

Allegation: Secret Memo To Keep Money Flowing To Family

Massachusetts AG FAC 1237:

237. On April 18, Richard Sackler sent Kathe, Ilene, David, Jonathan, and Mortimer Sackler a secret memo about how to keep money flowing to their family. Richard wrote that Purdue's business posed a "dangerous concentration of risk." After the criminal investigations that almost reached the Sacklers, Richard wrote that it was crucial to install a CEO who would be loyal to the family: "People who will shift their loyalties rapidly under stress and temptation can become a liability from the owners' viewpoint." Richard recommended John Stewart for CEO because of his loyalty. Richard also proposed that the family should either sell Purdue in 2008 or, if they could not find a buyer, milk the profits out of the business and "distribute more free cash flow" to themselves.

235. In April, staff told the Sacklers that Purdue employed 304 sales reps. Staff

and obtained data showing which pharmacies stocked
helped them convince area doctors to prescribe the highest
Purdue received 853 Reports of Concern about abuse and
8, and they had conducted only 17 field inquiries in
Sacklers that they received 83 tips to Purdue's compliance
report any of them to the authorities.¹⁵¹
Sacklers that they promoted Purdue's opioids at Tufts Health
Management in Boston on March 27.¹⁵²
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¹⁵¹ 2008-03-15 Board report, pgs. 17, 23, 24, 27, PDD8901724450, -456, -457, -460.

¹⁵² 2008-03-15 Board report, pg. 16, PDD8901724449.

¹⁵³ 2008-04-18 email and attached memo from Richard Sackler, PDD9316300629-631.

Cited Document: Confidential Memo About CEO Hiring

- CEO loyalty in context of sale of business or recap
- No reference to prior criminal investigation

Re: CEO Considerations

The Purdue CEO and his top team are thus in an interesting and potentially conflicted position. Under some circumstances, such as a merger with a public company, they may gain exceptional opportunities to increase personal wealth through equity packages. On the other hand, they may at the end of the day gain only the one-time benefits specified in change-of-control or severance agreements.

- “Concentration of risk” — wealth in single company dependent on single product with 2013 patent cliff
- “Major risks must be avoided, especially non-compliance with the Corporate Integrity Agreement...”
- The only litigation risk discussed concerns patent exclusivity for OxyContin

Possible investors in, or acquirers of, Purdue will also be the top management team officers. Possible buyers will value the independence of its team and its long-term commitment to the Company as an element of value. On the other hand, some strategic buyers would consider the synergies and intend to realize synergies in due course with the Company's people and systems.

Interesting and as merger with a public company, personal wealth at the end of the day gain or whether they are well compensated. If not, there will be intense pressure on the Company.

For example — because a person who will shift their loyalty from the company to the public company.

the cash flow afforded by

The primary source of revenue for the Company is OxyContin. DA through our period of exclusivity, currently estimated to be through 2013. The unit is being marketed in the United States and is expected to be marketed in other countries. The only source of revenue is through the sale of the product. The only source of revenue is through the sale of the product. The only source of revenue is through the sale of the product.

There seems to be a few opportunities to extend the franchise to 2013 or beyond.

Even if they are successful, success with these projects will be extremely valuable.

It is also not to be avoided, especially in connection with the Corporate Integrity Agreement, and employee loss of confidence in a period of crisis.

Priority 2: Building an organization and business system that will improve efficiency and decision-making, while minimizing redundant procedures or staff.

The centralization of the organization, especially in connection with the Corporate Integrity Agreement, and employee loss of confidence in a period of crisis. The centralization of the organization, especially in connection with the Corporate Integrity Agreement, and employee loss of confidence in a period of crisis.

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