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# Mortimer-side Net Asset Presentation

Prepared pursuant to the Amended and Restated Case Stipulation Among the Debtors, Official Committee of Unsecured Creditors and Certain Related Parties, filed on November 5, 2019 in Purdue Pharma L.P. (Case No. 19-23649 (RDD)) [Docket No. 31] (the “Stipulation”)

**15 January 2020**

# Methodology

# Methodology

- The following process was applied to the September 30, 2019 trust trial balances and/or individual ICSP financial information<sup>1</sup> for preparation of the net asset tables presented herein:
  1. Each asset and liability was classified into one of the asset and liability categories described on pages 15-17.
  2. The values are as reported on the respective trust's September 30, 2019 trial balance and/or individual ICSP financial information,<sup>1</sup> except when adjusted for:
    - Consolidation of subsidiaries' assets and liabilities as of September 30, 2019, and elimination of intra-trust entity receivables and payables, (e.g., [REDACTED] is a subsidiary of [REDACTED] Trust. Cash of [REDACTED] was included in the net assets of [REDACTED] Trust and note payable/receivable between the two entities were eliminated);
    - Updated valuation of assets;
      - Certain assets categorized as investments in related and third parties, and residential or other real estate were recorded at historical cost on the trial balance. When available, these values were updated with information from the December 31, 2018 annual accounts, tax appraisals, third party valuations, offer price and listed selling prices.
      - The values of certain investments were updated with balances from the September 30, 2019 investment fund statement which were received after the September 30, 2019 trial balances were generated.
      - The values of certain investments were updated to reflect internal valuation estimates and values from the most recent K-1's or capital and partnership statements, net of subsequent cash movements.

<sup>1</sup> Financial information for individual ICSPs was prepared by the respective family offices.



## Methodology

- Recoverability of receivables and loans were reduced or eliminated based on estimated recoverability analysis by personnel of the family office.
  - Spousal assets which are wholly-owned and jointly-owned were removed from individual ICSP balance sheet at 100% and 50%, respectively.
3. The value of assets reflecting direct or indirect ownership of the Debtors were eliminated from this report.
  4. In instances where the net asset value of an ICSP would otherwise be negative, the net asset value has been adjusted to \$0. If the net asset value was negative in part due to debt owed to other ICSPs, for the purpose of this presentation, the asset(s) of the ICSP corresponding to the debt were reduced by the amount by which the liability exceeded the asset. This was done to reflect the net recoverable value relating to the debt. For example, if liabilities exceeded assets at ICSP A by \$50 and ICSP A had a \$100 note payable to ICSP B, the net assets of ICSP A would be set to \$0, and the value of ICSP B's note receivable from ICSP A would be reduced by \$50, thus balancing in the aggregate. Because negative net asset totals are adjusted to \$0, total assets less total liabilities will not equal net assets on summary pages.
  5. The trust accountants provided an estimate of unrealized gains embedded in the value of the investments of ICSP trusts.<sup>2</sup> The estimated unrealized gains were determined by comparing the historical cost of investments against balances as of September 30, 2019.
    - An illustrative 33% blended tax rate (for presentation purposes only) was applied to the estimated unrealized gains to illustrate hypothetical obligation that would result from a sale of such investments.
    - In addition to investments, there may be unrealized gains included in the balances of other assets. However, for purposes of this presentation, the potential tax liability on those assets has not been quantified.

<sup>2</sup> Unrealized gains and the associated tax liability have not been estimated for individual ICSPs.

