VALEANT PHARMACEUTICALS INTERNATIONAL
Form 8-K
April 03, 2007

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 8-K
CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Date of Report (Date of the earliest event reported): March 28, 2007
Valeant Pharmaceuticals International
(Exact name of registrant as specified in its charter)

Delaware	**1-11397**	**33-0628076**
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S Employer Identification No.)

One Enterprise
Aliso Viejo, California 92656
(Address of principal executive offices) (Zip Code)
(949) 461-6000
(Registrant s telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

PETER J. BLOTT

On March 28, 2007, the Compensation Committee of Valeant Pharmaceuticals International (the Company), in connection with the appointment of Peter J. Blott as Chief Financial Officer of the Company on March 21, 2007, increased Mr. Blott s annual base salary to $360,000 and set an annual incentive bonus target of 60%, with a maximum incentive bonus of 120%, of annual base salary.

On March 28, 2007, the Compensation Committee of the Company also approved an Executive Severance Agreement (the Agreement), effective as of March 21, 2007, between the Company and Mr. Blott.

The Agreement expires on December 31, 2010 unless sooner terminated following a Change in Control (as defined in the Agreement), and shall automatically be extended for successive one-year periods unless no later than six months prior to a scheduled expiration date the Company notifies Mr. Blott that the Agreement will not be extended.

Under the Agreement, upon termination by reason of death or disability, by the Company for cause, or by Mr. Blott without good reason, Mr. Blott will receive all amounts earned or accrued through the termination date, as specified in the Agreement. Upon termination by reason of death or disability, Mr. Blott or his heirs will, in addition, be entitled to a prorated portion of his annual bonus. Mr. Blott or his heirs will be entitled to other compensation or benefits in accordance with the Company s benefit plans and other applicable programs and practices then in effect.

If Mr. Blott s employment is terminated by the Company without cause, or by Mr. Blott with good reason, and Mr. Blott agrees not to engage in certain activities that might compete with the Company for a period of one year after termination, he will receive a payment equal to the sum of: (a) any accrued and unpaid salary, (b) any unpaid annual bonus payable for the most recently completed year, (c) Mr. Blott s annual base salary then in effect and (d) the lesser of the average of annual incentive program bonuses paid to Mr. Blott for the five prior years (or such shorter period if Mr. Blott has not been eligible to participate in the annual incentive program) or Mr. Blott s target bonus at such time. If the Company terminates Mr. Blott s employment, other than for cause, disability or death, or by Mr. Blott for good reason, the Company will also pay up to an aggregate of $20,000 for outplacement services.

If during the period beginning six months prior to a Change in Control and ending twelve months after a Change in Control, Mr. Blott is terminated by the Company without cause, or terminates his employment with good reason, and he agrees not to engage in prohibited activities for a period of one year following termination, he will be entitled to a payment equal to two times the sum of (a) his annual base salary plus (b) the higher of average of annual incentive program bonuses paid to Mr. Blott for the five prior years (or such shorter period if Mr. Blott has not been eligible to participate in the annual incentive program) or Mr. Blott s target bonus at the time of the Change in Control. In addition, for one year after such termination following a Change in Control or such longer period as may be provided by the terms of the appropriate benefit plans, the Company shall provide Mr. Blott and his family with medical, dental and life insurance benefits at least equal to those which would have been provided had Mr. Blott not been terminated, in accordance with the applicable benefit plans in effect on the Change in Control measurement date or, if more favorable, in effect generally at any time after the Change in Control measurement date with respect to other peer executives of the Company and its affiliated companies. All outstanding options to purchase shares of common stock of the Company, each outstanding restricted stock award and any other unvested equity compensation right shall be fully vested or exercisable and each such share or equity interest shall no longer be subject to a right of repurchase by the Company.

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The Agreement provides that payments and benefits under the Agreement and all other related arrangements would otherwise trigger excess parachute payment penalties under Section 280G of the Internal Revenue Code of 1986, then such payments and benefits shall be adjusted to maximize the net amount he would realize after payment of income and excise taxes.

