COMMONWEALTH OF MASSACHUSETTS

SUFFOLK, ss.

SUPERIOR COURT
C.A. No. 1884-cv-01808 (BLS2)

COMMONWEALTH OF MASSACHUSETTS,

v.

PURDUE PHARMA L.P., PURDUE PHARMA INC., RICHARD SACKLER, THERESA SACKLER, KATHE SACKLER, JONATHAN SACKLER, MORTIMER D.A. SACKLER, BEVERLY SACKLER, DAVID SACKLER, ILENE SACKLER LEFCOURT, PETER BOER, PAULO COSTA, CECIL PICKETT, RALPH SNYDERMAN, JUDITH LEWENT, CRAIG LANDAU, JOHN STEWART, MARK TIMNEY, and RUSSELL J. GASDIA

EXHIBITS TO AFFIDAVIT OF JENNY WOJEWODA ACCOMPANYING THE COMMONWEALTH'S OPPOSITION TO THE MOTION OF DEFENDANTS CRAIG LANDAU, JOHN STEWART, AND MARK TIMNEY TO DISMISS THE FIRST AMENDED COMPLAINT

EXHIBITS 4, 5, 8, AND 15 WERE PRODUCED TO THE ATTORNEY GENERAL PURSUANT TO M.G.L. C. 93A, § 6(6). ABSENT A COURT ORDER, SUCH MATERIALS SHALL NOT BE DISCLOSED OTHER THAN WITH THE CONSENT OF THE PRODUCING PARTY OR BY THE ATTORNEY GENERAL IN COURT PLEADINGS OR OTHER PAPERS FILED IN COURT.

CERTIFICATE OF SERVICE

I, Jenny Wojewoda, Assistant Attorney General, hereby certify that I have this day, July 2, 2019, served the foregoing document with redaction (originally served May 10, 2019 without redaction) upon all parties by email to:

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Jenny Wojewoda
Assistant Attorney General

Exhibit 1

To: Stewart, John H. (US)[/O=PURDUE/OU=Purdue US/cn=Recipients/cn=johns]
From: Gasdia, Russell
Sent: Wed 5/25/2011 2:32:07 PM
Subject: RE: Butrans Weekly Report for the week ending May 13, 2011

John

I sent the agenda yesterday morning. They are now aligning territories and districts for Intermezzo then headed home tonight

I will pull together what you ask and get to you

I'm in next week

Russ

From: Stewart, John H. (US)
Sent: Wednesday, May 25, 2011 1:56 PM
To: Gasdia, Russell
Subject: FW: Butrans Weekly Report for the week ending May 13, 2011
Importance: High

Russ

Please get your team to pull together the analyses and action plan referred to in both your memo and my email below, and the action plan should have elements specifically directed at: sales force call targeting; sales force prescriptions by representative (range from high to low, and what "performance improvement plans" are being put in place for those in the lowest deciles; key questions/obstacles being identified from the field and medical services, and how they are being addressed; what other information the sales force feels will help boost sales; the current situation with each of the major MCOs, and the plan and targets going forward (with specific dates); and key marketing activities and their start date that by themselves may help boost sales.

Look to have a draft ready by Friday at noon, and I'll look to set a meeting with Jon et al next Tuesday or Wednesday.

You were going to send the agenda for the RM Meeting, and if they are still her tomorrow – I'll find a time to come in and hear from them directly.

John

From: Stewart, John H. (US)
Sent: Wednesday, May 25, 2011 1:36 PM
To: Sackler, Jonathan
Cc: Sackler, Dr Richard; Sackler, Dr Raymond R
Subject: FW: Butrans Weekly Report for the week ending May 13, 2011

Jon

We can speak for sure, and the growth curve is concerning – in that we went from 0 to 2,500 scripts in

5 weeks – which was ahead of the rate (430 incremental per week) required to hit this year's budget. However, it then took 10 weeks to increase from 2,500 to 5,000 scripts per week – and although there were some weeks of good growth in that period – there were also some with almost no increase.

As Russ noted, the Regional Managers are in this week – and their top priority is to decide the actions to take to stimulate sales growth. In association with their meeting, a lot of analyses have been performed – and I'll ask Russ to pull together the salient points along with the feedback and action plans from the RM Meeting – and set a time to get-together and discuss.

John

From: Sackler, Jonathan
Sent: Wednesday, May 25, 2011 1:09 PM
To: Stewart, John H. (US)
Subject: FW: Butrans Weekly Report for the week ending May 13, 2011

John, this is starting to look ugly. Let's talk.

Jon Sackler

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Stamford, CT. 06901
tel: (203) 588-7200 fax: (203) 588-6500 jsackler@pharma.com

Executive Assitant: Alicia Laing
tel: (203) 588-7202 fax: (203) 588-6500 alicia.laing@pharma.com

---

From: Gasdia, Russell
Sent: Wednesday, May 25, 2011 8:37 AM
To: Sackler, Dr Richard; Sackler, Mortimer D.A.; Sackler, Dr Raymond R; Sackler, Dr Kathe; Sackler, Jonathan; Sackler, Theresa; Pickett, Cecil; Boer, Peter; Lewent, Judy; Baker, Stuart D.; Stewart, John H. (US)
Cc: Mahony, Edward; Dolan, James; Landau, Dr. Craig; Long, David; Lundie, David; Stiles, Gary; Mallin, William; Weinstein, Bert; Abrams, Robin; Silbert, Richard W; Strassburger, Philip; Haddox, Dr. J. David; Must, Alan
Subject: Butrans Weekly Report for the week ending May 13, 2011

Colleagues

While we experienced a small increase (29) from the previous week, based on total Rxs, we gained market share and reached 1.07%, the highest level since launch. Also, we are seeing increases in utilization of the 10mcg/hr and 20mcg/hr strengths.

The regional management team in here this week. A great deal of focus has been on Butrans and what needs to be done to increase growth at a faster pace. The major areas of focus are:

- Improving physician "targeting" to ensure representatives are calling on the highest potential physicians

- Increasing call frequency on a select "super core" of physicians. We are seeing a direct correlation between call activity and results. The results indicate it is taking more calls than expected to generate a first prescription (buprenorphine is "new" to many physicians, the 7-day transdermal system is a "new" concept and identifying a patient who's managed care plan covers them are all contributing factors to a longer selling cycle)
- Improving selling skill effectiveness to:
    - Improve specific patient focus on calls and effective positioning of Butrans for specific patient types
    - Improve identification of managed care access for patients within the physician's practice
    - Improving "closing" skills to gain commitment to prescribe Butrans for appropriate patients

The regional management team indicates that the biggest challenge thus far has been managed care access. We knew that this would be a challenge at launch, but it has had a greater impact than anticipated. Many physicians see a role for Butrans in elderly, yet we do not have formulary coverage in Medicare D plans. They are currently developing their 2012 formularies and we have lined up meetings with Medicare Part D providers to present Butrans with the objective of gaining formulary support for 2012. We are starting to get good support via commercial managed care providers and this should start to have a positive impact on prescription growth.

Finally, the regional management team has indicated that they are hearing about positive results with Butrans. When used in the appropriate patient, physicians are reporting good results. As a result, the representatives remain positive and committed to improving upon current results and remain positive about Butrans.

There are some additional "leading indicators", such as shipments from wholesalers to retail pharmacies and Patient Savings Program, that are a week ahead of IMS prescription data. In both cases, we see a nice increase which should lead to an improved increase with next week's IMS prescription data.

Weekly Prescriptions and Stocking Report for the Week Ending May 13, 2011

Please note:

- *Prescriptions are inclusive of retail, long term care, and mail service channels.*
- *Stocking data reflects the week ending May 6th.*
- *The store count and patches ordered data reflect all channels of trade.*
- *The store count reflects the number of outlets that ordered products during the given*

Exhibit 2

To: Stewart, John H. (US)[/O=PURDUE/OU=Purdue US/cn=Recipients/cn=johns]
From: Gasdia, Russell
Sent: Thur 3/8/2012 6:48:53 AM
Subject: Re: Copy of Butrans Weekly Report 2-24-12-RS.xlsm

Thanks.

On Mar 8, 2012, at 6:37 AM, "Stewart, John H. (US)" <John.H.Stewart@pharma.com> wrote:

Russ

I work on this virtually every day, some with more success than others. You are right about the ultimate solution, and in the meantime when RSS does ask for data – I find it best to just give it to him, but at the same time repeat what i/we feel.

Do ask David to keep copying me on his replies to RSS, since it is those that spur me to get involved directly.

John

From: Gasdia, Russell
Sent: Wednesday, March 07, 2012 1:35 PM
To: Stewart, John H. (US)
Subject: FW: Copy of Butrans Weekly Report 2-24-12-RS.xlsm

John

This is taking a lot of David's energy, almost every day. I can assure you that Mike and Windell are fully focused on improving these results. It isn't constructive to spend too much time on this as opposed to expending energy within my department of identifying the problem, developing the solutions and gaining implementation. Anything you can do to reduce the direct contact of Richard into the organization is appreciated. I realize he has a right to know and is highly analytical, but diving into the organization isn't always productive.

Russ

From: Sackler, Dr Richard
Sent: Wednesday, March 07, 2012 11:39 AM
To: Rosen, David (Marketing)
Cc: Stewart, John H. (US); Gasdia, Russell; Innaurato, Mike; Fisher, Windell; Condon, Donna
Subject: Re: Copy of Butrans Weekly Report 2-24-12-RS.xlsm

This is bad. This will extend the period of plateau by more than one week, but maybe by two or three, even if next week is up.

Please take the notations of 1.5% etc off on the **Butrans US Dollar**

Share of the Extended Release Opioid Market

(Source: IMS National Sales Perspective; includes branded and generic opioids)

From: "Rosen, David (Marketing)" <David.Rosen@pharma.com>
Date: Tue, 6 Mar 2012 10:38:27 -0500
To: "Richard S. Sackler" <drrichard.sackler@pharma.com>
Cc: John Stewart <John.H.Stewart@pharma.com>, "Gasdia, Russell" <Russell.Gasdia@pharma.com>, "Innaurato, Mike" <Mike.Innaurato@pharma.com>, "Fisher, Windell" <Windell.Fisher@pharma.com>, "Condon, Donna" <Donna.Condon@pharma.com>
Subject: Copy of Butrans Weekly Report 2-24-12-RS.xlsm

HI, Dr. Richard. The attached report contains graphs containing the latest data located at the last 6 spreadsheets in the file. While predictably Rx's were down given the President's Day holiday, we slightly increased share. I believe next week is poised to be a good week given copay card redemptions.

