

# Raymond-side Updated Net Assets Report

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*March 1, 2021*

# Introduction

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On January 15, 2020 Huron presented the Raymond-side Net Assets Report (the "Net Assets Report") in response to the Amended and Restated Stipulation which contemplated that the Shareholder Parties would provide the following to the legal and financial advisors to the Debtors and the UCC:

- (i) "[A] report setting forth the net assets of the Initial Covered Sackler Persons, which report will set forth the approximate aggregate value of the assets owned by category (e.g. cash, securities, real estate, private and other investments, etc.) and the approximate liabilities, also by category"
- (ii) "An attestation from a responsible person or independent third-party as to the accuracy of the report"

***See Amended and Restated Stipulation ¶ 17(a)***

**The Amended and Restated Stipulation provides that "Initial Covered Sackler Person" means as follows:**

- Beverly Sackler, David A. Sackler, Ilene Sackler, Jonathan D. Sackler, Kathe Sackler, Mortimer D.A. Sackler, Richard S. Sackler, and Theresa Sackler;
- any trusts of which any of the foregoing are beneficiaries, and the trustees thereof (solely in their capacities as such); and
- each Shareholder Party and each other entity or person that directly or indirectly owns equity in, or has voting control over, any of the Debtors

***See Amended and Restated Stipulation ¶ 1***

*The January 15, 2020 Net Assets Report used October 31, 2019 balances. The purpose of this report (the "Updated Net Assets Report") is to update the January 15, 2020 Net Assets Report with balances as of September 30, 2020.*

- The categories used for the Updated Net Assets Report are listed and described on pages 97-100 hereof

# Raymond-side Initial Covered Sackler Persons

**Raymond-side Initial Covered Sackler Persons are listed in the Raymond-side Informational Presentation provided on November 22, 2019 (the “November 22, 2019 Presentation”)**

**For the purpose of this Updated Net Assets Report, the Initial Covered Sackler Persons are organized as follows:**

- **Individuals:**
  - Individuals consist of Richard Sackler, David Sackler, the Estate of Jonathan Sackler, and the Estate of Beverly Sackler<sup>(1)</sup>
  - Certain revocable and self-settled trusts described in Categories Three and Four (defined below) of the November 22, 2019 Presentation are instead described in this Updated Net Assets Report alongside the relevant individuals (i.e., Richard Sackler, David Sackler, the Estate of Jonathan Sackler, and the Estate of Beverly Sackler)
- **Trusts:** Trusts are described in four general categories for this Updated Net Assets Report:
  - Category One: Trusts that indirectly own interests in Purdue
  - Category Two: Trusts created by division or decanting from other trusts
  - Category Three: Other trusts that directly and/or indirectly own interests in IACs
  - Category Four: Other trusts, including life insurance trusts
- **Entities:** Entities consist of various limited partnerships, limited liability companies, and corporations through which Raymond-side interests in Purdue are held
  - As discussed on page 20, because the values of all such entities are captured on the balance sheets of the individuals and trusts presented herein (because such individuals and trusts are the entities’ ultimate owners), the entities are separately presented in Appendix A.

(1) The Initial Covered Sackler Persons also include trustees of the covered trusts, solely in their capacity as such; however, trusts are organized by trust rather than trustee for ease of reference

# Methodology

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# Methodology

## **The following process was followed to prepare the categorized balance sheets presented herein:**

1. The financial information for the Raymond-side Initial Covered Sackler Persons was prepared by North Bay Associates ("North Bay"), an entity that provides accounting and tax services for Raymond-side individuals, entities and trusts. North Bay, in the ordinary course of business, maintains the books and records of, and prepares monthly financial statements relating to, nearly all such Initial Covered Sackler Persons.
2. For five Initial Covered Sackler Persons for which North Bay does not, in the ordinary course of business, prepare financial statements, Huron obtained the values of their respective assets and liabilities through discussion with North Bay and review of available records relating to such assets and liabilities.<sup>(1)</sup> For an additional six Initial Covered Sackler Persons, North Bay provided Huron with balance sheets prepared by an entity other than North Bay.<sup>(2)</sup> For one Initial Covered Sackler Person, North Bay provided Huron with a balance sheet prepared by North Bay at Huron's request.
3. Each balance sheet item was classified into one of the asset or liability categories described on pages 97-100 of this Updated Net Assets Report.

