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**From:** Isaacs, Joan  
**Sent:** Wednesday, October 10, 2007 4:07 PM  
**To:** Sales CNS Managers; Sales Healthcare Systems & Reimbursement; Sales Oncology Management; Sales PCS Managers  
**Cc:** Sales Operations; Sales Training; Roche, Robert; Reilly, Jim; Cooper, Jordan; Caminiti, Joseph; Sackett, Eugene; Phillips, Craig  
**Subject:** Verbatim Audit letter to field management 10-9 (2).doc  
**Attachments:** HR Sales Verbatims Policy10-9.doc

To: Field Sales Management

From: Mike Mulholland

Cc: Bob Roche, Jim Reilly, Jordan Cooper, Joe Caminiti, Gene Sackett, Craig Phillips

Subject: Field Compliance Audit

During the management meeting in Philadelphia, June 24-26 the initiation of a field sales audit was announced. You were advised at that time that effective immediately, there would be enhanced vigilance of our promotional efforts and more severe consequences for compliance violations. Since that time, actual audits have been initiated through use of verbatims with physicians and will be governed by the process and policy described here.

The purpose of this message is to provide an overview of the new processes and policies developed to manage this program. The field audit policy with respect to verbatims is attached. Each manager and representative in the Field Sales Force will be required to review this policy on Compliance Wire by October 19, 2007 and verify that he or she has read, understood and will comply with the policy by that date.

The audit is a mechanism to review delivery of sales messages to our called on physician audience and to gauge the quality of the content communicated to those physicians.

The physician called on list is sent daily to an outside vendor, and a random sample of those physicians is sent an outbound e-mail. Physician responders call into an IVR system (Interactive Voice Response) and answer a standard questionnaire and their responses are recorded. The date of the sales call as well as the date for each interview is captured. Each physician responder is given a unique identifier which links them to the appropriate geography, territory, representative, area and region.

The review process is straightforward. A panel of internal executives reviews the verbatim weekly (panel is blinded to representative and doctors names), and identifies and categorizes the responses into three groups:

- Meets Model Sales Call (MSC)
- Requires Further Study
- Notification (Non-compliant MSC)



On a positive note, there have been ample examples of presentations to date, meeting the Model Sales Call. We will be incorporating some of these positive examples in future communications as well as in training and development.

Those calls identified as Requiring Further Study indicate a discussion that raises questions as to whether the sales representative fully demonstrated model sales call behavior. In those cases, we will gain additional verbatim from the territory and representative in question.

We also continue to have far too many calls that include inappropriate discussions. We need to make immediate improvement in this area. In these situations both the representative, area manager and regional director will be notified. Among the policy violations uncovered in recent weeks included:

- Extensive discussion about non-indicated use
- No indications presented during a product discussion
- Representative initiated off label/inappropriate discussion
- Did not meet expectations of the Model Sales Call
- Inappropriate discussion/presentation during Lunch and Learn

Notifications of non-compliant sales calls through this audit process will begin on or about October 19, 2007. When a call has been determined to require Notification, the following process will apply.

- For a first verbatim audit violation, there will be notification to the responsible representative as well as area and regional management. This notification will serve as a written warning to the representative. The area manager will be required to document in an FCR the compliance notification, along with any remedial activity (training etc.).
- A second verbatim audit violation carries with it a penalty of forfeiture, for the next four quarters, of 20% of the representative's bonus payout and the representative's annual performance rating may not be higher than 3. Additionally, the representative will be ineligible for any sales contests and awards. There will be notification to the representative as well as area and regional management regarding this second Verbatim audit violation.
- If, however, the first or second violation is deemed to be a Severe violation, and/or the representative has incurred other compliance violations (e.g., T&E, CSP, MIRF or other Policy violation) Cephalon reserves the right to undertake further disciplinary action, up to and including termination of employment and ineligibility for bonus. A severe violation would include a verbatim that shows the sales representative engaged in discussions that could lead to a safety issue or the sales representative initiated, repeated or extended discussions in one or more sales calls regarding an off-label use of a Cephalon product. Examples include a sales representative that encourages an HCP to use Provigil for ADHD or to use Fentora for migraines.

- A third verbatim audit violation (whether or not deemed to be a Severe violation) carries a penalty of termination of employment. There will be notification to the representative as well as area and regional management regarding a third verbatim audit violation.

Lastly, in addition to the audit process, it's important that managers proactively assess representatives in the field to ensure appropriate delivery of sales messages. Further guidance will be communicated around compliance coaching and the new capabilities that will be available in field contact reports.

Our challenge is not only to maximize compliance with sales policies, our Code of Conduct and the laws and directives governing our industry but to find ways to enhance our reputation for honesty, integrity and professionalism. Compliance is, and always should be, our way of doing business. We expect your continued commitment to enhancing Cephalon's good reputation in all that you do.

## Human Resources Policies and Procedures

Category of Policy or Procedure: 100. Employment  
Topic of Policy or Procedure: 140. Sales Verbatim  
Reviewed Date: October, 2007  
Policy or Procedure:

### SALES VERBATIM

#### A. INTRODUCTION AND PHILOSOPHY:

In order to maximize Sales compliance, it is the policy of Cephalon, Inc. to conduct periodic audits of sales calls by obtaining HCP feedback of such calls ("Verbatim") through a third party vendor. The audit is a mechanism to review delivery of sales messages to our called on HCP audience and to gauge whether the quality and content of information communicated to those physicians in sales calls is consistent with applicable laws and/or Cephalon compliance and other policies.

