

**BOARDS OF DIRECTORS MEETINGS
(U.S. Companies)**

Thursday, September 13, 2012

AGENDA

1. Interim Decisions
 - None
2. Pending Decisions
 - A. 2013 Price Increase Recommendations

Redacted
3. Q2 Board Report - Business Conditions (Executive Session)
4. Guidance for Purdue Pharma L.P.'s 2013 Budget (Executive Session)
5. Intermezzo[®] DTC Update
6. Physicians for Responsible Opioid Prescribing (PROP) Petition
7. Defined Contribution Retirement Savings Plan
8. Other

TAB 2A

PROPOSED DECISION

August __, 2012

U.S. Pricing Recommendation Dilaudid® -- Purdue Pharmaceutical Products L.P.

It is proposed that the following price increases be implemented for the following products:

Product	Price Increase Percentage	Price Increase Date
Dilaudid® Oral Tablets & Liquid	9.0%	November 1, 2012*
Dilaudid® Oral Tablets & Liquid	9.0%	May 1, 2013
Dilaudid® Oral Tablets & Liquid	9.0%	November 1, 2013

(Decision of the Board of Directors of Purdue Pharmaceutical Products Inc., as the general partner of Purdue Pharmaceutical Products L.P.)

* The previous price increase was 9.0% and occurred on May 1, 2012.

Blue Sheet

PROPOSED DECISION

August __, 2012

U.S. Pricing Recommendation Dilaudid-HP® -- Purdue Pharmaceutical Products L.P.

It is proposed that the following price increase be implemented for the following products:

Product	Price Increase Percentage	Price Increase Date
Dilaudid-HP® for Injection	5.0%	July 1, 2013*

(Decision of the Board of Directors of Purdue Pharmaceutical Products Inc., as the general partner of Purdue Pharmaceutical Products L.P.)

* The previous price increase was 5.0% and occurred on July 3, 2012.

Blue Sheet

MEMORANDUM

Purdue

One Stamford Forum
Stamford, Connecticut 06901
Tel: [REDACTED]
Fax: [REDACTED]

TO: [REDACTED]

FROM: [REDACTED]

SUBJECT: Dilaudid® Price Increase Recommendation

DATE: August 8, 2012

STRICTLY CONFIDENTIAL

A. DILAUDID ORAL TABLETS & ORAL LIQUID

Recommendation:

We confirm the recommendation for a second, 9% increase in November 2012 (the first increase occurring in May 2012). This is based on the fact that no substantial market events have occurred and the assumptions made at the time of the initial recommendation continue to hold true.

Additionally, we recommend two, 9% price increases for all Dilaudid® Oral Tablets & Oral Liquid strengths effective May 1, 2013, and November 1, 2013.

Dollar Impact on Net Sales:

- The 9% price increases on Dilaudid® Oral Tablets & Oral Liquid will have a positive impact on net sales of \$1.1MM dollars when compared to the 2012 Mid-Year Update sales as presented to the Board of Directors in June of 2012.

Rationale:

- This increase is in line with the historical average price increases for branded products in the relevant market (8.8% and 8.2 months), as shown in the chart below.

Branded Competition: Frequency & Amount of Price Increase
(Average of the WAC pricing history for a product over last 10 price changes)

	Average Frequency (months)	Average Price Increase	Average Annualized Increase*	Most Recent Price Increase
Dilaudid (oral)	6.7	6.8%	12.2%	7.0% (Nov. '11)
Nucynta	8.3	6.8%	9.8%	7.5% (Jul. '11)
Opana ER	11.1	5.5%	6.0%	4.9% (Jan. '12)
Roxicodone	8.3	7.6%	11.0%	5.0% (Jan. '11)
Percocet	6.6	9.2%	16.8%	9.9% (Apr. '11)
Fentora	7.5	10.8%	17.3%	15.0% (Oct. '11)
Vicodin	10.3	10.3%	12.0%	9.9% (Jan '12)
Actiq	6.5	13.1%	24.0%	10.0% (Jan. '12)

Source: Wolters Kluwer PriceRx Price per mg_file dated 3-2-12

B. DILAUDID-HP®**Recommendation:**

We recommend a 5% price increases for all Dilaudid-HP SKUs effective July 1, 2013.

Dollar Impact on Net Sales:

- The 5% price increase for Dilaudid-HP SKUs will have a positive impact on net sales of \$52K when compared to the 2012 Mid-Year Update sales as presented to the Board of Directors in June of 2012.

ASP Reimbursement Background:

- The injectable product market differs from the oral product market due to the use of Average Selling Price (ASP) as the basis for reimbursement in physician offices, clinics, home health, and home infusion areas.
- Reimbursement in these markets is at ASP+6%.
- The reimbursement metric, ASP, is published by the Center for Medicaid and Medicare Services based on data submitted by brand and generic manufacturers.
- It is the weighted average price of all products in a particular class:
 - For Dilaudid – all hydromorphone injectables (brand and generic, HP and non-HP) are converted to a 4 mg standard.
- We have developed a model to show impact of price changes on ASP and reimbursement for Dilaudid injectables (see **Dilaudid-HP Pricing Model, below**).

Rationale:

- A 5% increase will not adversely impact the reimbursement for the HP products, see pricing model below (reimbursement will still be greater than purchase price).
- Higher price increases cut the available margin on some NDCs too low and may ultimately result in reimbursement being less than the cost paid to the wholesaler.

Dilaudid-HP Pricing Model with 5% Price Increase - no change in Contract Concession

DESCRIPTION	NDC	WAC effective July 1 st 2012	Proposed WAC	Estimated CMS Published ASP	Reimbursement = ASP+6%	Hospital/ Staff Model Contract Price	Home Health/Home Infusion Contract Price, O/P Pharmacy	Diff b/t Reimb. & WAC	Diff b/t Reimb. & Contract
DILAUD10MG/ML HP1	59011-0445-01	\$41.99	\$44.09	\$42.65	\$45.21	\$41.88	\$41.88	\$3.22	\$3.32
DILAUD10MG/ML HP5	59011-0445-05	\$199.41	\$209.38	\$213.25	\$226.05	\$198.91	\$198.91	\$26.64	\$27.13
DILAUD10MG/MLHP51	59011-0445-50	\$204.90	\$215.14	\$213.25	\$226.05	\$204.38	\$204.38	\$21.15	\$21.66
DILAU250MGLPHP30L	59011-0446-25	\$105.47	110.75	\$106.63	\$113.02	\$105.47	\$105.47	\$7.55	\$7.55

C. DILAUDID® AMPULES**Recommendation:**

We do not recommend a price increase for Dilaudid Ampules in 2013.

Dollar Impact on Net Sales:

There is no impact on dollar sales as the 10-Year Plan did not include a price increase for the Amp SKUs.

Rationale:

- This product is also governed by ASP reimbursement in physician offices, clinics, home health, and home infusion areas
- Currently, the reimbursement for these SKUs is based on an ASP that is less than our WAC price and our contract price for the ampule products. Our contracted price for the 4 mg/ml ampule is the only exception.
- Increasing the price will only widen the gap between reimbursement and cost. Institutions lose approximately \$1-13 dollars on each branded Dilaudid ampule purchased (see **Dilaudid Ampules Pricing Model below**).

