Produced Natively

NRx, RRx and TRx by Strength
Distribution of Rxs by Strength
Distribution of NRx, RRx and TRx by Strength
Weekly Growth in Butrans TRxs

Butrans New, Refill and Total Prescriptions by Strength

		Total			5 mcg/hour			10 mcg/hour			20 mcg/hour			Total	
Week #	Week Ending	NRx	RRx	TRx	NRx	RRx	TRx	NRx	RRx	TRx	NRx	RRx	TRx	NRx	RRx
Week 92	26-Oct-12	7,624	2,162	9,786	1,944	459	2,403	3,410	975	4,385	2,270	728	2,998	77.9%	22.1%
Week 93	2-Nov-12	7,366	2,171	9,537	1,880	434	2,314	3,319	994	4,313	2,167	743	2,910	77.2%	22.8%
Week 94	9-Nov-12	7,840	2,311	10,151	1,983	485	2,468	3,443	1,013	4,456	2,414	813	3,227	77.2%	22.8%

Distribution of Butrans Prescriptions by Strength

			5 mcg/hour			10 mcg/hour			20 mcg/hour		
Week #	Week Ending	TRx	NRx	RRx	TRx	NRx	RRx	TRx	NRx	RRx	TRx
Week 92	26-Oct-12	100.0%	19.9%	4.7%	24.6%	34.8%	10.0%	44.8%	23.2%	7.4%	30.6%
Week 93	2-Nov-12	100.0%	19.7%	4.6%	24.3%	34.8%	10.4%	45.2%	22.7%	7.8%	30.5%
Week 94	9-Nov-12	100.0%	19.5%	4.8%	24.3%	33.9%	10.0%	43.9%	23.8%	8.0%	31.8%

Distribution of Butrans Ne

	Total			5 mcg/hou	
	NRx	RRx	TRx	NRx	RRx
Week 92	77.9%	22.1%	100.0%	80.9%	19.1%
Week 93	77.2%	22.8%	100.0%	81.2%	18.8%
Week 94	77.2%	22.8%	100.0%	80.3%	19.7%

		w, Refill and Total Prescriptions by Strength							Weekly Growth in Butrans New, Refill and Total Prescr							
			10 mcg/hour			20 mcg/hour			Total			5 mcg/hour			10 mcg/hou	
Week #	Week Ending	TRx	NRx	RRx	TRx	NRx	RRx	TRx	NRx	RRx	TRx	NRx	RRx	TRx	NRx	RRx
Week 92	26-Oct-12	100.0%	77.8%	22.2%	100.0%	75.7%	24.3%	100.0%	0.9%	1.9%	1.1%	-2.8%	9.5%	-0.7%	2.8%	5.1%
Week 93	2-Nov-12	100.0%	77.0%	23.0%	100.0%	74.5%	25.5%	100.0%	-3.4%	0.4%	-2.5%	-3.3%	-5.4%	-3.7%	-2.7%	1.9%
Week 94	9-Nov-12	100.0%	77.3%	22.7%	100.0%	74.8%	25.2%	100.0%	6.4%	6.4%	6.4%	5.5%	11.8%	6.7%	3.7%	1.9%

		iptions by Strength			
		r	20 mcg/hour		
Week #	Week Ending	TRx	NRx	RRx	TRx
Week 92	26-Oct-12	3.3%	1.4%	-5.9%	-0.5%
Week 93	2-Nov-12	-1.6%	-4.5%	2.1%	-2.9%
Week 94	9-Nov-12	3.3%	11.4%	9.4%	10.9%

Butrans 10mcg Equivalents
Distribution of 10mcg Equivalents
Weekly Growth in 10mcg Equivalents

		Butrans 10mcg Equivalents				Trend Line Sept 1	Trend Line Jan 20	Distrib
		Total	5 mcg/hour	10 mcg/hour	20 mcg/hour	Total	Total	Total
Week #	Week Ending	TRx	TRx	TRx	TRx	TRx	TRx	TRx
Week 92	26-Oct-12	11,583	1,202	4,385	5,996		11,583	100.0%
Week 93	2-Nov-12	11,290	1,157	4,313	5,820		11,290	100.0%
Week 94	9-Nov-12	12,144	1,234	4,456	6,454		12,144	100.0%

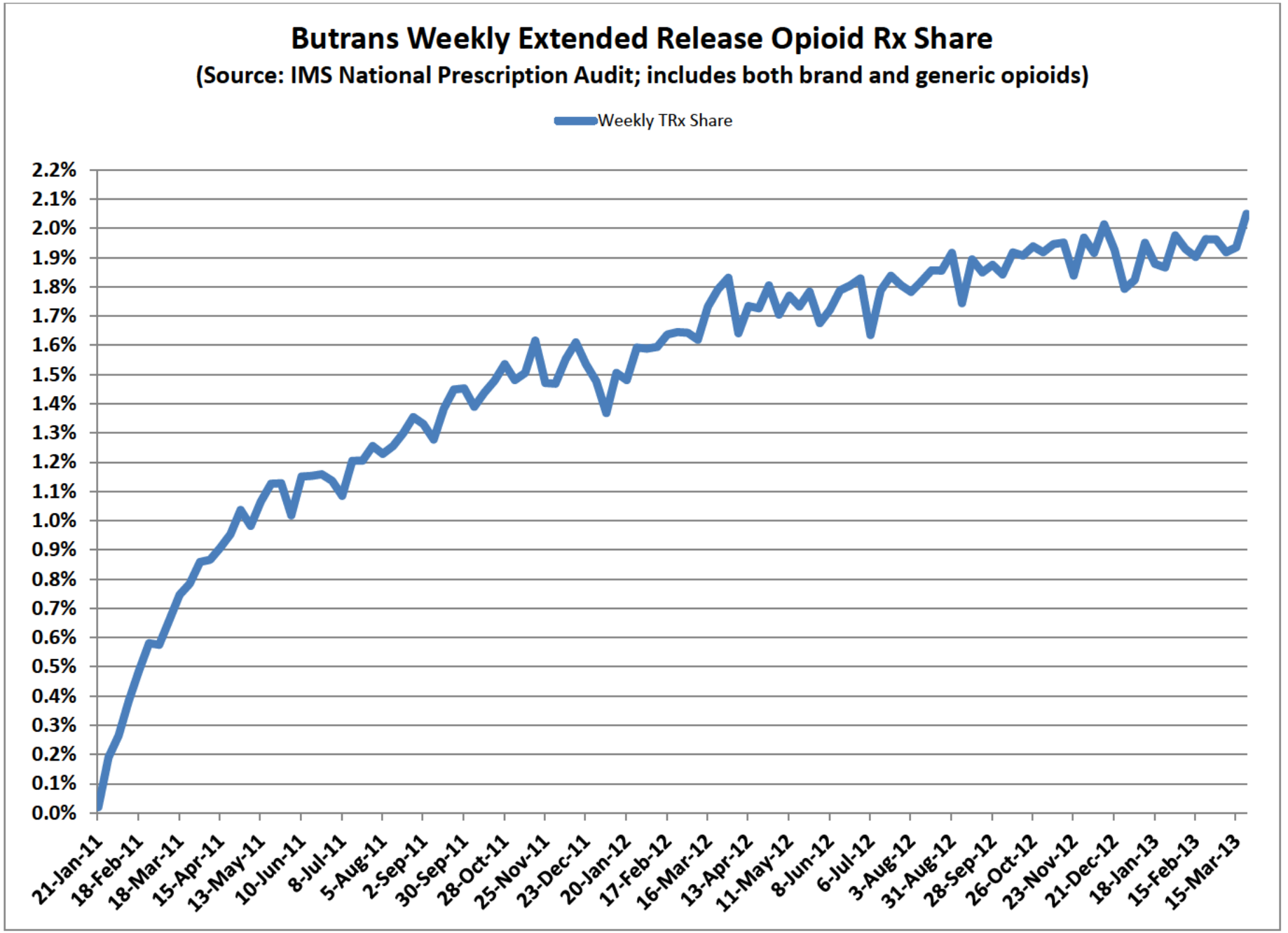
		ution of Butrans 10mcg Equivalents			Weekly Growth - Butrans 10mcg Equivalents			
		5 mcg/hour	10 mcg/hour	20 mcg/hour	Total	5mcg	10mcg	20mcg
Week #	Week Ending	TRx	TRx	TRx	TRx	TRx	TRx	TRx
Week 92	26-Oct-12	10.4%	37.9%	51.8%	0.9%	-0.7%	3.3%	-0.5%
Week 93	2-Nov-12	10.2%	38.2%	51.6%	-2.5%	-3.7%	-1.6%	-2.9%
Week 94	9-Nov-12	10.2%	36.7%	53.1%	7.6%	6.7%	3.3%	10.9%

TRxs by Channel
Distribution of Rxs by Channel
Weekly Growth in Butrans TRxs by Channel

		Butrans TRxs (absolute) by Channel				Distribution of Butrans TRxs by Channel			
		Total	Retail	LTC	Mail	Total	Retail	LTC	Mail
Week #	Week Ending								
Week 92	26-Oct-12	9,786	9,253	405	128	100.0%	94.6%	4.1%	1.3%
Week 93	2-Nov-12	9,537	9,001	380	156	100.0%	94.4%	4.0%	1.6%

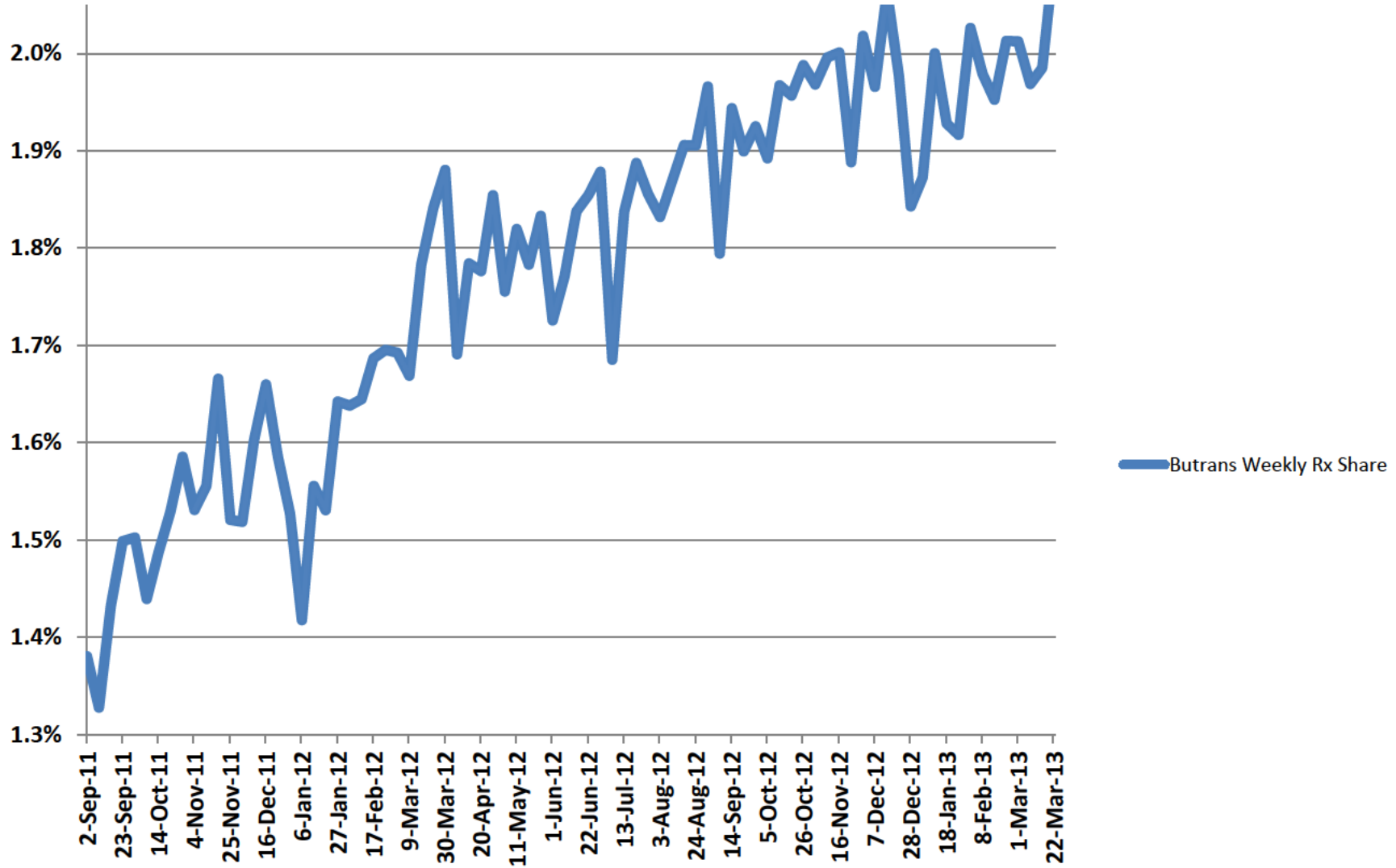
Butrans (buprenorphine) Transdermal System 5, 10, and 20 mcg/hour

