therefore in the best interests of the Company and its stockholders.

## Executive Compensation

### Summary Compensation

The following table sets forth all compensation paid to, or earned by, each of the Company's executive officers for fiscal years 2007 and 2006.

**Summary Compensation Table  
For Fiscal Years 2007 and 2006**

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)(2)	Non-Equity Incentive Plan Compensation (\$)(3)	Change in Pension	All Other Compensation (\$)	Total (\$)
							Value and Nonqualified Deferred Compensation Earnings (\$)		
John P. Byrnes Chief Executive Officer	2007	861,495	—	211,467	3,873,463	990,719	—	85,427 (4)	6,022,571
	2006	840,483	—	1,321,672	3,716,416	756,435	—	93,739 (5)	6,728,745
Paul G. Gabos Chief Financial Officer and Secretary	2007	430,750	—	105,733	1,936,733	559,972	—	64,226 (6)	3,097,414
	2006	420,242	—	660,836	1,858,209	378,217	—	25,011 (7)	3,342,515
Shawn S. Schabel President and Chief Operating Officer	2007	574,617	—	140,980	2,776,631	747,002	—	33,223 (8)	4,272,453
	2006	560,602	—	881,105	2,582,895	504,542	—	44,021 (9)	4,573,165

(1) Stock awards consist only of restricted shares. Amounts shown do not reflect compensation actually received by the named executive officer. Instead, the amounts shown are the compensation costs recognized by Lincare in fiscal years 2007 and 2006 for stock awards as determined pursuant to Statement of Financial Accounting Standards No. 123R (SFAS 123R). These compensation costs reflect stock awards granted in fiscal year 2004 for which compensation costs were recognized in Lincare's 2007 and 2006 consolidated financial statements. The stock award granted on July 1, 2004 issued shares of restricted common stock to Messrs. Byrnes, Gabos and Schabel. The market value of Lincare common stock on the date of issuance was \$31.72 and the shares were purchased by the executive officers at a price equal to the par value of the common stock. Two-thirds of the shares became unrestricted upon achievement of the annual budgeted earnings per share for fiscal years 2004 and 2005 as approved by the Board of Directors. The remaining shares vested on the last business day of February, 2007.