Dilaudid Ampules Pricing Model with no Price Increase

DESCRIPTION	NDC	WAC effective July 1 st 2012	Estimated CMS Published ASP	Reimbursement = ASP+6%	Hospital/ Staff Model Contract Price	Home Health/Home Infusion Contract Price, O/P Pharmacy	Diff b/t Reimb. & WAC	Diff b/t Reimb. & Contract
Dilaudid® AMP 1mg/ml	59011-0441-10	\$13.67	\$4.27	\$4.52	\$10.26	\$10.67	-\$9.15	-\$6.15
Dilaudid® AMP 2mg/ml	59011-0442-10	\$15.07	\$8.53	\$9.04	\$11.31	\$11.77	-\$6.03	-\$7.73
Dilaudid® AMP 2mg/ml	59011-0442-25	\$35.87	\$21.33	\$22.60	\$26.93	\$28.01	-\$13.27	-\$5.41
Dilaudid® AMP 4mg/ml	59011-0444-10	\$18.25	\$17.06	\$18.08	\$13.71	\$14.25	-\$0.17	\$3.83

D. IMPACT ON PROFIT CONTRIBUTION

With two 9% price increases on Dilaudid[®] Oral Tablets & Oral Liquid and a 5% price increase for Dilaudid HP, net sales will increase by approximately \$1.1 MM. The detail is listed below.

<u>Dollar Impact on 2013 Net Sales Based on 2012 Mid-Year Update</u>				
(\$000)	2012 Mid Year Update ⁽¹⁾	Price Increase Proposal ⁽²⁾	Variance	Comments
Gross Sales	\$ 24,654.1	\$ 25,899.7	\$ 1,245.7	Impact based on 2012 Mid Year Update.
Fee For Service	(232.2)	(263.9)	(31.7)	Calculated based on existing contracts. Includes credit to FFS Expense for inventory held at time of price increase.
Sales Discounts	(517.7)	(543.9)	(26.2)	2.1% Prompt Pay Discount, excludes amounts for Returns reserves, GPO Admin Fees, and VCB Accrual.
Rebates	(1,030.3)	(1,082.4)	(52.1)	
Net Sales	<u>\$ 22,873.8</u>	<u>\$ 24,009.6</u>	<u>\$ 1,135.8</u>	

Note:

(1) As presented to Board of Directors June 2012.

(2) Reflects 9.0% price increase of Tablets and Oral Liquid as of May 1, 2013 and November 1, 2013.

Reflects 5.0% price increase of HP as of July 1, 2013.

E. CPI-U DATA:

- January 2012 CPI for prescription drugs percent change from January 2011 was 3.2%¹
- January 2012 CPI for all items percent change from January 2011 was 2.9%²

¹ US Bureau of Labor Statistics; <http://www.bls.gov/cpi/cpid1106.pdf>

² US Bureau of Labor Statistics; <http://www.bls.gov/cpi/cpid1106.pdf>

Blue Sheet

PROPOSED DECISION

August __, 2012

U.S. Pricing Recommendation MS Contin[®] -- Purdue Pharma L.P.

It is proposed that the following price increases be implemented for the following products:

Product	Price Increase Percentage	Price Increase Date
MS Contin [®] Tablets (all strengths)	8.0%	November 1, 2012*
MS Contin [®] Tablets (all strengths)	8.0%	May 1, 2013
MS Contin [®] Tablets (all strengths)	8.0%	November 1, 2013

(Decision of the Board of Directors of Purdue Pharma Inc., as the general partner of Purdue Pharma L.P.)

* The previous price increase was 8.0% and occurred on May 1, 2012.

Blue Sheet

MEMORANDUM

Purdue

One Stamford Forum
Stamford, Connecticut 06901

Tel: [REDACTED]

Fax: [REDACTED]

TO: [REDACTED]

FROM: [REDACTED]

SUBJECT: MS Contin® Price Increase Recommendation

DATE: August 8, 2012

STRICTLY CONFIDENTIAL

Recommendation:

We confirm the recommendation of a second, 8% increase in November 2012 (the first increase occurring in May 2012). This is based on the fact that no substantial market events have occurred and the assumptions made at the time of the initial recommendation continue to hold true.

We recommend two (2), 8% price increases for all MS Contin strengths effective May 1, 2013, and November 1, 2013.

Dollar Impact on Net Sales:

- The 8% price increases will have a positive impact on net sales of \$694 thousand dollars when compared to the 2012 Mid-Year Update sales as presented to the Board of Directors in June of 2012.

Rationale:

- This recommendation is based on the more aggressive price increases for comparable products with similar frequency (Kadian most specifically)
 - Kadian's Average increase is 7.7% but the most recent was only 5% (also 6 months apart)
 - Slightly more aggressive than the market in total average increase (16% compared to ~10%)

Branded Competition: Frequency & Amount of Price Increase

(Average of the WAC pricing history for a product over last 10 price changes)

	Average Frequency (months)	Average Price Increase	Average Annualized Increase*	Most Recent Price Increase
MS Contin	9.9	7.8%	9.4%	8.0% (Dec. '11)
Avinza	10.4	7.7%	8.8%	5.0% (Jan. '12)
Kadian	6.5	7.3%	13.5%	5.0% (Aug. '11)
Oramorph SR	6.6	15.3%	28.1%	10.0% (Jan. '09)
OxyContin	10.1	5.9%	7.0%	5.0% (Mar. '12)
Opana ER	11.1	5.5%	6.0%	4.9% (Jan. '12)
Exalgo	11.5	7.0%	7.3%	7.0% (Feb. '12)
Cymbalta	8.4	7.5%	10.7%	9.1% (Dec. '11)
Flector	8.0	5.4%	8.1%	5.0% (Jan. '12)
Lyrica	9.6	6.9%	8.6%	9.0% (Jan. '12)
Celebrex	11.1	6.2%	6.7%	9.0% (Jan. '12)
Lidoderm	9.3	5.1%	6.6%	4.9% (Jan. '12)
Duragesic	9.4	6.4%	8.2%	9.9% (Jan. '12)

Source: Wolters Kluwer PriceRx Price per mg_file dated 8-31-11

- The price per morphine milligram for MS Contin[®] is lower than the morphine branded products, as shown below.

Product	WAC Price/mg (Average)	Recommend May Increase	Recommended November Increase
Avinza	\$0.134		
Kadian	\$0.208		
MS Contin	\$0.090	\$ 0.097	\$ 0.105
Oramorph SR	\$0.070		

Source: Wolters Kluwer PriceRx Price per mg_file dated 3-2-12

Impact on Profit Contribution:

With two 8% price increases, net sales will increase by approximately \$694 thousand dollars. The detail is listed below.

Dollar Impact on 2013 Net Sales Based on 2012 Mid-Year Update

(\$000)	2012 Mid Year Update ⁽¹⁾	Price Increase Proposal ⁽²⁾	Variance	Comments
Gross Sales	\$ 11,547.1	\$ 12,329.2	\$ 782.1	Impact based on 2012 Mid Year Update.
Fee For Service	52.2	32.3	(19.9)	Calculated based on existing contracts. Includes credit to FFS Expense for inventory held at time of price increase.
Sales Discounts	(242.5)	(258.9)	(16.4)	2.1% Prompt Pay Discount, excludes amounts for Returns reserves, GPO Admin Fees, and VCB Accrual.
Rebates	(772.1)	(824.4)	(52.3)	
Net Sales	<u>\$ 10,584.7</u>	<u>\$ 11,278.2</u>	<u>\$ 693.5</u>	

Note:

(1) As presented to Board of Directors June 2012.

(2) Reflects 8.0% price increase as of May 1, 2013 and November 1, 2013.

