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**From:** Nathalie Leitch  
**Sent:** Wednesday, February 02, 2011 1:43 PM  
**To:** Terrence Fullem  
**Subject:** Incentive Comp and Retention Bonuses  
**Attachments:** KADIAN RBD 2010 Bonus Plan.docx; KADIAN ABM 2010 Bonus plan.docx

Terry,

We offered the ABMs and RBDs retention bonuses last year that were equal to the value of the incentive compensation bonus that they had earned to date. It was written as follows into the RBD and ABM incentive plans.

1. Retention Bonus

- a. If the Kadian project is terminated at any time during the year, RBDs/ABMs eligible for the Kadian Incentive Compensation Program will be eligible for the Retention Bonus for the completed trimester
- b. At the conclusion of the Kadian project, RBDs/ABMs will be paid twice their Incentive Compensation Bonus as a retention bonus
  - i. Example 1, if the project were to end at the end of the 1st Trimester and an RBD was at 100% to plan, the Incentive Compensation Bonus would be 33% of \$48,000 or \$16,000. The Retention Bonus would be calculated by doubling the Incentive Compensation Bonus of \$16,000 for a total payout of \$32,000.
  - ii. Example 2, if the project were to end at the end of the 1st Trimester and an ABM was at 100% to plan, the Incentive Compensation Bonus would be 33% of \$30,000 or \$9,900. The Retention Bonus would be calculated by doubling the Incentive Compensation Bonus of \$9,900 for a total payout of \$19,800.

Assuming we use the same bonus plans in 2011 that were used in 2010 (we should probably discuss this too), we'd be looking at the following exposure on the retention bonus side of things:

Target full year payout at 100% attainment is \$48K for RBDs and \$30K for ABMs payable on a trimester basis:

- Target T1 Payout at 100% of quota: RBD \$15,840 and ABM \$9900
- Target T2 Payout at 100% of quota: RBD \$15,840 and ABM \$9900
- Target T3 Payout at 100% of quota: RBD \$16,320 and ABM \$10,200

At 100% attainment, bonus expense will be

$$(46 \times \$9900) + (4 \times \$15,840) = \$518,760$$

If project is terminated after **T1**, **retention bonus exposure would be \$519K and \$1.04M if terminated after T2**....a lot.

I think we should consider reducing the retention bonus to 50%-65% of incentive comp earned to date. But this is just a start and we can do this a number of different ways.

2010 Bonus Plans attached for your reference.

Nathalie

**Nathalie Leitch**

*Director, Specialty Rx Products*



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## **2010 Kadian Regional Business Director Incentive Compensation Program**

### **1. Program Objectives**

The 2010 Kadian RBD incentive compensation program is designed to provide incentive for sales results. The objectives of the plan are to:

- i. Maximize the sales of Kadian Capsules;
- ii. Align sales force goals with organizational goals;
- iii. Recognize and reward Regional sales performance.
- iv. Reward the RBDs for completing the project

### **2. Program Description**

#### **i. 2010 Sales Incentive Program – hired before 1/1/2010**

The Sales incentive program provides for bonuses to be paid based on Regional Kadian Capsule sales as a percentage of a pre-determined 2010 sales quota. The quota period runs from January-December 2010. Target payout for 100% quota attainment is \$48,000.

No bonus will be earned until 85% of quota has been met.

Table 1 describes payouts relative to quota achievement in detail.

#### **ii. 2010 Sales Incentive Program – hired after 1/1/2010 and before 9/30/2010**

The Sales incentive program provides for bonuses to be paid based on Regional Kadian Capsule sales as a percentage of a pre-determined 2010 sales quota. Target payout for 100% quota attainment will be **pro-rated** against the full payout of \$48,000. The number of months used for calculating the pro-rated amount will be dependent on the RBD start date. (See eligibility criteria).

The 2010 sales quota for the territory will be **pro-rated** based on the RBD start date.

No bonus will be earned until 85% of quota has been met.

**iii. 2010 Sales Incentive Program – hired between 10/1/2010 and 11/30/2010**

For any RBD hired during October and November of 2010, objectives will be developed for the territory and a Management by Objective (MBO) bonus will be paid based on the successful completion of those objectives. The maximum payout will be \$4,000 and will be prorated based on the RBD start date.

**iv. 2010 Sales Incentive Program – hired between 12/1/2010 and 12/31/2010**

Any RBD hired in the month of December will not be eligible to participate in the 2010 Kadian RBD Sales Incentive Program.