Thanks,
David

Exhibit 3

To: Mallin, William[/O=PURDUE/OU=Purdue US/cn=Recipients/cn=MallinW]; Stewart, John H. (US)[/O=PURDUE/OU=Purdue US/cn=Recipients/cn=johns]
Cc: Gasdia, Russell[/O=PURDUE/OU=Purdue US/cn=Recipients/cn=58B02E32]; Mahony, Edward[/O=PURDUE/OU=Purdue US/cn=Recipients/cn=MahonyE]; Salwan, Sharon[/O=PURDUE/OU=Purdue US/cn=Recipients/cn=SalwanS]; Richards, Tim[/O=PURDUE/OU=Purdue US/cn=Recipients/cn=CBCEAB1F]
From: Innaurato, Mike
Sent: Mon 6/11/2012 6:19:56 PM
Subject: June 18 2012 mid year board Marketing pres v11.pptx
June 18 2012 mid year board Marketing pres v11.pptx

All

Attached are the final slides for printing with all changes discussed today.

Thanks

Mike

Mid-Year Sales and Marketing Update

June 18, 2012

Mike Innaurato

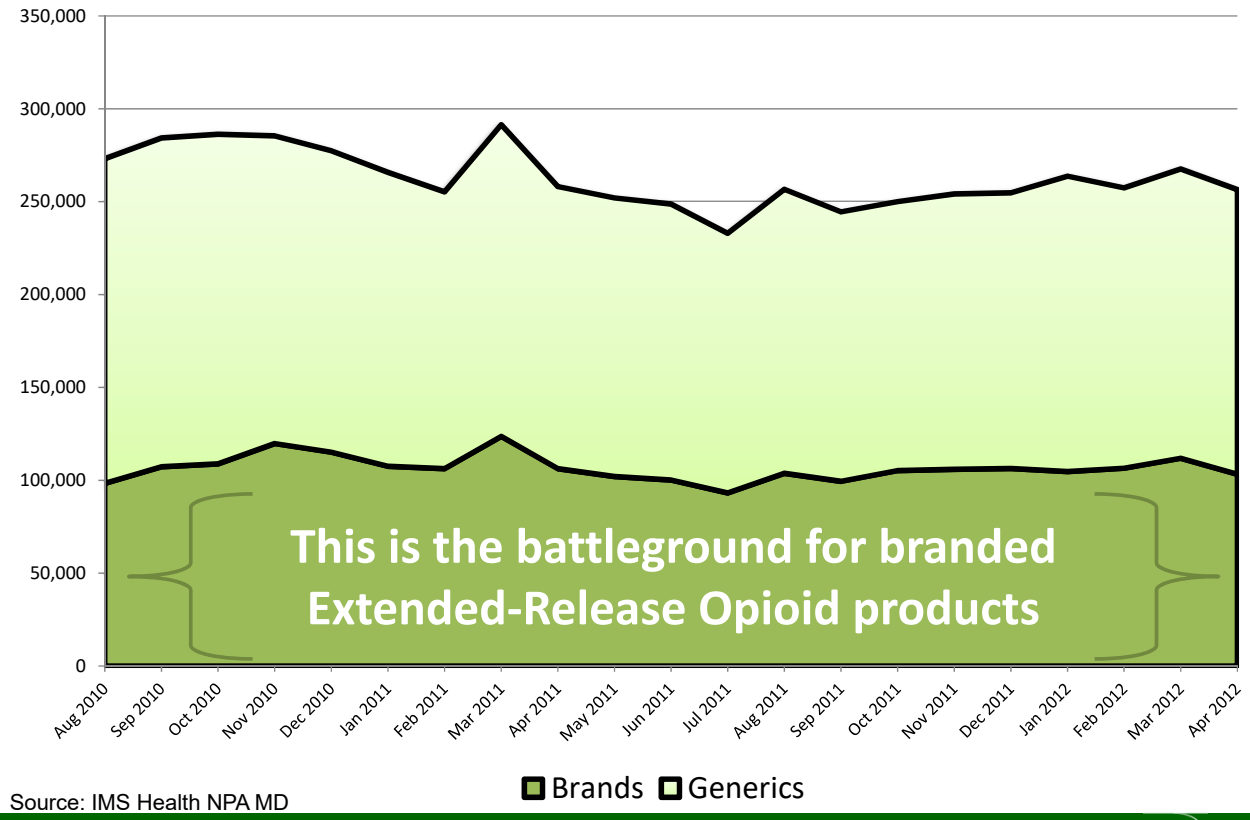
Agenda

- OxyContin® and Butrans® Market Trends
  - Prescriptions
  - New-to-Brand Patients
- Competitive Activity
- Sales/Marketing and R&D Initiatives to drive sales
- Latest Estimates for 2012

OxyContin® Tablets

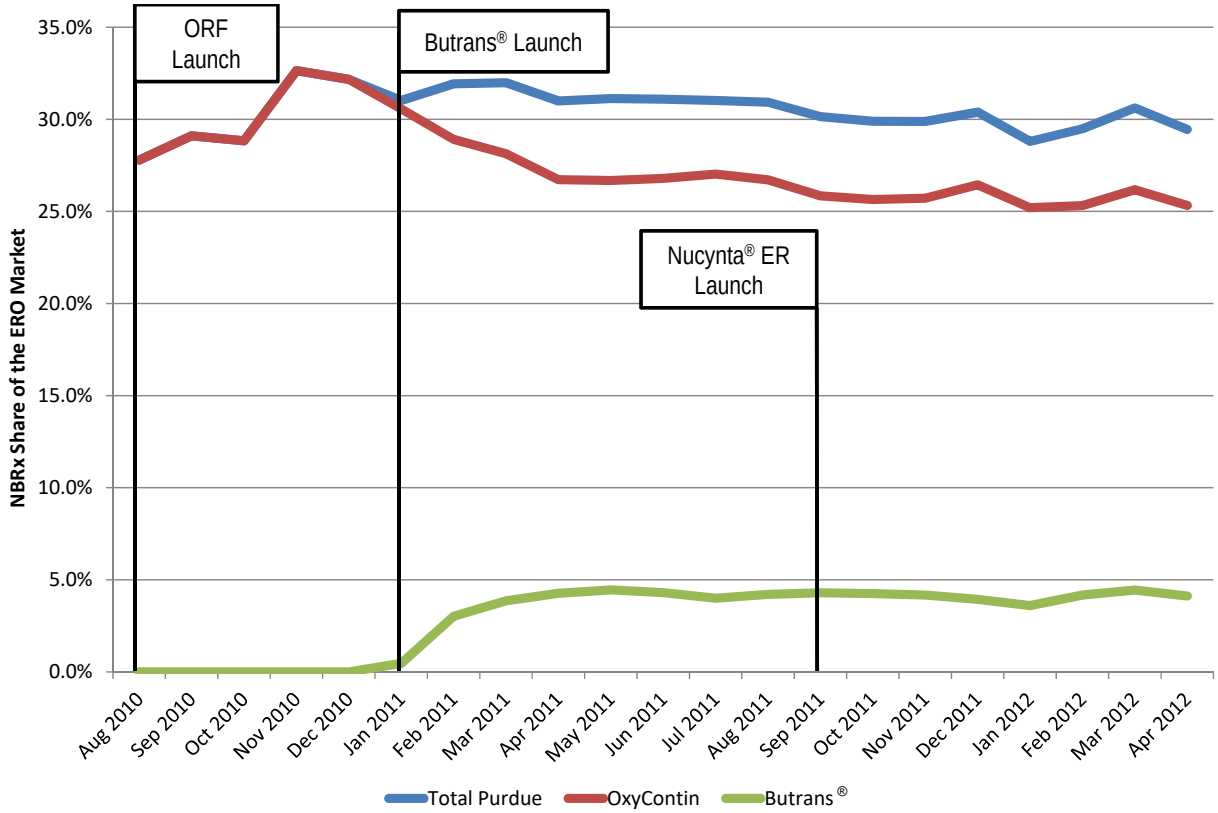
- Identified drivers of the trends:
  - 2012 budget assumed an Extended-Release Opioid market growth of 3.1% and the YTD growth is actually -0.2%
    - ERO market Rxs are 820k lower than anticipated in the budget; OxyContin share = 200k Rxs or $86MM
  - Butrans® and Nucynta® ER are affecting New-to-Brand Rxs for other opioids

All Extended-Release Opioid (ERO) Brands Fight for the 105,000 New Patients Who Start on a Branded ERO Each Month



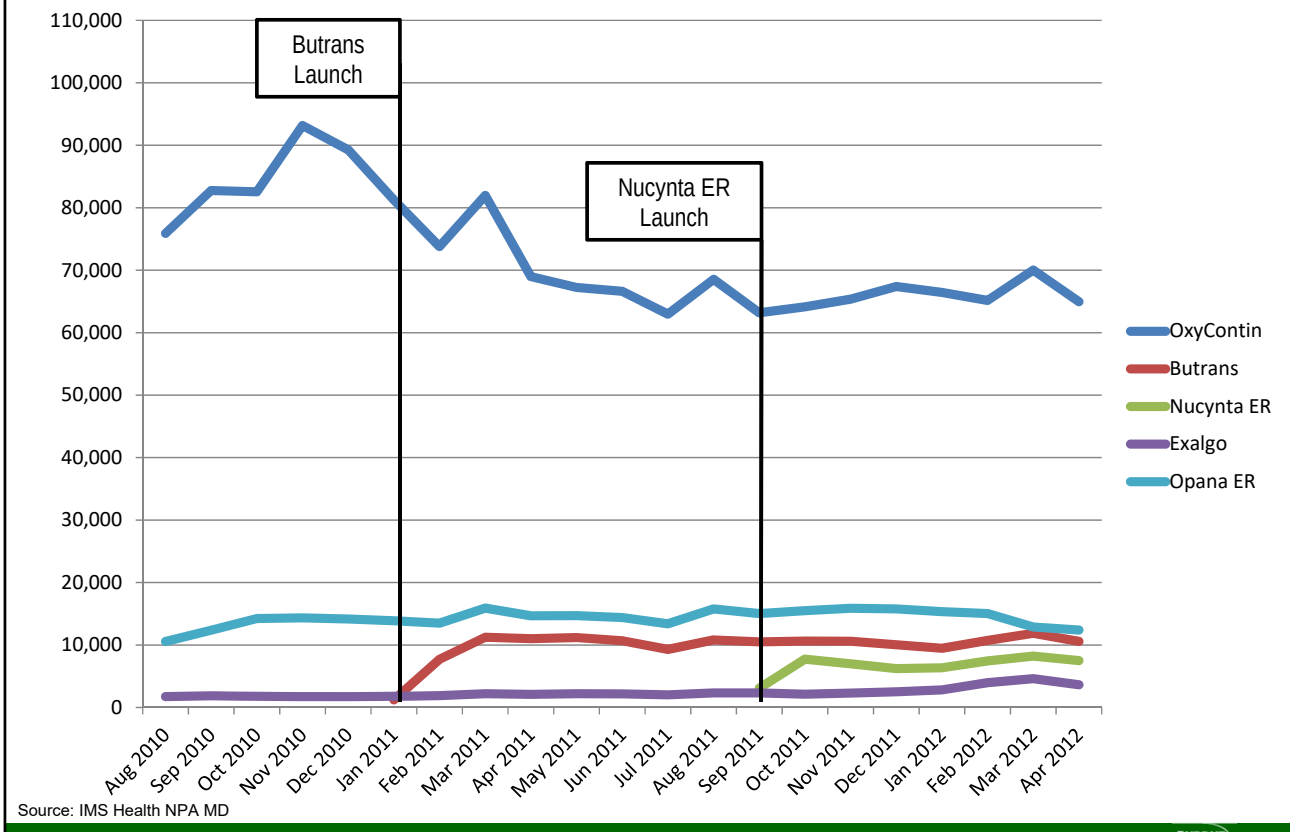
Source: IMS Health NPA MD

Purdue Analgesic Franchise Captures 30% of **all Brand and Generic** new ERO Patients Monthly