CPI-U Data:

- January 2012 CPI for prescription drugs percent change from January 2011 was 3.2%¹
- January 2012 CPI for all items percent change from January 2011 was 2.9%²

¹ US Bureau of Labor Statistics; <http://www.bls.gov/cpi/cpid1106.pdf>

² US Bureau of Labor Statistics; <http://www.bls.gov/cpi/cpid1106.pdf>

Blue Sheet

PROPOSED DECISION

August __, 2012

U.S. Pricing Recommendation OxyContin[®] -- Purdue Pharma L.P.

It is proposed that the following price increase be implemented for the following products:

<u>Product</u>	<u>Price Increase Percentage</u>	<u>Price Increase Date</u>
OxyContin [®] Tablets (all strengths)	5.5%	January 1, 2013*

(Decision of the Board of Directors of Purdue Pharma Inc., as the general partner of Purdue Pharma L.P.)

* The previous price increase was 5.0% and occurred on March 1, 2012.

Blue Sheet

MEMORANDUM

Purdue Pharma L.P.
One Stamford Forum
Stamford, Connecticut 06901
Tel: [REDACTED]
Fax: [REDACTED]

TO: M. Innaurato

FROM: [REDACTED]

SUBJECT: OxyContin[®] (oxycodone HCL controlled-release) Tablets
Price Increase Recommendation for 2013

DATE: August 8, 2012

STRICTLY CONFIDENTIAL

Recommendation:

- We recommend a 5.5% price increase for all OxyContin[®] Tablet strengths effective January 1, 2013. The previous price increase was 5% and occurred on March 1, 2012

Dollar Impact on Net Sales:

- The 5.5% price increase will have a positive impact on net sales of \$112.3MM dollars when compared to the 2012 Mid-Year Update sales as presented to the Board of Directors in June of 2012.

Rationale for Recommendation Include:

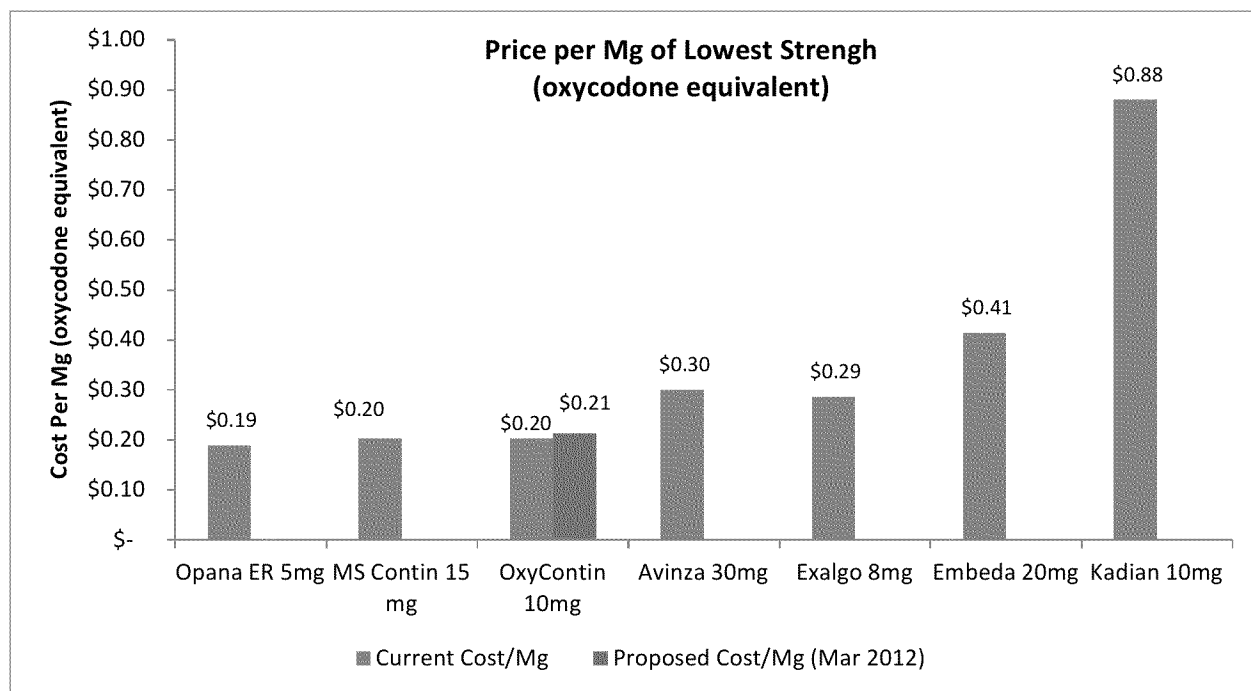
- This increase is less than the historical average price increases for branded products in the relevant market (6.5% and 10.8 months), as shown in bold in the chart below¹.
- The advent of price protection with managed care partners and the potential for negative payor reaction on increases beyond 6% per year are the primary drivers of the recommendation of a 5.5% increase.

Branded Competition: Frequency & Amount of Price Increase
(Average of the WAC pricing history for a product over last 10 price changes)

	Average Frequency (months)	Average Increase	Average Annualized Increase	Most Recent Increase
<i>OxyContin</i>	<i>10.1</i>	<i>5.9%</i>	<i>7.0%</i>	<i>5.0% (Mar. '12)</i>
Opana ER	11.1	5.5%	6.0%	4.9% (Jan. '12)
Avinza	9.6	7.9%	9.9%	9.0% (Jul. '12)
Kadian	6.3	7.2%	13.7%	5.0% (Apr. '12)
Embeda	16.0	5.5%	4.1%	5.5% (Jan. '11)
Exalgo	11.5	7.0%	7.3%	7.0% (Feb. '12)
Cymbalta	8.1	7.6%	11.3%	9.0% (Jun. '12)
Flector	8.0	6.0%	9.0%	9.0% (Jul. '12)
Lyrica	9.2	7.1%	9.3%	9.0% (Jul. '12)
Celebrex	10.6	6.4%	7.3%	9.0% (Jul. '12)
Lidoderm	9.1	5.1%	6.6%	5.0% (Aug. '12)

¹ Wolters Kluwer PriceRx LA Opioid WAC Pricing History_filedated 3-2-12

- The branded long-acting opioid products were converted to oxycodone milligram equivalents based on OxyContin[®] FPI conversion factors**. When comparing the price per oxycodone milligram across all branded products, OxyContin is slightly lower than the morphine branded products. The proposed price increase of 5.5% in January would keep OxyContin[®] lower than the branded long-acting morphine products, which captures a much smaller market share, as shown below.²



** While no conversion factor is listed in the OxyContin FPI, Opana lists as being two times as potent as OxyContin[®].

Impact on Profit Contribution:

With a 5.5% price increase, OxyContin net sales will increase by approximately \$112.3 MM. The detail is listed below.

<u>Dollar Impact on 2013 Net Sales Based on 2012 Mid-Year Update</u>				
(\$MM)	2012 Mid Year Update ⁽¹⁾	Price Increase Proposal ⁽²⁾	Variance	Comments
Gross Sales	\$ 2,737.3	\$ 2,887.9	\$ 150.6	Impact based on 2012 Mid Year Update.
Fee For Service	(62.3)	(65.0)	(2.7)	Calculated based on existing contracts. Includes credit to FFS Expense for inventory held at time of price increase.
Sales Discounts	(57.5)	(60.6)	(3.2)	2.1% Prompt Pay Discount, excludes amounts for Returns reserves, GPO Admin Fees, and VCB Accrual.
Savings Card Expense	(19.9)	(19.9)	-	Assumes same level as 2012
Rebates	(589.3)	(621.7)	(32.4)	
Net Sales	<u>\$ 2,008.4</u>	<u>\$ 2,120.7</u>	<u>\$ 112.3</u>	

Note:

(1) As presented to Board of Directors June 2012.