## Allocation of Independent Associated Companies

- Several of the ICSPs have an interest in one or more Independent Associated Company (“IAC”). The IACs have retained an investment banker to market the businesses for sale. No fair market valuation for the IACs currently exists. An independent fair market value of the IACs is outside the scope of this report.
- For the purpose of this presentation and to illustrate how the proceeds from the sale of the IACs would potentially flow to the ICSPs, a hypothetical gross sale value for all the IACs of \$4.5 billion (“Hypothetical IAC Value”) was chosen and the value was allocated among the IACs.<sup>1</sup>
- In valuing the IACs, we applied a 33% blended tax rate to the Hypothetical IAC Values consistent with previous discussions with creditors and their respective advisors.
- The 5-year (2020 – 2024) projected income statements prepared by the IACs as part of their normal planning process was used as the basis for allocating the Hypothetical IAC Value.

<sup>1</sup> Does not include the value of certain joint ventures that are the subject of continuing discussions with the creditor representatives.



## Allocation of Independent Associated Companies

- For purposes of allocation, the Hypothetical IAC Value was divided 50/50 between the following metrics:
  - “Profit/(Loss) before Other Charges”, consisting primarily of Net Sales, less:
    - » Cost of Sales
    - » Selling and Promotional Costs
    - » General and Administrative Costs
  - Net Profit/(Loss) After Tax, consisting primarily of Profit/(Loss) before Other Charges, less:
    - » R&D and New Product Expenses
    - » Amortization of Intangibles
      - Note: Depreciation is not specifically delineated on the P&L reviewed, rather it is included in multiple P&L expense categories (e.g. R&D and COGS)
    - » Tax Charges, only taxes that occur at the entity level
- The metrics were chosen to allocate the Hypothetical IAC Value in a manner that considers the operational performance of IACs both before and after non-cash charges. The allocation is a purely mathematical exercise for illustrative purposes only, and no subjective adjustments were made.
- Half of the \$4.5 billion was allocated based on each IAC’s Profit/(Loss) before Other Charges as a percentage of total Profit/(Loss) before Other Charges, and half was allocated based on each IAC’s Net Profit/(Loss) After Tax as a percentage of total Net Profit/(Loss) After Tax.

## Allocation of Independent Associated Companies

- In certain instances, more than one projected income statement was prepared for an IAC. For example, projections for each region in which an IAC operates, or a separate statement for adjustments to U.S. GAAP. In these instances, the aggregate IAC metrics were used for the purpose of allocating the Hypothetical IAC Value.
- Each ICSP's interest in the allocated value of the IAC was determined by mapping the allocated value through the legal structure.
- Because the Raymond and the Mortimer sides of the Sackler family each directly or indirectly own 50% of the IACs, the allocation of the Hypothetical IAC Value resulted in each family directly or indirectly owning an approximately equal share of the amount.
  - \$4,496.1 million of the IACs are owned equally by the Raymond and Mortimer side of the Sackler family and the remaining \$3.9 million is owned by Purdue and another entity.
- When applying the allocated value to an individual IAC, the value was applied first to the notes payable owed to the ICSP or entities owned directly or indirectly by the ICSP.
- If a Hypothetical IAC Value was less than the notes payable owed by that IAC, the noteholders would recover only their pro rata share of the Hypothetical IAC Value; any IAC equity interest would be eliminated. The recovery on the IAC note receivable is reclassified to the IAC balance sheet category.
- The IAC category reflects the ICSP's entire interest in IACs wholly owned by the Sackler family (both equity and notes receivable).



## General Description of Asset Categories

The assets and liabilities of each trust are presented on a consolidated basis, and note receivables and note payables between entities in the same trust are eliminated.

The ICSPs have the following assets and liabilities in the United States ("US") and other countries ("ex-US").

<u>Category</u>	<u>Description</u>
Cash/Cash Equivalents	Deposits, money market funds and Treasury bills held in bank accounts.
Investments in brokerage accounts/ Quoted Investments	Investments in equities, bonds, limited partnerships, mutual funds or other marketable securities held in brokerage and custody accounts.
Investments in related and third parties	Investments in non-IAC subsidiaries, joint ventures, related parties, third party investment funds or private companies managed by third-party or related party managers. Valuations of investments are based on most recent fund statements (primarily September 30, 2019), values from latest K-1, capital and partnership statements, net of subsequent cash movements, historical cost or internal valuation estimates.
Accounts Receivable	Amounts to be received from investment redemptions, and receivables from related and third parties.