Source: IMS Health NPA MD

The Launches of Butrans® and Nucynta® ER have Impacted Other Brand NBRx Volume



Source: IMS Health NPA MD

OxyContin® Tablets

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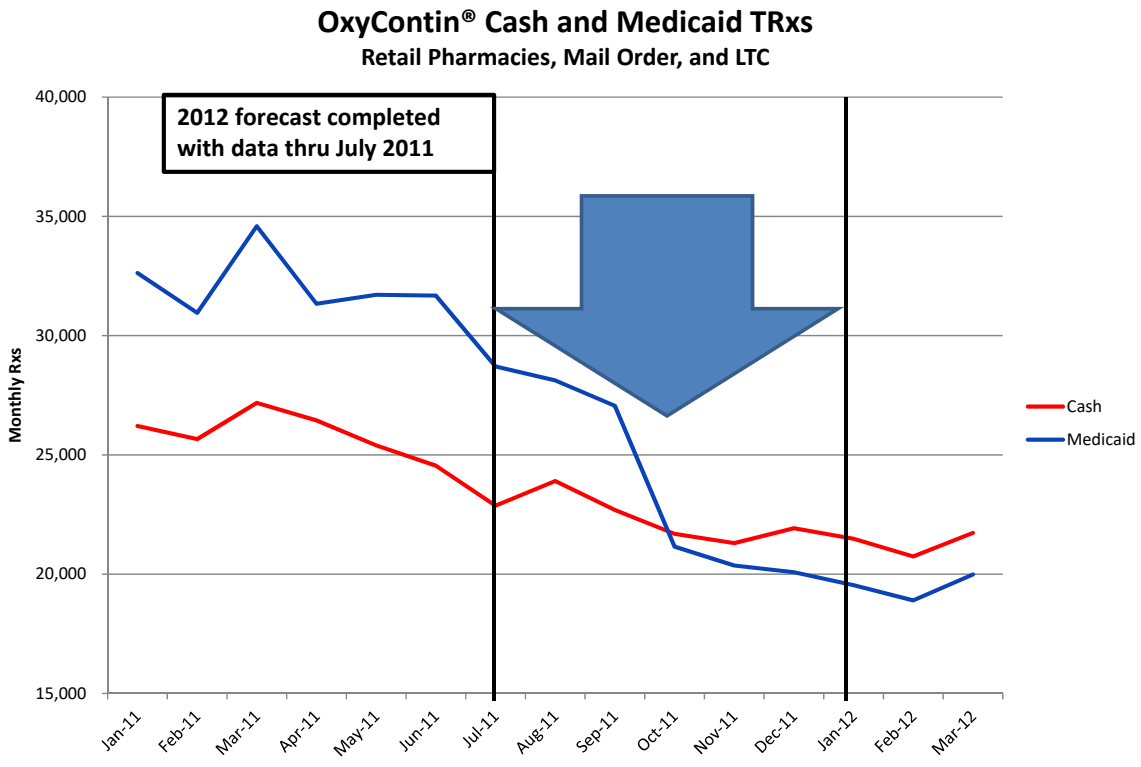
  - Butrans® and Nucynta® ER are affecting New-to-Brand Rxs for other opioids
  - Cash and Medicaid Channels decline in sales was not anticipated in the budget and are, in particular, affecting OxyContin sales
    - Impact could be $81MM annualized

Cash and Medicaid Experienced Significant Declines in the 2nd Half of 2011. This Amounts to $81MM Annually.



OxyContin® Tablets

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  - Cash and Medicaid Channels decline in sales was not anticipated in the budget and are, in particular, affecting OxyContin sales
    - Impact could be $81MM annualized
  - Sales and promotional support behind OxyContin Tablets is in line with budget and additional promotional activity will be undertaken in Q3 and Q4 in order to further increase appropriate demand
  - We are currently analyzing the impact of OxyContin primary presentations and will be prepared to present findings at a future BOD Meeting

OxyContin® Tablets

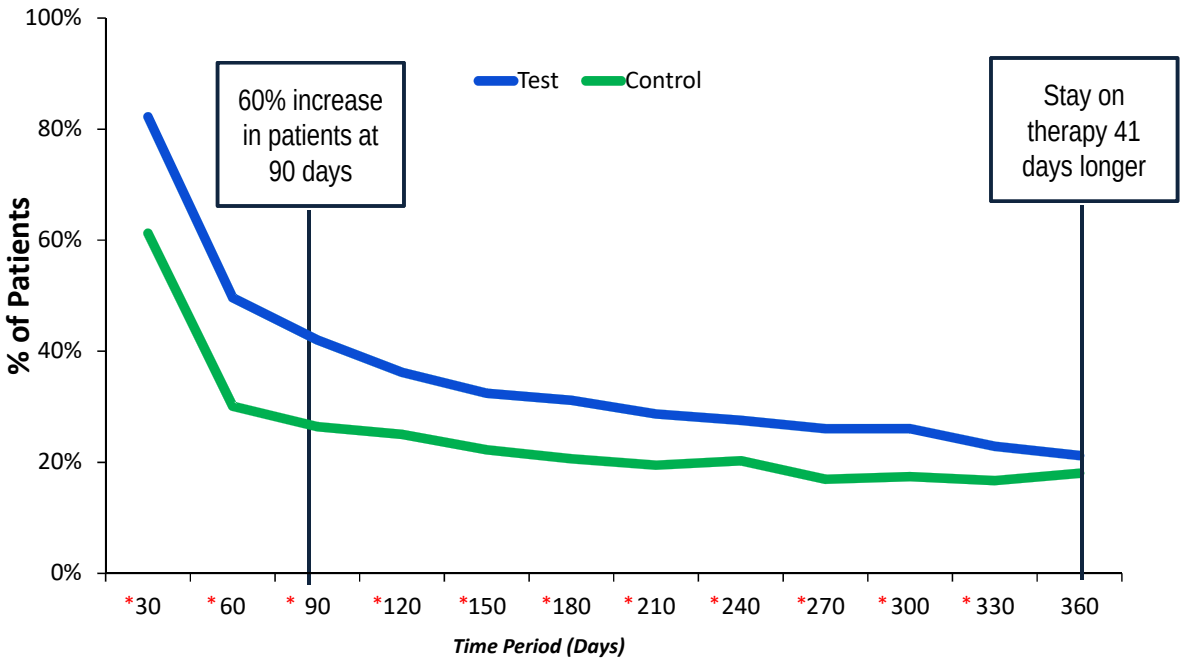
- We are executing our 2012 program (budget) to drive sales including:
  - 120,000 primary position calls added – Effective February 2012
  - Increased secondary presentations from 77% to 90%
  - Leveraging the 2nd tier formulary status (77% of lives)
  - Investing in 3 major non-rep initiatives:
    - Expansion of eMarketing Programs from 5,000 to 51,000 prescribers
    - Expansion of Professional Television Network from 3,000 to 9,000 prescribers
    - Expansion of Patient Co-Pay Savings Program; participation has doubled since inception in March 2012

Increase New Patient Starts: Patient Savings Card Program

- **Introduce new channels to broaden access to Patient Savings Card program**
  - Point-of-sale automatic savings (RelayHealth)
    - *Began March 3, 2012*
  - HCP downloadable savings cards
    - *Began February 1, 2012*

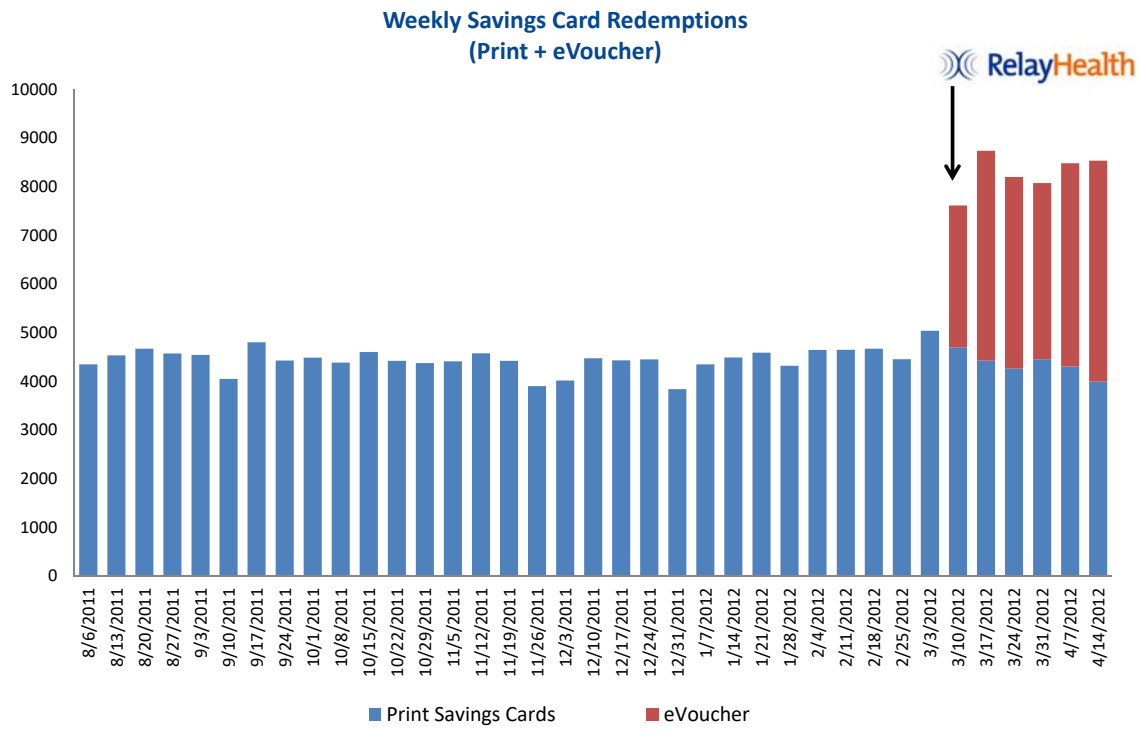
- **Continue with the $70 Patient Savings Card program**
  - Doctors whose patients redeem the savings card increase Rx volume by 28%
  - ~60% more patients stay on therapy >90 days if a savings card is redeemed

New OxyContin® Patients Remaining on Therapy is Significantly Higher Among Savings Card Users



* Difference between groups is significant at the .05 level
New to OxyContin = New to Therapy + New to Brand

