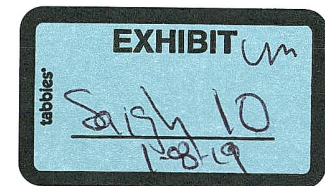
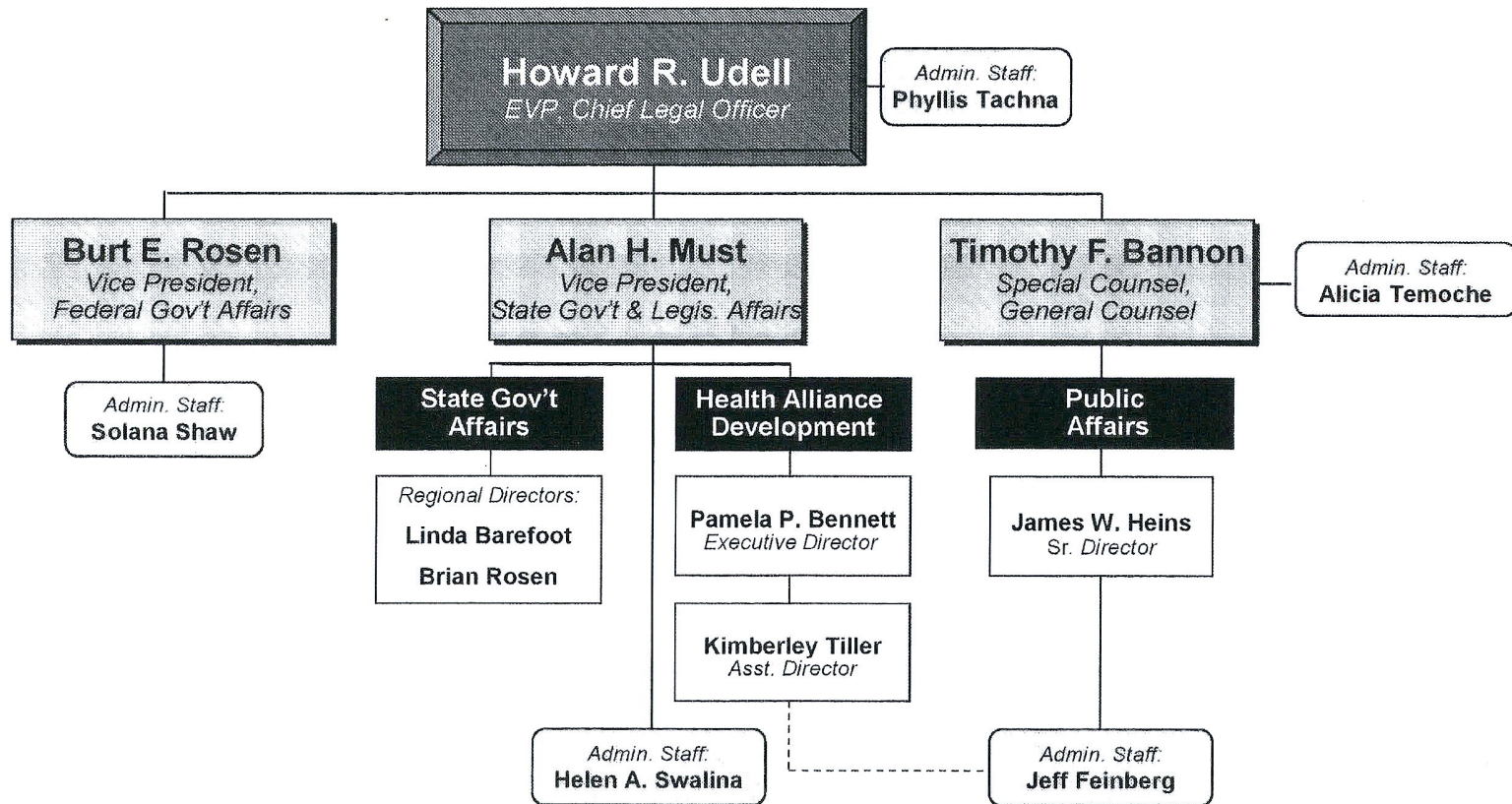