- (2) Amounts shown do not reflect compensation actually received by the named executive officer. Instead, the amounts shown are the compensation costs recognized by Lincare in fiscal years 2007 and 2006 for option awards as determined pursuant to SFAS 123R, excluding the estimate of forfeitures related to service-based vesting conditions. These compensation costs reflect option awards granted in current and prior fiscal years for which compensation costs were recognized in Lincare's 2007 and 2006 consolidated financial statements. The assumptions used to calculate the value of option awards are set forth under Note 11 of the Notes to Consolidated Financial Statements included in Lincare's Annual Report on Form 10-K for fiscal years 2007 and 2006 filed with the SEC.
- (3) Amounts consist of incentive bonuses earned for services rendered in fiscal years 2007 and 2006. The incentive bonuses paid to Messrs. Byrnes, Gabos and Schabel were paid pursuant to the terms of their respective employment agreements dated November 15, 2004, as amended, based on achieving certain earnings per share targets. For a discussion of the views of the Compensation Committee of the Company's Board of Directors regarding the amount of salary and incentive bonus paid to the named executive officers in proportion to total compensation, please see the section entitled "Compensation Discussion and Analysis" contained in this Proxy Statement.
- (4) This amount consists of (a) Lincare's contribution of \$11,250 under the tax-qualified 401(k) Plan, which provides for broad-based employee participation, (b) payment of \$9,763 in golf club membership fees, and (c) \$64,414 for personal use of Company-owned aircraft. The amounts shown for personal use of Company-owned aircraft represent the incremental cost to the Company based on the cost of fuel, crew travel expenses, landing fees, supplies, aircraft repair and maintenance, and other variable costs. Since the company-owned aircraft are used primarily for business travel, such amounts do not include fixed costs that do not change based on usage, such as pilot salaries and related expenses, depreciation of the purchase costs of Company-owned aircraft, insurance and hangar lease charges.
- (5) This amount consists of (a) Lincare's contribution of \$11,000 under the tax-qualified 401(k) Plan, which provides for broad-based employee participation, (b) payment of \$10,051 in golf club membership fees, (c) payment of \$799 for physical examination services not otherwise reimbursable under Lincare's employee health benefit plan and (d) \$71,889 for personal use of Company-owned aircraft. The amounts shown for personal use of Company-owned aircraft represent the incremental cost to the Company based on the cost of fuel, crew travel expenses, landing fees, supplies, aircraft repair and maintenance, and other variable costs. Since the company-owned aircraft are used primarily for business travel, such amounts do not include fixed costs that do not change based on usage, such as pilot salaries and related expenses, depreciation of the purchase costs of Company-owned aircraft, insurance and hangar lease charges.
- (6) This amount consists of (a) Lincare's contribution of \$11,250 under the tax-qualified 401(k) Plan, which provides for broad-based employee participation, and (b) \$52,976 for personal use of Company-owned aircraft. The amounts shown for personal use of Company-owned aircraft represent the incremental cost to the Company based on the cost of fuel, crew travel expenses, landing fees, supplies, aircraft repair and maintenance, and other variable costs. Since the company-owned aircraft are used primarily for business travel, such amounts do not include fixed costs that do not change based on usage, such as pilot salaries and related expenses, depreciation of the purchase costs of Company-owned aircraft, insurance and hangar lease charges.
- (7) This amount consists of (a) Lincare's contribution of \$11,000 under the tax-qualified 401(k) Plan and (b) \$14,011 for personal use of Company-owned aircraft. The amounts shown for personal use of Company-owned aircraft represent the incremental cost to the Company based on the cost of fuel, crew travel expenses, landing fees, supplies, aircraft repair and maintenance, and other variable costs. Since the company-owned aircraft are used primarily for business travel, such amounts do not include fixed costs that do not change based on usage, such as pilot salaries and related expenses, depreciation of the purchase costs of Company-owned aircraft, insurance and hangar lease charges.

- (8) This amount consists of (a) Lincare’s contribution of \$11,250 under the tax-qualified 401(k) Plan, which provides for broad-based employee participation, and (b) \$21,973 for personal use of Company-owned aircraft. The amounts shown for personal use of Company-owned aircraft represent the incremental cost to the Company based on the cost of fuel, crew travel expenses, landing fees, supplies, aircraft repair and maintenance, and other variable costs. Since the company-owned aircraft are used primarily for business travel, such amounts do not include fixed costs that do not change based on usage, such as pilot salaries and related expenses, depreciation of the purchase costs of Company-owned aircraft, insurance and hangar lease charges.
- (9) This amount consists of (a) Lincare’s contribution of \$11,000 under the tax-qualified 401(k) Plan and (b) \$33,021 for personal use of Company-owned aircraft. The amounts shown for personal use of Company-owned aircraft represent the incremental cost to the Company based on the cost of fuel, crew travel expenses, landing fees, supplies, aircraft repair and maintenance, and other variable costs. Since the company-owned aircraft are used primarily for business travel, such amounts do not include fixed costs that do not change based on usage, such as pilot salaries and related expenses, depreciation of the purchase costs of Company-owned aircraft, insurance and hangar lease charges.

### Grants of Plan-Based Awards

The following table shows all plan-based awards granted to the named executive officers during fiscal year 2007. The option awards identified in the table below are also reported in the “Outstanding Equity Awards at Fiscal 2007 Year-End” table below.