**Table 1. Kadian RBD Payout vs. % to Goal**

<u>% to Goal</u>	<u>\$ Payout</u>	<u>% to Goal</u>	<u>\$ Payout</u>	<u>% to Goal</u>	<u>\$ Payout</u>
< 85%	0				
85%	\$ 22,500	111%	\$ 64,500	137%	\$ 87,000
86%	\$ 24,000	112%	\$ 66,000	138%	\$ 87,750
87%	\$ 25,500	113%	\$ 67,500	139%	\$ 88,500
88%	\$ 27,000	114%	\$ 69,000	140%	\$ 89,250
89%	\$ 28,500	115%	\$ 70,500	141%	\$ 90,000
90%	\$ 30,000	116%	\$ 71,250	142%	\$ 90,750
91%	\$ 31,500	117%	\$ 72,000	143%	\$ 91,500
92%	\$ 33,000	118%	\$ 72,750	144%	\$ 92,250
93%	\$ 34,500	119%	\$ 73,500	145%	\$ 93,000
94%	\$ 36,000	120%	\$ 74,250	146%	\$ 93,750
95%	\$ 37,500	121%	\$ 75,000	147%	\$ 94,500
96%	\$ 39,000	122%	\$ 75,750	148%	\$ 95,250
97%	\$ 40,500	123%	\$ 76,500	149%	\$ 96,000
98%	\$ 42,000	124%	\$ 77,250	150%	\$ 96,750
99%	\$ 45,000	125%	\$ 78,000	> 150%	\$250/pt
100%	\$ 48,000	126%	\$ 78,750		
101%	\$ 49,500	127%	\$ 79,500		
102%	\$ 51,000	128%	\$ 80,250		
103%	\$ 52,500	129%	\$ 81,000		
104%	\$ 54,000	130%	\$ 81,750		
105%	\$ 55,500	131%	\$ 82,500		
106%	\$ 57,000	132%	\$ 83,250		
107%	\$ 58,500	133%	\$ 84,000		
108%	\$ 60,000	134%	\$ 84,750		
109%	\$ 61,500	135%	\$ 85,500		
110%	\$ 63,000	136%	\$ 86,250		

### **A. Eligibility Criteria**

Any RBD hired after 1/1/2010 will be eligible for bonus the first full calendar month after their start date.

For example, if an RBD has a start date of 6/25/2010 then the RBD is eligible for the bonus program beginning 7/1/2010. The RBD is eligible for a pro-rated bonus payout of 6/12 of the full bonus payout for the region quota attainment. At 100% quota attainment for the full year, this would equal \$24,000.

#### **2010 Bonus Pro-ration table (based on 12 months)**

<b>Hire Month</b>	<b>Bonus Eligible Month</b>	<b>Bonus payout Monthly Pro-ration</b>	<b>% of Annual Bonus Payout</b>
January	February	11/12	92%
February	March	10/12	83%
March	April	9/12	75%
April	May	8/12	67%
May	June	7/12	58%
June	July	6/12	50%
July	August	5/12	42%
August	September	4/12	33%
September	October	3/12	25%
October	MBO		
November	MBO		
December	Not eligible		

### **3. Basis for Payment**

Payout for the 2010 Kadian Regional Business Director Bonus Plan will be based on total dollarized prescriptions, as reported by Wolters Kluwer Health. These sales will be credited towards quota achievement.

### **4. Payout Schedule**

Incentive payouts will be paid at three different time periods; June 15, 2010, October 15 2010 and February 15, 2011 and will be relative to year to date annual percent to goal. Percent to goal is measured based on year to date sales vs. year to date quota. Quotas are broken out to the monthly level and there will be three bonus periods;

<b>Bonus Period 1</b>	January- April 2010 (4 months)
<b>Bonus Period 2</b>	May – August 2010 (4 months)
<b>Bonus Period 3</b>	September- December 2010 (4 months)

Year to date quota and sales credit are calculated as the sum of the individual four month totals through the current bonus period.

Bonus period target payouts are shown in table 2 below:

**Table 2. Payout Schedule**

	Bonus Period 1	Bonus Period 2	Bonus Period 3
% of Annual Bonus	33%	33%	34%
Target Payout at 100%	\$15,840	\$15,840	\$16,320

Final 2010 bonus payouts will be calculated after the close of the year based on the annual target payout of \$48,000. Payouts are based on overall 2010 performance per table 1 above, less any payouts made in Bonus Period 1 and Bonus Period 2.