Failure by an employee to observe this policy may constitute a breach of the terms and conditions of employment and subject such employee to disciplinary action, up to and including termination of employment.

#### B. APPLICABILITY:

This policy applies to: all sales representatives in all field sales forces of Cephalon, as well as their applicable managers.

#### C. DEFINITIONS:

"Verbatim"- See Section A. above.

"Meets Model Sales Call" – Sales calls identified as complying with the current Model Sales Call and Cephalon's Policies on promotional activities.

"Requiring Further Study" – Sales calls identified that raise questions as to whether the sales representative fully demonstrated model sales call behavior.

"Notification" – Sales calls identified that included inappropriate discussions or do not comply with Model Sales Call or Cephalon Policies on promotional activities. A sales call that that is classified as Notification shall be deemed to be a verbatim audit violation under this Policy.

"Severe Violation"- Sales calls identified in which the Verbatim shows that the representative engaged in a discussion that could lead to a safety issue, or where the sales representative initiated, or had repeated or extended discussions in one or more sales calls regarding an off-label use of a Cephalon product. Examples include a sales representative that encourages an HCP to use Provigil for ADHD or to use Fentora for migraines.

#### D. RESPONSIBILITIES AND PROCEDURES:

Sales Training will be responsible to train sales management and territory sales specialists as to this policy and applicable definitions, procedures and processes to assure regular and consistent application of this policy. Sales Operations and Market Research will have the responsibility to coordinate with the third party vendor to obtain the Verbatims. Sales and Sales Effectiveness management along with

Compliance will be responsible for conducting the review process described below and, in conjunction with review by HR and Legal, to render the decisions regarding appropriate discipline actions that may be taken. Sales Management and Compliance will create and send, subject to HR and Legal review, the Notification and provide the documentation to the Area Manager to incorporate into the Field Contact Reports. The Area Managers will be responsible to hold disciplinary discussions and take necessary actions including any training, re-training, coaching and/or termination of employment. It will be the responsibility of Sales Operations to administer any reduced bonus payments and assure that appropriate actions consistent with the discipline have been undertaken.

#### Review Process

A panel of internal management in Sales, Sales Effectiveness and Compliance shall review the verbatim (panel is blinded to representative and doctors names), and identify and categorize the responses into three groups:

- Meets Model Sales Call (MSC)
- Requires Further Study
- Notification (Non-compliant MSC)

A sales call shall be considered in compliance if the Verbatim complies with Cephalon's approved current Model Sales Call and Cephalon's Policies on promotional activities. Compliant sales calls shall be classified as "Meets Model Sales Call." Those calls identified as Requiring Further Study indicate a discussion that raises questions as to whether the sales representative fully demonstrated the model sales call behavior. In those cases, additional Verbatims from the territory/representative in question shall be conducted and reviewed. Calls that include inappropriate discussions shall be classified as "Notification" and shall be considered non-compliant behavior as well as a verbatim audit violation and additional Verbatim from the territory/representative in question shall be conducted and reviewed.

#### Notification and Penalties for Non-Compliant Behavior:

When a sales call has been determined to require Notification, the following process and penalties will apply:

- For a first Verbatim audit violation, there will be notification to the responsible representative as well as area and regional management. This notification will serve as a written warning to the representative. The area manager will be required to document in the next FCR the compliance notification, along with any remedial activity (training etc.)
- A second Verbatim audit violation carries with it a penalty of forfeiture, for the next four quarters, of 20% of the representative's bonus payout and the representative's annual performance rating may not be higher than a 3. In addition, the representative will be ineligible to compete in any Sales Force contests or receive any awards. There will be written notification to the representative as well as area and regional management regarding this second Verbatim audit violation.
- If, however, the first or second Verbatim audit violation is deemed to be a Severe violation, and/or the representative has incurred in addition to a verbatim audit violation, other compliance violations (e.g., Travel & Entertainment, Cephalon Speaker Program, MIRF or other Policy violation), the Company reserves the right to undertake further disciplinary action, up to and including termination of employment and/or ineligibility for bonus.
- A third Verbatim audit violation (whether or not deemed to be a Severe violation) carries a penalty of termination of employment. There will be written notification to the representative as well as area and regional management regarding a third verbatim audit violation.

E. Reserved Rights

Cephalon reserves the right to alter, amend, suspend or discontinue the provisions of this policy at any time. Nothing in this policy is intended to nor shall this policy operate or be construed in any manner to alter the at-will employment status of any employee.

Cephalon further reserves the right to consider violations of other policies, including, but not limited to, applicable Sales, Human Resources or Compliance policies and the Bonus Pay Policy, in assessing and administering appropriate disciplinary actions under this policy. The Company may also consider violation of this policy in assessing and administering disciplinary actions under other policies, and the penalties under any such policies shall not be considered exclusive but may be undertaken in addition to any penalties available under any one policy.

Cephalon further reserves the right to take disciplinary action up to and including immediate termination or ineligibility for bonus for any violation determined, in the reasonable judgment of management, to constitute, alone or in conjunction with other violations or as part of a pattern of behavior, a Severe Violation, regardless of whether it is the first, second or third violation.