OxyContin® Weekly Savings Card Redemptions



OxyContin® Latest Estimate

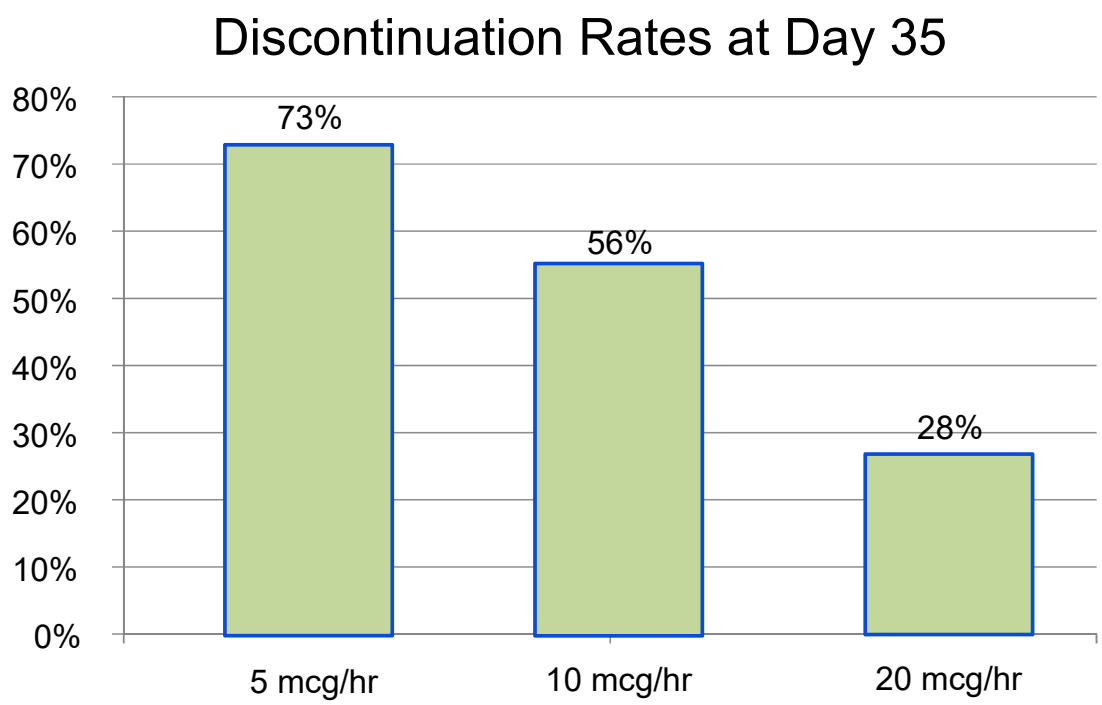
- YTD May Factory Sales are below budget by $27MM
  - $47MM lower demand and $20MM higher trade inventory
- Full year Factory Sales are projected to be below budget by $140MM
  - This represents a 4% difference against the $2.9B factory forecast
  - Demand is forecasted to be $112MM below budget
  - Trade inventory is forecasted to be $28 MM below budget
- The Latest Estimate is $2,737MM
- Additional promotional activity will be undertaken in Q3 and Q4 in order to further increase appropriate demand

Butrans®

- Identified drivers of the trends:
  - 2012 budget assumed an Extended-Release Opioid market growth of 3.1% and the YTD growth is actually -0.2%
    - ERO market Rxs are 820k lower than anticipated in the budget; Butrans share = 16k Rxs or $3.7MM
  - Average forecast Rx value is $227 versus forecast of $218
    - A 4% improvement
  - Butrans® 5 mcg/hour discontinuation rates are higher than starting doses for other ERO products
    - We believe it is due to doctors converting existing opioid patients to a dose lower than appropriate
      - Messages and communications are being updated to address

Most Butrans® 5 mcg/hr Patients are not Refilling the Rx

This was not anticipated in the 2012 plan



Butrans®

- Identified drivers of the trends:
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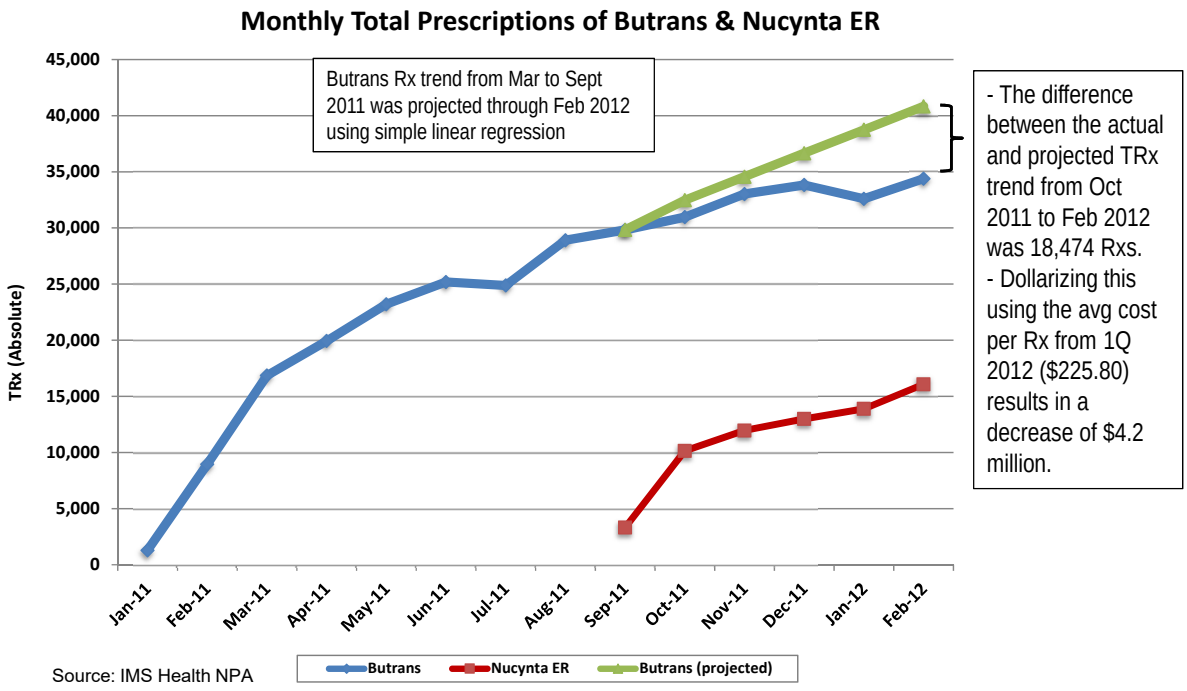
  - Butrans® 5 mcg/hour discontinuation rates are higher than those of the starting doses for other ERO products
    - We believe it is due to doctors converting existing opioid patients to a dose lower than appropriate
      - Messages and communications are being updated to address
  - Nucynta® ER is affecting New-to-Brand Rxs for Butrans

Nucynta® ER has Slowed Butrans® Monthly TRxs

Butrans 2012 budget assumed Nucynta ER would launch January 2012. Nucynta ER actual launch was September 2011.



- The difference between the actual and projected TRx trend from Oct 2011 to Feb 2012 was 18,474 Rxs.
- Dollarizing this using the avg cost per Rx from 1Q 2012 ($225.80) results in a decrease of $4.2 million.

Source: IMS Health NPA

Butrans®

- We are executing our 2012 program (budget) to include:
  - 605,000 primary position sales calls
  - Focused rep training and messaging on initiation and titration
  - Working with R&D to explore 5mcg/hour label changes and titration trade packaging
  - Other initiatives:
    - Butrans Experience Program
    - 1350 Speaker Programs
    - Expansion of Patient Savings Program – **offering new patients a $0 co-pay**
    - Expansion of eMarketing Programs from 21,000 to 77,000 targets
    - Professional Television Network

Butrans® Actual vs. Forecast

	Forecast	Actual	%
May YTD Sales	$47,850,000	$40,221,000	-16%
April YTD Rxs	171,993	142,247	-17%
April YTD Market Share	1.9%	1.7%	-0.2%

Butrans® Latest Estimate

- Butrans sales have been reforecasted based on current script levels and promotion programs – forecast $130 to $135MM range
- Approved Budget is $136MM (604k Rxs, $218 avg. Rx price)
- Recommendation: While Butrans Rxs may fall short, average Rx price will exceed forecast and, along with new marketing programs and Managed Care Pull Through programs, should bring actual dollar sales in line with the original forecast

Butrans® Summary

- Drivers
  - Macroeconomic factors have depressed ERO market growth
  - Average Rx value of $227 is 4% above forecast
  - Butrans discontinuation rates of starting doses (73%) are higher than other ERO starting doses
  - Nucynta® ER launch was 4 months sooner than anticipated
- Actions
  - Rep training/messaging on appropriate initiation/titration
  - Working with R&D on possible label changes and trade packaging
  - Several marketing initiatives underway (i.e., Experience Program, Speaker Programs, $0 Co-Pay Program, etc)

OxyContin® Summary

- Drivers
  - Macroeconomic factors have depressed ERO market growth
  - In Medicaid, we are losing volume as commercial payers are managing business for states and driving patients to generics
  - Cash payers are leaving market
  - We are investing in budgeted and additional S&P resources
- Actions
  - Adding primary presentations and improved reach of secondaries
  - Investment in Patient Savings Program has doubled patients using the program
  - Investment in eMarketing programs has more than doubled reach and greatly increased frequency

Exhibit 4

CONFIDENTIAL

Memorandum to
John Stewart
Russ Gasdia

From
McKinsey & Company

July 18, 2013

Identifying granular growth opportunities for OxyContin: First Board update

In June, Purdue engaged McKinsey to conduct a rapid assessment of the underlying drivers of current OxyContin performance, identify key opportunities to increase near-term OxyContin revenue and develop plans to capture priority opportunities.

While our work is only partially complete, we believe there is significant opportunity to improve OxyContin performance despite strong opioid marketplace trends that may be shaping a 'new normal'. We are pursuing 20+ distinct opportunities. All require further analysis, some will require testing, but several can be implemented quickly.

This memo provides an interim update that is not comprehensive of all the work done. The memo is divided into four sections:

1. Overall analytical approach
2. Early findings from diagnostic
3. Emerging opportunities
4. Next steps

1. Overall analytical approach

We set out to objectively examine OxyContin performance in seven areas – market landscape, commercial resourcing levels, messaging, targeting, field execution, market access, and medical/scientific support. In each area, we are taking an independent, fact-based, and granular approach. For the analyses, we are leveraging existing data, and where needed, we have requested that Purdue purchase new data (e.g., IMS prescriber level milligram dosing data). In

some cases we are generating entirely new data (e.g., having Purdue's sales force match specific prescribers to local 'corporatized providers' that make economically based usage decisions, such as Accountable Care Organizations.)