(1) These five Initial Covered Sackler Persons are: the [REDACTED] Trust; Trust [REDACTED]  
[REDACTED] Trust  
[REDACTED] Trust

(2) These six Initial Covered Sackler Persons are: [REDACTED] Trust, [REDACTED] Trust, [REDACTED] Trust, [REDACTED] Trust, [REDACTED] Trust, and [REDACTED] Trust, all of which were formed to hold interests in [REDACTED] entities that serve as trustees for certain Raymond-side trusts. Balance sheets for these [REDACTED] entities were collected by North Bay and provided to Huron.

# Methodology

4. Where a particular line item on a balance sheet provided by North Bay referred to an interest in an entity that is primarily a holding company, Huron reflected the value of such line item in the category of the underlying investment. For example, several of the Initial Covered Sackler Persons have an interest in a Delaware general partnership that serves as a vehicle for making investments. This entity holds various private equity investments, hedge fund investments, and investments in marketable securities. For the purposes of this Updated Net Assets Report, each Initial Covered Sackler Person's interest in this entity has been classified based on the nature of the entity's investment.
5. In most instances, the asset values are the amounts reported on the respective Initial Covered Sackler Person's September 30, 2020 balance sheets, unless otherwise noted in this Updated Net Assets Report. The general bases of valuation used for each asset and liability type are as follows:

## **Assets:**

- a) Cash and Cash Equivalents: Account statement balances.
- b) Accounts Receivable and Prepaid Investments: Expected amounts to be collected and amounts paid.
- c) Notes Receivable and Loans: Principal amounts outstanding.
- d) Marketable Securities and Hedge Funds: Closing prices (with respect to publicly-traded securities) and valuations provided by fund managers were used to value nearly all assets in this category. These assets are primarily held indirectly through various investment vehicles.

# Methodology

## **Assets (cont'd):**

- e) Private Equity Investments: Valuations provided by fund managers for investments owned through investment vehicles comprise most of the asset value for private equity investments. Also included in this category are certain entities owned through joint ventures.
  - The investment in [REDACTED] is based on the summarized results of a third-party engineer's petroleum reserve report dated May 2020, which was updated by [REDACTED] for June 2020. The present value of such oil and gas reserves was determined by using discount rates of 10% for Proved Developed Producing reserves and 20% for Proved Undeveloped reserves.
  - The remaining assets in this category, are primarily reflective of investments made directly in private companies or investment vehicles managed by family offices or third parties and are reflected either at purchase price or using tax records.
- f) Real Estate Investments: Valuations provided by third-party fund managers in nearly all cases for investments owned through investment vehicles. The remaining real estate investments, which are primarily held through investment vehicles, are reflected either at their purchase price or using tax records.
- g) Life Insurance – Surrender Value: Statement balances.
- h) Retirement Accounts: Statement balances.
- i) Residential Real Estate: Appraised values, assessed values or, in the absence of the foregoing, tax bases.
- j) Artwork (including Jewelry): Appraised value when available, otherwise acquisition cost.
- k) Other Investments: Tax bases.