External Affairs Group

2006 Accomplishments
2007 Objectives



External Affairs Group



12 Full time employees



2006 Objectives for External Affairs Group

- Develop and execute a coordinated communications, government relations and advocacy strategy to:
 - Assure patient access to appropriate and effective pain medicines.
 - Establish Purdue as “part of the solution” in the fight against Rx drug abuse and diversion.
 - Recognize the problem as Rx drug abuse, not the abuse of any single drug.
 - Reassure key audiences that lawsuits and other attacks on properly prescribed, FDA-approved pain medications represent an unjustified threat to good patient care.
 - Support Purdue’s prescription and OTC product lines.
 - Enhance Purdue’s reputation as a highly ethical corporate citizen.
 - Inform and motivate employees about the company’s goals and values through regular communication.



Sending a message to infringers



2008 - NUMBER 5 - 2008

The SPARKY & Company logo

BUSINESS

When OxyContin caused the pain

A diversifying Purdue Pharma hopes to regain control of its flagship drug

By Julie Fishman-Lapin

Few companies know pain the way Purdue Pharma does. For years, the connection between pain and Purdue was the Stamford company's flagship medication, OxyContin, a time-released painkiller used by cancer patients and chronic-pain sufferers.

Last year, pain at Purdue Pharma became a visceral feeling that permeated the inner workings of a company that today is a shell of its former self.

In January 2008, Purdue Pharma lost the first round in a legal battle to halt a generic version of OxyContin when Hialeah Pharmaceutical Holdings won its lawsuit that Purdue Pharma's patents protecting OxyContin until 2013 were unenforceable.

When an appeals court agreed in June, funds, as well as other generic drug makers, continue to buy generic

The impact on Purdue Pharma was swift and severe. OxyContin had contributed about 80 percent to the company's annual net sales, and the cheaper generics were rapidly stealing market share.

Management slashed 1,863 jobs, representing more than half of Purdue Pharma's employees. And the Inness Boulevard pharmaceutical company has lost \$1 billion in revenue since the court ruling, about half its annual gross sales, said Michael Friedman, president and chief executive officer.

sales happened more slowly than Purdue Pharma anticipated, but the ultimate effect was the same, Friedman said.

Along with the job cuts, "The loss of revenue has caused us to dramatically reduce our drug discovery abilities," he said. "Our research capacity has dropped by about 80 percent."

The company's drug discovery unit in Cranbury, N.J., went from 154 people to 27. And its other research facility in Auckley, N.Y., went from 331 employees to 32. Friedman said

"We think the market underestimates the risk of keeping [the generic product] on the market given the recent surprise reversal of the appellate court," said [Corey] Davis, financial analyst JP Morgan.

Tax Bill Benefits Rhodes Technologies

KENT COUNTY
DAILY TIMES KentCountyTimes.com

Sullivan bill paves way for growth

COVENTRY - Representative Raymond J. Sullivan Jr. (D-Dist. 29) of Coventry announced yesterday that his bill adjusting the biotechnology tax credit legislation passed earlier in May leapt its final hurdle and passed the General Assembly in the wee hours of Saturday morning.

According to a press release issued by Sullivan, the bill "makes way" for Coventry-based Rhodes Technology, a growing pharmaceutical company, to expand to the tune of approximately 70 "high-paying jobs." Sullivan's earlier legislation had made it possible for biotechnology firms such as Amgen to expand by offering them "critical economic incentives," according to the release. Sullivan himself explained that the change offered by this latest biotech bill was a "minor change in the language," but one which allowed Rhodes to be included in the scope of the companies allowed to access these incentives.

"We looked at the original biotech legislation...the difference with this is biology vs. chemistry. It all goes back to how you trace the original source of the product," he explained.