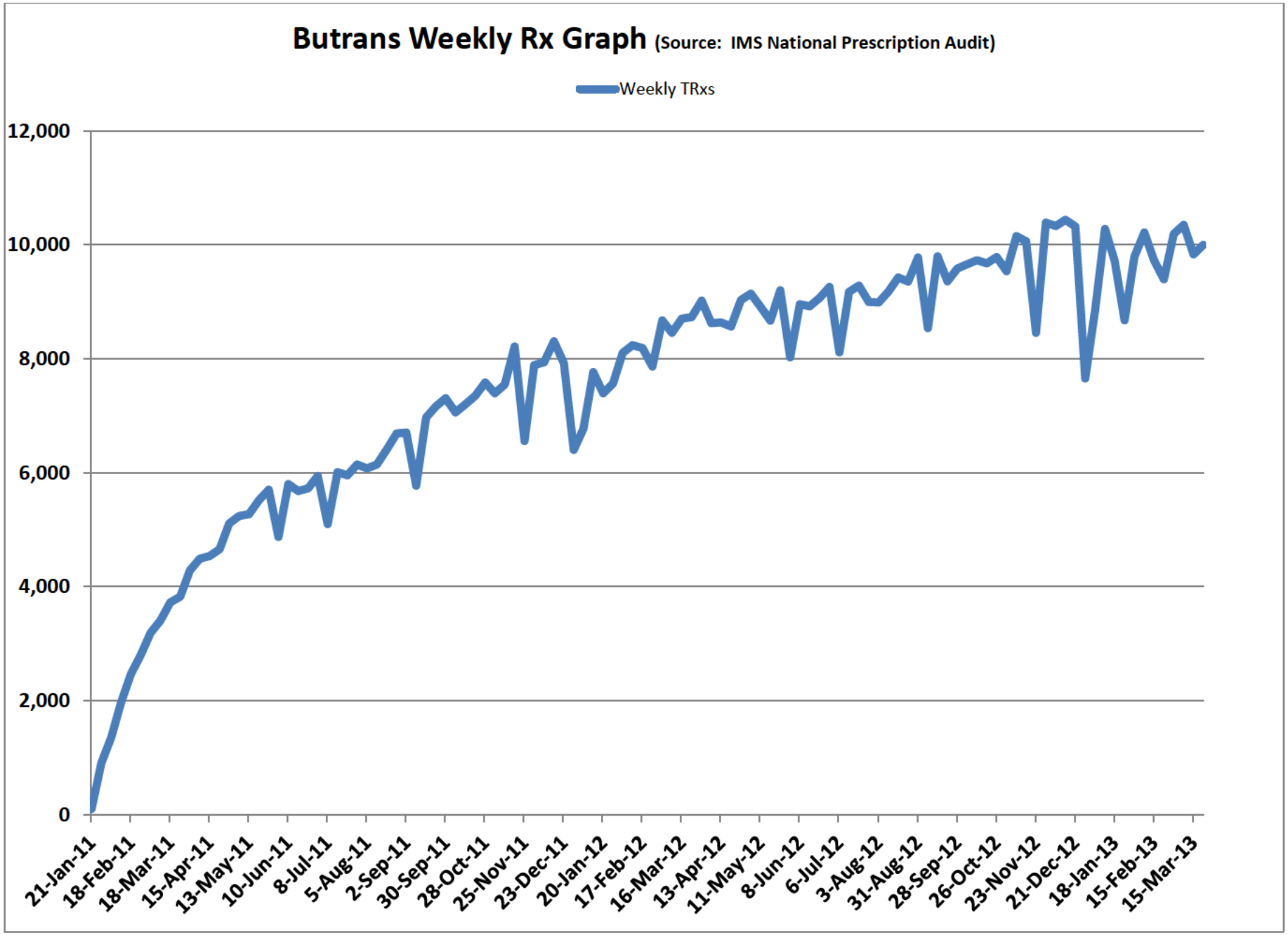
		Growth in Butrans TRXs by Channel			
		Total	**Retail**	**LTC**	**Mail**
Week #	Week Ending				
Week 92	26-Oct-12	1.1%	1.1%	1.5%	-1.5%
Week 93	2-Nov-12	-2.5%	-2.7%	-6.2%	21.9%

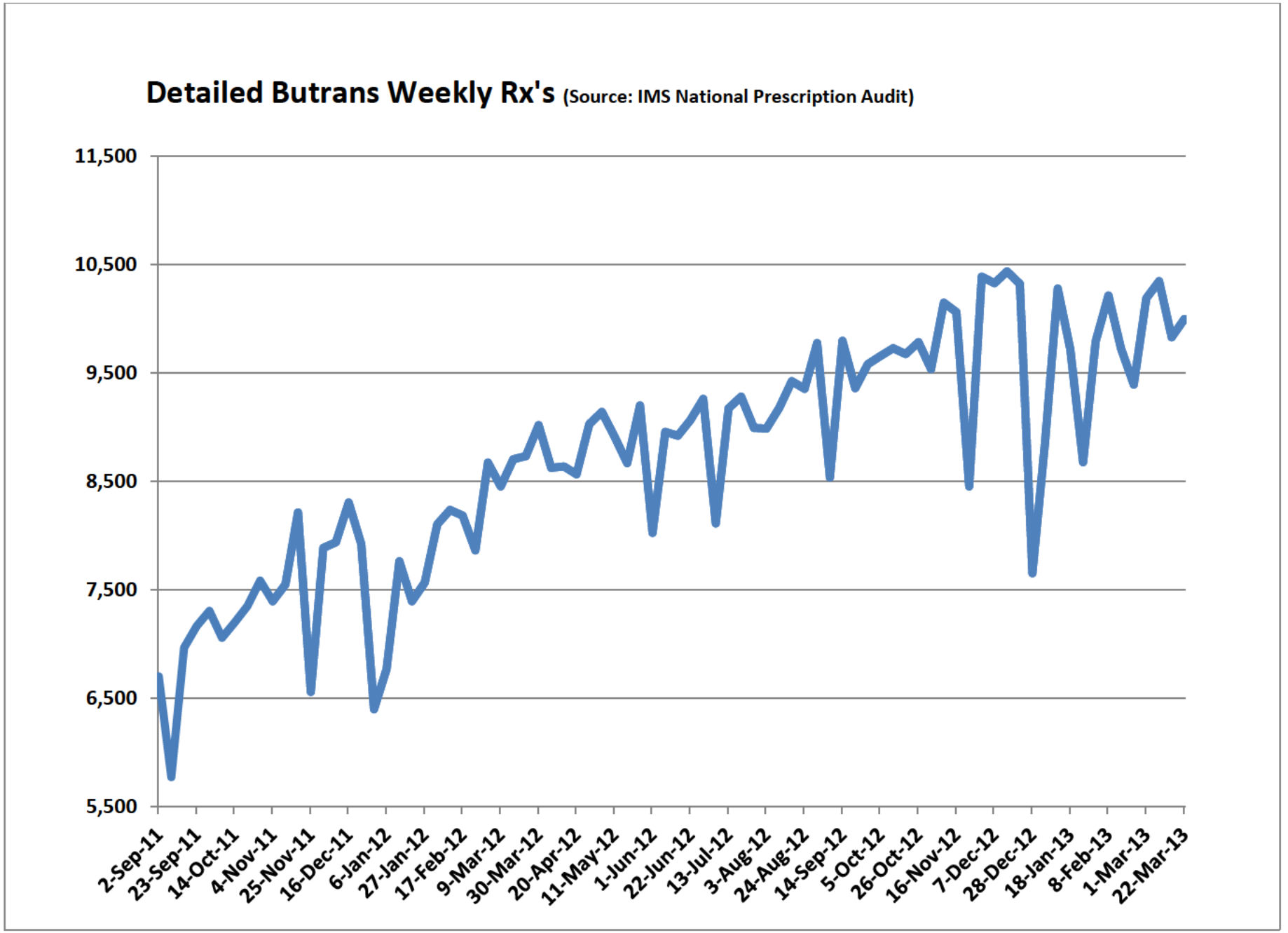

Butrans Weekly Extended Release Opioid Rx Share
(Source: IMS National Prescription Audit; includes both brand and generic opioids)
Weekly TRx Share
2.2%
2.1%
2.0%
1.9%
1.8%
1.7%
1.6%
1.5%
1.4%
1.3%
1.2%
1.1%
1.0%
0.9%
0.8%
0.7%
0.6%
0.5%
0.4%
0.3%
0.2%
0.1%
0.0%
21-Jan-11
18-Feb-11
18-Mar-11
15-Apr-11
13-May-11
10-Jun-11
8-Jul-11
5-Aug-11
2-Sep-11
30-Sep-11
28-Oct-11
25-Nov-11
23-Dec-11
20-Jan-12
17-Feb-12
16-Mar-12
13-Apr-12
11-May-12
8-Jun-12
6-Jul-12
3-Aug-12
31-Aug-12
28-Sep-12
26-Oct-12
23-Nov-12
21-Dec-12
18-Jan-13
15-Feb-13
15-Mar-13

Detailed Butrans Weekly Extended Release Opioid Market Share

(Source: IMS National Prescription Audit; includes both branded and generic opioids)




Butrans Weekly Rx Graph (Source: IMS National Prescription Audit)
Weekly TRxs
12,000
10,000
8,000
6,000
4,000
2,000
0
21-Jan-11
18-Feb-11
18-Mar-11
15-Apr-11
13-May-11
10-Jun-11
8-Jul-11
5-Aug-11
2-Sep-11
30-Sep-11
28-Oct-11
25-Nov-11
23-Dec-11
20-Jan-12
17-Feb-12
16-Mar-12
13-Apr-12
11-May-12
8-Jun-12
6-Jul-12
3-Aug-12
31-Aug-12
28-Sep-12
26-Oct-12
23-Nov-12
21-Dec-12
18-Jan-13
15-Feb-13
15-Mar-13


Detailed Butrans Weekly Rx's (Source: IMS National Prescription Audit)
11,500
10,500
9,500
8,500
7,500
6,500
5,500
2-Sep-11
23-Sep-11
14-Oct-11
4-Nov-11
25-Nov-11
16-Dec-11
6-Jan-12
27-Jan-12
17-Feb-12
9-Mar-12
30-Mar-12
20-Apr-12
11-May-12
1-Jun-12
22-Jun-12
13-Jul-12
3-Aug-12
24-Aug-12
14-Sep-12
5-Oct-12
26-Oct-12
16-Nov-12
7-Dec-12
28-Dec-12
18-Jan-13
8-Feb-13
1-Mar-13
22-Mar-13

Message

From: Baker, Stuart D. [redacted]
Sent: 4/4/2013 5:17:50 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, 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: Baker, Stuart D. [redacted] Stewart, John H. (US) [redacted] Mahony, Edward [redacted] [redacted] @[redacted].co.uk]; Roncalli, Anthony [redacted] D'Agostino, Amy [redacted]
BCC: Stewart, John H. (US) [redacted]
Subject: Draft Agenda and Board Book - Meetings of the Boards of Directors (U.S. Companies)
Attachments: US. Board Book (Draft - April 4, 2013).pdf

Thursday, April 4, 2013

Dear All,

Attached is the draft Agenda and Board Book (Draft – April 4, 2013) for the Meetings of the Boards of Directors (U.S. Companies) to be held next Wednesday, April 10, 2013 in the Stamford Board room following the Meetings of the Boards of Directors (International Companies). The Meetings of the Boards of Directors (International Companies) will commence at 10:00 a.m. (NY time).

Directors 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**

The attached materials have been uploaded to BoardVantage.

Stuart

BOARDS OF DIRECTORS MEETINGS
(U.S. Companies)

Wednesday, April 10, 2013

AGENDA

1. Interim Decisions
   - None
2. Pending Decision
   - Targiniq® - Confirmation as the US Trademark for Targin® **(5 Minutes)**
3. 1Q 2013 Compliance Report **(15 Minutes)**
4. FDA Decision on Generics to Non-AD OxyContin® – Contingency **(30 Minutes)**
5. Grünenthal TRF Technology - MS Contin® **(30 Minutes)**
6. Status OxyContin® Patent Settlements and Low ABUK Situation **(15 Minutes)**
7. Other

CPAM: 5398014.2

TAB 2

PROPOSED DECISION

March __, 2013

Targiniq® - Confirmation as the US Trademark for Targin®

It is proposed that Targiniq® be confirmed as the US Trademark for Targin®.

(Decision of the Board of Directors of Purdue Pharma Inc., as the General Partner of Purdue Pharma L.P.)