(2) Reflects 5.5% price increase as of January 1, 2013.

² Wolters Kluwer PriceRx Price per mg_file dated 8-31-11

CPI-U Data:

- In June 2012, the unadjusted CPI-U for **All Items** increased 1.7%³ since June 2011.
- In June 2012, the unadjusted CPI-U for **Medical Care Services** increased 4.3%³ since June 2011.
- In June 2012, the unadjusted CPI-U for **Medical Care Commodities, including Prescription Drugs, Nonprescription Drugs, and Medical Supplies** increased 2.9%³ since June 2011.

³ US Bureau of Labor Statistics; <http://www.bls.gov/news.release/pdf/cpi.pdf>

Blue Sheet

PROPOSED DECISION

August __, 2012

U.S. Pricing Recommendation Butrans[®] -- Purdue Pharma L.P.

It is proposed that the following price increase be implemented for the following products:

Product	Price Increase Percentage	Price Increase Date
Butrans [®] (all strengths)	10.0%	February 1, 2013*

(Decision of the Board of Directors of Purdue Pharma Inc., as the general partner of Purdue Pharma L.P.)

* The previous price increase was 6.0% and occurred on February 1, 2012.

Blue Sheet

MEMORANDUM

Purdue Pharma L.P.
One Stamford Forum
Stamford, Connecticut 06901
Tel: [REDACTED]
Fax: [REDACTED]

TO: M. Innaurato

FROM: [REDACTED]

SUBJECT: Butrans[®] (buprenorphine) Transdermal System
Price Increase Recommendation for 2013

DATE: August 8, 2012

STRICTLY CONFIDENTIAL

Recommendation:

- We recommend a 10% price increase for all Butrans dosage strengths effective February 1, 2013.

Dollar Impact on Sales:

- The 10% price increase will have a positive impact of \$9.7MM dollars on 2013 net sales when compared to the 2012 Mid-Year Update sales as presented to the Board of Directors in June of 2012.

Rationale for Recommendation Include:

- This 10% increase in line with most recent price increase on two competitive products Duragesic and Ultram ER, as shown in bold in the chart below.
- Butrans average daily cost is currently one of the lowest among all branded Extended Release Opioids.

Competition:

- This increase is in line with recent price increases for branded products in market as shown in the chart below.
- The advent of price protection with managed care partners and the potential for negative payor reaction on increases beyond 6% per year are felt to be minimal given Butrans current commercial coverage status.
- Butrans will be priced competitively compared to other branded extended release opioid competitors on WAC per Day basis using an approximate morphine equivalents estimation.

Branded Competition: Frequency & Amount of Price Increase
(Average of the WAC pricing history for a product over last 10 price changes)

	Average Frequency (months)	Average Increase	Average Annualized Increase	Most Recent Increase
Butrans	13	6.0	6.0	6.0, Feb 2012
OxyContin	10.1	5.9%	7.0%	5.0% (Mar. '12)
Opana ER	11.1	5.5%	6.0%	4.9% (Jan. '12)
Avinza	9.6	7.9%	9.9%	9.0% (Jul. '12)
Kadian	6.3	7.2%	13.7%	5.0% (Apr. '12)
Embeda	16.0	5.5%	4.1%	5.5% (Jan. '11)
Exalgo	11.5	7.0%	7.3%	7.0% (Feb. '12)
Duragesic	9.4	6.4%	8.2%	9.9% (Jan. '12)
Percocet	6.8	8.7%	15.4%	9.9% (Apr. '12)
Vicodin	10.3	10.3%	12.0%	9.9% (Jan '12)
Actiq	6.5	13.1%	24.0%	10.0% (Jan. '12)
Cymbalta	8.1	7.6%	11.3%	9.0% (Jun. '12)
Flector	8.0	6.0%	9.0%	9.0% (Jul. '12)
Lyrica	9.2	7.1%	9.3%	9.0% (Jul. '12)
Celebrex	10.6	6.4%	7.3%	9.0% (Jul. '12)
Lidoderm	9.1	5.1%	6.6%	5.0% (Aug. '12)

Source: Wolters Kluwer PriceRx LA Opioid WAC Pricing History_file dated 3-2-12

- The price per unit for Butrans is significantly higher than the other branded products because only one Butrans is dosed once every seven days. On a WAC per Day basis it appears Butrans is underpriced relative to the competition.

Product	WAC/Unit	WAC Price/mg	WAC per Day
Nucynta ER 50mg	2.55	0.05	5.10
Nucynta ER 100mg	4.71	0.05	9.42
Avinza 30mg	4.54	0.15	4.54
Avinza 45mg	6.73	0.15	6.73
Avinza 60mg	8.82	0.15	8.82
OxyContin 10mg	2.02	0.20	4.04
OxyContin 15mg	3.03	0.20	6.06
Embeda 20mg	4.15	0.21	4.15/8.30
Embeda 30mg	4.51	0.15	4.51/9.02
Embeda 50mg	7.54	0.15	7.54/15.08
Embeda 60mg	9.02	0.15	9.02/18.04
Opana ER 5mg	1.89	0.38	3.78
Kadian 10mg	4.21	0.42	4.21
Exalgo 8mg	9.16	1.14	9.16
Duragesic 12.5mcg/hour	19.70	15.76	6.57
Duragesic 25 mcg/hour	23.78	18.91	7.93
Ultram ER 100 mg	4.47	0.045	4.47
Ultram ER 200 mg	7.40	0.037	7.40
Ultram ER 300 mg	10.32	0.034	10.32
Butrans 5 mcg/hour*	33.59	6.68	4.77
Butrans 10 mcg/hour*	50.09	5.01	7.16
Butrans 20 mcg/hour*	88.67	4.43	12.67

Source: Wolters Kluwer PriceRx LA Opioid WAC Pricing History_file dated 3-2-12

*Calculated by dividing WAC/Unit by mg strength (5, 10 and 20 respectively)

Impact on 2013 Sales:

With a 10.0% price increase, 2013 Butrans net sales will increase by approximately \$9.7 MM. The detail is listed below.

<u>Dollar Impact on 2013 Net Sales Based on 2012 Mid-Year Update</u>				
(\$000)	2012	Price Increase		
	Mid Year Update ⁽¹⁾	Proposal ⁽²⁾	Variance	Comments
Gross Sales	\$ 135,808.2	\$ 148,257.3	\$ 12,449.1	Impact based on 2012 Mid Year Update.
Fee For Service	(3,131.9)	(3,182.3)	(50.4)	Calculated based on existing contracts. Includes credit to FFS Expense for inventory held at time of price increase.
Sales Discounts	(2,852.0)	(3,113.4)	(261.4)	2.1% Prompt Pay Discount, excludes amounts for Returns reserves, GPO Admin Fees, and VCB Accrual.
Savings Card Expense	(9,671.4)	(9,671.4)	-	Assumes same level as 2012
Rebates	(9,860.9)	(12,305.4)	(2,444.4)	Proposal includes increase in rebate rates due to price protection contracts
Net Sales	<u>\$ 110,291.9</u>	<u>\$ 119,984.8</u>	<u>\$ 9,692.8</u>	

Note:

(1) As presented to Board of Directors June 2012.

(2) Reflects 10% price increase as of February 1, 2013.

CPI-U Data:

- In January 2012, the unadjusted CPI-U, U.S. City Average. All Items increased 2.9% since January 2011.
- The unadjusted CPI-U for medical care in January 2012 was up 3.6% from last year, while the percentage change for medical care commodities, including prescription drugs, nonprescription drugs, and medical supplies was up 3.2% during the same period (Source: United States Department of Labor Statistics).