#### Grants of Plan-Based Awards For Fiscal Year 2007

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$ / Sh)	Grant Date Fair Value of Stock and Option Awards (\$ (2)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
John P. Byrnes	05/17/2007	—	—	—	—	—	—	—	400,000	39.03	4,893,119
	FY 2007	—	689,196	1,722,990	—	—	—	—	—	—	—
Paul G. Gabos	05/17/2007	—	—	—	—	—	—	—	200,000	39.03	2,446,559
	FY 2007	—	344,600	861,496	—	—	—	—	—	—	—
Shawn S. Schabel	05/17/2007	—	—	—	—	—	—	—	300,000	39.03	3,669,840
	FY 2007	—	459,694	1,149,234	—	—	—	—	—	—	—

- (1) Amounts shown are estimated payouts for fiscal year 2007 to Messrs. Byrnes, Gabos and Schabel under the cash bonus compensation formula contained in their respective employment agreements. These amounts are based on the individual’s fiscal year 2007 base salary. The plan does not provide for a threshold amount. The target amount shown is 80% of the individual’s base salary and the maximum amount shown is two times the individual’s base salary for each of the named executive officers. Actual cash bonuses received by these named executive officers for fiscal year 2007 are reported in the Summary Compensation Table under the column entitled “Non-Equity Incentive Plan Compensation.” A description of the cash bonus compensation formula can be found in the Compensation Discussion and Analysis contained in this Proxy Statement under the heading “Annual Cash Bonuses.”
- (2) The value of a stock option award is based on the fair value as of the grant date of such award determined pursuant to SFAS No. 123R. Stock options granted to the named executive officers in fiscal year 2007 were awarded under the Company’s 2007 Stock Plan and become exercisable in three equal installments on December 1, 2008, 2009 and 2010, and expire on May 31, 2015. The exercise price for all stock options granted to the named executive officers is equal to the fair market value of the underlying shares on the grant date. The option exercise price has not been deducted from the

amounts indicated above. Regardless of the value placed on a stock option on the date of grant, the actual value of the option will depend on the market value of Lincare common stock at such date in the future when the option is exercised.

## Outstanding Equity Awards

The following table shows all outstanding equity awards held by the named executive officers as of December 31, 2007.

### Outstanding Equity Awards at Fiscal 2007 Year-End

Option Awards					
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards:	Option Exercise Price (\$)	Option Expiration Date
			Number of Securities Underlying Unexercised Unearned Options (#)		
John P. Byrnes	400,000	0	—	12.25	12/01/2008
	200,000	0	—	24.50	07/31/2008
	400,000	0	—	26.86	06/01/2009
	200,000	0	—	24.45	12/31/2009
	300,000	0	—	29.47	12/01/2009
	300,000	0	—	30.13	01/31/2010
	300,000	0	—	31.72	03/31/2012
	133,334	266,666 (1)	—	42.33	08/30/2013
	83,334	166,666 (2)	—	38.51	05/31/2014
0	400,000 (3)	—	39.03	05/31/2015	
Paul G. Gabos	200,000	0	—	26.86	06/01/2009
	100,000	0	—	29.47	12/01/2009
	150,000	0	—	30.13	01/31/2010
	150,000	0	—	31.72	03/31/2012
	66,667	133,333 (4)	—	42.33	08/30/2013
	41,667	83,333 (5)	—	38.51	05/31/2014
0	200,000 (6)	—	39.03	05/31/2015	
Shawn S. Schabel	200,000	0	—	26.86	06/01/2009
	200,000	0	—	24.45	12/31/2009
	100,000	0	—	29.47	12/01/2009
	150,000	0	—	30.13	01/31/2010
	200,000	0	—	31.72	03/31/2012
	93,334	186,666 (7)	—	42.33	08/30/2013
	58,334	116,666 (8)	—	38.51	05/31/2014
	0	300,000 (9)	—	39.03	05/31/2015