Our perspectives are shaped by 30+ interviews with external stakeholders including physicians, nurse practitioners, and pharmacists, as well as daily discussions with leaders in Stamford and initial ride-alongs with reps. There are strong marketplace headwinds from newer stakeholders (e.g., PROP, Corporatized Providers) that we are continuing to assess and quantify. In recognition of the complexity of the landscape and to better uncover root drivers, we have purposely and consistently focused on analyses at the local market level (e.g., zip code level analysis of growth). We have also leveraged McKinsey experts (e.g., field force execution, medical affairs) as well as proprietary tools (e.g., corporatized provider network connector) and McKinsey benchmarks (e.g., commercial spend, field productivity). Lastly our work builds upon our prior experiences serving Purdue that go back 10 years.

One important note: We have gathered and analyzed large amounts of data in a short period of time. Some initial findings will require refinement as we fill gaps in our fact base. We have been encouraged to provide an unvarnished, independent perspective on opportunities for improvement. As a result, our diagnostic focuses more on what's not working than what is. We see opportunity for Purdue to improve performance and hope these perspectives are received in that spirit.

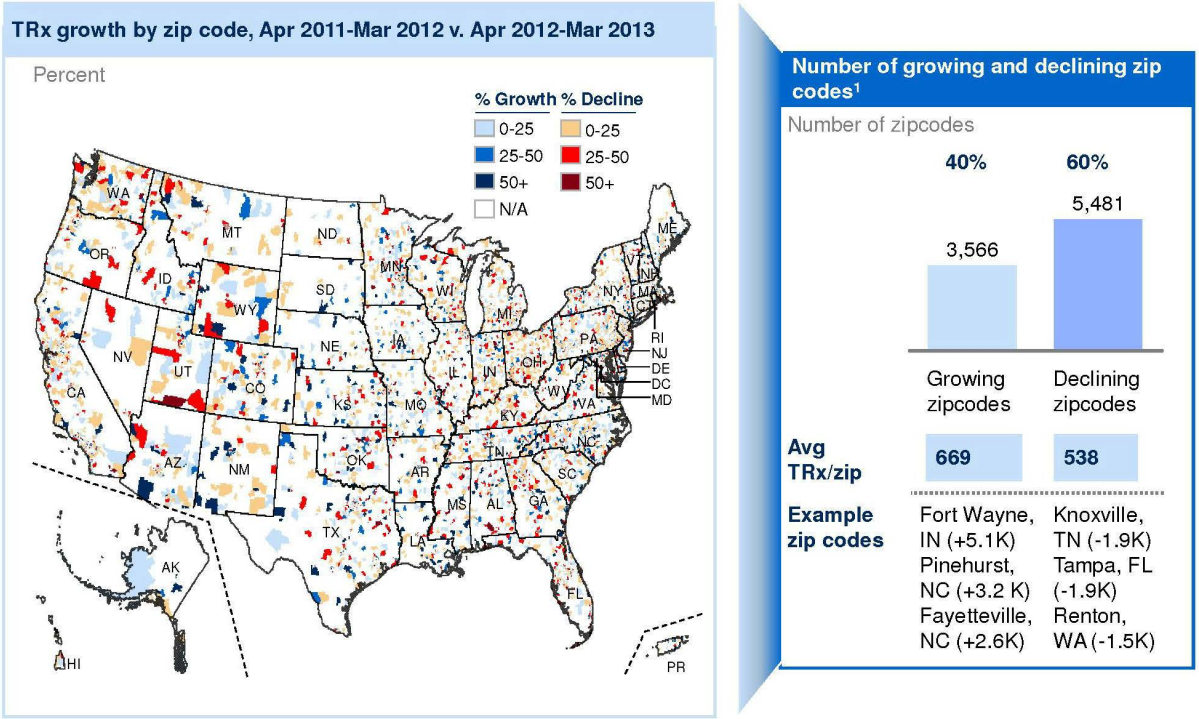
2. Findings from diagnostic

So far, we see four broad areas for improvement: market insights, local market fact-based decision-making, optimization of current resources, and tailored go-to-market approaches. Below we detail what we have found to date. These do not represent recommendations at this stage, although these findings inform the emerging opportunities we describe in section 3.

A) Growth by Geography

We believe that despite a national decline, micro market analysis suggests important pockets of growth that Purdue should focus on. It is encouraging that at a zip code level; roughly 40% of zips are actually growing their OxyContin prescription volume (Exhibit 1). The diffuse pattern in the geographic mapping also illustrates the extent of local dynamics– allowing Purdue to significantly improve its local market approach to capture these opportunities.

Exhibit 1: OxyContin growth by geography



1 Zip codes with fewer than 60 Oxycontin TRx in both 2011 and 2012 were not considered, accounting for approximately 100,000 TRx in 2011 and 2012

SOURCE: IMS; Purdue Sales and Marketing; Team analysis

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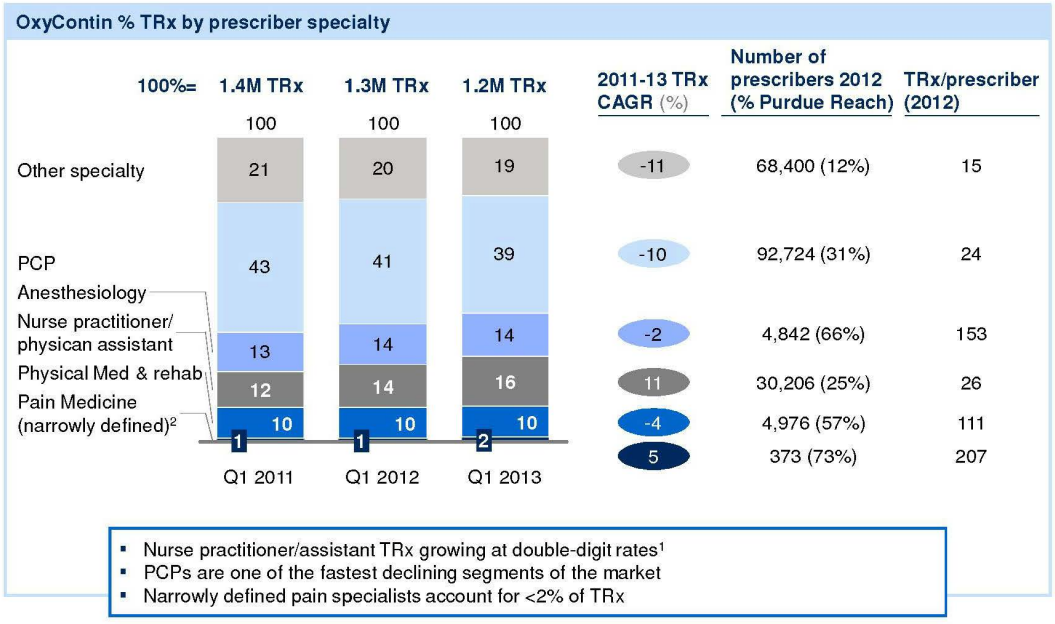
B) Growth by Prescriber

Going one step further to a physician level, 47% of all OxyContin writers (between March 2012 and March 2013) increased their prescribing of OxyContin and 60,000 new prescribers began writing OxyContin. To better understand where this growth is coming from, we examined growth by specialty.

Nurse practitioners and physician assistants (NP/PAs) stand out as the only group growing in double digits (11%, Exhibit 2). They have the greatest sales rep access and are increasingly important in large group practices. NPs are currently able to prescribe OxyContin in 41 states. In addition, NP/PAs as a group are expected to grow at ~3.5% over the next 5 years. Today Purdue calls on NP/PAs when they appear on a target list, however there is not a tailored approach or strategy for NPs. Purdue also does not systematically capture data affiliating NP/PA OxyContin writers with the practice in which they work (e.g., in primary care or as part of a pain practice).

Exhibit 2: OxyContin growth by prescriber



1 NPs can prescribe controlled substances in 41 states
2 Does not include pain medicine as a subspeciality

SOURCE: IMS; NP Central; Team analysis

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C) OxyContin Reach and Targeting

The diffuse geographic pattern of OxyContin growth combined with the above prescriber analysis prompted an exploration of Purdue's current reach and targeting.

In Q1 2013, Purdue reached 21% of all OxyContin prescribers, covering 54% of total OxyContin prescriptions (TRx). (Exhibit 3)

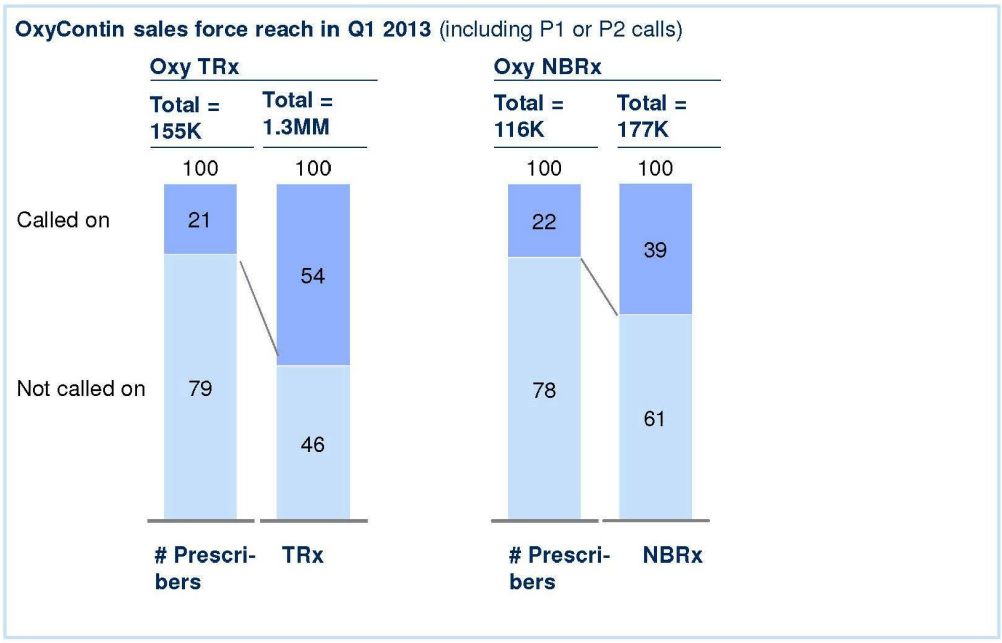
In Q1 2013, Purdue reached 22% of all OxyContin prescribers, covering 39% of total OxyContin prescriptions (NBRx).

Based on OxyContin's brand size, its relatively new reformulation and newer label change, improving Purdue's reach may be a profitable opportunity. Determining the optimal reach for OxyContin requires significant further analysis as it is both brand and situation specific. However for other brands of this size in similar situations, we regularly see reach near 80% of TRx when the brand is call sensitive.

Thus at an overall level, there is likely an opportunity to profitably expand reach.

The sales force today is designed and incented entirely on TRx, not incorporating NBRx. This is evident in the reach analysis of prescribers deciled by TRx vs by NBRx.(Exhibit 4) TRx reach is consistently higher than NBRx, e.g., in decile 10, Purdue covers 85% of TRx vs 61% of NBRx.