CPAM: 5358552.1

Baker, Stuart D.

From: Stewart, John H. (US) [redacted]@pharma.com]
Sent: Friday, March 01, 2013 11:37 AM
To: Baker, Stuart D.; Boer, Peter; Costa, Paulo; Judy Lewent; Pickett, Cecil; Sackler, Beverly; Sackler, Dame Theresa; Sackler, David; Sackler, Dr Kathe; Sackler, Dr Raymond R; Sackler, Dr Richard; Sackler, Jonathan; Sackler, Mortimer D.A.; Snyderman, Ralph
Cc: [redacted] Gasdia, Russell; Landau, Dr. Craig; [redacted]
Subject: TARGINIQ is the Recommended US Trademark for ONU (Targin)

Below is an email from Ron Cadet, our OxyContin Brand Manager who also on the ONU Development Team, which outlines the rationale for selection of Targiniq as the US brand name for the product – which Russ and I support. The choice of Targiniq culminated out of the results of a detailed research survey of 12 "finalist" names - involving 75 physicians, 75 pharmacists and 100 pain patients.

The original hope was to be able to use Targin as the US tradename, but as noted below – that name was rejected by the Patent and Trademark Office. In order to maintain brand international brand awareness/continuity, the Targin-like marks of Targinact and Targiniq were included in the research – along with Targin itself for comparative purposes. The research evaluates each name on two primary parameters, likelihood of regulatory agency acceptance (freedom from brand confusion, inherent promotional claims etc.) and marketing criteria (first impressions, attributes, favorite name, overall choice, etc.). Due to the importance for a trademark to be acceptable to the FDA, somewhat greater priority is given to performance on the regulatory factors – but not overwhelmingly so.

In the charts within Ron's email below, you will see that the top three marks in terms of marketing performance were Targinact, Targin and Targiniq, respectively. However, on the regulatory criteria, the order among the three was just the opposite. As such, and knowing that Targin isn't available – the choice is Targiniq, and I have advised Ron and Russ to proceed with Targiniq – with the expectation that it will be accepted by the FDA. If it is not, we will undertake additional analyses/discussions before proceeding with the current "second place" selection – Omtinu. I do, however, want you to be informed of the process and basis for the selection.

If you would like to see the detailed report of the research project, let me know and I'll have it forwarded.

Regards – John

From: [redacted]
Sent: Wednesday, February 27, 2013 5:21 PM
To: Stewart, John H. (US)
Cc: Gasdia, Russell; [redacted]
Subject: ONU Naming Project - Decision Required
Importance: High

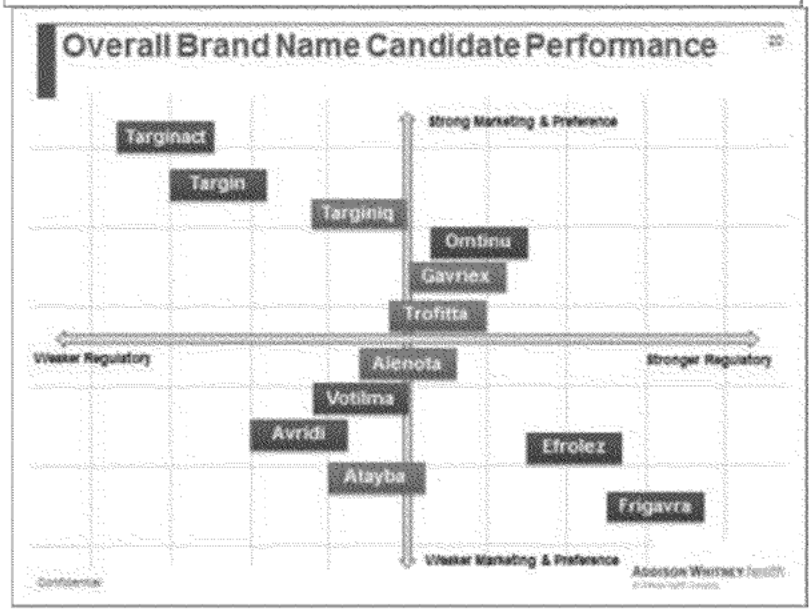
John-

ACTION: Provide approval to move forward with **TARGINIQ** as the first choice name candidate for ONU and **OMTINU** as the backup (replacing **TROFITTA**) by **March 11th.**

- It is still my recommendation at we should move forward with **TARGINIQ** as the first choice US brand name candidate for ONU.
    - Although both **TARGIN** and **TARGINACT** performed slightly better in the naming research, as measured by the Marketing Performance Index, the differences were relatively minor. Moreover, our trademark application for **TARGIN** was rejected by the United States Patent and Trademark Office based on similarity to the existing mark **TARGEGEN** – so we are not going to be able to use Targin
    - Based on the naming research, **TARGINACT** poses a greater risk of not getting approved by the FDA, due to the potential look alike confusion with **TAGAMET.**

OTHER:

- Redacted
- It will now be published for opposition in the next few months, which means that third parties will be given thirty days to oppose our application if they believe it conflicts with their trademark rights. If nobody opposes the application, we will then receive a "Notice of Allowance", which will give us three years to begin using the mark (and once we begin using it, we will get a registration).
- Our first choice for the backup name (backup to a Targin-like name) was originally **OMTINU,** as it tested well in the Marketing Performance Index and is also a strong candidate for Regulatory approval



CLOSE: Please let me know if you have any questions.

Thanks,

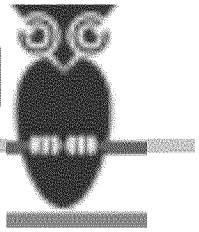
[redacted]@pharma.com

TAB 3

Quarterly Compliance Report to the Board of Directors 1Q2013

Bert Weinstein
Vice President, Corporate Compliance
April 10, 2013

Corporate Integrity Agreement - Closed



Purdue's CIA Officially Closed

From Letter dated January 24th, Office of Inspector General, HHS:

We have reviewed Purdue Pharma LP's (Purdue's) Fifth Annual Report and the correspondence and information provided subsequent to Purdue's submission of the Fifth Annual Report. Based on our review of all of this information, it appears that Purdue was in compliance with the terms of the Corporate Integrity Agreement (CIA) between the Office of Inspector General (OIG) of the Department of Health and Human Services and Purdue during the fifth annual reporting period. This letter confirms that we have no further questions regarding Purdue's Fifth Annual Report and that the term of the Purdue CIA has now concluded.

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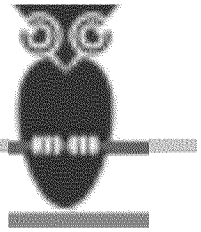
Key Compliance Issues Seen in Q1



Field Sales Call Note Reviews

- Monthly call note reviews now being completed on a 30 day cycle
- Reviewing 10% of approx. 90K call notes generated monthly
- Faster spotting of issues, e.g.,
  - Pro-active discussion of OxyContin reformulation (not permitted)
  - Quality of life / implied superiority claims (not permitted)

Sales Discipline Committee

- Completing call note reviews this fast has enhanced effectiveness of Sales discipline process
- Corporate Compliance has been able to spot trends and provide remediation more proactively and effectively

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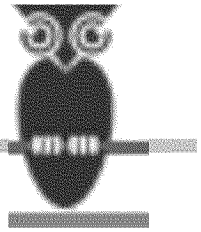
Key Compliance Issues Seen in Q1



Speaker Programs – "Monitoring Forms"

- Issue – Speaker Monitoring Forms are critical to proper program compliance - not being submitted in a timely fashion
- Solution – Ongoing monthly monitoring by Corporate Compliance along with Sales Management training on requirements and impact- no longer an issue

Field Contact Reports

- Issue – Managers not completing documented work sessions every 90 days – SOP requirement
- Solution – As part of revised Sales SOP, new work session requirement changed from 8 days annually to 2 days per quarter- will be remedied with monthly monitoring and reporting

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"Priority Risks" Addressing in 2013

Price Reporting – Government price and rebate reporting accurate and timely - with increased focus on enforcement

Site Monitoring - Study Manager review of Monitoring Reports and clinical trial oversight

- There are thousands of clinical trial sites, with consequent multiplication of risk; we must have accuracy and integrity of data for NDA filings
- Drug diversion issues at clinical trial sites - need to be remediated

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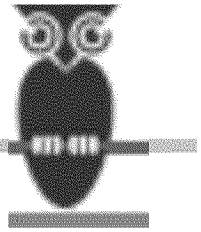
"Priority Risks" Addressing in 2013



Managed Care

- Increased government scrutiny
- Negotiations with Managed Care Organizations
- Managed care promotional activities that touch on government lives

Appropriate Promotion

- Intermezzo promotion by ASF and ISF
  - Risk – promotion of co-morbid conditions
  - Risk - FDA guidance on zolpidem and gender dosing
- OxyContin promotion, especially with regard to abuse potential
  - Risk – Comparative statements: i.e., reformulation vs. generic, reformulation vs. original
- OxyContin forthcoming "label change"

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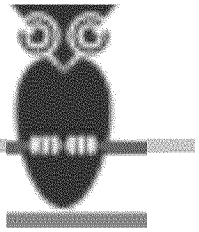
"Priority Risks" Addressing in 2013



Sunshine Act - Maintaining competitive advantage *and* remaining compliant

- Final regulations pose special challenges in capturing clinical data
- How good are our data sources?
- Data mining by competitors and consultants of information made public

Quality Investigations

- Risk in length of time to complete Quality investigations
- need to incorporate learnings from Quality investigations and implement best practices Need clear accountability
- New Compliance Scorecard element tracks and scores time to close investigations

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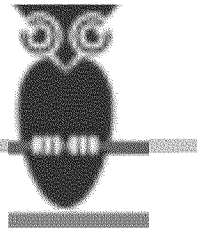
Sunshine Act - Summary



To Provide public reporting on spend by pharma and device manufacturers on physicians and Teaching Hospitals

Why? To *a*llow patients to make decisions about who they use as their provider

What? Any Payment or transfer of value - anything with "discernible economic value"

Upcoming Dates

- **August 1, 2013 –** begin tracking transfers of value
- **March 31, 2014**– first disclosure report is due to CMS
- **September 30, 2014** – CMS will make information publicly available through a searchable website
- Annual reporting thereafter

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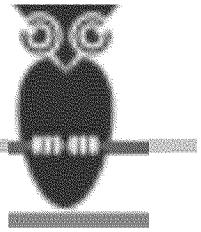
Scope of Sunshine Act Payments



Examples of payments/other transfers of value to be reported:

- Meals during office visits or speaker programs
- “Educational” items and materials, if not for patient use
- Consulting fees and related expenses (inc. travel, lodging, meals)
- Speaker fees (inc. travel, lodging, meals)
- Educational and research grants
- Payments and in-kind items related to research and development activities (but with delayed publication provision for payments related to products in development)
- Exhibits, Conventions, Product Theaters

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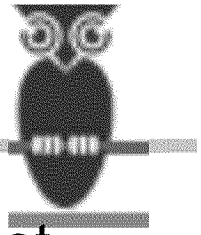
Sunshine Act Data Requirements



For each Physician or Teaching Hospital with spend, must report the following information (not exhaustive list):

- First Name, Last Name, Middle Initial, suffix
- Primary business address
- Specialty
- National Provider Identifier #
- Amount of payment
- Dates payment made
- Form of payment
- State License Number
- State(s) of Licensure
- Physician designation (e.g., MD, DO)
- Nature and purpose of payment
- Name of the product(s) to which the payment relates
- NDC number(s) for each product to which the payment relates

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Sunshine Act Data Requirements

A new data collection system has been built to aggregate all Purdue data required for Sunshine Act and State law reporting requirements:

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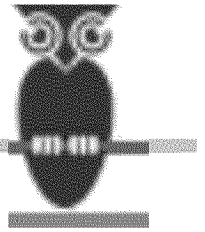
Further Sunshine Act Provisions



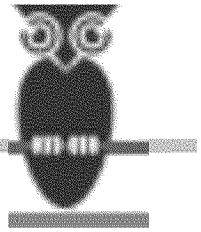
Dispute Resolution

- Covered recipients have opportunity to review data at least 45 days before data made public
- Covered recipients may initiate a dispute
- If disputed, manufacturer and the recipient must attempt to resolve the dispute, within 15 days
- If dispute not resolved, CMS will post data as reported by the manufacturer and note it is disputed

Civil Monetary Penalties

Manufacturers are subject to civil money penalties for failing timely to accurately and completely report data

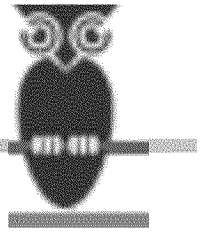
PURDUE®



FYI BACKUP SLIDE

PURDUE

Compliance Charter Amendment



FYI – The Compliance Department activities are carried out, in part, pursuant to a 2005 Board-approved Charter. The Charter was amended in 2007 to account for certain CIA requirements. With closure of the CIA, we have broadened the activities of Purdue's Compliance Committee, and modified the membership from the CIA-required membership, to account for the new role of the Committee.