- (1) The option was granted on August 26, 2005. Options to purchase 133,334 shares of common stock became exercisable on January 1, 2007 and options to purchase 133,333 shares of common stock became exercisable on January 1, 2008. Assuming continued employment with Lincare, options to purchase 133,333 shares of common stock will become exercisable on January 1, 2009.
- (2) The option was granted on May 22, 2006. Options to purchase 83,334 shares of common stock became exercisable on December 1, 2007. Assuming continued employment with Lincare, options to purchase 83,333 shares of common stock will become exercisable on December 1, 2008 and options to purchase 83,333 shares of common stock will become exercisable on December 1, 2009.
- (3) The option was granted on May 17, 2007. Assuming continued employment with Lincare, options to purchase 133,334 shares of common stock will become exercisable on December 1, 2008, options to purchase 133,333 shares of common stock will become exercisable on December 1, 2009 and options to purchase 133,333 shares of common stock will become exercisable on December 1, 2010.

- (4) The option was granted on August 26, 2005. Options to purchase 66,667 shares of common stock became exercisable on January 1, 2007 and options to purchase 66,667 shares of common stock became exercisable on January 1, 2008. Assuming continued employment with Lincare, options to purchase 66,666 shares of common stock will become exercisable on January 1, 2009.
- (5) The option was granted on May 22, 2006. Options to purchase 41,667 shares of common stock became exercisable on December 1, 2007. Assuming continued employment with Lincare, options to purchase 41,667 shares of common stock will become exercisable on December 1, 2008 and options to purchase 41,666 shares of common stock will become exercisable on December 1, 2009.
- (6) The option was granted on May 17, 2007. Assuming continued employment with Lincare, options to purchase 66,667 shares of common stock will become exercisable on December 1, 2008, options to purchase 66,667 shares of common stock will become exercisable on December 1, 2009 and options to purchase 66,666 shares of common stock will become exercisable on December 1, 2010.
- (7) The option was granted on August 26, 2005. Options to purchase 93,334 shares of common stock became exercisable on January 1, 2007 and options to purchase 93,333 shares of common stock became exercisable on January 1, 2008. Assuming continued employment with Lincare, options to purchase 93,333 shares of common stock will become exercisable on January 1, 2009.
- (8) The option was granted on May 22, 2006. Options to purchase 58,334 shares of common stock became exercisable on December 1, 2007. Assuming continued employment with Lincare, options to purchase 58,333 shares of common stock will become exercisable on December 1, 2008 and options to purchase 58,333 shares of common stock will become exercisable on December 1, 2009.
- (9) The option was granted on May 17, 2007. Assuming continued employment with Lincare, options to purchase 100,000 shares of common stock will become exercisable on December 1, 2008, options to purchase 100,000 shares of common stock will become exercisable on December 1, 2009 and options to purchase 100,000 shares of common stock will become exercisable on December 1, 2010.

### Options Exercises and Stock Vested

The following table shows all stock options exercised and value realized upon exercise, and all stock awards vested and value realized upon vesting, by the named executive officers during fiscal year 2007.

#### Option Exercises and Stock Vested For Fiscal Year 2007

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(2)
John P. Byrnes	550,000	13,684,014	40,000	1,569,600
Paul G. Gabos	520,000	8,071,786	20,000	784,800
Shawn S. Schabel	340,000	6,597,221	26,667	1,046,413

- (1) The value realized equals the difference between the option exercise price and the market price of Lincare common stock on the date of exercise, multiplied by the number of shares for which the option was exercised.
- (2) The value realized equals market price of Lincare common stock on the vesting date, multiplied by the number of shares of restricted stock that vested.

## **Pension Benefits and Non-Qualified Deferred Compensation**

The Company does not have any defined pension or defined contribution plans for its named executive officers other than the tax-qualified 401(k) Plan. The Company does not maintain any non-qualified deferred compensation plans.

## **Employment Agreements and Potential Payments upon Termination or Change-Of-Control**

Mr. Byrnes serves as Chief Executive Officer at an annual salary of \$896,816. Mr. Gabos serves as Chief Financial Officer and Secretary at an annual salary of \$448,408. Mr. Schabel serves as President and Chief Operating Officer at an annual salary of \$598,177.