Exhibit 3: Reach by OxyContin TRx and NBRx



1 For 3-month period ending in March 2013; Reach defined as any physician who received at least one call (P1 or P2) in the time period specified

SOURCE: IMS; Purdue Sales and Marketing; team analysis

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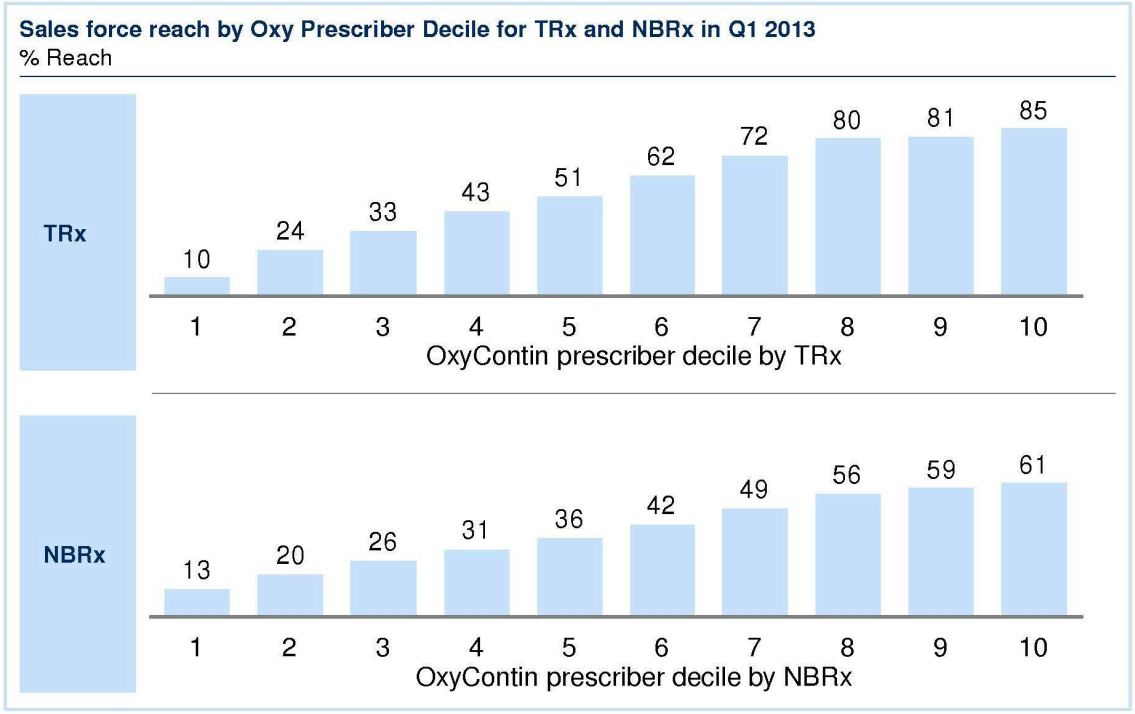
Exhibit 4: Prescriber Deciling by TRx and NBRx



1 Reach defined as at least 1 P1 or P2 in Q1 2013

SOURCE: IMS; Purdue Sales and Marketing; Team analysis

(Note: each decile contains 10% of the volume of TRx or NBRx. Each decile has different numbers of physicians. Decile 10 contains the smallest number of physicians but also those of highest value)

Targeting that only incorporates TRx can create sub-optimal field deployment as reps could spend too much time with historically high writers. These prescribers may largely be maintaining patients, with minimal risk of switching stable patients. As a result, these prescribers may not justify as high a call frequency.

Incorporating NBRx would encourage the field to seek out prescribers who are putting new patients on OxyContin, both opioid naives and switchers. It is critical for the field to message physicians experiencing a high rate of brand decision moments, e.g., someone expanding their practice. Identifying and supporting high NBRx prescribers is critical to growing your patient base. We have seen many companies with chronic products initiate sales acceleration strategies focused on NBRx to boost new starts.

Thus there is a tangible opportunity for Purdue to adjust its targeting to incorporate NBRx.

Industry best practice targets physicians based on a composite value incorporating TRx and NBRx, as well as access and other behavioral indicators.

D) OxyContin Call Responsiveness

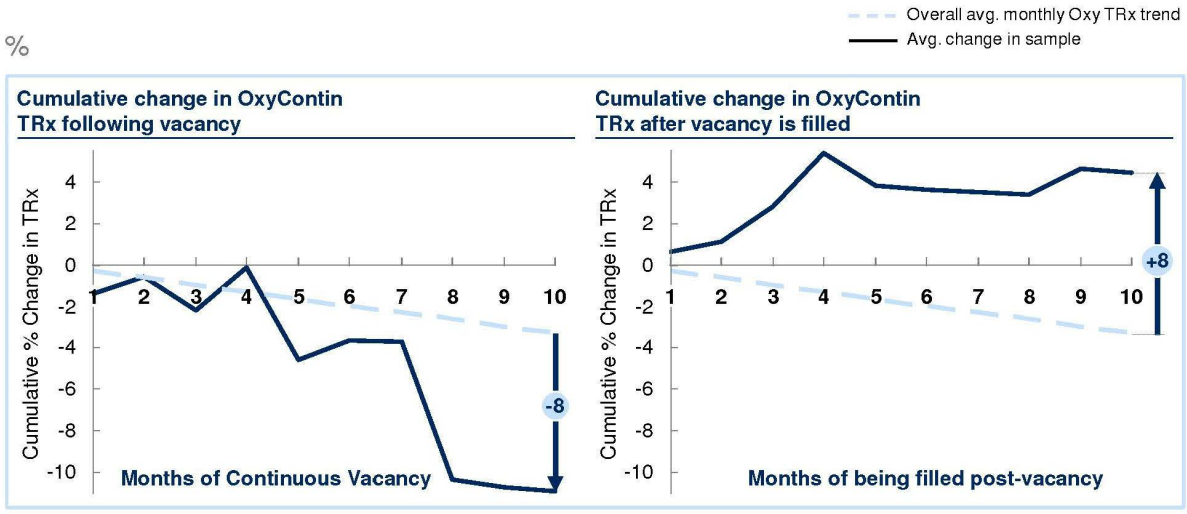
Given the size of the "unreached population" and unique characteristics of OxyContin (e.g., a well-known brand with new characteristics), we examined the impact of prescribers not being called upon using vacancies as a proxy.

Despite its age, OxyContin is surprisingly responsive to both a lack of calls and re-introduction of calls. Calling on a 'vacant' prescriber appears to increase sales in that prescriber on average by 15%. (Exhibit 5) This is consistent with internal Purdue analysis on call sensitivity.

OxyContin's call responsiveness suggests there is tangible opportunity to benefit from increased reach.

Please note this analysis does not imply that more reps are needed; later on we will explore whether additional reach capacity could be found in the current force.

Exhibit 5: OxyContin call responsiveness



- After 10 months of vacancy, Oxy TRx falls an average of 8% v. the overall trend; the effect is similar when zips are filled post- vacancy
- Given that the sales force calls on ~54% of OxyContin volume, this is **consistent with a ~15% impact on prescribers actually called**

1 % changes calculated using a weighted average of month TRx change for 8373 zip codes with >100 total TRx in a 28 month period (Jan 2011 to April 2013)

SOURCE: IMS; Purdue Sales Operations; team analysis

E) OxyContin Sales Force Efficiency and Effectiveness

The level of reach and responsiveness invite examination of the efficiency and effectiveness of the field force.

At the highest level, Purdue's annual goal of 1400 calls per rep is below our observed industry best practices of 1700 calls per rep for primary care. If the entire Purdue sales force was treated as effectively primary care, this benchmark would suggest 21% greater productivity is possible.

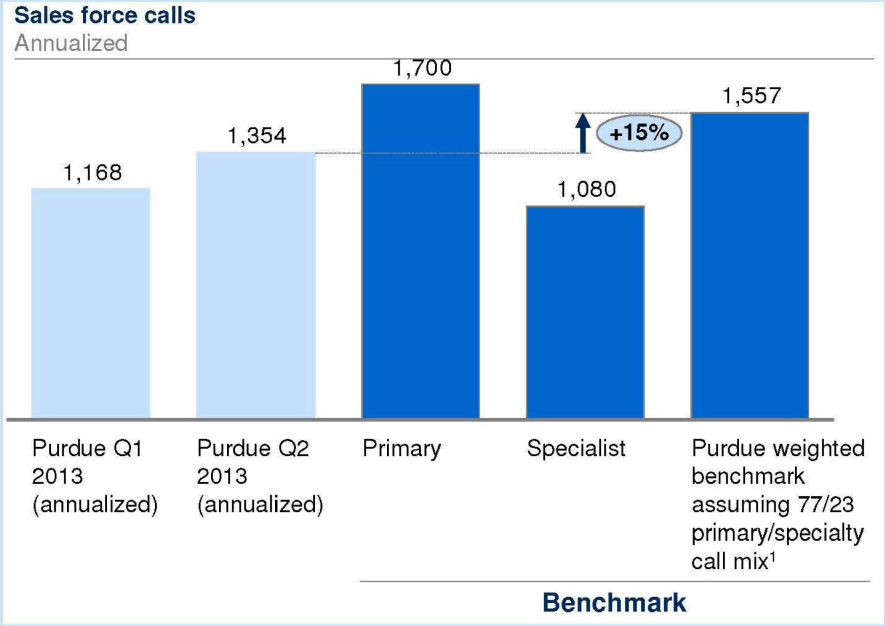
Specialty call rates can be lower but a major driver is geographic workload given specialty forces are typically half of Purdue's current size.

Being more conservative and treating Purdue's field force as a composite of primary care and specialty suggests 15% greater number of calls could be possible. (Exhibit 6)

An additional factor is that Purdue reps make calls to pharmacists outside the 1400 calls per rep aspiration and these are not on the official call list. As part of the opportunity to increase productivity, the value of these 'extra' calls should be re-evaluated.

Best practice field force productivity optimization requires a significant holistic approach (beyond the scope of this project) with robust analysis of many factors; therefore please view this observation as directional and preliminary.

Exhibit 6: OxyContin call productivity



1 77% of Purdue OxyContin details are for GPs; GPs include GPs, NRP, Phys Med & Rehab;
2 Assuming 12 calls/ year/ prescriber, 39 incremental scripts per prescriber that is newly called upon (assuming Decile 5-7 sales responsiveness calculated by ZS Associates), 71 pills/ script, $6.2 average price per pill, with 25% rebate and other fees.

SOURCE: GP/Specialist mix from ZS report "M6 Alignment and Preliminary Placement Review v2.0", slide 74; McKinsey benchmarks; Purdue sales reports; Team analysis

In terms of call attainment for OxyContin, in the first half of 2013 the field delivered 79% of target PDEs – 67% of the intended first position details (P1s) and 99% of second position details (P2s).(Exhibit 7) The rebalancing of territories in January is a factor but does not explain the entire difference, as Q2 P1% had risen to 80%.