# Methodology

## **Liabilities:**

- a) Accounts Payable: Actual amounts due for which expected payments will be subsequently remitted.
  - b) Short-Term Debt: Principal amounts due.
  - c) Long-Term Debt: Principal amounts due.
  - d) Mortgage Debt: Principal amounts due.
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- 6. The value of assets reflecting direct or indirect ownership of the Debtors were eliminated from this Updated Net Assets Report.
  - 7. In instances where the net asset value for an Initial Covered Sackler Person would otherwise be a deficit (each such Initial Covered Sackler Person an "Obligor Person"), the net asset value was adjusted to zero. Where an Obligor Person's net asset value was a deficit in part due to debt owed to other Initial Covered Sackler Persons (each an "Obligee Person"), for the purpose of this presentation, the value of the assets of the Obligee Person are reduced by the amount by which the face amount of the debt in question exceeded the assets of the Obligor Person. This was done to reflect the net recoverable value relating to the debt. For example, if liabilities exceeded assets for an Obligor Person by \$50 and the Obligor Person has a \$100 note payable to an Obligee Person, the net assets of the Obligor Person would be reflected as \$0.0 and the value of the Obligee Person's note receivable would be reduced by \$50, thus balancing in the aggregate. In one case, where an Obligor Person had issued both secured and unsecured debt, the associated asset of the Obligee Person was reduced before the secured debt.
  - 8. Because balances are presented in millions, totals may not foot due to rounding.

# Methodology

9. All Raymond-side Initial Covered Sackler Persons that own one or more Debtors but are not their ultimate owners ("Intermediate Entities") were presented separately. Because the values of all Intermediate Entities are captured on the balance sheets of their ultimate owners, the net asset values of the Intermediate Entities is duplicative of information presented elsewhere in this Updated Net Assets Report and therefore should not be viewed as an addition to the total net asset value of non-Intermediate Entities.
10. Certain of the balance sheets prepared for individual Initial Covered Sackler Persons by North Bay in the ordinary course of business include line items in the asset column relating to trusts that are themselves Initial Covered Sackler Persons. The net asset values of such trusts are not reflected as assets of such individuals, but are instead presented independently, consistent with the presentation of Initial Covered Sackler Persons in this Updated Net Assets Report generally.
11. Solely in instances where a third-party provides an estimate or statement of value (such assets, "Third-Party Valued Assets"), "unrealized gain/loss" is not presented for any asset that is not a Third-Party Valued Asset.
  - a) An illustrative 33% blended tax rate (for presentation purposes only) was applied to the estimated unrealized gains to illustrate the hypothetical tax obligation that would result from a sale of such Third-Party Valued Assets.
12. For each Raymond-side Initial Covered Sackler Person, we reflect net asset value in two ways:
  - i. We account for all assets, using the illustrative valuation of the IACs (as defined on Appendix B) described on pages 21-23 of this Updated Net Assets Report and
  - ii. We account for all assets other than the IACs to present approximate net asset value in excess of the assets pledged as part of the proposed settlement.

# Allocation of Independent Associated Companies (IACs)

- The IACs have retained an investment banker to market the businesses for sale. The value of the IACs is currently carried on the balance sheets at their book values. No fair market valuation for the IACs currently exists. An independent fair market value of the IACs is outside the scope of this Updated Net Assets Report.
- For the purpose of this Updated Net Assets Report and to illustrate how the proceeds from the sale of the IACs might potentially flow to the individual Initial Covered Sackler Persons, a hypothetical gross sale value for all the IACs of \$4.5B ("Hypothetical IAC Value") was chosen and the value was allocated among the IACs.
  - The Hypothetical IAC Value and the allocation of the value is unchanged from the January 15, 2020 Net Assets Report.
- In valuing the IACs, we applied a 33% blended tax rate to the Hypothetical IAC Values consistent with the methodology used for the January 2020 report.
- The 5-year (2020 – 2024) projected results from operations were prepared by the IACs as part of their normal planning process was used as the basis for allocating the Hypothetical IAC Value.

# Allocation of Independent Associated Companies (IACs)

- For purposes of allocation, the Hypothetical IAC Value was divided equally 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
      - 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
- These metrics were chosen to allocate the Hypothetical IAC Value in a manner that considers both the operational performance of IACs both before and after non-cash charges. The allocation is a purely a mathematical exercise for illustrative purposes only, and no subjective adjustments were made.
- Half of the \$4.5B 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.