The Company has employment agreements with Messrs. Byrnes, Gabos and Schabel. The respective agreements set forth the terms and conditions of each Executive Officer's employment for a period beginning on January 1, 2005 and ending on December 31, 2009 or, if employment thereunder is earlier terminated, such shorter period. Each agreement provides for a base salary, annual cost of living adjustments and for such salary increases as may be determined by the Board of Directors in its sole discretion. In addition to salary, the employment agreements provide that each such person shall be eligible to receive bonus compensation based upon the achievement of the performance targets set forth in the respective agreements. The Company's Board of Directors (or an authorized committee thereof) shall have the discretion to adjust upward or downward the bonus for any applicable period to account equitably for the impact on EPS of: (i) any extraordinary charges; (ii) any unusual non-recurring items; (iii) changes in accounting principles required under generally accepted accounting principles or (iv) any unanticipated events or occurrences, which events impact the Company's financial results in any such applicable period. During the employment term, each executive officer shall be eligible to participate in all employee benefit programs generally available to executive employees in accordance with the provisions of any such plans and shall be entitled to reimbursement of certain out-of-pocket expenses incurred in the performance of such person's duties on behalf of the Company. The employment agreements contain non-competition and non-solicitation provisions in effect during each executive officer's employment term and during the two-year period commencing on the date the employment term ends for any reason whatsoever.

The employment agreements with Messrs. Byrnes, Gabos and Schabel provide for payments to be made to each executive officer upon the termination of such person's employment pursuant to the occurrence of certain events. In the event of termination of employment by the Company other than for "cause," then Company shall pay (in 24 equal monthly installments), as severance pay or liquidated damages, or both, an amount equal to two times the sum of (a) such person's then-current annual salary and (b) such person's bonus in respect of the immediately preceding calendar year. In the event of termination of employment upon a change of control of the Company, then the Company shall pay (in a lump sum payment), as severance pay or liquidated damages, or both, an amount equal to two times the sum of (a) such person's then-current annual salary and (b) such person's bonus in respect of the immediately preceding calendar year, plus (c) an additional amount equal to the average annual cost for Company employees of obtaining certain post-employment medical, dental and vision insurance.

The non-qualified stock option agreements and restricted stock agreements in effect between the Company and the named executive officers contain provisions regarding the vesting and exercise of stock options and shares of restricted stock upon termination of employment or upon a change of control of the Company. In the event of termination of employment of the named executive officer by the Company at any time other than for "cause," stock options vested as of the date of termination may only be exercised within one year after the date that employment ends. In the event of a change of control of the Company, all unvested stock options held by the named executive officers vest and become immediately exercisable. Shares of restricted stock held by the named executive officers also become unrestricted upon a change of control of the Company.

## Potential Payments Upon Termination of Employment

The following table shows all potential payments upon termination of employment if the Company terminated employment on December 31, 2007, the last business day of the Company's 2007 fiscal year.

### Potential Payments Upon Termination of Employment

Name	Termination without Cause	Termination upon a Change of Control
John P. Byrnes		
<i>Chief Executive Officer</i>		
Employment Agreement		
Salary	1,722,990	1,722,990
Annual Bonus	1,512,870	1,512,870
Unvested and Accelerated Awards		
Net Value of Options	—	0
Other Benefits	—	22,670
<b>Total</b>	<b>3,235,860</b>	<b>3,258,530</b>
Payment Method		
24 Monthly Installments	134,828	
Lump Sum		3,258,530
Paul G. Gabos		
<i>Chief Financial Officer and Secretary</i>		
Employment Agreement		
Salary	861,500	861,500
Annual Bonus	756,434	756,434
Unvested and Accelerated Awards		
Net Value of Options	—	0
Other Benefits	—	22,670
<b>Total</b>	<b>1,617,934</b>	<b>1,640,604</b>
Payment Method		
24 Monthly Installments	67,414	
Lump Sum		1,640,604
Shawn S. Schabel		
<i>President and Chief Operating Officer</i>		
Employment Agreement		
Salary	1,149,234	1,149,234
Annual Bonus	1,009,084	1,009,084
Unvested and Accelerated Awards		
Net Value of Options	—	0
Other Benefits	—	22,670
<b>Total</b>	<b>2,158,318</b>	<b>2,180,988</b>
Payment Method		
24 Monthly Installments	89,930	
Lump Sum		2,180,988