Blue Sheet

PROPOSED DECISION

August __, 2012

U.S. Pricing Recommendations Betadine®/BETASEPT® -- Purdue Products L.P.

It is proposed that the following price increase be implemented for the following products:

Product	Price Increase Percentage	Price Increase Date
Betadine®/BETASEPT® Hospital Products	5.0%	March 1, 2013*
Betadine® Solution - Gallon	25.0%	March 1, 2013
Betadine® Solution - 16 oz.	20.0%	March 1, 2013
Betadine® Solution - 32 oz.	15.0%	March 1, 2013
Betadine® Surgical Scrub - 32 oz.	20.0%	March 1, 2013
Betadine® Surgical Scrub - Gallon	10.0%	March 1, 2013
Betadine® Veterinary Products	10.0%	March 1, 2013

(Decision of the Board of Directors of Purdue Products Inc., as the general partner of Purdue Products L.P.)

* The previous price increase was 5.0% and occurred on April 23, 2012.

Blue Sheet

MEMORANDUM

Purdue

One Stamford Forum
Stamford, Connecticut 06901

Tel: [REDACTED]

Fax: [REDACTED]

TO: M. Innaurato

FROM: Gary Bock

SUBJECT: Betadine®/BETASEPT® Hospital Products
Price Increase Recommendation

DATE: August 8, 2012

STRICTLY CONFIDENTIAL

Recommendation:

We recommend a 5% price increase for Betadine/BETASEPT Products with the exception of Betadine Solution Gallon (+25%), Betadine Solution 16 oz./Betadine Surgical Scrub 32 oz. (+20%), Betadine Solution 32 oz. (+15%) and Betadine Surgical Scrub Gallon (+10%) beginning March 1, 2013.

The main reason for this increase is based on the increase in cost of goods due to an increase in contract manufacturing and shipping. The bid price will also be increased to strengthen the profitability of this brand along with covering cost of goods increase.

Dollar Impact on Net Sales:

The proposed price increases will have a positive impact on net sales of \$392 thousand dollars when compared to the 2012 Mid-Year Update sales as presented to the Board of Directors in June of 2012. This price increase will be reflected in direct and contract pricing.

Maintaining current distribution and customer loyalty is the main objective throughout 2012-2013.

Rationale:

- PVP-I and CHG Hospital products are considered commodity products and face heavy generic and private label competition.
- Betadine and BETASEPT products are currently priced at a premium supported by the brand heritage.
- The use of branded Betadine products within the hospital and physician setting help support the sales of the OTC product line which is significantly more profitable.

Previous Increase:

- A 5% price increase was implemented April 23, 2012, on Betadine and BETASEPT Hospital Products.

Competition:

- PhisoHex WAC went up +10%. Hibiclens remained the same.

**Branded Competition
Price Increase 2012 vs. 2011**

	UPC Code	2011 WAC	% Chg	2012 WAC (as of 8/7/12)	% Chg
Betadine Solution (Hospital Use)					
0.5oz (14.8ml)	67618-0150-05	\$ 1.02	5%	\$ 1.07	5%
4oz	67618-0150-04	\$ 1.28	5%	\$ 1.34	5%
8oz	67618-0150-09	\$ 2.22	5%	\$ 2.33	5%
16oz	67618-0150-17	\$ 3.13	5%	\$ 3.29	5%
32oz (948ml)	67618-0150-32	\$ 6.50	5%	\$ 6.83	5%
128oz - Gallon	67618-0150-01	\$ 21.78	5%	\$ 22.87	5%
Betadine Solution SwabAid Pads (Hospital Use)					
10 boxes of SwabAid Pads	67618-0152-01	\$ 53.40	5%	\$ 56.07	5%
Betadine Solution Swabstick (Hospital Use)					
200ct of 1 Swabstick	67618-0153-01	\$ 30.99	5%	\$ 32.54	5%
50ct of 3 Swabsticks	67618-0153-03	\$ 14.76	5%	\$ 15.50	5%
Betadine Spray (Hospital Use)					
3oz (88.7ml)	67618-0148-03	\$ 8.46	5%	\$ 8.88	5%
Betadine Surgical Scrub (Hospital Use)					
4oz	67618-151-04	\$ 3.12	5%	\$ 3.28	5%
16oz	67618-151-16	\$ 3.50	5%	\$ 3.68	5%
16oz w/pump dispenser	67618-151-17	\$ 5.82	5%	\$ 6.11	5%
32oz	67618-151-32	\$ 6.31	5%	\$ 6.63	5%
128oz - Gallon	67618-151-01	\$ 26.20	5%	\$ 27.51	5%
Betasept Surgical Scrub					
4oz (118ml)	67618-0200-04	\$ 4.79	5%	\$ 5.03	5%
8oz (237ml)	67618-0200-08	\$ 6.04	5%	\$ 6.34	5%
16oz (473ml)	67618-0200-16	\$ 8.05	5%	\$ 8.45	5%
32oz w/pump (946ml)	67618-0200-32	\$ 12.90	5%	\$ 13.55	5%
32oz (946ml)	67618-0200-30	\$ 12.10	5%	\$ 12.71	5%
128oz (3785ml)	67618-0200-01	\$ 41.38	5%	\$ 43.45	5%

	Est or Actual 2011 WAC	Est or Actual WAC Aug 2012
Hibiclens		
15ml 50s	\$39.85	\$39.85
120ml (4oz)	\$3.73	\$3.73
240ml (8oz)	\$5.28	\$5.28
480ml (16oz) prefilled globe	\$8.41	\$8.41
480ml (16oz) w/hand wall dispenser	\$19.95	\$19.95
960ml (32oz) w/hand wall dispenser	\$10.38	\$10.38
960ml (32oz) w/foot wall dispenser	\$59.95	\$59.95
3840ml (128oz) w/foot wall dispenser	\$41.84	\$41.84
PhisoHex		
148ml	\$24.05	\$26.43
473ml	\$46.45	\$51.05

Source: Redbook Online

Impact:

With the proposed price increases as listed above, Betadine/BETASEPT net sales will increase by approximately \$392 thousand. The detail is listed below.

CPI-U Data:

In January 2012, the unadjusted CPI-U, U.S. City Average, All Items, increased 2.9% since January 2011. The unadjusted CPI-U for medical care in January 2012 was up 3.6% from last year, while the percentage change for medical care commodities, including prescription drugs, nonprescription drugs, and medical supplies was up 3.2% during the same period (Source: United States Department of Labor Statistics, Table 1).

Dollar Impact on 2013 Net Sales Based on 2012 Mid-Year Update

Product: Betadine Hospital Products

(\$000)	2012 Mid Year Update ⁽¹⁾	Price Increase Proposal ⁽²⁾	Variance	Comments
Gross Sales	\$ 4,589.2	\$ 4,920.5	\$ 331.2	Impact based on 2012 Mid Year Update.
Sales Discounts	(96.4)	(103.3)	(7.0)	2.1% Prompt Pay Discount, excludes amounts for Returns reserves, GPO Admin
Rebates	-	-	-	Fees, and VCB Accrual.
Net Sales	\$ 4,492.9	\$ 4,817.1	\$ 324.3	

Note:

(1) As presented to Board of Directors June 2012.

(2) Reflects 5% price increase as of March 1, 2013, with the exception of Betadine Solution Gallon (+25%), Betadine Solution 16oz/Betadine Surgical Scrub 32 oz. (+20%), Betadine Solution 32 oz. (+15%) and Betadine Surgical Scrub Gallon (+10%) beginning March 1, 2013.