TAB 5

PROPOSED DECISION

March __, 2013

Grünenthal TRF Technology - MS Contin®

It is proposed that Purdue Pharma L.P. ("PPLP") and Rhodes Pharmaceuticals L.P. ("Rhodes"; PPLP and Rhodes are sometimes collectively referred to herein as "Purdue") enter into a license agreement (the "Agreement") with Grünenthal GmbH ("Grünenthal") with respect to Grünenthal's prolong release tamper resistant formulation technology (the "TRF Technology") based upon the following terms:

1. Purdue will license the TRF Technology to cover MS Contin® (a non-melt extruded extended release morphine sulfate product intended for two or three times daily dosing) (the "Purdue Product"), Rhodes' authorized generic or ANDA/505(b)(2) generic morphine product (a morphine two or three times daily dosing product) (the "Rhodes Product"), and an authorized morphine generic to either the Purdue Product or the Rhodes Product (said product being an authorized generic or ANDA/505(b)(2) generic) (the "Authorized Generic Product"; the Purdue Product, the Rhodes Product and the Authorized Generic Product are sometimes collectively referred to herein as the "Morphine TRF Products");

2. Territory - The territory will be worldwide excluding the European Union, Latin America and Australia; provided, however, Purdue will have an option which expires six months after US NDA approval for anyone of the Morphine TRF Products to extend the territory to include Brazil, Mexico and Colombia against a payment of $300,000 per country to Grünenthal, and to the extent the territory to include Australia against a payment of $500,000 to Grünenthal;

3. Term - On a country-by-country basis until the later of (i) last valid patent claim of the Grünenthal patents, or (ii) ten years from first launch of a Morphine TRF Product;

4. Sublicense and Manufacture - Purdue will have the exclusive right to sublicense third parties to distribute the Morphine TRF Products in the Territory without the prior written consent of Grünenthal, and will have the right to manufacture or have manufactured the Morphine TRF Products. Grünenthal will have the exclusive, non-sublicensable (other than for manufacturing or to its affiliates) right to register and sell Morphine TRF Products supplied by Purdue outside of the Territory, and if Purdue is currently selling in the U.S. a Morphine TRF Product, Purdue will, upon request and appropriate notice by Grünenthal to Purdue, use commercially reasonable efforts within Purdue's available manufacturing capabilities and within Purdue's regulatory approvals and quotas to manufacture that identical (including, but not limited to, composition, form,

dosage, appearance, color, scoring, and markings) Morphine TRF Product for Grünenthal (supply price to be actual cost of goods plus a mutually agreed upon handling fee), subject to a minimum volume requirement;

5. Development and Commercialization - Purdue will have all responsibility for the development and commercialization of the Morphine TRF Products in the Territory and will use commercially reasonable efforts to develop, and upon successful development, to commercialize this opportunity in the United States. If, at any time after the first anniversary of the Agreement, at least one Morphine TRF Product is not either (i) under current development or (ii) being commercialized, Grünenthal shall have the right on a country-by-country basis in the Territory to grant a third-party a non-exclusive license under Grünenthal's intellectual property to make, use, offer to sell, sell and import a melt-extruded two or three times daily dosing extended-release morphine sulfate tablet. The current estimated development and regulatory costs for Purdue are $28.4 million;

6. Regulatory and Data for Marketing Authorization - Grünenthal shall have the right to use and reference Purdue's data/dossier for Grünenthal's regulatory filings in the European Union, Latin American countries and Australia against the payment of a 5% royalty to Purdue based upon Grünenthal's gross margin;

7. Upfront Payment - €5.5 million;

8. NDA Approval Milestone to Grünenthal - $2 million;

9. Royalties -

- Purdue Product and Rhodes Product -
  - 5% of annual Net Sales < $150,000,000
  - 7.5% of annual Net Sales > $150,000,000
- Authorized Generic Product sold by third parties -
  - 2.5% of annual Net Sales < $150,000,000
  - 3.75% of annual Net Sales > $150,000,000
- Royalty Rate Reductions
  - 20/30/40/50% reduction based upon IMS share of third party unauthorized generic if (A) all Orange-Book listed patents have expired or (B) the unauthorized generic (i) is a tamper resistant AB rated generic and (ii) was on the market for more than 6 months;

10. Minimum Royalties - Purdue shall pay minimum royalties of $2.5 million per calendar year for at least the first three years after the earlier of (i) January 1, 2017 or (ii) first commercial sale by Purdue of the first Morphine TRF Product;

11. Termination - Prior to Purdue's launch of the first Morphine TRF Product in the United States, Purdue may terminate the Agreement in whole immediately upon 180 days notice to Grünenthal of a material adverse change including, but not limited to, changes in the budget, development plan, commercial or financial prospects, or timeline or upon any FDA guidance that will change the opportunity, without any further accrued payments to Grünenthal other than payment of a €500,000 termination fee;

12. Non-Compete - To the maximum extent permitted by law, on a country-by-country basis, Purdue will not sell in the Territory any tamper resistant morphine sulfate two or three times daily dosing extended-released product other than the Morphine TRF Products.

(Decision of the Board of Directors of Purdue Pharma Inc., as the general partner of Purdue Pharma L.P., and as a recommendation of the Board of Directors of MNP Consulting Limited)

Abuse Deterrent MS Contin® Agenda

March 21, 2013

- ER Morphine Market
- ER Morphine Abuse
- Abuse Deterrent Technology
- Abuse Deterrent Technology Grunenthal
- Development Plan and Timeline
- Commercial Opportunity
- Risks
- Summary

Why abuse deterrent ER Morphine?

- ER morphine appears to be less abused than Oxy IR, hydrocodone – APAP or OxyContin – but is still substantially abused. That abuse will likely increase as abuse deterrent versions of oxycodone IR and Opana are introduced.
- ER morphine is abused via injecting or snorting – both likely made more difficult in an abuse deterrent dosage.
- ER morphine is currently ~30% of all long acting opioid prescriptions – so is an important part of an abuse deterrent opioid strategy.
- Any governmental regulations in favor of abuse deterrent opioids will almost certainly pertain to ER morphine.

Why Purdue/Rhodes is in a unique position to develop and commercialize an abuse deterrent ER Morphine?

- Purdue has a successful track record developing abuse deterrent opioids, collecting and disseminating meaningful abuse deterrent data and obtaining timely FDA approval.
- An abuse deterrent ER Morphine would become part of Purdue's portfolio of abuse deterrent products – OxyContin, Targin, ER hydrocodone and IR oxycodone.
- The MS Contin NDA – owned by Purdue – should enable Purdue to more readily disrupt the market.
- 50% of ER morphine prescriptions are written "MS Contin".
- Rhodes 37.4+% (Q1 2013) market share in ER morphine enables an early and substantial entry of an abuse deterrent ER morphine into the generic segment.

ER Morphine BID Market - 2012

- 6.2 million 100-tablet bottles - ≥10% compounded growth over last three years
- 99.5% generic
- Suppliers include Mallinckrodt 42%, Rhodes 30%*, Par 15%, Mylan 8% and MS Contin brand 0.5%
- Generics sales price is approximately 5% of brand WAC**
- Sales - all competitors - at generic prices are estimated at $113 million**
- Gross margin is likely in the 45% range, so gross margin – all competitors – is approximately $51 million
- At brand net pricing, this would be a $2.7 billion market
- Nearly 50% of prescriptions are written "MS Contin" – so the brand name has significant recognition – an untapped value.

* Rhodes Q1 2013 market share is 37.4%.
** Based on Rhodes 2012 pricing.

ER Morphine BID Market - 2012

- ER Morphine OAD Market 2012
  - Kadian, Avinza and Kadian generics have, in total, annual sales of $300 million.
- Embeda
  - OAD morphine with sequestered Naltrexone
  - Developed by Alpharma and King and now owned by Pfizer
  - Sequestered Naltrexone is released when the product is crushed – giving the product abuse deterrent properties
  - Sold as a brand with peak sales in 2010 of $67 million
  - Withdrawn in 2011 due to stability requirements not being met
  - No sales in 2012 – return to market date not announced

ER Morphine Abuse

- ER morphine is less abused than Oxy IR, hydrocodone-APAP or OxyContin – but is still substantially abused.
- ER morphine abuse did not increase in the years after introduction of reformulated OxyContin. Opana ER and oxycodone IR appear to be the primary replacement.
- With the introduction of the TR Opana and expected Purdue / Rhodes of TR oxycodone – abuse of non-TR ER morphine is likely to increase.
- Approximately 50% of people who abuse ER morphine do so via injecting and 29% by snorting, both modes that would likely be made much more difficult in a TR platform.
- ER morphine could reduce patient errors and accidental exposures in children.

Conclusion:

- An abuse-deterrent formulation of ER morphine appears to be an important opportunity because ER morphine is quite widely prescribed, its use is increasing, the rate of abuse is about average within the opioid class, and ER morphine is abused by injecting and snorting.

Abuse Deterrent Technology - Options

Options:

1. Rhodes gastric release – concept stage – not yet developed.
2. Purdue internal development – concept stage – not yet developed.
3. PEO hard tablet – OxyContin-like formulation:

   Requires license to Grunenthal IP. Concept proven with OxyContin. Morphine ER formulation in development in Cranbury. Likely good abuse deterrence.

4. Grunenthal melt-extrusion INTAC TR technology:

   Nucynta and Opana like formulation. Would require license to Grunenthal IP, new manufacturing technology and $18M capital. Complex situation with IP ownership. Likely good abuse deterrence.

Recommendation:

#3 as it is a proven technology, no new capital, lower COG than #4, simplified manufacturing and scale-up, Purdue would control the development and control over IP.

Commercial Opportunity

- The ER morphine BID market is high volume and very low margin.
- The investment required to develop an abuse deterrent product is supported by an expectation that the new offering will disrupt the market as follows:
  - The old MS Contin NDA would be withdrawn
  - The new product would be named MS Contin, have its own NDA, its own National Drug Code number, have no generic equivalents and benefit, at least partially, from 50% of ER morphine scripts written "MS Contin". Rebating and patient copay assistance would be likely.
  - The FDA could require all old formula generics products to leave the market in favor of the abuse deterrent formulation.

Commercial Opportunity

Market Disruption Scenario – Purdue/Rhodes* combined:

($ Million)	2016	2017	2018	2019	2020	Total
As is Scenarios						
- Net Sales	47	49	50	52	53	251
- Gross Margin	28	29	30	31	33	152
Net Sales						
Disruption Scenario						
1. Brand used to fill 20% of scripts written MS Contin for 3 years with 40% rebate; then return to original market share and rebate	192	202	212	15	16	636
2. Authorized Generic price increase from 5% to 10% of WAC in year 3 & Rhodes market share to 50%	34	35	106	108	110	394
3. 1 and 2:						
- **Total Net Sales**	**226**	**237**	**318**	**123**	**126**	**1,030**
- **Total Gross Margin**	**202**	**212**	**287**	**97**	**100**	**898**

* Does not include the potential benefit of Rhodes providing API

** Does not include technology license, capital or development cost – for these, see full P&L.

License and Investment Highlights		PEO Hard Tablet (OxyContin formulation)
• Upfront Payment to Grunenthal		€ 5.5 million
• R&D Development Cost		$28.4 million
• NDA Approval Milestone to Grunenthal		$2.0 million
• Royalty to Grunenthal		5% ≤$150 MM sales 7.5% ≥$150 MM sales
• Competitive Cost of Goods Sold / Bottle		$8.99/bottle
• Launch		2016

Risks
Development of all strengths underway.
IP protecting this product also protects several other products.
Payers may balk at higher prices.
FDA may not remove non-abuse deterrent products from the market.

Summary:

- Abuse deterrent MS Contin represents a significant commercial opportunity.
- The Grunenthal patent technology may enable Purdue/Rhodes to be first to market.
- Purdue (with the NDA) and Rhodes (with 37.4% generic market share) are in a unique position to develop this opportunity.

Recommendation:

- License Grunenthal patents, develop and launch an abuse deterrent ER morphine.