*Potential Payments Upon Termination of Employment.* If the Company had terminated Mr. Brynes' employment without "cause" on December 31, 2007, the last business day of the Company's 2007 fiscal year, Mr. Byrnes would have received severance benefits under his employment agreement in the amount of \$3,235,860 payable in twenty-four (24) equal monthly installments of \$134,828, consisting of two-times the sum of a combination of his annual base salary for fiscal year 2007 of \$861,495 and his bonus amount for the preceding calendar year of \$756,435. If Mr. Byrnes' employment ended on December 31, 2007 as a result of termination of employment upon a change of control of the Company, Mr. Byrnes would have received the following severance benefits under his employment agreement and his respective stock option agreements: (a) a lump sum payment of \$3,235,860, consisting of two-times the sum of a combination of his annual base salary for fiscal year 2007 of \$861,495 and his bonus amount for the preceding calendar year of \$756,435, (b) an amount determined by the Company, in its sole discretion, to be equal to two-times the average annual cost for Company employees of obtaining medical, dental and vision insurance under COBRA, which amount is estimated to be \$22,670, and (c) acceleration of the vesting of stock options to purchase an aggregate of 833,332 shares of common stock, which, based on the difference between the weighted average exercise price of the in-the-money options and \$35.16, the closing price of Lincare common stock on December 31, 2007, the net value of these options would be \$0.

If the Company had terminated Mr. Gabos' employment without "cause" on December 31, 2007, the last business day of the Company's 2007 fiscal year, Mr. Gabos would have received severance benefits under his employment agreement in the amount of \$1,617,934 payable in twenty-four (24) equal monthly installments of \$67,414, consisting of two-times the sum of a combination of his annual base salary for fiscal year 2007 of \$430,750 and his bonus amount for the preceding calendar year of \$378,217. If Mr. Gabos' employment ended on December 31, 2007 as a result of termination of employment upon a change of control of the Company, Mr. Gabos would have received the following severance benefits under his employment agreement and his respective stock option agreements: (a) a lump sum payment of \$1,617,934, consisting of two-times the sum of a combination of his annual base salary for fiscal year 2007 of \$430,750 and his bonus amount for the preceding calendar year of \$378,217, (b) an amount determined by the Company, in its sole discretion, to be equal to two-times the average annual cost for Company employees of obtaining medical, dental and vision insurance under COBRA, which amount is estimated to be \$22,670, and (c) acceleration of the vesting of stock options to purchase an aggregate of 416,666 shares of common stock, which, based on the difference between the weighted average exercise price of the in-the-money options and \$35.16, the closing price of Lincare common stock on December 31, 2007, the net value of these options would be \$0.

If the Company had terminated Mr. Schabel's employment without "cause" on December 31, 2007, the last business day of the Company's 2007 fiscal year, Mr. Schabel would have received severance benefits under his employment agreement in the amount of \$2,158,318 payable in twenty-four (24) equal monthly installments of \$89,930, consisting of two-times the sum of a combination of his annual base salary for fiscal year 2007 of \$574,617 and his bonus amount for the preceding calendar year of \$504,542. If Mr. Schabel's employment ended on December 31, 2007 as a result of termination of employment upon a change of control of the Company, Mr. Schabel would have received the following severance benefits under his employment agreement and his respective stock option agreements: (a) a lump sum payment of \$2,158,318, consisting of two-times the sum of a combination of his annual base salary for fiscal year 2007 of \$574,617 and his bonus amount for the preceding calendar year of \$504,542, (b) an amount determined by the Company, in its sole discretion, to be equal to two-times the average annual cost for Company employees of obtaining medical, dental and vision insurance under COBRA, which amount is estimated to be \$22,670, and (c) acceleration of the vesting of stock options to purchase an aggregate of 603,332 shares of common stock, which, based on the difference between the weighted average exercise price of the in-the-money options and \$35.16, the closing price of Lincare common stock on December 31, 2007, the net value of these options would be \$0.

