
From: Bischoff, Scott
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To: Steinbarth, Shawn; Adams, Chad; Allaire, Roxanne; Gardner-Kasper, Dawn; Garner, Gregory; Goodsell, Dana; Naples, Julie; Nelson, Heather; Sherette, Debra; Siegall, Chad
Subject: Q2 Bonus Plan and Sales Contests

FYI in case you don't have this already.



2004 Contest.doc



2004
Achievement A...



Payment
Policy.doc



TSS Q2 2004.doc



Q2 2004 TSS
Provigil Gabitril ...

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2004 Marketing Contest

Objective: Increase the number of loyal productive prescribers.

Description: Measure the number of Provigil, Actiq, and Gabitril prescribers who reach the following levels: (1) a minimum level of 10 TRx per quarter; or (2) a minimum level of 30 TRx per quarter. A prescriber can only be counted once during the year at each level. Prescribers already at the first level are excluded from that level for all future quarters; prescribers already at the second level are excluded from both levels for all future quarters. All eligible territories will be ranked by product by number of qualifying prescribers. The territory with the best average rank across all products will be the winner.

Product Tie-Breaker: Total TRxs for the Quarter by qualifying prescribers.

Contest Tie-Breaker: Quarterly Rank/President's Club Rank.

Eligibility: Quarterly winners must be hired before the start of the quarter. Year End winners must be hired before 2/1/2004 and rank in the top 50% of territories in all product rankings. Note: Q1 totals will only be counted towards the Year End total if the representative was eligible in Q1.

Quarterly Winners:

#1 Rank: \$1000 Buy.com Gift Certificate

#2 Rank: \$750 Buy.com Gift Certificate

#3 - #15 Rank: \$500 Buy.com Gift Certificate

#16 - #30 Rank: \$250 Buy.com Gift Certificate

Annual Winner:

#1 Rank – Rolex Watch

#2 - #5 Rank – Large Plasma TV

#6 - #10 Rank – Digital Camcorder

#11- #15 Rank – Recordable DVD Player

CEPHALON, INC. 2004 ACHIEVEMENT AWARDS

President's Club

The President's Club award is the highest honor bestowed upon a member of the Cephalon sales organization. The recipient of this award must be a Cephalon representative or manager in good standing from January 31, 2004 through the end of the year and someone who has distinguished himself/herself by performing at the highest level relative to job requirements.

The President's Club award will be presented to:

- 35 Territory Sales Specialists
- 5 Area Managers
- 1 Regional Director
- 1 National Account Manager
- 1 Market Development Manager

Territory Sales Specialist

35 Territory Sales Specialists (TSS) will win the Presidents Club award in 2004. To qualify for Presidents Club a TSS must be ranked within the top 100 territories in sales nationally. From this qualifying group of 100 territories, two TSSs will be selected from each region and an additional 21 TSSs will be selected without regard to region. The Regional Directors and VP of Sales will determine the Presidents Club winners based primarily on sales ranking but will also take into account work standards, overall job performance, resource utilization and contribution. Sales ranking will be determined by taking the average rank of the four quarters in 2004 for each territory. Provigil will be the tie-breaker for ranking purposes.

Area Managers

5 Area Managers will win the Presidents Club award in 2004. To qualify for Presidents Club an Area Manager must be ranked within the top 10 areas in sales nationally. From this qualifying group of 10 areas, five Area Managers will be selected. The Regional Directors and VP of Sales will determine the Presidents Club winners based primarily on sales ranking but will also take into account work standards, overall job and team performance as well as contribution. Sales ranking will be determined by taking the average rank of the four quarters in 2004 for each area. Provigil will be the tie-breaker for ranking purposes.

Regional Director

The top Regional Director as determined by VP of Sales will win the President's Club Award. The VP of Sales will determine the Presidents Club winner based on sales rank, work standards, overall job and team performance as well as contribution. Sales ranking will be determined by taking the average rank of the four quarters in 2004 for each area. Provigil will be the tie-breaker for ranking purposes.

National Account Manager

The top National Account Manager as determined by the Director, Managed Care and Reimbursement and VP of Sales will win the President's Club Award. This selection will be based on performance against job accountabilities and objectives for 2004.

Market Development Manager

The top Market Development Manager as determined by the Regional Directors and VP of Sales will win the President's Club Award. This selection will be based on performance against job accountabilities and objectives for 2004.

