

Pharmacy Manager Bonus Program

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OVERVIEW

The purpose of the pharmacy bonus is to recognize and reward the persons responsible for improving a store's pharmacy operation. The best evidence of a well-run pharmacy is the increase in prescriptions and pharmacy sales, which are the result of not only price, promotion, location and product, but also customer service, employee development, leadership and innovative ideas.

"Established Stores" refers to pharmacies 21 months or older prior to the first month of the current bonus period. In the case of a relocated store, "Established Stores" refers to pharmacies 18 months or older before the first month of the bonus period. A store is not "established" if there is an interruption in its operations due to major remodeling, natural disaster, substantial dilution or a change in operating departments. Walgreens management reserves the right to determine whether a store is "established."

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DEFINITIONS OF BONUS COMPONENTS

TWELVE MONTH SALES: Means pharmacy department sales (both Rx and Rx miscellaneous) during the twelve month bonus period.

TWELVE MONTH UNADJUSTED SCRIPT (Number of Scripts): Means pharmacy department scripts filled during the twelve month bonus period excluding any 90 day adjustments.

TWELVE MONTH ADJUSTED 90 DAY SCRIPT: Means pharmacy department scripts during the twelve month bonus period, including the adjustment to account for the 90 day scripts that were filled.

AVERAGE DAILY SCRIPTS: Means the calculated average per day number of scripts the pharmacy department filled during the twelve month bonus period not including adjustment for 90 day scripts.

AVERAGE 90 DAY ADJUSTED SCRIPTS: Means the calculated average per day number of scripts the pharmacy department filled during the twelve month bonus period, including the adjustment to account for the 90 day scripts.

INCOME A/CC: Means income (before Federal and State Income Taxes and

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other general company expenses) as shown on a store's operating statement, which reflects an annual 10% carrying charge on the average self-service, Rx and liquor book inventory for the twelve month bonus period.

DAYS OF SUPPLY RX INVENTORY: Means pharmacy department average days of supply and inventory for the twelve month bonus period.

The bonus calculation is based on the figure for monthly prescription sales and scripts, gross profit, inventory and income prepared by Walgreens Accounting Systems.

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ELIGIBILITY

To be eligible for a bonus, a pharmacy manager must be an active employee of Walgreens at the end of the bonus year. **No bonus is earned if a pharmacy manager is separated from Walgreens during the bonus period for any reason, excluding retirement.** If a pharmacy manager is assigned to a store for less than the full bonus period, or in certain locations has not worked a minimum of 30 hours in each week of the bonus period, the Results Department will prorate the bonus. Any special considerations must have written approval of the district manager and pharmacy supervisor

Unless a pharmacy manager is replaced by the pharmacy by another pharmacy manager, a leave of absence will not reduce the amount of bonus.

To qualify for a bonus, a pharmacy manager must conform to Walgreens ethical standards during the entire bonus period. No bonus is earned if Walgreens determines that a pharmacy manager engaged in misconduct at any time.

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BONUS FORMULA - ESTABLISHED

1) Primary

- | | | |
|---|-----------------|------------|
| a) Last Year's "12 month Rx Sales" | \$0 – \$200,000 | x \$.001 |
| b) Last Year's "12 month Rx Sales" | Over \$200,000 | x \$.0004 |
| c) Last Year's "12 Unadjusted Scripts" | | x \$.01 |
| d) A plus B plus C equals the Primary Bonus | | |

2) Improvement

- a) Twelve month Adjusted Scripts this year minus twelve month Adjusted Scripts last year x \$.05.
- b) "a" minus 2400 scripts x \$.05 (only on positive differences).
- c) "a" plus "b" equals the improvement bonus.

3) Total Pharmacy Manager Bonus Formula

- a) Primary bonus portion (1) plus improvement bonus portion (2).

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MANAGEMENT INCENTIVE BONUS

4) Income Incentive (must be positive)

- a) This year's Rx Department gross profit dollars divided by this year's total store gross profit dollars
- b) "a" times this year's income a/cc times \$.01.