...the bill
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l company, to
expand to the
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PURDUE

External Affairs Group: 2006 Timeline

- **June 29**– Louisiana PMP signed by Governor
- **July 11** - House Government Reform Subcommittee hearing on Pharmaceutical Supply Chain Security
- **July 13** – MA OxyContin and Other Drug Abuse Commission Final Report issued
- **July 26** - House Government Reform Subcommittee hearing on Prescription Drug Abuse: “What is Being Done to Address this New Drug Epidemic”
- **August 3** - Senators Sessions (R-AL) and Feinstein (D-CA) introduce drug abuse legislation
- **August 28-29** - Settlement agreements with Endo and Teva announced
- **September 1** - September Pain Awareness Month - media outreach with Amer. Chronic Pain Assoc. & Amer. Pain Society
- **September 20** - ABC’s 20/20 focuses on methadone overdose deaths, not OxyContin robberies
- **September 27** - Pain & Policy Studies Group releases state pain policy report cards
- **October 10** - Meeting with U.S. Attorney for Western District of Virginia
- **October 11** - Meeting with Department of Justice
- **October 16** – Endo and Teva Consent Judgments announced
- **October 27** – Purdue announces first major settlements in product liability litigation



Returning to Exclusivity

- Prior to February 1 appellate court ruling
 - Protecting patient access and preserving resources

- Following February 1 appellate court ruling
 - Maximizing the Opportunity
 - Preparing the foundation for success
 - Ending Infringement: Impax becomes the principal focus
 - (to be continued)



Federal Government Affairs

2006 Accomplishments
2007 Issues



FGA - 2006 Accomplishments

- Role of amicus briefs in February 1st appellate decision
- Commercial Team and Negotiating Teams formed to develop and implement strategies to regain exclusivity
- President signs Budget Act delaying Authorized Generic effective date
- Congressmen Norwood and Strickland and Senators Sessions and Feinstein introduce legislation aimed at limiting misuse of controlled substances.
- Senate amends ONDCP reauthorization bill provisions regarding iatrogenic addiction study
- Pain Care Forum, created in 2005, expands to 38 members
 - Gives non-profit advocacy groups access to federal affairs expertise



Pain Care Forum Members

- Abbott Laboratories
- Allergan, Inc.
- Alzheimer's Association
- American Academy of Pain Management
- American Academy of Pain Medicine
- American Alliance of Cancer Pain Initiatives
- American Cancer Society
- American Chronic Pain Association
- American Headache Society
- American Hospice Foundation
- American Pain Foundation
- American Pain Society
- American Pharmacists Association
- American Society for Pain Management Nursing
- American Society of Anesthesiologists
- American Society of Pain Educators
- Baxter Healthcare
- Boehringer Ingelheim Pharmaceuticals
- Capital Hospice
- Center for Practical Bioethics
- Cephalon
- Citizen Advocacy Center
- Compassion & Choices
- Federation of State Medical Boards
- Gardner, Carton & Douglas, LLC
- Hospice and Palliative Care Nurses Association
- Johnson & Johnson
- Ligand Pharmaceuticals, Inc.
- Medtronic, Inc.
- National Coalition for Cancer Survivorship
- National Hospice & Palliative Care Organization
- National Pain Foundation
- Oncology Nursing Society
- Pain & Policy Studies Group
- Purdue Pharma LP
- The Raben Group
- Reflex Sympathetic Dystrophy Syndrome Association
- U.S. Oncology



FGA - 2007 Issues

- Continue to coordinate the Commercial and Negotiating Teams in an effort to bring OxyContin back to market exclusivity in 2007.
- Maintain and expand relationships with key federal government supporters; continue to develop new supporters by providing accurate and timely information about Purdue, its products and the needs of pain patients.
- Prepare to address legislation that might inappropriately restrict patient access to necessary medicines or impair Purdue's ability to develop and bring important new products to market.
- Support the pain community in their legislative initiatives (e.g., National Pain Policy Act)
 - Expand the Pain Care Forum as the voice on pain care issues in Washington.
- Continue to position Purdue as the industry leader in supporting legislation and regulation to limit the diversion and abuse of prescription medicines
 - Supply chain security and measures to eliminate "rogue" internet pharmacies.