Sales Awards

Representative of the Year

This award is given to the Territory Sales Specialist with the highest year-to-date ranking in the Area. In the case of a tie Provigil ranking will be the tie-breaker. The recipient of this award must be a Cephalon representative in good standing from January 31, 2004 through the end of the year and must rank within the top 50% of territories nationally.

Area Manager of the Year

This award is given to the Area Manager with the highest year-to-date ranking in the Region. In the case of a tie Provigil ranking will be the tie-breaker. The recipient of this award must be a Cephalon area manager in good standing from January 31, 2004 through the end of the year and must rank within the top 50% of areas nationally

Rookie of the Year

This award is given to one Territory Sales Specialist who started after January 31st. The recipient will have distinguished themselves from others in the sales force during their length of service based on sales ranking, work standards, overall job performance, resource utilization and contribution. Each Regional Director will provide a list of those representatives that fit the time and performance criteria and a list of their accomplishments. The Regional Directors and VP of Sales will select the winner.

Awards

Presidents Club Award:

- Extended weekend trip with spouse or partner
- Crystal award
- Stock/Stock options or Cash award

Representative of the Year

- Plaque
- \$1,000

Area Manager of the Year

- Plaque
- \$1,000

Rookie of the Year

- Plaque
- \$1,000

INCENTIVE COMPENSATION PLAN PAYMENT POLICIES **FOR ALL CEPHALON FIELD SALES PERSONNEL**

These Incentive Compensation Plan Payment Policies apply to field sales personnel including, but not limited to, sales representatives (of whatever classification), area managers, national account managers, market development managers, regional directors and director, managed care and reimbursement (collectively, "Field Sales Personnel"). As used in these Policies, "sales" refers to those sales generated in the territory, area, region or accounts applicable to the individual Field Sales Personnel. As used in these Policies, "geography" refers to the territory, area, region or accounts applicable to the individual Field Sales Personnel. These policies are effective as of January 1, 2004.

I. QUARTERLY and SEMESTER BONUS PAYMENT POLICY:

Subject to management discretion, the conditions described below and applicable law, bonuses will be paid on a quarterly basis (*i.e.*, January-March, April-June, July-September, October-December) or semester basis (*i.e.*, January-June, July-December) as described in applicable bonus plans, to Field Sales Personnel whose sales meet the criteria set by management, as the same may be changed from time to time. Quarterly and semester bonus payments will be made approximately 60 days after the close of each quarter or semester.

A. New Hires:

1. Quarterly / Semester Bonuses

New hires will be eligible to receive a quarterly or semester bonus, commencing with their date of hire as long as their date of hire is at least one month before the end of the quarter or semester. In addition, the quarterly / semester bonus will be prorated based on the fraction of days that the new hire is a Cephalon employee during the quarter or semester as long as the new hire is a Cephalon employee for at least one month during the quarter or semester and is in active employment with Cephalon on the last calendar day of the applicable quarter or semester.

B. Separation from the Company:

1. Quarterly / Semester Bonuses

a) General Rule. In order to be eligible for a quarterly or semester bonus, Field Sales Personnel must be in the active employment of the Company on the last calendar day of the applicable quarter or semester in question.

Additionally, if the employment of any Field Sales Personnel is involuntarily terminated by Cephalon for cause, including but not limited to poor performance or policy violations, he or she will not be eligible to receive a quarterly or semester bonus for the current quarter or semester.

b) Exceptions to General Rule:

i) Downsizing or Position Elimination. However, the Company reserves the right to exercise discretion to pay partial or pro-rated bonuses to an employee who is not employed for the entire quarter/semester due to a re-organization or to position elimination. In such cases, applicable Field Sales Personnel will be eligible to receive a quarterly or semester bonus pro-rated based on portion of the quarter or semester that he or she was employed by Cephalon, and subject to all other conditions of these plan payment policies. For example, if Field Sales Personnel are subject to position elimination whereby Cephalon reorganizes or downsizes the Field Sales Force and terminates the employment of the Field Sales Personnel for this reason halfway through a quarterly bonus period, assuming no conditions from section C or section D apply to this representative, the quarterly bonus payment paid to this individual

would be reduced by 50% of what might otherwise be payable if the individual were in active employment on the last day of the calendar quarter or semester.

ii) Voluntary Resignation. If any Field Sales Personnel voluntarily terminates his or her employment with Cephalon, Cephalon reserves the right and will exercise the discretion to nonetheless pay a quarterly or semester bonus pro-rated based on portion of the quarter or semester that he or she was employed by Cephalon. For example, if Field Sales Personnel voluntarily resigns his or her position three quarters of the way through a quarterly bonus period, assuming no conditions from section C or section D apply to this representative, a quarterly bonus payment paid to this individual would be reduced by 25% of what might otherwise be payable if the individual were in active employment on the last day of the calendar quarter or semester.