The foregoing summary of the Agreement is qualified in its entirety by the actual Agreement, a form of which was filed as Exhibit 10.1 to the Company s Form 8-K dated June 16, 2005 and is incorporated herein by reference.

EXECUTIVE INCENTIVE PLAN

On March 28, 2007, the Compensation Committee (the Committee) of the Board of Directors of Valeant Pharmaceuticals International (the Company or Valeant) approved the performance bonus program for fiscal year 2007 under the Company s Executive Incentive Plan.

The Executive Incentive Plan is aimed at recognizing and rewarding the Executives who significantly influence the strategy, direction and performance of the Company. Valeant s Executive Incentive Plan is built upon the financial and strategic plan of the Company:

- It is designed to recognize and reward contributions to Valeant s success.
- It provides our Executives with a powerful incentive to achieve financial and strategic goals.
- It directly ties pay to performance, based on clearly defined objectives.

Each bonus award depends on the Executive s base salary and grade level, on how well the Company and the Executive s region or division succeed in meeting their financial goals, and how well the Executive individually performs on his or her strategic initiatives.

Eligibility for the Plan

The Executive Incentive Plan includes only participants in the Company s Management Team. An Executive must be hired before October 1 of the plan year to be eligible for the current year s award and must be an employee on the day the award is paid. The Executive must also have a minimum of meets expectations on his or her annual performance appraisal. Eligibility to participate in one year does not guarantee eligibility in succeeding years. At the beginning of each fiscal year, the Chief Executive Officer will designate those individuals eligible to participate in the Executive Incentive Plan. But only those individuals with an Annual Incentive Plan Commitment Summary signed by the CEO will participate.

Participation in the Executive Incentive Plan precludes participation in any other annual incentive plan, sales compensation plan, or special retention program unless specifically approved by the CEO of Valeant.

Plan Overview

The Compensation Committee of the Board of Directors has approved Valeant s performance goals for this year based on those business strategies and operating plans that drive shareholder value:

- EBITDA
- Revenue
- Earnings Per Share
- Working Capital
- Strategic initiatives (using quantitative measures or key milestones)

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To be eligible for an award from the Executive Incentive Plan, an Executive must meet specific goals in these areas. In addition, each Executive s performance will be *weighted* in different areas, depending on his or her position in the Company.

Performance Measures and Weightings

Each Executive s award will be based on the following two measures:

Financial Performance

Strategic Initiatives (Sis)

Financial Performance Financial measures (other than EPS) are based on the local currency in which the Participant operates (local currency at plan rates may be used). An Executive s position determines the weight given to financial and strategic goals. The following are the 2007 performance goal weightings for the Chief Executive Officer, the Chief Financial Officer and the General Counsel:

	Financials
CEO and President	100%
CFO	100%
General Counsel	100%

If a financial goal is proposed to be changed during the course of the fiscal year, an Annual Incentive Plan Exception/Change Request Form must be completed. The exception or change is not in effect until the CEO signs the form.

Strategic Initiatives Strategic initiatives are project based goals, each of which may be weighted differently, according to the judgment of the CEO. Specific weighting for each SI should equal the total of the weighting for the SI portion of the award opportunity. No more than five (5) SI s are permitted. More than five SI s indicates a lack of focus which is the opposite of targeted Strategic Initiatives.

If business events occur which will result in the need to change a Strategic Initiative or replace it with another one, an Annual Incentive Plan Exception/Change Request Form must be completed. The exception or change is not in effect until the CEO signs the form.

Discretionary Adjustment On an exception basis, once the formula award has been calculated, the CEO may recommend to the Compensation Committee an increase (or decrease) of an Executive s award up to 25% of the target award to recognize special circumstances. In making such a recommendation, the CEO shall present to the Compensation Committee information regarding such factors as overall company performance, factors beyond the control of the Plan participant, and facts and circumstances which were not, and could have not been, anticipated by the Executive. Such recommendation shall only be implemented upon the further recommendation to, an approval of, the Board of Directors. A Discretionary Adjustment is not normal and will be made only as a true exception.