Dollar Impact on 2013 Net Sales Based on 2012 Mid-Year Update

Product: Betasept Products

(\$000)	2012 Mid Year Update ⁽¹⁾	Price Increase Proposal ⁽²⁾	Variance	Comments
Gross Sales	\$ 1,663.6	\$ 1,732.9	\$ 69.3	Impact based on 2012 Mid Year Update.
Sales Discounts	(34.9)	(36.4)	(1.5)	2.1% Prompt Pay Discount, excludes amounts for Returns reserves, GPO Admin
Rebates	-	-	-	Fees, and VCB Accrual.
Net Sales	<u>\$ 1,628.7</u>	<u>\$ 1,696.5</u>	<u>\$ 67.9</u>	

Note:

(1) As presented to Board of Directors June 2012.

(2) Reflects 5% price increase as of March 1, 2013.

Blue Sheet

MEMORANDUM

Purdue

One Stamford Forum
Stamford, Connecticut 06901

Tel: [REDACTED]

Fax: [REDACTED]

TO: M. Innaurato

FROM: Gary Bock

SUBJECT: Betadine® Veterinary Products
Price Increase Recommendation

DATE: August 8, 2012

STRICTLY CONFIDENTIAL

Recommendation:

We recommend a 10% price increase for Betadine Veterinary Products beginning March 1, 2013.

Dollar Impact on Net Sales:

The 10% price increase will have a positive impact on net sales of \$65 thousand dollars when compared to the 2012 Mid-Year Update sales as presented to the Board of Directors in June of 2012.

Rationale:

- Betadine Veterinary products are currently priced at a premium supported by the brand heritage.
- Need to increase WAC significantly to offset substantial increase in shipping and warehousing costs.

Previous Increase:

- A 5% price increase was implemented April 23, 2012, on Betadine Veterinary Products.

Competition:

- We do not have any pricing information on our competition.

Impact:

With a 10% price increase, Betadine Veterinary net sales will increase by approximately \$65 thousand dollars. The detail is listed below.

CPI-U Data:

In January 2012, the unadjusted CPI-U, U.S. City Average, All Items, increased 2.9% since January 2011. The unadjusted CPI-U for medical care in January 2012 was up 3.6% from last year, while the percentage change for medical care commodities, including prescription drugs, nonprescription drugs, and medical supplies was up 3.2% during the same period (Source: United States Department of Labor Statistics, Table 1).

Dollar Impact on 2013 Net Sales Based on 2012 Mid-Year Update

Product: Betadine Vet Products

(\$000)	2012	Price Increase		Variance	Comments
	Mid Year Update ⁽¹⁾	Proposal ⁽²⁾			
Gross Sales	\$ 792.9	\$ 859.0	\$ 66.1		Impact based on 2012 Mid Year Update.
Sales Discounts	(16.7)	(18.0)	(1.4)		2.1% Prompt Pay Discount, excludes amounts for Returns reserves, GPO Admin
Rebates	-	-	-		Fees, and VCB Accrual.
Net Sales	<u>\$ 776.2</u>	<u>\$ 840.9</u>	<u>\$ 64.7</u>		

Note:

(1) As presented to Board of Directors June 2012.

(2) Reflects 10% price increase as of March 1, 2013.

Blue Sheet

PROPOSED DECISION

August __, 2012

U.S. Pricing Recommendation Intermezzo[®] -- Purdue Pharmaceutical Products L.P.

It is proposed that the following price increase be implemented for the following product:

Product	Price Increase Percentage	Price Increase Date
Intermezzo [®] Sublingual Tablets	7.0%	February 1, 2013*

(Decision of the Board of Directors of Purdue Pharmaceutical Products Inc., as the general partner of Purdue Pharmaceutical Products L.P.)

* This will be the first price increase since Intermezzo[®] was launched.

TAB 2B

Redacted

Redacted

TAB 5

Intermezzo® DTC Update

Board of Directors Meeting
September 13, 2012

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Intermezzo®
(ZOLPIDEM TARTRATE) sublingual tablet 
1.75 mg | 3.5 mg

Follow-Up Items from Last Meeting

Comments on TV Ad:

- **The blue light bulb is too bright and does not clearly delineate the awake and sleep states. Consider “flickering” to show the agitation/distress of being awake.**
 - **How we have addressed this concern:** we have been working with our animation house to add more dynamic shading and increase the level of clarity of the light bulb character, to better delineate the awake and sleep states, which will be even more apparent when the commercial becomes high definition.
 - Adding “flickering” or showing emotional states would be a material change to the version the FDA reviewed. Doing this could potentially lead to additional comments from FDA, delay approval and is not recommended by our Regulatory Department.
- **There is little or no reference to the advantage of the sublingual tablet formulation (i.e. no need to get out of bed, get a glass of water, etc.)**
 - Market research demonstrated that the sublingual tablet is not a primary driving feature of the brand. Note: the average consumer does not know what “sublingual” means, so we would need to have this entire description included in the voiceover (descriptive language from the Medication Guide: *“Place the tablet under your tongue and allow it to break apart completely, then swallow.”*). We may then be required to include additional D&A information as a result of including this language.
 - Both additions above would increase the length of the commercial, extending beyond 90 seconds
 - The commercial does state that Intermezzo *“is an effective sleep aid you don’t take before bed. Take it in bed only when you need it and have at least 4 hours left for sleep.”*
- **The ad is too “soft”, does not adequately address the “distress” or poor emotional state associated with middle of the night awakening.**
 - Changes in “emotional state” of the light bulb when comparing pre-Intermezzo dosing to post-Intermezzo dosing could lead to FDA comments regarding quality of life claims, which we have no data to support.
 - This is also a material change to the original ad submitted to FDA, which could delay FDA review

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Intermezzo®
(ZOLPIDEM TARTRATE) sublingual tablet (IV)
1.75 mg | 3.5 mg

Follow-Up Items from Last Meeting

Changes to TV Ad Based on FDA Comments:

- **The FDA required changes to the TV ad increased its length from 60 to 90 seconds:**
 - **Testing is planned to commence week of 9/10/12**
 - Receive results of testing by October 15
 - “Go/No Go” determined on performance of revised TV Ad versus:
 - Original TV Ad
 - Industry “norms” (note: comparing to 60-second ad norms – only ones available)
 - **TV ad will be re-tested for areas such as:**
 - Likeability
 - Noticeability & Memorability
 - Interest in trying Intermezzo
 - Intent to ask physician for an Rx
 - **Submitting final, 90-second TV ad to FDA by October 1**
 - Receive FDA comment by November 15 (assumes maximum 45-day review)
 - **Print & Digital DTC starts mid-November**
 - Will launch campaign as soon as FDA feedback is received
 - **TV ad early December**
 - Following FDA approval, initiate “scatter buy” of ad space/time slots
 - Possible launch late November if timelines are compressed (FDA review)

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Intermezzo®
(ZOLPIDEM TARTRATE) sublingual tablet 
1.75 mg | 3.5 mg

2013 Intermezzo Forecast Scenarios

A DTC campaign that performs at median of analogues used in analysis is projected to generate \$16.7mm in incremental revenue in 2013

	2013 TRx Volume	2013 Total Dollars*
Trending – without DTC	132,666	\$25.7mm
Trending – With DTC investment, assuming response at median level of analogues	216,363	\$42.4mm
Trending – With DTC investment, assuming response at strong level of analogues	444,500	\$86.0mm

Source: IMS, *DTC Guidance for Intermezzo*, August 2012.

*Gross Sales. Assumes second phase of DTC 4th QTR 2013.