Exhibit 7: OxyContin call attainment

Average monthly OxyContin calls
Jan – June 2013

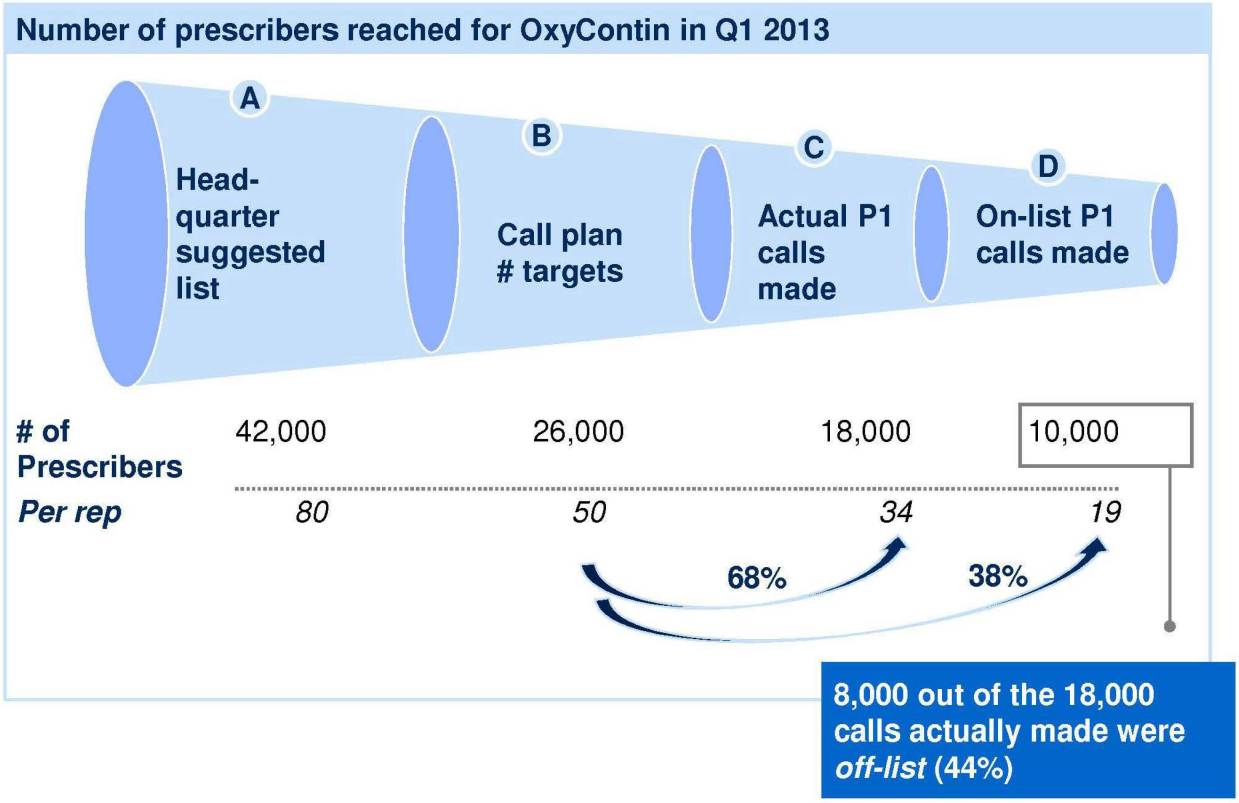
	P1	P2	Primary detail equivalents (PDEs)[1]
Per Rep			
▪ Target[2]	55	59	84
▪ Actual[3]	37	58	66
Field force total			
▪ Target	28,875	30,713	44,231
▪ Actual	19,600	30,400	34,800
▪ **% actual v. target**	**67%**	**99%**	**79%**

1 P1s plus 50% of P2s
2 Target based on published call plan (e.g. 2 calls/month on Oxy Supercores and 1 call/month on Cores)
3 Assuming 525 active sales reps

SOURCE: Purdue sales reports; Purdue internal interviews; team analysis

Looking more closely at P1s, we examined call adherence to the headquarters list. The year to date level of adherence to the HQ list is 56%, meaning that 44% of the calls were made to prescribers not on the HQ target list. This is well below what we have seen at other companies which typically reach 85-95%.

Exhibit 8: HQ call list adherence



SOURCE: ZS Associates report; Purdue call data; Team analysis

Understandably given the particular characteristics of OxyContin, there may be a high percentage of no-see doctors. However these should be accounted for both when the HQ list is constructed and when the field is reducing it to their target list. This may explain the high degree of room for selection of only 50 out of 80 targets per rep.

In the above example from Q1, of the 50 target calls per rep – only 34 P1s were made, and of those only 19 were from the HQ list. Thus 56% (19/34) of the calls made were on the target list. Extracting further, 38% (19/50) of the original HQ target P1s on the list were made.

This degree of freedom can work if Purdue's reps are making consistently better real time decisions. However examination of off list P1s shows that 91% were to lower value decile 0-5 prescribers, with 47% coming from decile 0 and 1. Thus it appears that the degree of flexibility may be allowing the field to trade off higher value prescribers for lower ones. Purdue should

re-evaluate the optimal degree of freedom, which in turn could enable greater capture of benefits from adjustments to reach and targeting.

F) OxyContin information

Moving to what the field actually says once in the physician's office, it is clear from our early physician interviews that there is an opportunity to increase awareness and understanding of both the new formulation and the AD label change.

We detected a consistent difference between pain specialists and PCPs in their understanding of the new formulation and AD label change. Many pain specialists saw significant value in the AD properties while PCPs generally had a lower level of understanding and a correspondingly lower level of perceived value. Pain specialists suggested PCP perception of AD value was largely driven by their incorrect assessment of the lack of abuse risk in their patients.

In our initial rep rides, we have seen missed opportunities for medical follow up to improve physician understanding. Yet we also heard from reps and management that medical has not optimally met physician needs due to a combination of: (a) MSL team being directed to focused on other stakeholders (but not necessarily prescribers); (b) no explicit channel for real-time engagement, and; (c) lack of belief that education will be beneficial for physicians, even when prescribers ask. In best practice medical organizations, each of these three observations is reversed: MSLs prioritize building strong relationships with physicians, Medical leverages real time technology – phone, video and even Google like proprietary tools, and the sales force routinely coordinates with their Medical colleagues to address physician needs.

The Medical Services information line is underutilized by physicians and the field appears under-trained on how to appropriately discuss it.

Given the unmet physician need to increase their understanding of the new formulation and AD label change, MSL resourcing and their ability to strategically engage physicians should be reconsidered.

G) Broader Marketplace Strategy

Moving beyond physicians, Purdue's marketplace is facing forceful headwinds but strategies for evolving stakeholders such as corporatized providers, Managed Care and Pharmacies have not kept pace with competitors and require attention.

<u>Corporatized providers</u>

Corporatized providers, ranging from large group practices to Acountable Care Organizations (ACOs) to large integrated delivery networks (IDNs) who are making use decisions using economic criteria, likely represent 25-35% of your potential business today and more going forward. Yet Purdue today does not purchase data on OxyContin performance in these groups.

This is in contrast to competitors (e.g., Pfizer, BI) that buy the data and have already redesigned their sales forces to respond to these new stakeholders (e.g., creating dedicated key account teams that have different capabilities and regulatory guidelines from traditional reps). For this diagnostic, we are bringing a proprietary field affiliation tool that will shortly give Purdue its first view on performance in this corporatized provider segment. Given the lack of focus on these stakeholders, we expect the performance of OxyContin to be well below its national share.

Based on this new data, a decision needs to be made whether it is better to bolster relationships to regain share or reduce sales effort in these accounts.

Health Economics

HECON is becoming increasingly important – from payors to corporatized providers to physicians. Given its increasing relevance, Purdue's policies and strategic focus should be reconsidered.

For example, we understand that today Purdue does not proactively engage payors on HECON issues as a matter of policy and only responds to unsolicited requests. Therefore Purdue is not proactively sharing its new label or any of the supporting data to help inform formulary decisions. We are not aware of another pharmaco in the US that takes this approach. Rather we see increasing resources, in HECON and payor groups, and even growing numbers of institutional reps and key account managers empowered to shape these types of economic discussions.

Purdue's policy and strategy have led to an undersized and underutilized HECON team of two. We recognize that HECON to support OxyContin and other pain products is more challenging than in other therapeutic areas. However your portfolio and the evolving landscape stress the importance of real effort in this area.

We believe there is an opportunity to build out the HECON story about AD in a way that payors and corporatized providers will take notice. We believe AD should be the disproportionate focus of your HECON efforts. Currently Purdue is also exploring a Budget Impact Model (BIM) to show payors that formulary restriction is a poor financial decision. While we appreciate this may be valuable in a few targeted situations, there is also certainly risk of this approach being counterproductive and potentially driving more severe restrictions including being taken off formulary.

Thus we see value in re-considering Purdue's HECON policies and increasing focus on developing the AD value proposition.

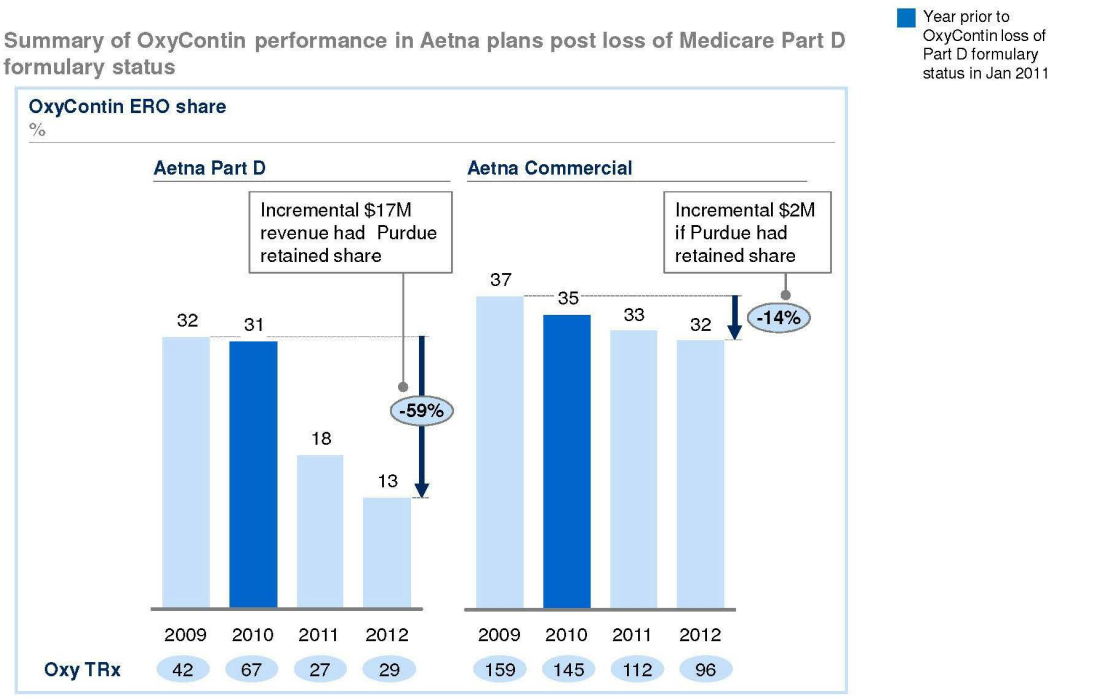
Managed Care

While this is an unlikely source of near term opportunity, we did uncover two findings that suggest there are some actions that can be taken quickly. First, when we explored changes in OxyContin formulary status in multiple Part D plans, we detected a clear drop off in the

commercial book of business for the same plan. This is inconsistent with industry best practice. (Exhibit 9) Additionally in areas where Part D coverage was lost, we found there was no concerted physician or patient advocacy effort to champion ongoing patient access to OxyContin and put complementary pressure on the payor. This is an opportunity to improve commercial access awareness today and going forward as Part D will continue to present formulary challenges.