Backup

- Term Sheet Key Terms
- ER Morphine Market
- ER Morphine Market Projection
- ER Morphine Pricing
- Regulatory Strategy
- Protection/IP
- Scenario P&L's
- Development Budget

TERM SHEET SUMMARY

Proposed Grunenthal ER Morphine BID Term Sheet

- Products –
  - MS Contin and related AG and ANDAs
- Purdue Territory –
  - Worldwide except EU, Latin America, and Australia
  - Brazil, Mexico, Columbia, Australia Option (expires 6 mos. After U.S. NDA approval)
- Term – Later of: (A) Last-to-Expire Patent or (B) 10 Years from 1st Commercial Sales
- Right to Sublicense 3rd Party Distributors
- Purdue Responsible for NDA
- Purdue to Use Commercially Reasonable Efforts to Develop and Commercialize
- Development & Regulatory Costs – $28.4 million, Purdue to fund
- Manufacturing –
  - Purdue to manufacture for Grunenthal's sale outside of Territory, if possible
- Grunenthal has a right to refer to Purdue's NDA outside of the Territory
  - Purdue receives a 5% royalty on Grunenthal's gross margin outside of the Purdue / Rhodes Territory

Proposed Grunenthal ER Morphine BID Term Sheet (cont'd)

- Payments by Purdue–
  - Up-front - € 5,500,000
  - 1st NDA approval in all dosages - $2,000,00
  - Royalties -
    - MS Contin New and Rhodes MS Contin -
      - 5% of annual Net Sales < $150,000,000
      - 7.5% of annual Net Sales > $150,000,000
    - Authorized Generics sold by 3d parties –
      - 2.5% of annual Net Sales < $150,000,000
      - 3.75% of annual Net Sales > $150,000,000
    - Royalty Rate Reductions
      - 20/30/40/50% reduction based upon IMS share of 3d party unauthorized generic if (A) all orange-Book listed patents have expired or (B) the unauthorized generic (i) is a tamper resistant AB rated generic and (ii) was on the market for > 6 mos.

ER Morphine Market

1X Per Day Morphine

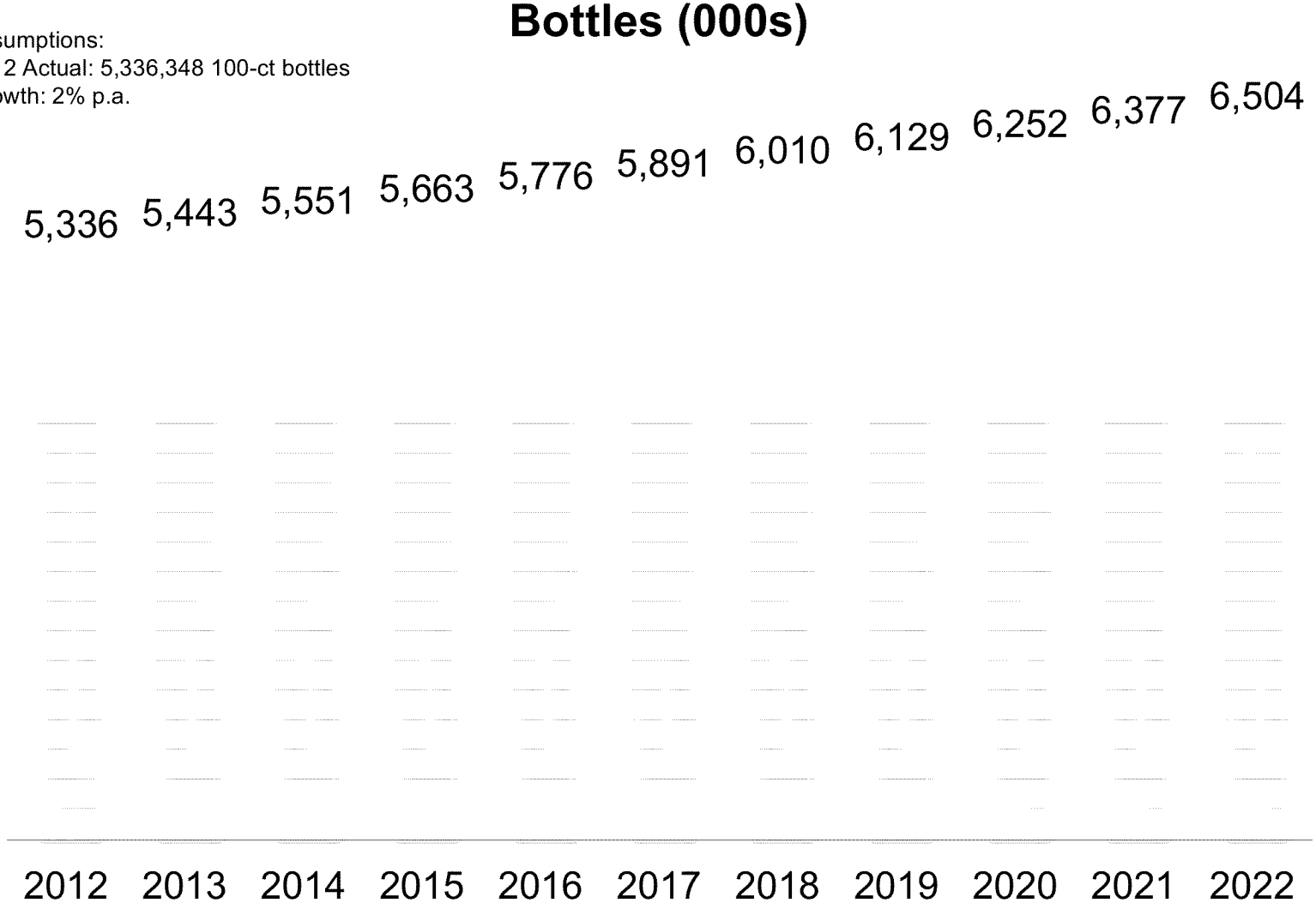
	TRx				Sales (000)				Bottles Sold			
Manufacturer (Product)	**2009**	**2010**	**2011**	**2012**	**2009**	**2010**	**2011**	**2012 (YTD NOV)**	**2009**	**2010**	**2011**	**2012 (YTD NOV)**
ACTAVIS												
KADIAN	669,201	569,677	535,403	217,986	$266,623	$264,758	$265,964	$102,107	393,448	338,892	309,629	110,786
MORPHINE SULF (Generic Kadian)			6,866	183,522			$10,327	$72,522			14,820	113,576
Actavis subtotal	***669,201***	***569,677***	***542,269***	***401,508***	***$266,623***	***$264,758***	***$276,291***	***$174,629***	***393,448***	***338,892***	***324,449***	***224,362***
PFIZER												
AVINZA	545,856	387,391	297,807	233,887	$166,945	$134,886	$115,367	$89,192	227,537	164,080	131,217	92,988
EMBEDA	14,461	149,938	36,054	5	$11,169	$68,164	$17,509	$2	18,392	107,862	26,371	2
Pfizer Subtotal	***560,317***	***537,329***	***333,861***	***233,892***	***$178,114***	***$203,050***	***$132,876***	***$89,194***	***245,929***	***271,942***	***157,588***	***92,990***
WATSON LABS												
MORPHINE SULF (Generic Kadian)			3,473	74,598			$5,395	$43,826			7,455	63,906
Watson Subtotal	-	-	***3,473***	***74,598***	***$0***	***$0***	***$5,395***	***$43,826***	-	-	***7,455***	***63,906***
Total 1x Per Day Morphine	**1,229,518**	**1,107,006**	**879,603**	**709,998**	**$444,737**	**$467,808**	**$414,562**	**$307,649**	**639,377**	**610,834**	**489,492**	**381,258**

2X Per Day Morphine

	TRx				Sales (000)				Bottles Sold			
Manufacturer	**2009**	**2010**	**2011**	**2012**	**2009**	**2010**	**2011**	**2012 (YTD NOV)**	**2009**	**2010**	**2011**	**2012 (YTD NOV)**
4UORTHO LLC				22								
ABG LABORATORIES	9	1										
AMERICAN HLTH PKG			22	652			$97	$551	-	-	2,028	11,319
BLENHEIM PHARMACAL			1									
BRYANT RANCH PREPK		1										
DHS INC	1											
DISPENSING SOLUTIO	17	3										
ENDO GENERIC PROD	1,343,100	1,243,901	1,164,268	533,998	$54,001	$45,388	$44,179	$12,504	1,201,825	1,076,004	1,157,652	304,902
ETHEX CORP	102,165	5,411	1,582	296	$815	$26	$3	$0	23,810	1,161	68	12
LIBERTY PHARM	20	5										
MALLINCKRODT	1,358,869	1,524,116	2,316,601	3,512,872	$49,804	$49,082	$54,026	$72,789	1,374,209	1,618,383	1,897,184	2,417,335
MYLAN			13,171	588,709			$4,147	$25,108	-	-	43,150	482,987
NUCARE PHARM		1		2								
PALMETTO PHARMA	6	1										
PAR PHARM (Watson)	1,745,940	2,329,932	614,780	15,944	$48,491	$57,060	$14,411	$89	1,513,532	1,844,787	437,826	832
PD-RX PHARM			1	3								
PHARMA PAC			8	20								
PHYS TOTAL CARE	10	4	1	2								
PURDUE PHARMA (MS-Contin)	37,891	28,331	23,283	20,179	$19,933	$16,440	$15,243	$12,959	53,499	39,280	33,607	25,429
QUALITY CARE PHARM	18	18	26	11								
RHODES PHARM			1,678,860	1,851,079			$43,401	$55,836	-	-	1,538,130	1,648,817
STAT RX USA			3	6								
TEVA PHARMACEUTICA	26	2	2									
VIBRANTA	34	7										
XANODYNE PHARMA (Oramorph-SR)	17,922	11,011	4,726	230	$6,301	$3,759	$1,211	$3	103,687	54,271	10,532	19
2x Per Day Morphine Total	**4,606,028**	**5,142,745**	**5,817,335**	**6,524,025**	**$179,345**	**$171,755**	**$176,718**	**$179,839**	**4,270,562**	**4,633,886**	**5,120,176**	**4,891,653**

ER Morphine BID Market Projection

Assumptions:
2012 Actual: 5,336,348 100-ct bottles
Growth: 2% p.a.



Purdue and Rhodes 2012 Pricing

Bottles of 100s (avg)		Purdue Brand Net	Rhodes Generics Net
MSER BID	15mg	$ 146.0	$ 8.4
MSER BID	30mg	$ 277.3	$ 13.8
MSER BID	60mg	$ 541.2	$ 19.9
MSER BID	100mg	$ 801.2	$ 34.6
MSER BID	200mg	$ 1,467.4	$ 64.0

Regulatory Strategy

- File abuse deterrent ER morphine as a new NDA.
- Launch the new NDA as a replacement for and with the MS Contin name (same strategy as OxyContin).
- Seek abuse deterrent labeling – likely delaying new generic competition.
- Encourage FDA to remove non-abuse deterrent products from the market.

Potential Protection/IP for Proposed ER Morphine Bid Abuse Deterrent Product

Proposed Product	Exclusivity – Data delays ANDA Approval	Patent Life
Hard Tablet (OxyContin like) PEO Formula	**3 Years from NDA Approval (New Dosage Form)**	**Until March 2, 2019 (McGinity, U.S.P.N.6,488,963)**

P&L's

Disruption Scenario

Brand used to fill 20% of scripts written MS Contin for 3 years with 40% rebate; return to original market share and rebate. Authorized Generic price increase from 5% to 10% of in year 3 WAC

PROFIT AND LOSS STATEMENT			2013	2014	2015	2016	2017	2018	2019	2020
Net Sales										
Purdue brand		net sales, $000s	11,235	11,803	12,402	191,883	201,578	211,806	15,108	15,871
Purdue/Rhodes generic		net sales, $000s	32,427	33,073	33,739	34,412	35,098	105,903	108,014	110,167
Total Net Sales			$ 43,662	$ 44,876	$ 46,141	$ 226,294	$236,676	$317,709	$123,121	$ 126,038
Cost of Goods										
Purdue brand		$000s	219	224	228	5,711	5,825	5,943	247	252
Purdue/Rhodes generic		$000s	17,725	18,079	18,443	18,810	19,185	28,135	28,696	29,268
Total Cost of Goods			$ 17,945	$ 18,302	$ 18,671	$ 24,522	$ 25,010	$ 34,078	$ 28,943	$ 29,520
Gross Margin										
Purdue brand		$000s	11,016	11,579	12,173	186,171	195,753	205,863	14,861	15,619
Purdue/Rhodes generic		$000s	14,702	14,995	15,297	15,601	15,912	77,768	79,318	80,899
Net sales royalty from 3rd-party generic	10.0%	of net sales, $000s						3,177	3,240	3,305
Total Gross Margin			**$ 25,717**	**$ 26,574**	**$ 27,470**	**$ 201,773**	**$211,666**	**$286,808**	**$ 97,419**	**$ 99,823**
Gross margin as % of net sales			*58.9%*	*59.2%*	*59.5%*	*89.2%*	*89.4%*	*90.3%*	*79.1%*	*79.2%*
Total Operating Expenses (before financial deal terms)			$ 4,267	$ 9,786	$ 12,569	$ 16,023	$ 11,013	$ 14,659	$ 5,903	$ 5,772
GRT Financial Deal Terms										
Total Milestones (P&L)			$ 489	$ 489	$ 489	$ 623	$ 623	$ 623	$ 623	$ 623
Total Royalties			$ -	$ -	$ -	$ 13,222	$ 14,001	$ 21,667	$ 7,776	$ 7,954
Operating Profits before Taxes		$000s	**$ 20,962**	**$ 16,299**	**$ 14,412**	**$ 171,905**	**$186,030**	**$249,860**	**$ 83,117**	**$ 85,474**