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Intermezzo®
(ZOLPIDEM TARTRATE) sublingual tablet 
1.75 mg | 3.5 mg

Additional Items

- If DTC commences as planned:
 - \$3-4mm per month spend Nov '12 – Apr '13
 - Total budget \$20mm
 - \$8mm 2012, \$12mm Jan-Apr 2013
- Current plan to reach target audience with high concentration of late night/early morning dayparts:

Early Morning Daypart (6:00AM-9:00AM)

- 39% - 44% more likely to reach primary targets than general population
- Targets' Gender Distribution: 72% Women / 28% Men

Late Night Daypart (11:30PM-1:00AM)

- 35% more likely to reach primary targets than general population
- Targets' Gender Distribution: 69% Women / 31% Men

Overnight Morning Daypart (1:00AM-6:00AM)

- 34% - 35% more likely to reach primary targets than general population
- Targets' Gender Distribution: 68% Women / 32% Men

Intermezzo®
(ZOLPIDEM TARTRATE) sublingual tablet 
1.75 mg | 3.5 mg

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Source: CMI, *Intermezzo Objectives & Strategies with Tactical Plan*, 6/2012; 2011 MRI Doublebase Study

Reaching Our Target Consumers: Possible TV Ad Placement



**Note: for illustrative purposes (based on target MRI consumption data);
final placement will depend upon media negotiations**

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Source: CMI, *Intermezzo Objectives & Strategies with Tactical Plan*, 6/2012; 2011 MRI Doublebase Study

Intermezzo®
 (ZOLPIDEM TARTRATE) sublingual tablet 
 1.75 mg | 3.5 mg

Intermezzo P&L 9/6/12

(\$mm)

Demand Without DTC	\$	25.7	\$	36.2	\$	45.1	\$	51.8
Demand with Median Response to DTC	\$	42.4	\$	63.5	\$	69.1	\$	68.8
Demand with High Response to DTC	\$	86.0	\$	130.0	\$	185.0	\$	200.0

Note: Based on IMS Market Analysis

	Milestones	2012 Outlook	2013 Outlook	2014 Outlook	2015 Outlook	2016 Outlook	Since Inception
Gross Sales	\$ -	\$ 15.6	\$ 86.0	\$ 130.0	\$ 185.0	\$ 200.0	\$ 616.6
Fee for Service	-	(0.4)	(2.2)	(3.3)	(4.6)	(5.0)	(15.4)
Sales Discounts & Allowances/Savings Cards Discounts	-	(4.1)	(3.4)	(5.2)	(6.9)	(7.2)	(26.8)
Rebates	-	(1.0)	(5.2)	(7.9)	(11.2)	(12.1)	(37.4)
Net Sales	-	10.1	75.2	113.6	162.3	175.7	537.0
COGS	-	(2.4)	(16.3)	(24.6)	(35.7)	(39.2)	(118.2)
COGS/Shipping & Warehousing	-	(0.9)	(5.0)	(7.5)	(10.7)	(11.6)	(35.8)
3rd Party Royalty Expense	-	(1.5)	(11.3)	(17.0)	(25.0)	(27.6)	(82.4)
COGS % of Net Sales	0.0%	23.9%	21.6%	21.6%	22.0%	22.3%	22.0%
Gross Profit	-	7.7	58.9	89.1	126.6	136.4	418.8
Product Spending	-	(81.0)	(59.8)	(51.5)	(51.8)	(30.3)	(274.3)
Marketing Expense ⁽¹⁾	-	(28.3)	(9.0)	(9.0)	(9.5)	(10.0)	(65.8)
DTC ⁽²⁾	-	(8.0)	(20.0)	(12.0)	(12.0)	-	(52.0)
Sales Force Expense ⁽³⁾	-	(43.7)	(30.0)	(30.0)	(30.0)	(20.0)	(153.7)
All Other S&P Support ⁽⁴⁾	-	(1.0)	(0.8)	(0.5)	(0.3)	(0.3)	(2.8)
Other Expenses							
Legal Fees ⁽⁵⁾	-	(0.3)	(2.5)	(3.0)	(3.0)	(3.0)	(11.8)
R&D Market Support ⁽⁶⁾	-	(3.1)	-	-	-	-	(3.1)
R&D Pediatric Studies - PK/PREA Req ⁽⁷⁾	-	-	-	(0.5)	(2.6)	(8.6)	(11.7)
Other Expense/Milestones ⁽⁸⁾	(45.0)	-	-	-	-	-	(45.0)
Product Contribution	\$ (45.0)	\$ (76.7)	\$ (3.3)	\$ 34.1	\$ 69.2	\$ 94.6	\$ 72.9

Notes:

(1) Marketing expense calculated at \$9mm (2013), \$9mm, (2014), \$9.5mm (2015), \$10mm (2016).

- a. Journal advertising, e-marketing, promotional materials, agency fees and market research have been included-substantially reduced.
- b. Marketing Education, Public Affairs, Wholesaler/retailer programs, Account Management, Managed Care, Sales Training-all were cut.

(2) DTC reflects 2 waves of \$20mm each spread over 18 months with another \$12mm in 2015.

(3) Sales force cost reduced approximately 25% effective 1/1/2013.

(4) Home Office Support.

(5) Legal fees were left in at \$2.5mm (2013), \$3mm (2014), \$3mm (2015) and \$3mm (2016).

(6) R & D/Market support was left out.

(7) Pediatric studies are based on most recent 10 Year Plan delayed by one year.

(8) Reflects Upfront and IP payments.

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Intermezzo®
(ZOLPIDEM TARTRATE) sublingual tablet 
1.75 mg | 3.5 mg

TAB 7

PROPOSED DECISION

September 13, 2012

Defined Contribution Retirement Savings Plan*

It is proposed to create a new defined contribution retirement savings plan with 100% participation and 3-year vesting for newly hired employees and current employees under age 55 for benefits based upon future service.

(Recommendation of the Board of Directors of Purdue Pharma Inc., as the general partner of Purdue Pharma L.P.)

* Transition credits are included in the new savings plan to maintain current benefit value for existing employees age 45 to 54. In lieu of significant transition credits, employees 55 or older will continue participation in the current defined benefits plan. Defined benefit pension related to prior service continues to be maintained under the current pension plan. Current 401(k) Savings Plan benefit levels are not modified.

Blue Sheet

Retirement Plan Review & Request For Board Decision

September 13, 2012

David Long
Ed Mahony



CONFIDENTIAL

Purdue Retirement Plan

- Management is proposing the creation of a new Defined Contribution Savings Plan that over the long term will have a lower and more predictable cost structure than the current pension plan.
- Management will request a Board Decision to proceed.



Purdue Retirement Plan

Discussion Agenda

- **Overview of current retirement plans**
- **Competitive prevalence and value among pharmaceutical companies**
- **Recommendation to transition to new defined contribution Savings Plan in place of current defined benefit Pension Plan**
- **Comparison of projected benefits - current Pension to new Savings Plan**
- **20-year funding projection for new Savings Plan and current Pension Plan**



Current Retirement Plans Overview

Pension Plan (Defined Benefit)

- Provides benefit at retirement based upon annual formula
 - 1.2% of compensation up to \$31,200
 - 1.5% of compensation above \$31,200 to maximum of \$250,000 (IRS limitation)
 - Maximum benefit accrued for each year of service is \$3,656.
 - This benefit may be paid as a lump-sum amount or one of several forms of annuity payments.