**5. Payout**

**BP = Bonus Period**

**Example 1**

End of BP	YTD % Quota Achievement	Annual Bonus Level (Table 1)	% Payout	Cumulative % payout	Actual Bonus Period Payout
<b>BP 1</b>	90%	\$30,000	33%	33%	\$9,900
<b>BP 2</b>	95%	\$37,500	33%	66%	\$24,750 - \$9,900 = \$14,850
<b>BP 3</b>	100%	\$48,000	34%	100%	\$48,000 - \$24,750 = \$33,150
<b>Total Payout</b>				<b>100%</b>	<b>\$48,000</b>

**BP = Bonus Period**

Example 2

<b>End of BP</b>	<b>YTD % Quota Achievement</b>	<b>Annual Bonus Level (Table 1)</b>	<b>% Payout</b>	<b>Cumulative % payout</b>	<b>Actual Bonus Period Payout</b>
<b>BP 1</b>	75%	\$0	33%	33%	\$0
<b>BP 2</b>	80%	\$0	33%	66%	\$0
<b>BP 3</b>	90%	\$30,000	34%	100%	\$30,000
<b>Total Payout</b>				<b>100%</b>	<b>\$30,000</b>

Example 3

<b>End of BP</b>	<b>YTD % Quota Achievement</b>	<b>Annual Bonus Level (Table 1)</b>	<b>% Payout</b>	<b>Cumulative % payout</b>	<b>Actual Bonus Period Payout</b>
<b>BP 1</b>	95%	\$37,500	33%	33%	\$12,375
<b>BP 2</b>	105%	\$55,500	33%	66%	\$36,630 - \$12,375 =
<b>BP 3</b>	110%	\$63,000	34%	100%	\$24,255
					\$63,000 - \$36,630 =
					\$26,370
<b>Total Payout</b>				<b>100%</b>	<b>\$63,000</b>

Example 4

<b>End of BP</b>	<b>YTD % Quota Achievement</b>	<b>Annual Bonus Level (Table 1)</b>	<b>% Payout</b>	<b>Cumulative % payout</b>	<b>Actual Bonus Period Payout</b>
<b>BP 1</b>	110%	\$63,000	33%	33%	\$20,790
<b>BP 2</b>	100%	\$48,000	33%	66%	\$31,680 - \$20,790 =
<b>BP 3</b>	95%	\$37,500	34%	100%	\$10,890
					\$37,500 - \$31,680 = \$5,820
<b>Total Payout</b>				<b>100%</b>	<b>\$37,500</b>

## 6. Retention Bonus

- i. If the Kadian project is terminated at any time during the year, RBDS's eligible for the Kadian Incentive Compensation Program will be eligible for the Retention Bonus for the completed trimester
- ii. At the conclusion of the Kadian project, RBD's will be paid twice their Incentive Compensation Bonus as a retention bonus
- iii. For example, if the project were to end at the end of the 1st Trimester and an RBD was at 100% to plan, the Incentive Compensation Bonus would be 33% of \$48,000 or \$16,000. The Retention Bonus would be calculated by doubling the Incentive Compensation Bonus of \$16,000 for a total payout of \$32,000.

## 7. General Terms and Conditions

- i. **Compliance** – an RBD must be in full compliance with Inventiv and Actavis promotional SOP's and guidelines to be eligible for any sales incentive payment.
- ii. **Termination / Resignations** – Regional Business Directors must be an employee of Inventiv on the last day of the Bonus Period to be eligible to receive the incentive compensation payout that was earned for that Bonus Period.
- iii. **Out of Territory** – If a Regional Business Director is out of the territory during the year due to reasons other than company approved time off, the sales incentive payout will be prorated based on the number of days worked year to date.
- iv. **Adjustments** – Management reserves the right to modify or adjust the Sales Incentive Program at any time.



## **2010 Kadian Area Business Manager Incentive Compensation Program**

### **1. Program Objectives**

The 2010 Kadian ABM incentive compensation program is designed to provide incentive for sales results. The objectives of the plan are to:

- i. Maximize the sales of Kadian Capsules;
- ii. Align sales force goals with organizational goals;
- iii. Recognize and reward individual sales performance;
- iv. Reward the team for completing the project.

### **2. Program Description**

#### **i. 2010 Sales Incentive Program – hired before 1/1/2010**

The Sales incentive program provides for bonuses to be paid based on individual territory Kadian Capsule sales as a percentage of a pre-determined 2010 sales quota. The quota period runs from January - December 2010. Target payout for 100% quota attainment is \$30,000.

No bonus will be earned until 85% of quota has been met.

Table 1 describes payouts relative to quota achievement in detail.