C. Leaves of Absence:

1. Quarterly / Semester Bonuses

Provided that the Field Sales Personnel are in active employment with Cephalon on the last calendar day of the applicable quarter or semester in question, and provided further that he or she has been a regular full-time employee of Cephalon for a minimum of 6 months immediately preceding the commencement of any leave of absence, Field Sales Personnel will be bonus eligible for the first 30 calendar days of any approved leave(s) of absence (for example, approved short term disability leave, FMLA leave) within the rolling 12 month period immediately preceding the first day of each such leave of absence.

Subject to the foregoing, Field Sales Personnel will be eligible to receive a prorated bonus during any quarter or semester in which he or she takes an approved leave of absence. Prorating of a quarterly or semester bonus will be based on the fraction of days worked during that quarter or semester compared with a complete quarter or semester.

If Field Sales Personnel take a non-approved leave of absence, he or she will not be eligible to receive quarterly or semester bonuses for any quarter or semester in which such non-approved leave occurs.

Example No. 1:

A sales representative takes an approved leave of absence from March 15 through June 30. The sales representative has been employed by the Company as a regular full-time employee for several years, and has taken no leaves of absence in the 12 months immediately preceding March 15. The sales representative will remain bonus eligible for 30 calendar days -- *i.e.*, through April 13. The sales representative is eligible to receive a full first quarter bonus and a prorated second quarter bonus. The prorated second quarter bonus will be the fraction 13/91 times the amount that would have been paid if the representative had been bonus eligible for the entire second quarter.

Example No. 2:

A sales representative takes an approved leave of absence from March 15 through June 30. The sales representative has been employed by the Company as a regular full-time employee for several years, and has taken 20 calendar days of leave in the 12 months immediately preceding March 15. The sales representative will remain bonus eligible for 10 calendar days -- *i.e.*, through March 24. The sales representative is eligible to receive a 83/90 prorated first quarter bonus, but would not be eligible for a second quarter bonus.

D. Probation or Compliance Violation:

No bonus will be paid to an individual for performance during a quarter or a semester bonus period if that individual is on probation or is subject to an active disciplinary warning concerning a policy

violation for any part of the quarter or semester bonus period.

Without waiver or limitation of any of its other rights or remedies, the Company also reserves the right, in its discretion, to consider any violation by any employee of law or policy, including the Code of Conduct Manual or the Compliance Program, as rendering such employee ineligible for bonuses or in reducing or limiting any bonus that might otherwise be payable to such employee.

E. Performance Rating

No bonus will be paid to an individual for performance during a quarter or a semester bonus period if that individual has an overall performance rating of 4, "Needs Improvement" or 5 "Poor". After an individual receives an overall 4 or 5 performance rating, the individual's performance will be periodically reassessed to determine if or when bonus eligibility may be reinstated.

CONDITIONS APPLICABLE TO ALL POLICIES

The Company reserves the right, in its discretion, to condition eligibility for receipt of any bonus, of whatever type, upon compliance by Field Sales Personnel with all Company policies and procedures including, but not limited to, those relating to promotion, business ethics, sampling, expense reporting, fleet, the Code of Conduct and the Compliance Program.

DISCLAIMER APPLICABLE TO ALL POLICIES

The policies contained herein are not meant to, nor do they, create an Employee Handbook and/or an Employment Contract between the Company and you. The policies contained herein do not guarantee payment of any bonus, nor do they guarantee employment for any period of time, nor do they guarantee any particular terms and/or conditions of employment. The employment relationship between the Company and you is "at will," which means that either the Company or you may terminate the employment relationship at any time. The Company, at its sole discretion, may change or terminate any one or more of the policies contained herein at any time with or without notice, or choose not to apply them in particular cases.

Cephalon Territory Sales Specialist 2nd Quarter 2004 Incentive Compensation Plan

PROVIGIL 2ND QUARTER BONUS

For 2nd quarter 2004, your sales base (4th quarter 2003) will be adjusted upward by 5.95% to reflect the price increase that went into effect for Provigil on January 1, 2004.

For each dollar increase of Provigil sold in your territory (2nd quarter 2004 vs price adjusted 4th quarter 2003) you will receive **\$0.13**.