401(k) Savings Plan (Defined Contribution)

- Provides opportunity for pre-tax savings
 - Up to 6% of compensation matched \$0.50 per dollar saved
 - The maximum Purdue paid amount is \$7,500 in 2012
 - Maximum employee directed savings of \$17,000 per year
 - Non-matched additional catch-up contribution of \$5,500 allowed for employees age 50 and above



Purdue Retirement Plan

Competitive Prevalence and Value

- Using Aon Hewitt's Benefit Index Survey, we compared Purdue's overall retirement income benefits to plans offered by a broad range of 15 pharmaceutical companies.
- 14 of the 15 companies offer one or more savings plans while only one company (Eli Lilly) offers both an active pension plan and a savings plan.
- Purdue's retirement income value ranking is between the 9th and 10th of the companies in this survey group.
- Looking more broadly, this ranking is consistent with Purdue's competitive position of overall benefit value when compared to the pharmaceutical industry norm.



Purdue Retirement Plan

Summary of Recommendation

- Create a new additional savings plan with 3 year vesting and 100% participation.
- Enroll all current employees under age 55 and new hires in this newly created savings plan for benefits based upon future service.
 - Transition credits are included in the new savings plan to maintain current benefit value for existing employees age 45 to 54.
- In lieu of significant transition credits, employees 55 or older will continue participation in the current defined benefits plan.
- Defined benefit pension related to prior service continues to be maintained under the current pension plan.
- Current 401(k) Savings Plan benefit levels are not modified.



Purdue Defined Contribution Retirement Savings Plan

Recommended Plan Design

Transition to New Savings Plan with Grandfathering in Pension Plan	
Current Participants	<ul style="list-style-type: none"> Continue current pension plan for colleagues age 55 or older Transition all others to new savings plan
New Entrants	Enroll in new savings plan

New Savings Plan Design for Employees Under Age 55 & New Hires	
Age + Service	Employer Contributions - % of Eligible Compensation*
< 35	2.00%
35-44	3.00%
45-54	4.00%
55+	5.00%
Transition Credits for Current Employees Only (For those Age 45+ on 1/1/13)	Transition Credits for current employees based on age: 45-49: 3.00% 50-54: 5.00% 55-59: 6.00% 60+: 7.00%



* Eligible Compensation is defined as base salary plus bonus and is capped at \$250,000 in 2012 and subject to increases in future years based on cost-of-living adjustments announced by the IRS.

Purdue Defined Contribution Retirement Savings Plan

Projected benefit value for recommendation as a percent of Current Pension Benefit

- Benefits were separately calculated under current pension plan and new recommended plans
- Benefits were then compared between both plans

Age Range	Number of Participants	Projected Recommended Plan Benefits as a % of Current Pension Plan Benefits For <u>Current Employee Population</u>	Projected Recommended Plan Benefits as a % of Current Plan Benefits for <u>New Hires</u>
Under Age 45	894	65%	65%
45 to 49	344	99%	47%
50 to 54	262	94%	42%
55 to 64	286	100%	40%



Purdue Defined Contribution Retirement Savings Plan

Projection of 20-Year Funding

Recommended Plan was developed to be a cost-neutral alternative to current pension plan.

- Currently, pension funding varies based upon investment return and changes in interest rates
- Funding for new savings plan will not vary based upon these factors

	Current Pension	Grandfathered Pension/ New Savings Plan
Projection of 20-Year Funding	Expected: \$525M Range: \$465M to \$650M	Expected: \$525M*

* Based on design of the new plan, the first 5 years of the 20-year funding projection for the new plan are estimated to cost 15 to 20% more than the current pension plan during the same 5 year timeframe. The middle 10 years of the new plan will have a similar cost to the current pension plan while the final 5 years of the new plan are estimated to cost 15 to 20% less than the current pension plan.



Purdue Defined Contribution Retirement Savings Plan

Evaluation of Recommendation

Transition to a new Savings Plan for employees under age 55 and new hires while maintaining defined benefit Pension Plan for current employees 55 and over :

Pros:

- ✓ Greater employee understanding leads to greater employee appreciation
- ✓ Consistent with competitive prevalence of plans within industry
- ✓ Portability of benefits
- ✓ Lower volatility of funding
- ✓ Maintain value for those employees closest to retirement
- ✓ Over time, lower cost to Purdue

Cons:

- ✓ Lower value than current Pension Plan for most employees
- ✓ Less flexible funding
- ✓ Shift investment risk to Savings Plan participants who are responsible for investment choice
- ✓ Potentially reduced morale associated with loss of traditional pension plan
- ✓ Future hires receive lower value than current employees
- ✓ Increased administration to maintain multiple plans/contributions



Purdue Defined Contribution Retirement Savings Plan

Proposed Board Decision

- **Authorize the creation of a new defined contribution savings plan with 100% participation and 3 year vesting for current employees under age 55 and newly hired employees**
- **Maintain current defined benefit pension for employees 55 or older.**
- **Transition credits included to maintain current benefit value for current employees age 45 to 54**

This proposal maintains overall projected funding at current level for overall retirement benefits

- **As pension program participation and transition credits end, program will have a lower cost structure than current plan.**



Message

From: Baker, Stuart D. [REDACTED]
Sent: 9/7/2012 6:35:54 PM
To: Sackler, Dr Kathe [REDACTED]
CC: Roncalli, Anthony [REDACTED]
Subject: Board Materials
Attachments: Draft Agenda and Board Book - Meetings of the Boards of Directors (International Companies) ; Draft Agenda and Materials - Shareholders Meetings; Draft Agenda and Board Book - Meetings of the Boards of Directors (U.S. Companies)

Kathe,

These materials are being sent to you by federal express this evening.

Stuart

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For additional information about Chadbourne & Parke LLP and Chadbourne & Parke, a multinational partnership, including a list of attorneys, please see our website at <http://www.chadbourne.com>

Message

From: Baker, Stuart D. [REDACTED]
Sent: 9/7/2012 6:29:43 PM
To: Sackler, Dr Raymond R [REDACTED]; Sackler, Beverly [REDACTED]; Sackler, Dame Theresa [REDACTED]; Sackler, Dr Richard [REDACTED]; Sackler Lefcourt, Ilene [REDACTED]; Sackler, Dr Kathe [REDACTED]; Sackler, Jonathan [REDACTED]; Sackler Hunt, Samantha [REDACTED]; Sackler, Mortimer D.A. [REDACTED]; Sackler, David [REDACTED]; Boer, Peter [REDACTED]; Boer, Peter [REDACTED]; Lewent, Judy [REDACTED]; Pickett, Cecil [REDACTED]; Costa, Paulo [REDACTED]; Snyderman, Ralph [REDACTED];
CC: Hentzsch, Dr. Cornelia [REDACTED]; Singh, Raman [REDACTED]; Wikström, Åke [REDACTED]; Stewart, John H. (US) [REDACTED]; Roncalli, Anthony [REDACTED];
Subject: Draft Agenda and Board Book - Meetings of the Boards of Directors (International Companies)
Attachments: INTL Board Book (draft 9-7-12).pdf

Friday, September 7, 2012

Dear All,

Attached is the draft Agenda and Board Book (Draft - September 7, 2012) for the Meetings of the Boards of Directors (International Companies) to be held next Thursday, September 13, 2012 in the Stamford Board Room. The Meetings of the Boards of Directors (International Companies) are scheduled to commence at 10:00 a.m.

Directors in the Stamford area are encouraged to attend the meetings in person.

For those persons joining the meetings telephonically, the call-in numbers are as follows:

U.S. Participants [REDACTED]

Non-U.S. Participants [REDACTED]

Passcode: [REDACTED]

Hard copies of the final Materials will be circulated by pdf next Wednesday evening and will be available at the Meetings.

Stuart