## **Compensation Committee Report**

The Compensation Committee of the Board of Directors (for purposes of this report, the “Committee”) has prepared this report on its activities in accordance with Item 407(e)(5) of Regulation S-K.

- (1) The Committee has reviewed and discussed the Compensation Discussion and Analysis with management; and
- (2) Based on the review and discussions with management, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company’s Proxy Statement.

Stuart H. Altman, Ph.D.  
Chester B. Black  
William F. Miller, III  
Compensation Committee

## **Audit Committee Report**

The Audit Committee of the Board of Directors (for purposes of this report, the “Committee”) has prepared this report on its activities with respect to the Company’s audited consolidated financial statements for the fiscal year ended December 31, 2007 (the “audited financial statements”).

- (1) The Committee has reviewed and discussed the audited consolidated financial statements with management and KPMG LLP, the Company’s Independent Registered Public Accounting Firm;
- (2) The Committee has discussed with KPMG LLP the matters required to be discussed by Statement on Auditing Standards No. 114 (The Auditor’s Communication with those Charged with Governance), as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T;
- (3) The Committee has received the written disclosures and the letter from KPMG LLP required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), as adopted by the Public Company Accounting Oversight Board in Rule 3600T, and has discussed with KPMG LLP its independence from the Company; and
- (4) Based on its review and discussions with management and the independent registered public accounting firm of the Company’s audited consolidated financial statements referred to above and relying thereon, and its review of the independent public accounting firm’s report on such financial statements, the Committee recommended to the Board of Directors, and the Board approved, that the audited consolidated financial statements be included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2007, which was filed with the U.S. Securities and Exchange Commission.

Chester B. Black  
Frank D. Byrne, M.D.  
William F. Miller, III  
Audit Committee

## **Information Regarding the Independent Registered Public Accounting Firm**

### *Independent Registered Public Accounting Firm*

It is anticipated that KPMG LLP will be retained as the Company's independent registered public accounting firm for the 2008 fiscal year, subject to ratification by a majority of the shares represented either in person or by proxy at the Annual Meeting. Representatives from KPMG LLP are expected to be present at the Annual Meeting and will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

### *Audit Fees*

The aggregate fees billed for professional services rendered by KPMG LLP for the audit of the Company's consolidated financial statements and internal control over financial reporting for the years ended December 31, 2007 and 2006, including reviews of the condensed financial statements contained in each of the Company's quarterly reports on Form 10-Q filed with the Securities and Exchange Commission during 2007 and 2006 were \$660,000 and \$798,000, respectively.

### *Audit-Related Fees*

Audit-related fees billed by KPMG LLP in 2007 were \$147,500 related to the issuance of a comfort letter and the filing of a Form S-3 and a Form S-8 and in 2006 were \$13,000 related to SEC matters. In addition, fees billed for professional services rendered by KPMG LLP in 2007 and 2006 for the audit of the Company's 401(k) Plan for the years ended December 31, 2006 and 2005 were \$25,000 and \$22,000, respectively.

### *Tax Fees*

KPMG LLP performed no tax consultation services during 2007 and 2006.

### *All Other Fees*

There were no other fees billed by KPMG LLP for 2007 and 2006.

The Company's Audit Committee pre-approves all fees paid to KPMG LLP prior to the provision of services. All fees paid to KPMG LLP for services rendered in 2007 and 2006 were pre-approved by the Audit Committee.