#### **ii. 2009 Sales Incentive Program – hired after 1/1/2010 and before 9/30/2010**

The Sales incentive program provides for bonuses to be paid based on individual territory Kadian Capsule sales as a percentage of a pre-determined 2010 sales quota. Target payout for 100% quota attainment will be **pro-rated** against the full payout of \$30,000. The number of months used for calculating the pro-rated amount will be dependent on the ABM start date. (See eligibility criteria).

The 2010 sales quota for the territory will be **pro-rated** based on the ABM start date.

No bonus will be earned until 85% of quota has been met.

**iii. 2010 Sales Incentive Program – hired between 10/1/2010 and 11/30/2010**

For any ABM hired during October and November of 2010, objectives will be developed for the territory and a Management by Objective (MBO) bonus will be paid based on the successful completion of those objectives. The maximum payout will be \$2,000 and will be prorated based on the ABM start date.

**iv. 2010 Sales Incentive Program – hired between 12/1/2010 and 12/31/2010**

Any ABM hired in the month of December will not be eligible to participate in the 2010 Kadian ABM Sales Incentive Program.

**Table 1. Kadian ABM Payout vs. % to Goal**

<u>% to Goal</u>	<u>\$ Payout</u>	<u>% to Goal</u>	<u>\$ Payout</u>	<u>% to Goal</u>	<u>\$ Payout</u>
< 85%	0				
85%	\$5,000	111%	\$40,500	137%	\$53,500
86%	\$6,000	112%	\$41,000	138%	\$54,000
87%	\$7,000	113%	\$41,500	139%	\$54,500
88%	\$8,000	114%	\$42,000	140%	\$55,000
89%	\$9,000	115%	\$42,500	141%	\$55,500
90%	\$10,000	116%	\$43,000	142%	\$56,000
91%	\$12,000	117%	\$43,500	143%	\$56,500
92%	\$14,000	118%	\$44,000	144%	\$57,000
93%	\$16,000	119%	\$44,500	145%	\$57,500
94%	\$18,000	120%	\$45,000	146%	\$58,000
95%	\$20,000	121%	\$45,500	147%	\$58,500
96%	\$22,000	122%	\$46,000	148%	\$59,000
97%	\$24,000	123%	\$46,500	149%	\$59,500
98%	\$26,000	124%	\$47,000	150%	\$60,000
99%	\$28,000	125%	\$47,500	> 150%	\$250/pt
100%	\$30,000	126%	\$48,000		
101%	\$31,000	127%	\$48,500		
102%	\$32,000	128%	\$49,000		
103%	\$33,000	129%	\$49,500		
104%	\$34,000	130%	\$50,000		
105%	\$35,000	131%	\$50,500		
106%	\$36,000	132%	\$51,000		
107%	\$37,000	133%	\$51,500		
108%	\$38,000	134%	\$52,000		
109%	\$39,000	135%	\$52,500		
110%	\$40,000	136%	\$53,000		

### **A. Eligibility Criteria**

Any ABM hired after 1/1/2010 will be eligible for bonus the first full calendar month after their start date.

For example, if an ABM has a start date of 6/25/2010 then the ABM is eligible for the bonus program beginning 7/1/2010. The ABM is eligible for a pro-rated bonus payout of 6/12 of the full bonus payout for the territory quota attainment. At 100% quota attainment for the full year, this would equal \$15,000.

#### **2010 Bonus Pro-ration table (based on 12 months)**

<b>Hire Month</b>	<b>Bonus Eligible Month</b>	<b>Bonus payout Monthly Pro-ration</b>	<b>% of Annual Bonus Payout</b>
January	February	11/12	92%
February	March	10/12	83%
March	April	9/12	75%
April	May	8/12	67%
May	June	7/12	58%
June	July	6/12	50%
July	August	5/12	42%
August	September	4/12	33%
September	October	3/12	25%
October	MBO		
November	MBO		
December	Not Eligible		

### **3. Basis for Payment**

Payout for the 2010 Kadian Area Business Manager Bonus Plan will be based on total dollarized prescriptions, as reported by Wolters Kluwer Health. These sales will be credited towards quota achievement.

### **4. Payout Schedule**

Incentive payouts will be paid at 3 different time periods; June 15, 2010, October 15, 2010 and February 15, 2010 and will be relative to year to date annual percent to goal. Percent to goal is measured based on year to date sales vs. year to date quota. Quotas are broken out to the monthly level and there will be three bonus periods;

<b>Bonus Period 1</b>	January- April 2010 (4 months)
<b>Bonus Period 2</b>	May – August 2010 (4 months)
<b>Bonus Period 3</b>	September- December 2010 (4 months)

Year to date quota and sales credit are calculated as the sum of the individual four month totals through the current bonus period.