# Executive Summary

## Individuals

- Plaintiffs have asserted claims against the four specified individuals listed below:
- The net asset values for each of the individuals and the relevant revocable and self-settled trusts are as follows:

<i>(\$ in Millions)</i>	<b>Net Asset Value (including IACs)</b>	<b>Net Asset Value (excluding IACs)</b>
Richard Sackler	\$ 364.7	\$ 166.5
Jonathan Sackler	146.2	75.2
David Sackler	0.1	0.1
Estate of Beverly Sackler	5.0	5.0
██████████ Trust	175.7	175.7

- Although claims must be considered on an entity-by-entity basis, the sum of the net asset value presented for all specified individuals is \$691.6M including IACs, \$422.4M excluding IACs, and \$246.7M when excluding the value of the assets in the ██████████ Trust whose intended beneficiaries are certain charitable organizations.
- Continued litigation of claims against the specified individuals would substantially deplete their respective assets even if judgments could be obtained.

# Executive Summary

## Trusts that Indirectly Own Interests in Purdue

- Five trusts that are Initial Covered Sackler Persons indirectly own interests in Purdue.
- The net assets for each of these five trusts is as follows:

(\$ in Millions)	Net Asset Value (including IACs)	Net Asset Value (excluding IACs)
Trust	\$ 475.2	\$ 112.1
Trust	838.0	516.8
Trust	1,283.3	962.0
Trust	3.0	2.6
Trust	3.0	2.6

- Each of these trusts is an irrevocable, non-grantor, discretionary spendthrift trust.
- Trusts:
  - Trust and Trust each have little exposure as subsequent transferees of Purdue distributions:
    - Trust and Trust, which each own 50% of the common equity of , each received \$17.5M of dividends from from 2007 through 2012 and no dividends thereafter.
    - itself, which received \$86.1M of distributions, inclusive of tax distributions, from from 2007 through 2018, has a net asset value of \$25.6M (equivalent to \$12.8M of equity value for each of the and Trust).
- Trusts:
  - Trust and Trust each have net asset values of \$2.6M.

# Executive Summary

## Trusts Created by Division from █████ Trust or Subsequent Decanting

- Six trusts that are Initial Covered Sackler Persons were either created by division from the █████ Trust or by subsequent decanting from such trusts.
- The net assets for each of these six trusts is as follows:

(\$ in Millions)	Date of Division or Decanting	Net Asset Value (excluding IACs)
█████ Trust	Feb 01, 2002	\$ 129.2
██████████ Trust	Apr 01, 2004	-
█████ Trust	May 01, 2015	16.1
█████ Trust	May 01, 2015	14.1
██████████ Trust (decanted from the █████ Trust)	Jul 23, 2019	1,305.7
██████████ Trust (decanted from the █████ Trust)	Jun 08, 2019	1,414.1

- As set forth in the November 22, 2019 Presentation, the █████ and █████ Trusts were decanted subject to Receipt, Refunding and Guarantee Agreements, which preserve the rights of creditors of the original trusts. The decantings of the █████ and █████ trusts were effective as of July 2019 and June 2019, respectively. The Receipt, Refunding and Guarantee Agreements are annexed to the November 22, 2019 Presentation as Appendix C.
- Each of these trusts is an irrevocable, non-grantor, discretionary spendthrift trust.

# Executive Summary

## **Purdue**

- The Updated Net Assets Report excludes the value of equity in the Debtors. The proposed settlement contemplates the voluntary relinquishment of all interests in the Debtors. In absence of a settlement, approximately 98% of the Raymond-side share of the value of interests in the Debtors will flow to the [REDACTED] Trust.

## **Independent Associated Companies (IACs)**

- Although value of the IACs has been allocated among the Raymond-side Initial Covered Sackler Persons based upon the allocation methodology previously described, the value allocated is the proportionate share of the whole assuming integration and cooperation among various related parties. The value allocation does not represent what any particular interest could be monetized for on an individual standalone basis.

## **Total Sum**

- Although claims must be considered on an entity-by-entity basis, the sum of the net assets presented for all Raymond-side Initial Covered Sackler Persons is \$6,249.5M, \$4,957.7M excluding the IACs, and \$4,782.1M when excluding the value of the assets in the [REDACTED] Trust whose intended beneficiaries are certain charitable organizations.