EBITDA Adjustment For a Regional Director whose region exceeds EBITDA Maximum Goal, they may earn an additional award based on 5% of their region s EBITDA in excess of their Maximum Goal.

Exception Requests or Changes to Financial Metrics or Strategic Initiatives

All exceptions or changes to Financial Metrics or Strategic Initiatives must be requested before or shortly after the actual event that creates the need for a potential exception.

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How Awards are Determined

To receive any payment under the Financial Performance portion of the Executive Incentive Plan, a Participant must achieve Threshold of (a) the EBITDA goal for Regional Directors and (b) EPS for all other participating Executives.

The objective of all Executives is to deliver consistent shareholder value. As a result, the Board of Directors reserves the right to terminate the Company s Executive Incentive Plan based on financial performance of Valeant or significant diminution in the Company s stock price as determined by the Board of Directors of Valeant.

Incentive payments will not be made to participants of a division, unit or function that fails to meet Sarbanes Oxley Section 404 standards.

Awards will range from 0 to 200% of the Participant s target opportunity as shown:

Financial Performance / Award Payout Scale

Performance Level	**Percent of Target Opportunity Earned**
Below Threshold	0%
Threshold	10%
Mid Point of Target and Threshold	55%
100% of goal (target)	100%
Maximum	200%

Strategic Initiatives / Award Payout Scale

Performance Level	**Percent of Target Opportunity Earned**
Below Threshold	0%
Threshold	50%
100% of goal (target)	100%
Maximum	200%

Awards are determined by the CEO of Valeant. Strategic Initiatives should reflect challenges beyond the Executive s regular responsibilities and reflect pay-for-performance. It is expected that such initiatives will be challenging and that the probability of achievement of any initiative will be as follows:

Threshold	80%-90%
Target	60%
Maximum	10%-20%

Currency fluctuations will be excluded from goal attainment calculations for regional and local participants except with respect to EPS metrics. Global participants in financial measures other than EPS will be assumed to be at Plan Rates unless otherwise specifically designated in advance on an individual basis.

The EPS metric is based on the Adjusted EPS as presented on the Company s Earnings Releases further adjusted to reflect ribavirin royalties at Plan levels (including related tax consequences at the marginal U.S. tax rate). The EPS Metric is based on assumptions used in the Plan for the year. Any changes in accounting standards, major acquisitions, major dispositions or other material events shall be considered in establishing a revised metric and must be approved by the Compensation Committee.

The Board of Directors, upon recommendation of the Compensation Committee, may adjust the bonus of any one or more of the Executives downward by a maximum of 25%, for extraordinary circumstances.

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Payout of Awards

Payments are made in cash (paycheck), in local currency, within 2-1/2 months following the end of the fiscal year, but not before the release of year-end results. An Executive s award is subject to applicable withholdings.

Changes in an Executive s Employment Status

If an Executive Leaves the Company If an Executive leaves Valeant during the year, eligibility for the Executive s award will depend on the reason the Executive is leaving.

Death, Disability, or Retirement The Executive s award will be pro-rated based on the number of full months the Executive has been employed during the year. The pro-rated award will be paid at the time Incentive Plan payments are made to all participants.

Other Reasons If the Executive resigns or is terminated before the awards are paid, the Executive forfeits his or her award.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

VALEANT PHARMACEUTICALS INTERNATIONAL

Date: April 2, 2007

/s/ Eileen C. Pruette
Eileen C. Pruette
Executive Vice President, General Counsel

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EXHIBIT INDEX

Exhibit No.	Description
10.1	Form of Executive Severance Agreement between the Company and Peter J. Blott (such form previously filed as Exhibit 10.1 to the Company s Current Report on Form 8-K dated June 16, 2005, which is incorporated herein by reference).

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