Exhibit 9: Part D formulary loss spillover into Commercial plan

Summary of OxyContin performance in Aetna plans post loss of Medicare Part D formulary status



SOURCE: IMS PlanTrak; Purdue iGallery data; Purdue interviews; Team analysis

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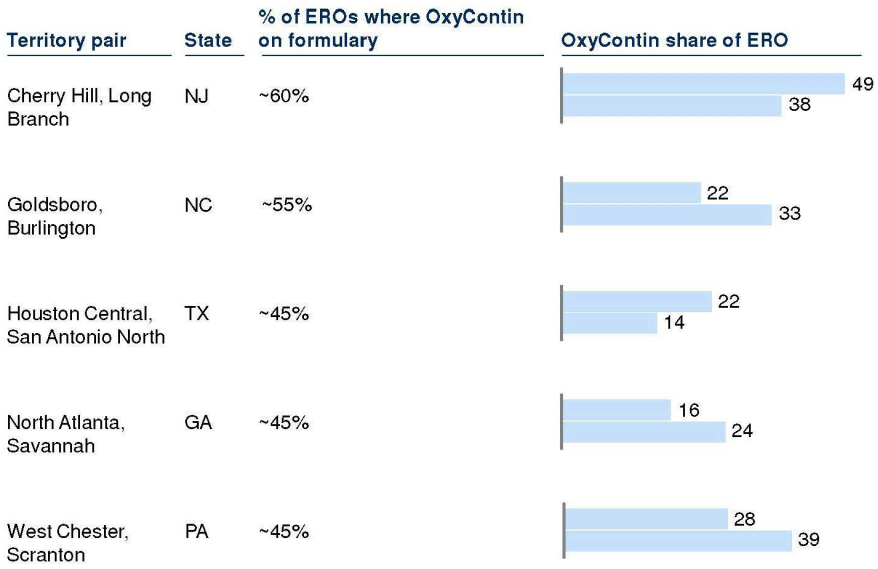
The second potential opportunity we identified was addressing instances of differential field force pull-through in equal access situations within the same state. This will require further local inquiry to validate individual opportunities. (Exhibit 10)

Exhibit 10: Differential pull through in equal access situations



SOURCE: IMS, Igallery, team analysis

More generally, payor pressures like those Purdue has experienced in Part D and MA-PD plans are likely to intensify. To date, Purdue has not actively prioritized deeply understanding payor customers and developing value propositions that go beyond rebates. Thus we believe these are both near-term and mid-term opportunities for Purdue to strengthen its managed care efforts.

Retail pharmacy

The retail channel, both pharmacies and distributors, is under intense scrutiny and direct risk. We see clear disruption impacting patients and it is spreading. The range of obstacles include entire pharmacies being shut off by distributors, pharmacies themselves imposing tablet limits, decreases in channel inventory leading to greater stockouts, and pharmacies choosing to not stock OxyContin. Yet against this clear and direct threat to patient access, we have not found a Purdue strategy for response or any significant mitigation steps taken. This requires an urgent response. Later on, we will describe one early idea to potentially address this issue.

The broader external environment around opioids is being shaped by others and Purdue is being impacted. In some cases such as state legislation, Purdue has taken action. Yet for other

significant influencers like PROP (Physicians for Responsible Opioid Prescribing), Purdue does not appear to have a clear strategy nor has it taken significant action.

The theme for these emerging stakeholders is that Purdue needs quicker, deeper insights and pro-active mitigation strategies.

3. Emerging opportunities

Our initial focus has been on the diagnostic. Our work will shift to opportunities over the coming weeks. To date we have identified and are pursuing 20+ tangible and near term opportunities to improve Purdue's performance. All require further analysis; several will require real world testing. We are launching a 'test and learn' approach in close coordination with the sales force.

Initial opportunities fall into three areas: (I) ***Immediate tactical opportunities*** for impact within 6 months (II) ***Near term opportunities requiring testing*** for impact in 6-12 months, and (III) ***Strategic policy decisions*** to be debated and resolved. (Exhibit 11)

Exhibit 11: Examples of opportunities to pursue

WORK-IN-PROGRESS

I. Immediate tactical opportunities	▪ Make adjustments to select sales force efficiency and effectiveness levers (e.g., call productivity, reach, targeting, attainment, adherence) ▪ Increase involvement of MSLs in prescriber interactions to ensure effective communication of scientific results ▪ Increase messaging in low-share, high payer access territories on quality of OxyContin coverage ▪ Promote patient savings cards in areas with high Walgreen's concentration ▪ Expand 'starter kit' distribution
II. Opportunities requiring testing	▪ Move to 100% OxyContin P1s and Butrans P2s in select territories, adjusting incentives accordingly ▪ Selectively reduce peak frequency of OxyContin and use incremental capacity to increase reach, targeting high ERO and high NBRx prescribers being missed today ▪ Increase reach and frequency of calls to NPs and develop tailored messaging
III. Strategic policy decisions	▪ Create an alternative distribution channel to respond to retail patient access challenges ▪ Increase overall sales force productivity through fundamental re-examination of all the sales and marketing components, ranging from co-positioning to compensation to territory re-definition ▪ Develop new strategy to approach or deprioritize corporatized providers ▪ Reconsider policy around HECON engagement with payors

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Below we provide examples of each of these types of opportunities:

I. Immediate tactical opportunities require further validation and adoption by OxyContin brand leadership. These ideas are primarily about implementing industry best practices in execution. These best practices can be adapted for Purdue and rolled out quickly. These include: higher call productivity, full delivery of OxyContin P1s, higher reach of decile 6-10 prescribers, greater adherence to call lists, and field training on how to appropriately engage medical.

II. Near term opportunities requiring testing represent a higher degree of change. We suggest evidence from pilots is needed prior to scale up.

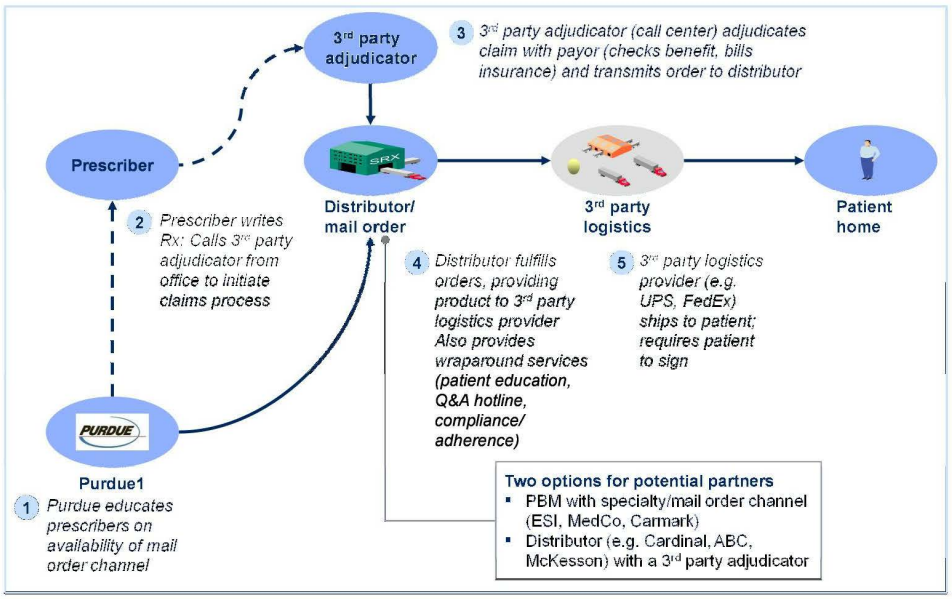
An example would be a transformative shift in OxyContin and Butrans call objectives to 100% OxyContin in P1s and Butrans in P2s. This could be part of a temporary build up or more permanent in many markets. This could come with corresponding targeting and compensation changes. We'd suggest this be a 'test and learn' given the value of insight from real world implementation (e.g., sizing both the potential OxyContin upside and Butrans downside.)

III. Strategic policy decisions are less about on the ground operations and more about fundamental change Purdue's go to market model. Many of these decisions could deliver short performance impact.

One example is reconsidering Purdue's policy regarding proactively engaging in HECON discussions with payors and corporatized providers.

Another example is an early idea to create an alternative model for how patients receive OxyContin. This model would bypass retail , likely through a third party vendor who would provide adjudication and direct distribution to patients.(Exhibit 12) Physician offices or patients would send in prescriptions and this alternative channel could replace pharmacy call backs with patient care value added services. Recordkeeping could be much easier if done centrally by experts. Pfizer, J&J and AZ have all developed versions of this direct to patient distribution model to improve patient access.

Exhibit 12: An early idea for disruption of OxyContin fulfillment → Product flow



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Implementation of ideas in all three areas requires a cultural and mindset change for Purdue. Successful adoption of new approaches will be challenging for the organization. We are encouraged by many leaders who are ready and highly supportive of driving the types of changes described here.

4. Next steps

We are only partially through our work and many analyses are in progress. For example, we know that over 40% of OxyContin decline (in milligrams sold) is due to a reduction in tabs/Rx and mgs/Rx. We are developing a perspective based on channel inventory data, external discussions with pharmacists and new IMS data. Other in progress analyses include: deeper evaluation of the micro-markets, consideration of sales curves by market characteristics and assessment of pricing by dosage.

Given the focus on near term performance, we will continue to focus disproportionately on those opportunities that can have the biggest impact.

We recognize the urgency, complexity and scale of the issues we have found to date. We will proceed with our absolute best efforts. We are confident that significant progress will be made and at a substantially accelerated pace; but the scale and degree of change being considered is substantial. Capturing these opportunities will be a journey, not an event for Purdue.

In our final report, you can expect a comprehensive assessment of our findings, quantified recommendations on the biggest opportunities and specific guidance on implementation – recognizing culture and mindset change requirements. It will include a roadmap for further work Purdue will need to do to make rapid progress on capturing these opportunities.

Purdue has had a remarkable history of success. So far, we have seen significant opportunity to drive performance improvements and openness to the scale of change that is needed.