Development Budget

Cost Category	Amount
Internal FTE Cost	$4,747,149
Outsourced Costs:	
*Non-Clinical **	*7,787,182*
*Clinical **	*13,500,000*
*Regulatory **	*1,350,000*
*Post Marketing/Risk Management **	*1,050,000*
Total Outsourced Costs	$23,687,182
Total R&D Costs	$28,434,331

*Data Source = Formulation & development of a tamper-resistant bio-equivalent MS Contin budget estimate

ER Morphine Abuse

Brand ER Morphine Routes of Abuse and Numbers of Abusers by Specific Routes in the ASI-MV NAVIPPRO System of Substance Abuse Treatment Centers

Distribution of routes of administration reported by individuals within the ASI-MV network who reported past 30-day abuse of OxyContin and comparators (10/1/2011 - 9/30/2012)

	OxyContin (reformulated) (n = 1,732)		OxyContin (original) (n = 1,660)		Single-entity oxycodone IR (n = 1,951)		Hydrocodone IR combination (n = 6,092)		Original oxymorphone ER* (--)		Morphine ER (n = 870)	
	n	%	n	%	n	%	n	%	n	%	n	%
Oral	1,262	72.9	965	58.1	818	41.9	5,559	91.3	--	26.3	330	37.9
Snort	510	29.4	779	46.9	1,186	60.8	1,348	22.1	--	76.7	237	27.2
Smoke	80	4.6	171	10.3	171	8.8	66	1.1	--	1.8	10	1.1
Inject	354	20.4	460	27.7	682	35.0	59	1.0	--	16.2	505	58.0
Other	50	2.9	66	4.0	22	1.1	164	2.7	--	0.9	34	3.9

Note that categories for route of administration in the above table are not mutually exclusive and do not sum to 100%.
*Percentages for the routes of administration categories for original extended release oxymorphone are presented as the quarterly average for the baseline period.

Blue Sheet

Proposed Terms of a Licensing Agreement on Abuse Deterrent Sustained-Release Morphine

THIS PROPOSAL IS A NON-BINDING PROPOSAL SUBMITTED FOR DISCUSSION BETWEEN THE PARTIES AND IS SUBJECT TO PURDUE'S COMPLETION OF DUE DILIGENCE AND BOARD APPROVAL.

THIS PROPOSAL HAS NOT YET BEEN SUBMITTED TO EITHER COMPANY'S BOARD AND MIGHT BE SUSCEPTIBLE TO MODIFICATIONS.

1. Parties	Grünenthal GmbH and Purdue Pharma (incl. morphine products selling associated Purdue companies such as Rhodes)
2. TRF Technology	Grünenthal's prolonged release TRF technology as claimed in or covered by at least one patent of the GRT-IP (as defined below).
3. Products	MS Contin New (incl TRF Technology), a non-melt extruded extended release Morphine Sulfate product intended for two or three times daily dosing Rhodes Morphine (oral morphine two or three times daily dosing) New (incl TRF Technology), said product being an authorized generic or ANDA/505(b)(2) generic to be distributed solely by Rhodes Pharma Authorized Morphine Generic(s) to the reference listed drug(s) (incl TRF Technology) sublicensed to third party, said product being an authorized generic or ANDA/505(b)(2) generic to be distributed by a third party All identified and described above products incorporating the TRF Technology together are defined as the "Morphine TRF Products"

4. Reference Listed Drug	MS Contin®
5. Territory	Worldwide except for Europe *(will be defined in agreement)*, LatAm, Australia with an option right for the following countries: o Brazil, Mexico, and Columbia. Upon first US NDA approval of any Product, Purdue has 6 months to opt in for the specified countries against payment of $350,000 per country to Grünenthal. If Purdue does not opt in during the six months period, rights remain with Grünenthal at no cost. Grünenthal retains rights to all other Latin American countries at no cost. o Australia: Upon first U.S. NDA approval of Product, Purdue has 6 months to opt in for Australia against payment of $500,000 to Grünenthal. If Purdue does not opt in during the six months period, rights remain with Grünenthal at no cost. On a country-by-country basis, once Purdue opts-in that country shall become part of the Territory.
6. Rights granted by GRT to Purdue and by Purdue to GRT	It is the main concept of this revised Termsheet that GRT will not disclose and/or license to Purdue any GRT Know-how relating to the TRF Technology. Purdue will have the exclusive (even as to Grünenthal) right to make, use, offer to sell, sell, import, and register twice or three time daily dosing extended-release morphine sulfate tablets under all present and future GRT IP (ad defined below) owned, controlled, by Grünenthal in the Territory (the definition of which is automatically amended upon Purdue's opt-in for Brazil,

	Mexico, Columbia, or Australia). For the avoidance of doubt, Purdue's rights do not include immediate release or once daily dosing morphine products. Purdue will have the exclusive right to sublicense third parties to distribute the Morphine TRF Products under GRT IP (as defined below) in the Territory (the definition of which is automatically amended upon Purdue's opt-in for Brazil, Mexico, Columbia, or Australia) without prior written consent from Grünenthal. Purdue will have the right to list any of the GRT IP in the Orange Book or any foreign equivalent thereof in the Territory, if appropriate under the law. Purdue will have the right to manufacture or to have manufactured Morphine TRF Products and to supply third party companies sublicensed as above. Grünenthal will have the exclusive, non-sublicensable (other than for manufacturing or to its affiliates) right to register and sell Morphine TRF Products supplied by Purdue under the Purdue IP, Purdue IP Improvements and Purdue-Know How outside of the Territory (the definition of which is automatically amended upon Purdue's opt-in for Brazil, Mexico, Columbia, or Australia). Grünenthal shall covenant not to sue Purdue for infringement of any patents or patent applications owned, controlled, or in-licensed by Grünenthal with respect to the manufacture, use, offer for sale, sale, or import of any Morphine TRF Product to the extent any such actions are in accordance with the terms of the final agreement.
7. Non-Compete	To the maximum extent permitted by law, on a country-by-country basis, Purdue will not sell in the Territory any tamper resistant morphine sulfate two or three times daily dosing

	extended-release product other than the Morphine TRF Products.
8. GRT IP	Relevant Technology-patents as listed in Exhibit A as set forth in the Agreement.
9. Know-How	Purdue Know-How: clinical, pharmacology safety and efficacy data regarding morphine products based on Purdue´s substance related know how.
10. Regulatory and Data for Marketing Authorisation	Purdue to submit the NDA for MS Contin New in its own name for approval after the dossier is fully complete. Purdue shall own the NDA for MS Contin New. Purdue will use commercially reasonable efforts to undertake U.S. submission- and approval-related regulatory activities. Grünenthal shall have the right to use and reference Purdue's MS Contin New data/dossier for Grünenthal's regulatory filings in the European Union, LatAm countries (but Brazil, Mexico, and Columbia only after the 6 month opt-in period if Purdue does not opt-in) and Australia (after the 6 month opt-in period if Purdue does not opt-in) against a 5% royalty payment to Purdue based upon Grünenthal's gross margin (*i.e.*, gross margin = the net sales less cost of goods sold, all calculated following Grünenthal's standard accounting procedures consistently applied) to be reduced in the same manner as under 16. Any other cooperation by Purdue in connection with Grünenthal's regulatory activities, other than allowing Grünenthal access to such data/dossier, will be at Grünenthal's expense which will be Purdue's cost + a mutually agreed upon handling fee. The agreement will address publication rights and how they will be handled.

11. Trademark	MS Contin® owned by Purdue.
12. Development and Commercialization Efforts	Purdue will have all responsibility for the development and commercialization of Morphine TRF Products in the Territory and will thereon report in writing upon reasonable request of Grünenthal, at least, however semi-annually to Grünenthal Purdue shall use commercially reasonable efforts to develop and, upon successful development, to commercialize this opportunity in the U.S. to what Purdue would use with a similarly situated product. If, at any time after the first anniversary of the Agreement, at least one Morphine TRF Product is not either (i) under active development or (ii) being commercialized, Grünenthal shall have the right, on a country-by-country basis in the Territory, to grant a third party a non-exclusive license under Grünenthal's intellectual property to make, use, offer to sell, sell and import a melt-extruded two or three times daily dosing extended-release morphine sulfate tablet. If it is established that Purdue is not using commercially reasonable efforts and if Purdue fails to cure this lack of commercially reasonable efforts within a reasonable cure period, Grünenthal shall be entitled to terminate the Agreement.
13. Sales Forecasts	To be shared ideally four times but at least twice per year on MS Contin New, Rhodes Morphine New and Authorized Morphine Generics; On July 1st of every year a 3-year non-binding, best efforts forecast shall be submitted; latest on December 15th of every year a preliminary, non-binding, best efforts interim statement on net sales of fourth quarter shall be transmitted to Grünenthal.
14. Term	On a country by country basis until the later of (i) last valid patent claim of GRT IP or (ii) ten years from first launch of respective Morphine TRF Product by Purdue.

15. Up-Front and Milestone Payments (non refundable)	Purdue shall pay to Grünenthal the following, which will be non-refundable and non-creditable: o €5.5M on effective date o USD2.0M at first approval of NDA for MS Contin New in all dosages
16. Royalties	Purdue shall pay quarterly to Grünenthal, the following royalties on annual U.S. net sales of MS Contin New and Rhodes Morphine New Products 5% on U.S. net sales < 150 Mio USD 7.5% on incremental U.S. net sales >150 Mio USD Purdue shall pay quarterly to Grünenthal, the following royalties on annual U.S. net sales of Authorized Morphine Generic Products 2.5% on U.S. net sales < 150 Mio USD 3.75% on incremental U.S. net sales >150 Mio USD All royalty rates shall be reduced at generic entry by 20/30/40/50% depending on the respective IMS share of volume of total third party unauthorized generics. For the royalty reduction to occur, the following (a) or (b) must first take place: (a) IP in Orange Book must have expired; or (b) (i) the "unauthorized generic" must be a tamper resistant AB rated generic to MS Contin New and (ii) the generic must have been in the market for at least 6 months. Purdue shall pay minimum royalties of USD 2.5 Mio per calendar year for at least for the first three years after the earlier of (i) January 1, 2017 or (ii) first commercial sale by Purdue of the first Morphine TRF Product.
17. Enforcement and Settlement	Grünenthal shall have the first right to bring suit under GRT IP against an infringer making, using, offering to sell, selling, importing, or exporting a morphine sulfate twice or three times daily dosing product. In this instance, litigation costs incurred by Grünenthal will be shared between the Parties 50% for

	Grünenthal and 50% for Purdue for the first $2,000,000/calendar year, and any calendar yearly excess shall be at Grünenthal's sole expense; *provided however*, that such $2,000,000 shall be prorated for any period less than a calendar year. Any recovery will first be used to reimburse, pro rata, each party for its incurred litigation costs, and any remainder will be shared by the parties at a ratio of litigation expenses paid by each party. At its own expense Purdue shall cooperate with and provide all reasonable assistance to Grünenthal in the prosecution of any such suit. Additionally, Purdue may be represented at Purdue's sole expense in any such suit, and Purdue shall not be entitled to any reimbursement from Grünenthal for such expenses. Purdue will have an option to bring suit under the Grünenthal patents, provided that Grünenthal opts not to take action and provided that certain requirements set forth in the final Agreement are met.
18. Termination	Prior to Purdue's launch of the first U.S. Morphine TRF Product, Purdue may terminate the agreement in whole immediately upon 180 days notice to Grünenthal of a material adverse change including, but not limited to, changes in the budget, development plan, commercial or financial prospects, or timeline or upon any F.D.A. guidance that will change the opportunity, without any further unaccrued payments to Grünenthal other than payment of a €0.5M termination fee. Purdue may terminate the agreement in whole without cause upon and after launch of the first U.S. Morphine TRF Product upon prior written notice of 360 days.

19. Manufacturing	The Product will be manufactured by or on behalf of Purdue at a facility designated by Purdue. If Purdue is currently selling in the U.S. a Morphine TRF Product, Purdue will, upon request and appropriate notice by Grünenthal to Purdue, use commercially reasonable efforts within Purdue's available manufacturing capabilities and within Purdue's regulatory approvals and quotas to manufacture that identical (including, but not limited to, composition, form, dosage, appearance, color, scoring, and markings) Morphine TRF Product for Grünenthal (supply price to be actual cost of goods plus a mutually agreed upon handling fee), subject to a minimum volume requirement.
20. Governing Law	German

EXHIBIT A

TO BE LISTED BUT TO INCLUDE:

All present and future patents and patent applications in the Territory owned, controlled, by Grünenthal with claims of a scope that includes a Morphine TRF Product or its use.

