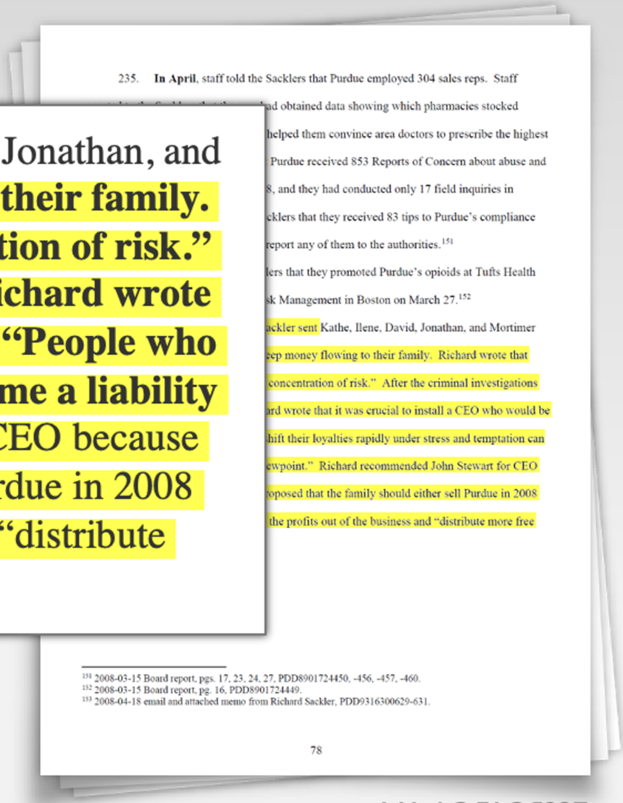
Allegation: Secret Memo To Keep Money Flowing To Family

Massachusetts AG FAC ¶237:

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
ad 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
cklers that they received 83 tips to Purdue's compliance
report any of them to the authorities.[151]
ers that they promoted Purdue's opioids at Tufts Health
k Management in Boston on March 27.[152]
ackler sent Kathe, Ilene, David, Jonathan, and Mortimer
ep money flowing to their family. Richard wrote that
concentration of risk." After the criminal investigations
rd wrote that it was crucial to install a CEO who would be
hift their loyalties rapidly under stress and temptation can
ewpoint." Richard recommended John Stewart for CEO
oposed that the family should either sell Purdue in 2008
the profits out of the business and "distribute more free

[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.

78

MA AG FAC ¶237

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

4/08 CEO Considerations Memo, p. 2 (PDD9316314309)