5) Daily Average Incentive (annualized daily average)

- a) Unadjusted Daily Average plus the difference of last year's adjusted 90 day average increase and this year's adjusted 90 day average increase.
- b) Paid out on scale based on range of the Bonus 90 Day Average

<= 300/day	=\$ 0	651/day to 700/day	=\$2,250
301/day to 350/day	=\$ 500	701/day to 750/day	=\$2,500
351/day to 400/day	=\$ 750	751/day to 800/day	=\$2,750
401/day to 450/day	=\$ 1,000	801/day to 850/day	=\$3,000
451/day to 500/day	=\$ 1,250	851/day to 900/day	=\$3,250
501/day to 550/day	=\$ 1,500	901/day to 950/day	=\$3,500
551/day to 600/day	=\$ 1,750	951/day to 1000/day	=\$3,750
601/day to 650/day	=\$ 2,000	Over 1000/day	=\$4,000

6) Days of Supply Incentive

- a) \$180,000 minimum average annualized book inventory.
- b) Annualized flex days of supply.
- c) Maximum \$500 bonus for making flex.
- d) If days of supply is higher than flex, then minus \$50 per day over flex from \$500, not to go below a minimum of \$0.

****Days of Supply penalties have been waived until further notice. All pharmacy managers will receive the prorated \$500 incentive for 12 months.****

7) The Total Management Incentive Bonus is the sum of sections 4, 5 and 6.

8) The TOTAL PHARMACY MANAGER BONUS equals the sum of the Pharmacy Manager Bonus Formula (3) and the Management Incentive Bonus (7).

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BONUS CALCULATION EXAMPLE (Established Portion)

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Last Year's Rx Sales	\$13,159,761	Daily Average	This Year's Rx Sales	\$15,319,998	Daily Average
Last Year's Unadjusted Rx Scripts	189,341	519	This Year's Unadjusted Rx Scripts	222,756	610
Last Year's 90 Day Adjusted Rx Script	16,800	46	This Year's 90 Day Adjusted Rx Scripts	19,800	54
Last Year's Total Adjusted Rx Scripts	206,141	565	This Year's Total Adjusted Scripts	242,556	665
This Year's Total Rx GP	\$3,724,456		This Year's Total Store GP	\$5,233,699	
			This Year's Income after C/C	\$1,943,155	

Base: Last Year's Rx Sales and Scripts

Last Year's Sales:	\$0 – \$200,000	\$200,000	x .001	\$200
Last Year's Sales:	Over \$200,000	\$12,959,761	x .0004	\$5,184
Last Year's Scripts:		189341	x .01	\$1,893
Total Base Bonus				\$7,277

Improvement

Script Increase/Decrease:	(247,556 - 206,141)	=>41,415 x .05	\$2,071
Script Increase Over 2,400	(41,415 - 2,400)	=>39,015 x .05	\$1,951
Total Improvement Bonus			\$4,022

Total 12 Month Pharmacy Department Manager

\$11,299

MANAGEMENT INCENTIVE

Income Incentive:

[((\$3,724,456/\$5,233,699) X \$1,943,155) x \$.01	=> \$1,382,807	x \$.01	\$13,828
[(TY Rx GP\$ / TY TL Str GP\$) X TY IACC\$] x \$.01			

Annual Daily Average Incentive:

Daily Average = (54-46) + 610 =618	618 (per chart)	\$4,000
(TY 90 Day Adjusted - LY 90 Day Adj) + TY Average Daily Scripts		

Days of Supply Incentive*:

Annualized Ending Book 355,232		
Annualized Days of Supply 30	Flex 28	\$500

Total Management Incentive Bonus

\$18,328

TOTAL 12 MONTH PHARMACY DEPARTMENT MANAGER ESTABLISHED BONUS

\$29,627

***Days of Supply penalties have been waived until further notice. All pharmacy managers will receive the prorated \$500 incentive for 12 months.**

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BONUS FORMULA – NON-ESTABLISHED

A) Total scripts filled in the current twelve month bonus period times \$.03.

B) Management Incentive – same as established, but prorated based on the number of months open during the bonus period. Days of supply incentive only if store has been open for 3 months at the end of the bonus period.

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*Revised as of 12/2010
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