Note: The Net Assets Report noted Total Net Assets of \$6,275.0M and Total Net Assets Excluding IACs of \$4,983.1M. These amounts were overstated by \$19.4M. The corrected amounts for the Net Assets Report are \$6,255.5M and \$4,963.7M, respectively.

# Summary for Richard Sackler

(\$ in Millions)	Total Assets	Total Liabilities	Net Assets (Equity)	Net Assets Excluding Net IACs
Richard Sackler	\$ 264.2	\$ (58.8)	\$ 205.4	\$ 143.1
Trust	0.0	-	0.0	0.0
Trust	9.1	(5.7)	3.4	-
Trust	198.6	(65.3)	133.3	0.8
Trust	0.0	-	0.0	0.0
	-	-	-	-
Trust	6.0	(2.0)	4.0	4.0
Trust	23.0	(7.6)	15.4	15.4
Trust	2.0	-	2.0	2.0
	1.1	-	1.1	1.1
Trust	0.0	-	0.0	0.0
Trust	0.0	-	0.0	0.0
Trust	-	-	-	-
<b>Total</b>	<b>\$ 504.0</b>	<b>\$ (139.4)</b>	<b>\$ 364.7</b>	<b>\$ 166.5</b>

# Summary for Jonathan Sackler

(\$ in Millions)	Total Assets	Total Liabilities	Net Assets (Equity)	Net Assets Excluding Net IACs
████████████████████ Trust <sup>1</sup>	\$ 188.4	\$ (71.4)	\$ 116.9	\$ 55.5
██████ Trust	9.1	(4.6)	4.5	-
██████ Trust	7.6	(2.5)	5.1	0.0
██████ Trust	0.0	-	0.0	0.0
████████████████████	-	-	-	-
██████████ Trust █	6.0	(2.0)	4.0	4.0
██████████ Trust █	23.0	(7.7)	15.3	15.3
████████████████████ Trust	0.0	-	0.0	0.0
██████ Trust	0.0	-	0.0	0.0
██████ Trust	0.4	-	0.4	0.4
<b>Total</b>	<b>\$ 234.4</b>	<b>\$ (88.3)</b>	<b>\$ 146.2</b>	<b>\$ 75.2</b>

(1) As disclosed in the January 15, 2020 presentation, before his death Jonathan Sackler transferred ownership of certain assets to ██████████ as Trustee under Trust Agreement dated August 15, 2019 (the "Trust"). Such transfers are subject to a Receipt, Refunding and Guarantee Agreement, which provides, among other things, that the ██████████ Trust agrees to satisfy any valid and enforceable right to payment held by a creditor against the Estate of Jonathan Sackler.

# Summary for David Sackler

(\$ in Millions)	Total Assets		Total Liabilities		Net Assets (Equity)		Net Assets Excluding Net IACs
David Sackler	\$	7.5	\$	(14.9)	\$	-	\$ -
		0.1		-		0.1	0.1
<b>Total</b>	<b>\$</b>	<b>7.6</b>	<b>\$</b>	<b>(14.9)</b>	<b>\$</b>	<b>0.1</b>	<b>0.1</b>

Note: As noted in the Methodology section, ICSPs in a net deficit position (i.e., credit balances) are eliminated (adjusted to \$0). For this reason, the sum of total assets and total liabilities will not equal the net asset balances presented on the summary pages.

# Summary for Beverly Sackler

(\$ in Millions)	Total Assets		Total Liabilities		Net Assets (Equity)		Net Assets Excluding Net IACs
Estate of Beverly Sackler (d. October 14, 2019)	\$	5.0	\$	-	\$	5.0	\$ 5.0
██████████ Trust		177.7		(2.1)		175.7	175.7
<b>Total</b>	<b>\$</b>	<b>182.7</b>	<b>\$</b>	<b>(2.1)</b>	<b>\$</b>	<b>180.6</b>	<b>180.6</b>