And

For each percent increase of Provigil sold in your territory (2nd quarter 2004 vs price adjusted 4th quarter 2003) you will receive **\$90.00**.

Example:

| | |
|---|------------------|
| 4 th Quarter 2003 Provigil sales = | \$186,000 |
| Price adjusted 4 th quarter sales (+5.95%) = | \$197,067 |
| <u>2nd Quarter 2004 Provigil sales =</u> | <u>\$227,000</u> |
| Dollar Increase (227,000 – 197,067) = | \$29,933 |
| Percent Increase (29,933 / 197,067) = | 15.19% |

| | |
|---|----------------|
| Dollar Increase Payout (29,933 x 0.13) = | \$3,891 |
| <u>Percent Increase Payout (15.19 x \$90) =</u> | <u>\$1,367</u> |
| Total 2 nd quarter Provigil payout = | \$5,258 |

GABITRIL 2ND QUARTER BONUS

For 2nd quarter 2004, your sales base (4th quarter 2003) will be adjusted upward by 6.43% to reflect the price increase that went into effect for Gabitril on January 1, 2004.

For each dollar increase of Gabitril sold in your territory (2nd quarter 2004 vs price adjusted 4th quarter 2003) you will receive **\$0.18**.

And

For each percent increase of Gabitril sold in your territory (2nd quarter 2004 vs price adjusted 4th quarter 2003) you will receive **\$26.00**.

Example:

| | |
|---|-----------------|
| 4 th Quarter 2003 Gabitril sales = | \$42,000 |
| Price adjusted 4 th quarter sales (+6.43%) = | \$44,701 |
| <u>2nd Quarter 2004 Gabitril sales =</u> | <u>\$55,000</u> |
| Dollar Increase (55,000 – 44,701) = | \$10,299 |
| Percent Increase (10,299/44,701) = | 23.04% |

| | |
|---|--------------|
| Dollar Increase Payout (10,299 x 0.18) = | \$1,854 |
| <u>Percent Increase Payout (23.04 x \$26) =</u> | <u>\$599</u> |
| Total 2 nd quarter Gabitril payout = | \$2,453 |

ACTIQ 2ND QUARTER BONUS

For 2nd quarter 2004 your sales base (4th quarter 2003) will be adjusted upward by 5.20% to reflect the price increase on Actiq that went into effect on January 1, 2004

For each dollar increase of Actiq sold in your territory (2nd quarter 2004 vs price adjusted 4th quarter 2003) you will receive **\$0.06**.

And

For each percent increase of Actiq sold in your territory (2nd quarter 2004 vs price adjusted 4th quarter 2003) you will receive **\$42.00**.

Except

If the calculation using \$0.06 per dollar increase and \$42.00 per percent increase results in a bonus payout that is greater than **27%** of the actual dollar sales increase in your territory, the actual bonus payout will be limited to **27%** of the actual dollar increase up to a payout of **\$3,000**. If the calculation results in a bonus payout that is less than **5.0%** of the actual dollar increase in your territory, then the actual bonus will be calculated as being **5.0%** of the dollar increase amount up to a payout of **\$3,000**.

Plus

After you have earned **\$3,000** according to the above calculations, if the calculation using \$0.06 per dollar increase and \$42.00 per percent increase results in a bonus payout greater than **10%** of the actual dollar increase in your territory, then the actual bonus payout will be limited to **10%** of the actual dollar increase up to a total of **\$6,000**. If the calculation results in a bonus payout that is less than **5.0%** of the actual dollar increase in your territory, then the actual bonus will be calculated as being **5.0%** of the dollar increase amount up to a payout of **\$6,000**.

Plus

You will be paid an incremental bonus of **3.5%** on every incremental dollar increase over the amount needed in your territory to earn a payout of **\$6,000** for the quarter.

The Incentive Compensation Plan contained herein is not meant to, nor does it, create an Employee Handbook and/or an Employment Contract between the Company and you. The Plan contained herein does not guarantee payment of any bonus, nor does it guarantee employment for any period of time, nor does it guarantee any particular terms and/or conditions of employment. The employment relationship between the Company and you is "at will," which means that either the Company or you may terminate the employment relationship at any time. The Company, at its sole discretion, may change or terminate the Plan contained herein at any time with or without notice, or choose not to apply it in particular cases. Eligibility requirements for receipt of any bonus, of whatever nature, are contained in the Incentive Compensation Payment Plan Policies