## **Annual Report**

The Company's 2007 Annual Report, containing audited consolidated financial statements for the fiscal years ended December 31, 2007, 2006, and 2005, accompanies this Proxy Statement. Upon written request, the Company will send to stockholders of record, without charge, a copy of its Annual Report on Form 10-K (without exhibits) for the fiscal year ended December 31, 2007, which the Company has filed with the Securities and Exchange Commission. The written request should be directed to the Company's Investor Relations Department, Lincare Holdings Inc., 19387 U.S. 19 North, Clearwater, Florida 33764.

### **Householding of Annual Meeting Materials**

Some banks, brokers and other nominee record holders may be participating in the practice of "householding" proxy statements and annual reports. This means that only one copy of the Company's Proxy Statement or Annual Report to Stockholders may have been sent to multiple shareholders in each household. The Company will promptly deliver a separate copy of either document to any stockholder upon oral or written request to Investor Relations Department, Lincare Holdings Inc., 19387 U.S. 19 North,

Clearwater, Florida 33764, (727)530-7700. Any stockholder who wishes to receive separate copies of the Annual Report to Stockholders and Proxy Statement in the future, or any stockholder who is receiving multiple copies and would like to receive only one copy per household, should contact the stockholder's bank, broker, or other nominee record holder, or the stockholder may contact the Investor Relations Department of the Company at the above address.

## **Proposal No. 2**

### **Ratification of KPMG LLP as the Company's Independent Registered Public Accounting Firm**

The Board of Directors has appointed KPMG LLP to perform the audit of the Company's financial statements for the year ending December 31, 2008, subject to ratification by the Company's stockholders at the Annual Meeting. Representatives of KPMG LLP will be available at the Annual Meeting to respond to questions and make a statement if they desire to do so.

If the selection of KPMG LLP is not ratified at the Annual Meeting of Stockholders, or prior to the meeting such firm shall decline to act, or otherwise become incapable of acting, as the Company's independent registered public accounting firm, the Board of Directors will appoint other independent registered public accountants whose engagement for any period subsequent to the next Annual Meeting will be subject to stockholder approval at such meeting.

**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" RATIFICATION OF KPMG LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.**

### **Other Matters**

At the time of preparation of this Proxy Statement, the Board of Directors knows of no other matters that will be acted upon at the Annual Meeting. If any other matters are presented for action at the Annual Meeting or at any adjournment thereof, it is intended that the Proxies will be voted with respect thereto in accordance with the best judgment and in the discretion of the proxy holders. The Board of Directors knows of no matter to be acted upon at the meeting that would give rise to appraisal rights for dissenting stockholders.

## Proposals of Stockholders

For stockholder proposals to be considered for inclusion in the proxy materials for the Company's 2009 Annual Meeting of Stockholders, they must be received by the Secretary of the Company no later than December 8, 2008, and must comply with all applicable SEC rules. In addition, the Bylaws of the Company require that any stockholder intending to present a proposal for action at an Annual Meeting must give timely notice of the proposal in writing, containing the information specified in the Bylaws, to the Secretary of the Company. To be considered timely notice, a stockholder's notice must be received by the Secretary at the principal office of the Company not less than 90 nor more than 120 calendar days prior to the anniversary date of the prior year's Annual Meeting of Stockholders. Any stockholder proposal received by the Secretary of the Company after February 24, 2009 will be considered untimely under Rule 14a-4(c)(1) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

By Order of the Board of Directors.



PAUL G. GABOS  
*Chief Financial Officer and Secretary*

Clearwater, Florida  
April 7, 2008

**IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY. THEREFORE, STOCKHOLDERS ARE URGED TO REGISTER THEIR VOTES VIA INTERNET OR PHONE OR TO COMPLETE, SIGN, DATE AND RETURN THE ACCOMPANYING PROXY IN THE ENCLOSED ENVELOPE AS SOON AS POSSIBLE.**