Blue Sheet

GRT MS Contin Financial Analysis
Date: 3/23/2013

Scenario	TR selling price as % of WAC	$000s		
		Purdue + Rhodes Total NPV	TR Value Added over Baseline NPV	Grunenthal Total NPV
#0: Baseline; no-TR; sales to EOY-2017	3.4%	59,017	-	-
#3: Low Case; maintain WAC	3.4%	39,140	(19,877)	11,853
#2: Base Case; increase WAC pricing	5.0%	135,667	76,650	15,942
#1: High Case; increase WAC pricing	8.0%	220,470	161,453	21,888
#1a: High+ Case; increase WAC pricing	12.0%	331,646	272,629	31,710
#4: Market Disruption Case	10.0%	303,017	244,000	28,904

GRT MS Contin Financial Analysis *Alternate Views*
Date: 2/26/2013

Competitors in Market Scenario	TR selling price as % of WAC						$ millions			$ millions		
	Year 1 (2016)		Year 2 (2017)		Year 3 (2018)		Purdue + Rhodes Net Sales			Purdue + Rhodes Total NPV	TR Value Added over Baseline NPV	Grunenthal Total NPV
	Months 0-6	Months 7-12	Months 13-18	Months 19-24	Months 25-30	Months 31-36	2016	2017	2018			
2 Competitors	40.0%	35.0%	35.0%	30.0%	30.0%	30.0%	430	394	544	850	791	88
3 Competitors	40.0%	25.0%	25.0%	20.0%	20.0%	20.0%	375	277	367	579	520	60
4 Competitors	40.0%	20.0%	20.0%	15.0%	15.0%	15.0%	347	218	279	443	384	46
4+ Competitors	40.0%	15.0%	15.0%	8.0%	8.0%	8.0%	319	148	156	259	200	28

37.5%	32.5%	30.0%
32.5%	22.5%	20.0%
30.0%	17.5%	15.0%
27.5%	11.5%	8.0%

GRT MS Contin Analysis
S: #1a, High+ Case; increase from 3.4% WAC to 12% WAC

ASSUMPTIONS			2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Morphine Market															
Total IMS morphine BID market	in bottles, 000s		5,443	5,551	5,663	5,776	5,891	6,010	6,129	6,252	6,377	6,504	6,633	6,766	6,901
Growth year-to-year	2.0%	p.a.	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Market Share, by sales bottles															
Purdue brand (2013, fixed)	25	in bottles, 000s	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Purdue/Rhodes generic			34.8%	34.8%	34.8%	34.8%	34.8%	50.0%	50.0%	50.0%	50.0%	34.8%	34.8%	34.8%	34.8%
3rd-party generic, licensed by Purdue	15.0%	during 2016-2019	0.0%	0.0%	0.0%	0.0%	0.0%	15.0%	15.0%	15.0%	15.0%	10.0%	10.0%	10.0%	10.0%
Other manufacturers	total to 100%		64.8%	64.8%	64.8%	64.8%	64.8%	34.6%	34.6%	34.6%	34.6%	54.8%	54.8%	54.8%	54.8%
Pricing, weighted-average by mg															
Purdue brand net price	3.0%	per bottle, growth yty	$ 506.71	$ 521.91	$ 537.57	$ 553.69	$ 570.30	$ 587.41	$ 605.04	$ 623.19	$ 641.88	$ 661.14	$ 680.97	$ 701.40	$ 722.44
Purdue/Rhodes generic dead-net price;	3.4%	<= % of WAC =>TR	$ 17.13	$ 17.13	$ 17.13	$ 66.44	$ 66.44	$ 66.44	$ 66.44	$ 66.44	$ 66.44	$ 66.44	$ 66.44	$ 66.44	$ 66.44
Cost of Goods (Unit)															
Purdue brand	$ 9.89	per bottle, w/S&W 10%	$ 9.89	$ 9.89	$ 9.89	$ 9.89	$ 9.89	$ 9.89	$ 9.89	$ 9.89	$ 9.89	$ 9.89	$ 9.89	$ 9.89	$ 9.89
Purdue/Rhodes generic	$ 9.36	per bottle, w/S&W 10%	$ 9.36	$ 9.36	$ 9.36	$ 9.36	$ 9.36	$ 9.36	$ 9.36	$ 9.36	$ 9.36	$ 9.36	$ 9.36	$ 9.36	$ 9.36

PROFIT AND LOSS STATEMENT		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net Sales														
Purdue brand	net sales, $000s	11,235	11,803	12,402	13,028	13,687	14,381	15,108	15,871	16,675	17,517	18,402	19,332	20,309
Purdue/Rhodes generic	net sales, $000s	32,427	33,073	33,739	133,478	136,138	199,647	203,627	207,685	211,846	150,302	153,298	156,353	159,470
Total Net Sales		$ 43,662	$ 44,876	$ 46,141	$ 146,506	$ 149,825	$ 214,028	$ 218,734	$ 223,556	$ 228,520	$ 167,819	$ 171,700	$ 175,685	$ 179,779
Cost of Goods														
Purdue brand	$000s	219	224	228	233	237	242	247	252	257	262	267	273	278
Purdue/Rhodes generic	$000s	17,725	18,079	18,443	18,810	19,185	28,135	28,696	29,268	29,854	21,181	21,603	22,034	22,473
Total Cost of Goods		$ 17,945	$ 18,302	$ 18,671	$ 19,043	$ 19,422	$ 28,377	$ 28,943	$ 29,520	$ 30,111	$ 21,443	$ 21,871	$ 22,307	$ 22,751
Gross Margin														
Purdue brand	$000s	11,016	11,579	12,173	12,796	13,449	14,139	14,861	15,619	16,418	17,255	18,135	19,060	20,031
Purdue/Rhodes generic	$000s	14,702	14,995	15,297	114,667	116,953	171,512	174,931	178,418	181,992	129,121	131,694	134,319	136,997
Net sales royalty from 3rd-party generic	10.0%	of net sales, $000s						5,989	6,109	6,231	6,355	4,321	4,408	4,495	4,585
Total Gross Margin		**$ 25,717**	**$ 26,574**	**$ 27,470**	**$ 127,463**	**$ 130,402**	**$ 191,640**	**$ 195,900**	**$ 200,267**	**$ 204,765**	**$ 150,697**	**$ 154,237**	**$ 157,874**	**$ 161,613**
Gross margin as % of net sales		*58.9%*	*59.2%*	*59.5%*	*87.0%*	*87.0%*	*89.5%*	*89.6%*	*89.6%*	*89.6%*	*89.8%*	*89.8%*	*89.9%*	*89.9%*
Total Operating Expenses (before financial deal terms)		$ 4,267	$ 9,786	$ 12,569	$ 12,432	$ 7,105	$ 9,994	$ 10,206	$ 10,160	$ 10,383	$ 7,652	$ 7,826	$ 8,006	$ 8,190
GRT Financial Deal Terms														
Total Milestones (P&L)		$ 489	$ 489	$ 489	$ 623	$ 623	$ 623	$ 623	$ 623	$ 623	$ 623	$ 623	$ 623	$ 623
Total Royalties		$ -	$ -	$ -	$ 7,325	$ 7,491	$ 15,297	$ 15,709	$ 16,132	$ 16,567	$ 10,997	$ 11,331	$ 11,674	$ 12,026
Operating Profits before Taxes	$000s	**$ 20,962**	**$ 16,299**	**$ 14,412**	**$ 107,083**	**$ 115,184**	**$ 165,727**	**$ 169,363**	**$ 173,353**	**$ 177,192**	**$ 131,426**	**$ 134,457**	**$ 137,572**	**$ 140,774**
Provision for income taxes	50.0%	tax rate	(10,481)	(8,149)	(7,206)	(53,541)	(57,592)	(82,864)	(84,681)	(86,676)	(88,596)	(65,713)	(67,228)	(68,786)	(70,387)
Net Income after Taxes	$000s	**$ 10,481**	**$ 8,149**	**$ 7,206**	**$ 53,541**	**$ 57,592**	**$ 82,864**	**$ 84,681**	**$ 86,676**	**$ 88,596**	**$ 65,713**	**$ 67,228**	**$ 68,786**	**$ 70,387**

FREE CASH FLOWS ANALYSIS			2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Cash Flows Model															
Net income after taxes			10,481	8,149	7,206	53,541	57,592	82,864	84,681	86,676	88,596	65,713	67,228	68,786	70,387
Work capital changes	10.0%	of yty sales change	-	(121)	(126)	(10,037)	(332)	(6,420)	(471)	(482)	(496)	6,070	(388)	(399)	(409)
Add: milestones amortized			489	489	489	623	623	623	623	623	623	623	623	623	623
Subtract: milestone cash flows			(7,338)	-	-	(2,000)	-	-	-	-	-	-	-	-	-
Add: capital equipment depreciation			-	-	-	-	-	-	-	-	-	-	-	-	-
Subtract: capital equipment cash flows			-	-	-	-	-	-	-	-	-	-	-	-	-
Free Cash Flows			**3,632**	**8,517**	**7,569**	**42,128**	**57,883**	**77,066**	**84,833**	**86,817**	**88,722**	**72,405**	**67,463**	**69,010**	**70,600**
Grunenthal Free Cash Flows			$ 3,669	$ -	$ -	$ 4,663	$ 3,746	$ 7,648	$ 7,855	$ 8,066	$ 8,283	$ 5,499	$ 5,666	$ 5,837	$ 6,013

RETURN ON INVESTMENT	*discounted $000s*
Purdue+Rhodes discounted free cash flows with GRT formulation, 2013-2025 (@12	331,646
Purdue+Rhodes discounted free cash flows if non-TR MSER is off market at EOY-	59,017
Incremental discounted free cash flows provided by GRT formulation	**272,629**
Grunenthal discounted free cash flows (@12% discount rate)	31,710

GRT MS Contin Analysis
S: #1, High Case; increase from 3.4% WAC to 8% WAC

ASSUMPTIONS			2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Morphine Market															
Total IMS morphine BID market	in bottles, 000s		5,443	5,551	5,663	5,776	5,891	6,010	6,129	6,252	6,377	6,504	6,633	6,766	6,901
Growth year-to-year	2.0%	p.a.	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Market Share, by sales bottles															
Purdue brand (2013, fixed)	25	in bottles, 000s	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Purdue/Rhodes generic			34.8%	34.8%	34.8%	34.8%	34.8%	50.0%	50.0%	50.0%	50.0%	34.8%	34.8%	34.8%	34.8%
3rd-party generic, licensed by Purdue	15.0%	during 2016-2019	0.0%	0.0%	0.0%	0.0%	0.0%	15.0%	15.0%	15.0%	15.0%	10.0%	10.0%	10.0%	10.0%
Other manufacturers	total to 100%		64.8%	64.8%	64.8%	64.8%	64.8%	34.6%	34.6%	34.6%	34.6%	54.8%	54.8%	54.8%	54.8%
Pricing, weighted-average by mg															
Purdue brand net price	3.0%	per bottle, growth yty	$ 506.71	$ 521.91	$ 537.57	$ 553.69	$ 570.30	$ 587.41	$ 605.04	$ 623.19	$ 641.88	$ 661.14	$ 680.97	$ 701.40	$ 722.44
Purdue/Rhodes generic dead-net price;	3.4%	<= % of WAC =>TR	$ 17.13	$ 17.13	$ 17.13	$ 44.30	$ 44.30	$ 44.30	$ 44.30	$ 44.30	$ 44.30	$ 44.30	$ 44.30	$ 44.30	$ 44.30
Cost of Goods (Unit)															
Purdue brand	$ 9.89	per bottle, w/S&W 10%	$ 9.89	$ 9.89	$ 9.89	$ 9.89	$ 9.89	$ 9.89	$ 9.89	$ 9.89	$ 9.89	$ 9.89	$ 9.89	$ 9.89	$ 9.89
Purdue/Rhodes generic	$ 9.36	per bottle, w/S&W 10%	$ 9.36	$ 9.36	$ 9.36	$ 9.36	$ 9.36	$ 9.36	$ 9.36	$ 9.36	$ 9.36	$ 9.36	$ 9.36	$ 9.36	$ 9.36