## General Description of Asset Categories

<u>Category</u>	<u>Description</u>
Loans to third parties	Financing extended to third parties.
Notes Receivable from Related Parties	Holder of promissory note for financing extended to related parties.
Retirement Accounts	IRA, 401(k) or other similar types of account held in third-party accounts.
Residential Real Estate	Direct or indirect ownership in residences held principally for the purpose of inhabitation.
Other Real Estate	Direct or indirect ownership in real estate not held for the purpose of inhabitation.
Collectibles and other personal property	Includes paintings, jewelry, or other collectibles.
Other Misc Assets	Includes prepayments, deposits, life insurance policies and rights to other assets and intellectual property.
IAC	Investments in and loans to IACs.

## General Description of Liabilities Categories

<u>Category</u>	<u>Description</u>
Accounts Payable	Money owed to an individual, entity, third-party or related party.
Notes Payable	Promissory note for financing from related parties.
Debt - Secured	Financing from third parties secured by collateral.
Debt - Unsecured	Financing from third parties not secured by collateral.
Other Liabilities	Includes accrued expenses, tenant deposits and deferred rental income.
Tax Obligation	Taxes payable and estimate of tax obligation for 2019 prepared by accountants.
Est. Tax Liability: IAC	For Illustrative and directional purposes only, the liability reflects a 33% tax obligation applied to the value of each entity's interest in IAC.
Est. Tax Liability: Unrealized Gains	For Illustrative and directional purposes only, the liability reflects a 33% tax obligation on the unrealized gains related to the estimated unrealized gains associated with assets on the balance sheet.

# Summary Chart



## SUMMARY ASSETS/LIABILITIES

(\$ in 000s)

Individuals	Total Assets	Total Liabilities	Net Assets Excluding IAC	Net Assets
Theresa E. Sackler	\$ 119,598	\$ 763	\$ 118,834	\$ 118,834
Mortimer D.A. Sackler	109,754	59,683	50,070	50,070
Ilene Sackler Lefcourt	81,323	117	81,207	81,207
Kathe A. Sackler	151,097	258	150,839	150,839
Non-ICSPs	852,447	36,426	816,021	816,021
<b>Total - Individuals</b>	<b>\$ 1,314,219</b>	<b>\$ 97,247</b>	<b>\$ 1,216,972</b>	<b>\$ 1,216,972</b>

Trusts				
Trust	\$ -	\$ -	\$ -	\$ -
Trust	-	-	-	-
Trust	128,094	39,974	10,536	88,120
Trust	490,652	152,956	27,209	337,696
Trust	3,456	1,139	4	2,317
Trust	6	-	6	6
Trust	23	-	23	23
Trust	89,959	29,677	30	60,282
Trust	1,249	389	70	860

General Note

1. As explained in the methodology, because negative net asset totals are adjusted to \$0, total assets less total liabilities will not equal net assets and/or net assets excluding IAC on summary charts.

## SUMMARY ASSETS/LIABILITIES

(\$ in 000s)

Trusts (con't)	Total Assets	Total Liabilities	Net Assets Excluding IAC	Net Assets
Trust	\$ 341,419	\$ 111,365	\$ 3,951	\$ 230,054
Trust	241,311	76,478	10,195	164,833
Trust	335,477	108,705	8,283	226,772
Trust	493,455	192,918	-	300,537
Trust	12	-	12	12
Trust	82,718	27,289	25	55,429
Trust	53,936	17,168	1,935	36,769
Trust	151	-	151	151
Trust	567	84	482	482
Trust	52	-	52	52
Trust	-	-	-	-
Trust	107,294	21,648	85,647	85,647
Trust	71,405	1,085	70,320	70,320
Trust	347	2	345	345
Trust	78,664	14	78,650	78,650
Trust	53,574	17,245	1,318	36,329