Bonus period target payouts are shown in table 2 below:

**Table 2. Payout Schedule**

	Bonus Period 1	Bonus Period 2	Bonus Period 3
% of Annual Bonus	33%	33%	34%
Target Payout at 100%	\$9,900	\$9,900	\$10,200

Final 2010 bonus payouts will be calculated after the close of the year based on the annual target payout of \$30,000. Payouts are based on overall 2010 performance per table 1 above, less any payouts made in Bonus Period 1 and Bonus Period 2.

**5. Payout**

**BP = Bonus Period**

**Example 1**

<b>End of BP</b>	<b>YTD % Quota Achievement</b>	<b>Annual Bonus Level (Table 1)</b>	<b>% Payout</b>	<b>Cumulative % payout</b>	<b>Actual Bonus Period Payout</b>
<b>BP 1</b>	90%	\$10,000	33%	33%	\$3,300
<b>BP 2</b>	95%	\$20,000	33%	66%	\$13,200 - \$3,300 = \$9,900
<b>BP 3</b>	100%	\$30,000	34%	100%	\$30,000 - \$13,200 = \$16,800
<b>Total Payout</b>				<b>100%</b>	<b>\$15,000</b>

**BP = Bonus Period**

Example 2

<b>End of BP</b>	<b>YTD % Quota Achievement</b>	<b>Annual Bonus Level (Table 1)</b>	<b>% Payout</b>	<b>Cumulative % payout</b>	<b>Actual Bonus Period Payout</b>
<b>BP 1</b>	75%	\$0	33%	33%	\$0
<b>BP 2</b>	80%	\$0	33%	66%	\$0
<b>BP 3</b>	90%	\$10,000	34%	100%	\$10,000
<b>Total Payout</b>				<b>100%</b>	<b>\$10,000</b>

Example 3

<b>End of BP</b>	<b>YTD % Quota Achievement</b>	<b>Annual Bonus Level (Table 1)</b>	<b>% Payout</b>	<b>Cumulative % payout</b>	<b>Actual Bonus Period Payout</b>
<b>BP 1</b>	95%	\$20,000	33%	33%	\$6,600
<b>BP 2</b>	105%	\$35,000	33%	66%	\$23,100 - \$6,600 = \$16,500
<b>BP 3</b>	110%	\$40,000	34%	100%	\$40,000 - \$23,100 = \$16,900
<b>Total Payout</b>				<b>100%</b>	<b>\$40,000</b>

Example 4

<b>End of BP</b>	<b>YTD % Quota Achievement</b>	<b>Annual Bonus Level (Table 1)</b>	<b>% Payout</b>	<b>Cumulative % payout</b>	<b>Actual Bonus Period Payout</b>
<b>BP 1</b>	110%	\$40,000	33%	33%	\$13,200
<b>BP 2</b>	100%	\$30,000	33%	66%	\$19,800 - \$13,200 = \$6,600
<b>BP 3</b>	95%	\$20,000	34%	100%	\$20,000 - \$19,800 = \$200
<b>Total Payout</b>				<b>100%</b>	<b>\$20,000</b>

## 6. Retention Bonus

- i. If the Kadian project is terminated at any time during the year, ABM's eligible for the Kadian Incentive Compensation Program will be eligible for the Retention Bonus for the completed trimester
- ii. At the conclusion of the Kadian project, ABM's will be paid twice their Incentive Compensation Bonus as a retention bonus
- iii. For example, if the project were to end at the end of the 1st Trimester and an ABM was at 100% to plan, the Incentive Compensation Bonus would be 33% of \$30,000 or \$9,900. The Retention Bonus would be calculated by doubling the Incentive Compensation Bonus of \$9,900 for a total payout of \$19,800.

## 7. General Terms and Conditions

- i. **Compliance** – an ABM must be in full compliance with Inventiv and Actavis promotional SOP's and guidelines to be eligible for any sales incentive payment.
- ii. **Termination / Resignations** – Area Business Managers must be an employee of Inventiv on the last day of the Bonus Period to be eligible to receive the incentive compensation payout that was earned for that Bonus Period.
- iii. **Out of Territory** – If an Area Business Manager is out of the territory during the year due to reasons other than company approved time off, the sales incentive payout will be prorated based on the number of days worked year to date.
- iv. **Adjustments** – Management reserves the right to modify or adjust the Sales Incentive Program at any time.