PROFIT AND LOSS STATEMENT		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net Sales														
Purdue brand	net sales, $000s	11,235	11,803	12,402	13,028	13,687	14,381	15,108	15,871	16,675	17,517	18,402	19,332	20,309
Purdue/Rhodes generic	net sales, $000s	32,427	33,073	33,739	88,985	90,759	133,098	135,751	138,457	141,231	100,201	102,198	104,235	106,313
Total Net Sales		$ 43,662	$ 44,876	$ 46,141	######	######	$ 147,479	$ 150,859	$ 154,328	$ 157,905	$ 117,718	$ 120,601	$ 123,568	$ 126,622
Cost of Goods														
Purdue brand	$000s	219	224	228	233	237	242	247	252	257	262	267	273	278
Purdue/Rhodes generic	$000s	17,725	18,079	18,443	18,810	19,185	28,135	28,696	29,268	29,854	21,181	21,603	22,034	22,473
Total Cost of Goods		$ 17,945	$ 18,302	$ 18,671	$ 19,043	$ 19,422	$ 28,377	$ 28,943	$ 29,520	$ 30,111	$ 21,443	$ 21,871	$ 22,307	$ 22,751
Gross Margin														
Purdue brand	$000s	11,016	11,579	12,173	12,796	13,449	14,139	14,861	15,619	16,418	17,255	18,135	19,060	20,031
Purdue/Rhodes generic	$000s	14,702	14,995	15,297	70,175	71,574	104,963	107,055	109,189	111,376	79,020	80,595	82,202	83,840
Net sales royalty from 3rd-party generic	10.0%	of net sales, $000s						3,993	4,073	4,154	4,237	2,881	2,938	2,997	3,057
Total Gross Margin		**$ 25,717**	**$ 26,574**	**$ 27,470**	**$ 82,970**	**$ 85,023**	**$ 123,095**	**$ 125,988**	**$ 128,962**	**$ 132,031**	**$ 99,156**	**$ 101,668**	**$ 104,258**	**$ 106,928**
Gross margin as % of net sales		*58.9%*	*59.2%*	*59.5%*	*81.3%*	*81.4%*	*83.5%*	*83.5%*	*83.6%*	*83.6%*	*84.2%*	*84.3%*	*84.4%*	*84.4%*
Total Operating Expenses (before financial deal terms)		$ 4,267	$ 9,786	$ 12,569	$ 10,430	$ 5,063	$ 6,999	$ 7,151	$ 7,045	$ 7,206	$ 5,397	$ 5,527	$ 5,661	$ 5,798
GRT Financial Deal Terms														
Total Milestones (P&L)		$ 489	$ 489	$ 489	$ 623	$ 623	$ 623	$ 623	$ 623	$ 623	$ 623	$ 623	$ 623	$ 623
Total Royalties		$ -	$ -	$ -	$ 5,101	$ 5,222	$ 9,370	$ 9,601	$ 9,901	$ 10,211	$ 7,326	$ 7,499	$ 7,677	$ 7,859
Operating Profits before Taxes	$000s	**$ 20,962**	**$ 16,299**	**$ 14,412**	**$ 66,817**	**$ 74,115**	**$ 106,103**	**$ 108,614**	**$ 111,393**	**$ 113,991**	**$ 85,810**	**$ 88,020**	**$ 90,298**	**$ 92,648**
Provision for income taxes	50.0%	tax rate	(10,481)	(8,149)	(7,206)	(33,409)	(37,058)	(53,051)	(54,307)	(55,697)	(56,996)	(42,905)	(44,010)	(45,149)	(46,324)
Net Income after Taxes	$000s	**$ 10,481**	**$ 8,149**	**$ 7,206**	**$ 33,409**	**$ 37,058**	**$ 53,051**	**$ 54,307**	**$ 55,697**	**$ 56,996**	**$ 42,905**	**$ 44,010**	**$ 45,149**	**$ 46,324**

FREE CASH FLOWS ANALYSIS			2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Cash Flows Model															
Net income after taxes			10,481	8,149	7,206	33,409	37,058	53,051	54,307	55,697	56,996	42,905	44,010	45,149	46,324
Work capital changes	10.0%	of yty sales change	-	(121)	(126)	(5,587)	(243)	(4,303)	(338)	(347)	(358)	4,019	(288)	(297)	(305)
Add: milestones amortized			489	489	489	623	623	623	623	623	623	623	623	623	623
Subtract: milestone cash flows			(7,338)	-	-	(2,000)	-	-	-	-	-	-	-	-	-
Add: capital equipment depreciation			-	-	-	-	-	-	-	-	-	-	-	-	-
Subtract: capital equipment cash flows			-	-	-	-	-	-	-	-	-	-	-	-	-
Free Cash Flows			**3,632**	**8,517**	**7,569**	**26,444**	**37,437**	**49,371**	**54,592**	**55,972**	**57,260**	**47,546**	**44,344**	**45,475**	**46,641**
Grunenthal Free Cash Flows			$ 3,669	$ -	$ -	$ 3,550	$ 2,611	$ 4,685	$ 4,800	$ 4,951	$ 5,106	$ 3,663	$ 3,750	$ 3,838	$ 3,930

RETURN ON INVESTMENT	*discounted $000s*
Purdue+Rhodes discounted free cash flows with GRT formulation, 2013-2025 (@12%	220,470
Purdue+Rhodes discounted free cash flows if non-TR MSER is off market at EOY-	59,017
Incremental discounted free cash flows provided by GRT formulation	**161,453**
Grunenthal discounted free cash flows (@12% discount rate)	21,888

GRT MS Contin Analysis
S: #2, Base Case; increase from 3.4% WAC to 5% WAC

ASSUMPTIONS			2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Morphine Market															
Total IMS morphine BID market	in bottles, 000s		5,443	5,551	5,663	5,776	5,891	6,010	6,129	6,252	6,377	6,504	6,633	6,766	6,901
Growth year-to-year	2.0%	p.a.	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Market Share, by sales bottles															
Purdue brand (2013, fixed)	25	in bottles, 000s	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Purdue/Rhodes generic			34.8%	34.8%	34.8%	34.8%	34.8%	50.0%	50.0%	50.0%	50.0%	34.8%	34.8%	34.8%	34.8%
3rd-party generic, licensed by Purdue	15.0%	during 2016-2019	0.0%	0.0%	0.0%	0.0%	0.0%	15.0%	15.0%	15.0%	15.0%	10.0%	10.0%	10.0%	10.0%
Other manufacturers	total to 100%		64.8%	64.8%	64.8%	64.8%	64.8%	34.6%	34.6%	34.6%	34.6%	54.8%	54.8%	54.8%	54.8%
Pricing, weighted-average by mg															
Purdue brand net price	3.0%	per bottle, growth yty	$ 506.71	$ 521.91	$ 537.57	$ 553.69	$ 570.30	$ 587.41	$ 605.04	$ 623.19	$ 641.88	$ 661.14	$ 680.97	$ 701.40	$ 722.44
Purdue/Rhodes generic dead-net price; (	3.4%	<= % of WAC =>TR	$ 17.13	$ 17.13	$ 17.13	$ 27.68	$ 27.68	$ 27.68	$ 27.68	$ 27.68	$ 27.68	$ 27.68	$ 27.68	$ 27.68	$ 27.68
Cost of Goods (Unit)															
Purdue brand	$ 9.89	per bottle, w/S&W 10%	$ 9.89	$ 9.89	$ 9.89	$ 9.89	$ 9.89	$ 9.89	$ 9.89	$ 9.89	$ 9.89	$ 9.89	$ 9.89	$ 9.89	$ 9.89
Purdue/Rhodes generic	$ 9.36	per bottle, w/S&W 10%	$ 9.36	$ 9.36	$ 9.36	$ 9.36	$ 9.36	$ 9.36	$ 9.36	$ 9.36	$ 9.36	$ 9.36	$ 9.36	$ 9.36	$ 9.36

PROFIT AND LOSS STATEMENT		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net Sales														
Purdue brand	net sales, $000s	11,235	11,803	12,402	13,028	13,687	14,381	15,108	15,871	16,675	17,517	18,402	19,332	20,309
Purdue/Rhodes generic	net sales, $000s	32,427	33,073	33,739	55,616	56,724	83,186	84,844	86,536	88,269	62,626	63,874	65,147	66,446
Total Net Sales		$ 43,662	$ 44,876	$ 46,141	$ 68,644	$ 70,411	$ 97,567	$ 99,952	$ 102,407	$ 104,944	$ 80,143	$ 82,276	$ 84,479	$ 86,755
Cost of Goods														
Purdue brand	$000s	219	224	228	233	237	242	247	252	257	262	267	273	278
Purdue/Rhodes generic	$000s	17,725	18,079	18,443	18,810	19,185	28,135	28,696	29,268	29,854	21,181	21,603	22,034	22,473
Total Cost of Goods		$ 17,945	$ 18,302	$ 18,671	$ 19,043	$ 19,422	$ 28,377	$ 28,943	$ 29,520	$ 30,111	$ 21,443	$ 21,871	$ 22,307	$ 22,751
Gross Margin														
Purdue brand	$000s	11,016	11,579	12,173	12,796	13,449	14,139	14,861	15,619	16,418	17,255	18,135	19,060	20,031
Purdue/Rhodes generic	$000s	14,702	14,995	15,297	36,805	37,539	55,051	56,149	57,268	58,415	41,445	42,271	43,113	43,973
Net sales royalty from 3rd-party generic	10.0%	of net sales, $000s						2,496	2,545	2,596	2,648	1,801	1,836	1,873	1,910
Total Gross Margin		**$ 25,717**	**$ 26,574**	**$ 27,470**	**$ 49,601**	**$ 50,988**	**$ 71,686**	**$ 73,555**	**$ 75,483**	**$ 77,481**	**$ 60,500**	**$ 62,242**	**$ 64,046**	**$ 65,914**
Gross margin as % of net sales		*58.9%*	*59.2%*	*59.5%*	*72.3%*	*72.4%*	*73.5%*	*73.6%*	*73.7%*	*73.8%*	*75.5%*	*75.7%*	*75.8%*	*76.0%*
Total Operating Expenses (before financial deal terms)		$ 4,267	$ 9,786	$ 12,569	$ 8,928	$ 3,531	$ 4,753	$ 4,860	$ 4,708	$ 4,822	$ 3,706	$ 3,802	$ 3,902	$ 4,004
GRT Financial Deal Terms														
Total Milestones (P&L)		$ 489	$ 489	$ 489	$ 623	$ 623	$ 623	$ 623	$ 623	$ 623	$ 623	$ 623	$ 623	$ 623
Total Royalties		$ -	$ -	$ -	$ 3,432	$ 3,521	$ 6,126	$ 6,270	$ 6,418	$ 6,571	$ 4,907	$ 5,032	$ 5,160	$ 5,293
Operating Profits before Taxes	$000s	**$ 20,962**	**$ 16,299**	**$ 14,412**	**$ 36,618**	**$ 43,314**	**$ 60,184**	**$ 61,801**	**$ 63,734**	**$ 65,464**	**$ 51,264**	**$ 52,785**	**$ 54,361**	**$ 55,995**
Provision for income taxes	50.0%	tax rate	(10,481)	(8,149)	(7,206)	(18,309)	(21,657)	(30,092)	(30,901)	(31,867)	(32,732)	(25,632)	(26,393)	(27,181)	(27,997)
Net Income after Taxes	$000s	**$ 10,481**	**$ 8,149**	**$ 7,206**	**$ 18,309**	**$ 21,657**	**$ 30,092**	**$ 30,901**	**$ 31,867**	**$ 32,732**	**$ 25,632**	**$ 26,393**	**$ 27,181**	**$ 27,997**

FREE CASH FLOWS ANALYSIS			2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Cash Flows Model															
Net income after taxes			10,481	8,149	7,206	18,309	21,657	30,092	30,901	31,867	32,732	25,632	26,393	27,181	27,997
Work capital changes	10.0%	of yty sales change	-	(121)	(126)	(2,250)	(177)	(2,716)	(238)	(245)	(254)	2,480	(213)	(220)	(228)
Add: milestones amortized			489	489	489	623	623	623	623	623	623	623	623	623	623
Subtract: milestone cash flows			(7,338)	-	-	(2,000)	-	-	-	-	-	-	-	-	-
Add: capital equipment depreciation			-	-	-	-	-	-	-	-	-	-	-	-	-
Subtract: capital equipment cash flows			-	-	-	-	-	-	-	-	-	-	-	-	-
Free Cash Flows			**3,632**	**8,517**	**7,569**	**14,681**	**22,103**	**27,999**	**31,285**	**32,244**	**33,101**	**28,735**	**26,802**	**27,583**	**28,392**
Grunenthal Free Cash Flows			$ 3,669	$ -	$ -	$ 2,716	$ 1,760	$ 3,063	$ 3,135	$ 3,209	$ 3,286	$ 2,454	$ 2,516	$ 2,580	$ 2,646

RETURN ON INVESTMENT	*discounted $000s*
Purdue+Rhodes discounted free cash flows with GRT formulation, 2013-2025 (@12%	135,667
Purdue+Rhodes discounted free cash flows if non-TR MSER is off market at EOY-2	59,017
Incremental discounted free cash flows provided by GRT formulation	**76,650**
Grunenthal discounted free cash flows (@12% discount rate)	15,942