### General Note

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## SUMMARY ASSETS/LIABILITIES

(\$ in 000s)

Trusts (con't)	Total Assets	Total Liabilities	Net Assets Excluding IAC	Net Assets
Trust	\$ 44	\$ 54	\$ -	\$ -
Trust	31,274	742	30,532	30,532
Trust	41,842	1,021	40,821	40,821
Trust	3,304	19	3,284	3,284
Trust	67,574	3,937	63,637	63,637
Trust	45,967	804	45,164	45,164
Trust	50	-	50	50
Trust	40,743	1,180	39,563	39,563
Trust	13,930	27	13,903	13,903
Trust	50	-	50	50
Trust	40,743	1,174	39,569	39,569
Trust	13,977	27	13,951	13,951
Trust	9,121	12	9,109	9,109
Trust	14	-	14	14
Trust	5,055	25	5,030	5,030
Trust	99,060	3,500	95,560	95,560

### General Note

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## SUMMARY ASSETS/LIABILITIES

(\$ in 000s)

Trusts (con't)	Total Assets	Total Liabilities	Net Assets Excluding IAC	Net Assets
Trust	\$ 19	\$ -	\$ 19	\$ 19
Trust	63,638	77	63,561	63,561
Trust	28,479	1,155	27,325	27,325
Trust	2,163	4	2,159	2,159
Trust	436	1	436	436
Trust	3,757	-	3,757	3,757
Trust	41,987	1,680	40,307	40,307
Trust	10,246	1	10,245	10,245
Trust	84,220	2,828	81,392	81,392
Trust	48,315	1,853	46,462	46,462
Trust	2	-	2	2
Trust	1	-	1	1
Trust	32	-	32	32
Trust	31,533	278	31,255	31,255
Trust	15,570	-	15,570	15,570
Trust	45,893	-	45,893	45,893

### General Note

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## SUMMARY ASSETS/LIABILITIES

(\$ in 000s)

Trusts (con't)	Total Assets	Total Liabilities	Net Assets Excluding IAC	Net Assets
Trust	\$ 90,931	\$ 18,045	\$ 72,885	\$ 72,885
Trust	21	6	16	16
Trust	50	6	44	44
Trust	1,703	3,178	-	-
Trust	283	-	283	283
Trust	-	-	-	-
Trust	-	-	-	-
Trust	-	-	-	-
Trust	321,159	69,392	251,767	251,767
Trust	33	6	27	27
Trust	8,351	-	8,351	8,351
Trust	8	-	8	8
Trust	-	-	-	-
Trust	6,810	-	6,810	6,810

### General Note

- As explained in the methodology, because negative net asset totals are adjusted to \$0, total assets less total liabilities will not equal net assets and/or net assets excluding IAC on summary charts.

## SUMMARY ASSETS/LIABILITIES

(\$ in 000s)

Trusts (con't)		Total Assets	Total Liabilities	Net Assets Excluding IAC	Net Assets
	Trust	\$ -	\$ -	\$ -	\$ -
	Trust	1,369	-	1,369	1,369
	Trust	-	-	-	-
	Trust	1,368	-	1,368	1,368
	Trust	-	-	-	-
	Trust	1,368	-	1,368	1,368
	Trusts	923,305	192,097	733,532	733,532
<b>Total - Trusts</b>		<b>\$ 4,719,621</b>	<b>\$ 1,101,264</b>	<b>\$ 2,145,725</b>	<b>\$ 3,622,167</b>
<b>Total - Individuals and Trusts</b>		<b>\$ 6,033,840</b>	<b>\$ 1,198,512</b>	<b>\$ 3,362,697</b>	<b>\$ 4,839,139</b>

### General Note

1. As explained in the methodology, because negative net asset totals are adjusted to \$0, total assets less total liabilities will not equal net assets and/or net assets excluding IAC on summary charts.