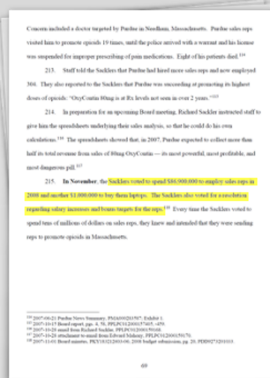


Allegation: Board Decisions To Compensate, Hire & Equip Sales Reps With Laptops

Massachusetts AG FAC ¶215:

215. In November, the Sacklers voted to spend \$86,900,000 to employ sales reps in 2008 and another \$1,000,000 to buy them laptops. The Sacklers also voted for a resolution regarding salary increases and bonus targets for the reps.¹¹⁸ Every time the Sacklers voted to spend tens of millions of dollars on sales reps, they knew and intended that they were sending reps to promote opioids in Massachusetts.

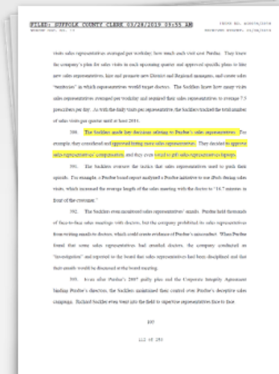
¹¹⁸ 2007-11-01 Board minutes, PKY183212603-06; 2008 budget submission, pg. 20, PDD9273201033.



MA AG FAC ¶215

New York AG FAC ¶390:

390. The Sacklers made key decisions relating to Purdue's sales representatives. For example, they considered and approved hiring more sales representatives. They decided to approve sales representatives' compensation, and they even voted to gift sales representatives laptops.



NY AG FAC ¶390

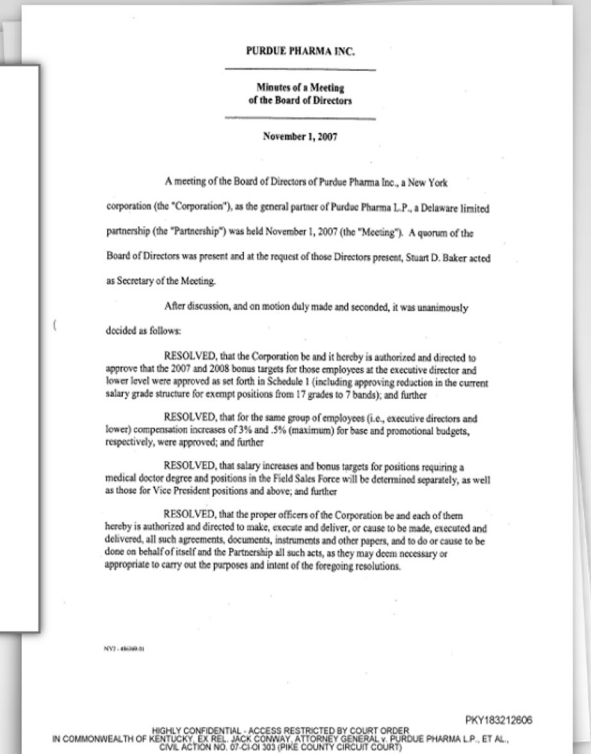
Cited Board Minutes Did Not Address Compensation For Sales Reps, Said Nothing About "Gifting" Laptops

November 1, 2007 Board Minutes:

RESOLVED, that the Corporation be and it hereby is authorized and directed to **approve that the 2007 and 2008 bonus targets for those employees** at the executive director and lower level were approved as set forth in Schedule 1 (including approving reduction in the current salary grade structure for exempt positions from 17 grades to 7 bands); and further

RESOLVED, that for the same group of employees (i.e., executive directors and lower) compensation increases of 3% and .5% (maximum) for base and promotional budgets, respectively, were approved; and further

RESOLVED, that **salary increases and bonus targets for** positions requiring a medical doctor degree and **positions in the Field Sales Force will be determined separately**, as well as those for Vice President positions and above . . .



The CIA Governed Decisions About Compensation For Sales Reps

Corporate Integrity Agreement:

2. *Policies and Procedures.* To the extent not already accomplished, within 120 days after the Effective Date, Purdue shall implement written Policies and Procedures regarding the operation of Purdue's compliance program and its compliance with Federal health care program and FDA requirements. At a minimum, the **Policies and Procedures shall address:**

d. **Compensation (including salaries and bonuses) for Relevant Covered Persons engaged in promoting and selling Purdue products** that are designed to ensure that financial incentives do not inappropriately motivate such individuals to engage in the improper promotion or sales of Purdue's products;

• **OIG confirmed compliance for this period**

c. the requirement that all of Purdue's Covered Persons shall be reported to the Compliance Officer, or other appropriate official, by Purdue, suspected violations of any Federal health care law or FDA requirements or of Purdue's own Policies and Procedures as implemented pursuant to Section III.B.2; the requirement that both Purdue and Covered Persons of Purdue shall implement written Policies and Procedures as implemented pursuant to Section III.B.2 and the failure to report such violations; and the requirement that individuals use the Disclosure Program described in Purdue's Code of Conduct to report violations of the Code of Conduct, confidentiality and anonymity with respect to such reporting. Within 120 days after the Effective Date, Purdue shall implement written Policies and Procedures regarding the operation of Purdue's compliance program and its compliance with Federal health care program and FDA requirements. At a minimum, the Policies and Procedures shall address:

d. Compensation (including salaries and bonuses) for Relevant Covered Persons engaged in promoting and selling Purdue products that are designed to ensure that financial incentives do not inappropriately motivate such individuals to engage in the improper promotion or sales of Purdue's products;

Corporate Integrity Agreement
Purdue Pharma L.P.

Attachment E to Plea Agreement
United States v. The Purdue Frederick Company, Inc.

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Corporate Integrity Agreement, pp. 6-7

The CIA Governed Decisions About Compensation For Sales Reps

HR Standard Business Practices Field Sales Compensation Determination:

- 1.1 The compensation system for the Field Sales Force is composed of payment of base salary and a quarterly bonus. **The compensation structure is based on a variety of factors and is not based exclusively on volume of OxyContin sales.** The Field Sales Force compensation system is managed by the Human Resources Compensation group with input from Sales Management.
- 1.4 There is a Field Force Bonus Review Committee comprised of Purdue senior management from: Sales, Marketing, Finance, Human Resources, Office of the General Counsel and Sales Operations.
- 1.6 **The Field Force Bonus Review Committee reviews and recommends quarterly bonus plan proposals in an effort to provide for a bonus program that rewards the Field Sales Force's efforts to promote Company products in a compliant manner within applicable FDA and federal health care program guidelines and reflects a pay philosophy that is market competitive.**

Field Sales
Compensation Determination
4.2
July 31, 2009
July 30, 2008

may be updated at any

Force that is based on a
appropriate and responsible
applicable FDA and federal

Medical Marketing
atives, District Managers
Regional Managers and
bonus program only.

3. Compliance with Purdue's Code of Business Ethics and policies and procedures will
be considered in all compensation related documents and actions.

Field Sales Force is market

Sales Force are made in a

composed of payment of
structure is based on a
volume of OxyContin sales. The
by the Human Resources
ment. This includes bonus

plan recommendations, pay administration and use of external industry
data to help determine results versus goal. The Sales Operations Department also
coordinates direct compensation bonus programs with Payroll to ensure timely and

is the collection of external
tion. This information
salary and bonus)
due is paying its sales

determined based on external
the new employee's current
are conducted annually
or date as may be set
based on individual

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