



SUNOVION PHARMACEUTICALS INC.

CORPORATE POLICIES

WORKING TITLE: Policy on Accrual of Vacation Time		POLICY: 2.05	
Supersedes:	Approval: Corporate Policy Review Committee (CPRC)	Date Issued: September 9, 2009 (v1) Amended: December 21, 2012 (v2)	Page 1 of 4

Section 1. PURPOSE:

The purpose of this Policy is to provide guidance regarding accrual of Vacation time for applicable employees.

Section 2. DEFINITIONS:

2.1. "Company" means Sunovion Pharmaceuticals Inc. ("Sunovion") and its businesses within the United States.

2.2. "Vacation" shall mean paid time off for employees to cover vacations and personal time away from work.

Section 3. APPLICABILITY AND RESPONSIBILITIES:

This policy applies to all applicable employees who are regularly scheduled to work at least twenty (20) hours per week.

Section 4. GENERAL:

4.1. Employees accrue vacation hours monthly that may be used for paid time off to cover vacations and personal time. Regular full-time employees will accrue vacation time at a rate of eight (8) hours per month during the first year of employment, for a total of twelve (12) days per year, equal to ninety-six (96) hours. Additional time begins to accrue during the month of the employee's anniversary date of hire, up to a maximum of twenty-three (23) days per year, equal to one hundred eighty-four (184) hours. Please see schedule below for details on total hours accrued monthly:

Years of Service	Total Days	Monthly Accrual (Hrs)
0-1	12	8.00
1-2	13	8.67
2-3	14	9.33
3-4	15	10.00
4-5	16	10.67
5-10	17	11.33
10-13	18	12.00
13-15	19	12.67
15-17	20	13.33
17-19	21	14.00
19-20	22	14.67
20+	23	15.33

4.2. Accrual of vacation time is pro-rated for employees who are regularly scheduled to work less than forty (40) hours but work at least twenty (20) hours per week. For example, an employee with a weekly schedule of twenty (20) hours will accrue four (4) hours per month, and a thirty (30) hour employee will accrue six (6) hours of vacation time per month.

4.3. The current month's accrual is accrued on the 15th day of every month. An employee must be employed on the 15th day in order to receive that month's accrual. For example, if an employee is hired on or before the 15th day of any month, they will receive that monthly accrual, and if they are hired after the 15th day, they will not. However, if an employee terminates employment before the 15th day they will not be paid for that month's accrual, but if they terminate after the 15th day they will.

4.4. For employees hired after December 31, 2008; if they are a former Sunovion employee and rehired within twelve (12) months from their most recent termination date, prior service time will count towards their current monthly accrual rate.

4.5. Employees may carry over a maximum of forty (40) accrued vacation hours to the next calendar year. The carryover vacation hours must be used by July 31st of the new calendar year. Any carried over vacation hours not used by this date will be forfeited.

4.5.1. In accordance with state law, employees who work and/or reside in California do not have a limit on the amount of carryover time into the next calendar year; California-based employees also are not limited to a deadline of July 31st of the next calendar year in which to use up all carried over time. Once an employee accrues twenty-three (23) days of vacation, equal to one hundred eighty-four (184) hours, the employee will cease to accrue any additional vacation time until the vacation balance falls below that level. Please refer to Sunovion Human Resources for more information.

4.6. Each employee is responsible to request and schedule the use of accrued vacation time with their manager. Approval of vacation time will depend on the business

needs of the organization at the discretion of management. It is your responsibility to accurately track your use of accrued vacation time through the iTime Tracking system.

4.7. At a minimum, vacation time for full time employees should be taken in four (4) hour increments, with the customary practice being eight (8) hour increments. For those employees with schedules of 20-39 hours, increments of vacation time used are pro-rated according to hours worked. For example, if you were regularly scheduled to work six (6) hours, then you would be paid a six (6) hour vacation day.

4.8. Your manager may approve the borrowing of vacation time, up to a maximum of forty (40) hours for regular full-time employees and pro-rated accordingly for regular part-time employees. Employees with a negative vacation balance may not borrow additional vacation time until the existing vacation time balance has been satisfied and then upon approval from your manager. Under no circumstances may an employee borrow vacation time from a future calendar year.

4.8.1. Employees who work and/or reside in California are not allowed to borrow vacation time against future accruals, and have a negative vacation balance, during the current year and/or future calendar year.

4.9. If it has been verified by Payroll and the manager that an employee has a balance of accrued and unused vacation time left at the end of employment, the balance will be converted to cash equivalent and included in his/her final paycheck. In the event an employee ends its employment before having enough accrued time to cover any borrowed vacation time, the employee's final paycheck will reflect a deduction equal to the cash value of the borrowed vacation time.

4.10. Use of accrued vacation hours noted above may vary due to different state laws or regulations.

SECTION 5. OTHER MATTERS:

5.1 Amendment

Management reserves the right to amend this policy as appropriate at any time without prior notice, pursuant to Sunovion Corporate Policy 1.0, "**Corporate Policy Review Committee**".

5.2 Failure to Comply

EMPLOYEES WHO VIOLATE ANY SUNOVION POLICIES AND PROCEDURES WILL BE SUBJECT TO DISCIPLINARY ACTION, UP TO AND INCLUDING TERMINATION OF EMPLOYMENT.

5.3 Reporting Concerns

Reports concerning wrongful behavior, violations or suspected violations of this or any other policy, the Code of Conduct and Ethics, law or regulation may be submitted on a confidential basis or may be submitted anonymously through Sunovion's Compliance Hotline as set forth below. Reports of violations or suspected violations of alleged

misconduct or wrongful behavior will be maintained as confidential as practicable under the circumstances, and as necessary to conduct a full and fair investigation.

Reporting Hotline Options:

- (a) Toll free telephone number. 866-886-1348
- (b) Via the internet at: www.ethicspoint.com

5.4 Audit

Each department shall perform periodic reviews of the implementation of this Policy, under the oversight and guidance of the Chief Compliance and Ethics Officer.