State Government Affairs

2006 Accomplishments
2007 Issues



SGA - 2006 Accomplishments

- Addressed legislation to restrict OxyContin use in Massachusetts, Connecticut, Maryland and Pennsylvania.
- Supported passage of statewide PMP legislation
 - Connecticut, Vermont, Iowa, Louisiana and South Carolina
 - Maine PMP taskforce
 - Natl. Council on State Legislators PMP educational forum, Dec. 5-6, 2006
- Supported Rhode Island tax credit legislation that gave \$1 million retroactive tax credit to Rhodes Technologies.
- Provided information and supporting testimony to Massachusetts legislative commission on OxyContin abuse
 - emphasized the need to acknowledge and safeguard patient access while controlling substance abuse
- Liased with state Attorneys-General to address and mitigate concerns regarding company and products.
- West Virginia update



Outsourcing the State AG

Jerry Kilgore

07-10-2006

The profit motive may be fine for a lawyer in private practice, but we expect different values in state attorneys general.

An attorney general, as a state's chief law enforcement officer, is vested with the authority to enforce criminal and civil laws. With this significant authority comes great responsibility. State attorneys general are granted broad discretion to set priorities over which civil and criminal cases they prosecute; to determine how they prosecute these cases; and to select the individuals, organizations, and law enforcement officials with whom they work to pursue justice.

This discretion and independence is critical. The attorney general must be a faithful servant both to state laws and to the citizens the law protects.

Today, however, a trend has emerged that increasingly threatens the independence of the attorney general and creates a conflict between public benefit and private profit. In states across the nation, private lawyers are being hired on a contingent fee basis to conduct work that should be done by the attorney general's office.

As a former attorney general, I worry that too much authority is being turned over to outside lawyers. I am concerned that these relationships with plaintiffs lawyers may raise serious ethical questions, involve the transfer of huge sums of money, and

West Virginia's attorney general has appointed local plaintiffs lawyers to the post of "special assistant attorneys general" to represent the state in litigation...

The settlements obtained in these cases often have been structured to pay the outside lawyers first, before giving any money to the taxpayer-funded state agencies that are the actual plaintiffs.

SGA - 2007 Issues

- Address proposed product specific legislation and/or regulations
- Support appropriately designed state prescription monitoring programs.
- Address proposed legislation/regulation concerning provider prescription data (IMS).
- Support well designed legislation to secure distribution channels and reduce the introduction of counterfeit medications.
- Support legislation addressing issues of access to pain medication and reduction of diversion and abuse



Healthcare Alliance Development

2006 Accomplishments
2007 Issues



HAD - 2006 Accomplishments

- Positioned Purdue as a valuable partner in the pain care community
 - Maintained existing and developed new relationships with key organizations.
 - Integrated the Professional Relations and Advocacy departments into the Healthcare Alliance Development department.
 - Implemented “Connecting the Dots” networking efforts to provide added value and secure third-party funding and/or services
 - Pain & Policy Studies Group state report cards on pain policy
 - Center for Practical Bioethics research on trends in criminal and regulatory actions against prescribers.
- Provided technical expertise, information & enduring materials, education & training, visibility and/or funding
- Sales and Marketing Support
 - Provided content for PAP web site
 - Managed Tramadol OAD BBU HAD and product information programs
 - Organized Purdue Volunteer Partnership program
- Served as liaison to patients on issues of access to care.
 - Alerted advocates to opportunities to share their stories in testimony and media interviews.

PURDUE

Supported initiatives to give a voice to patients in pain (e.g., APF SPAN).

17

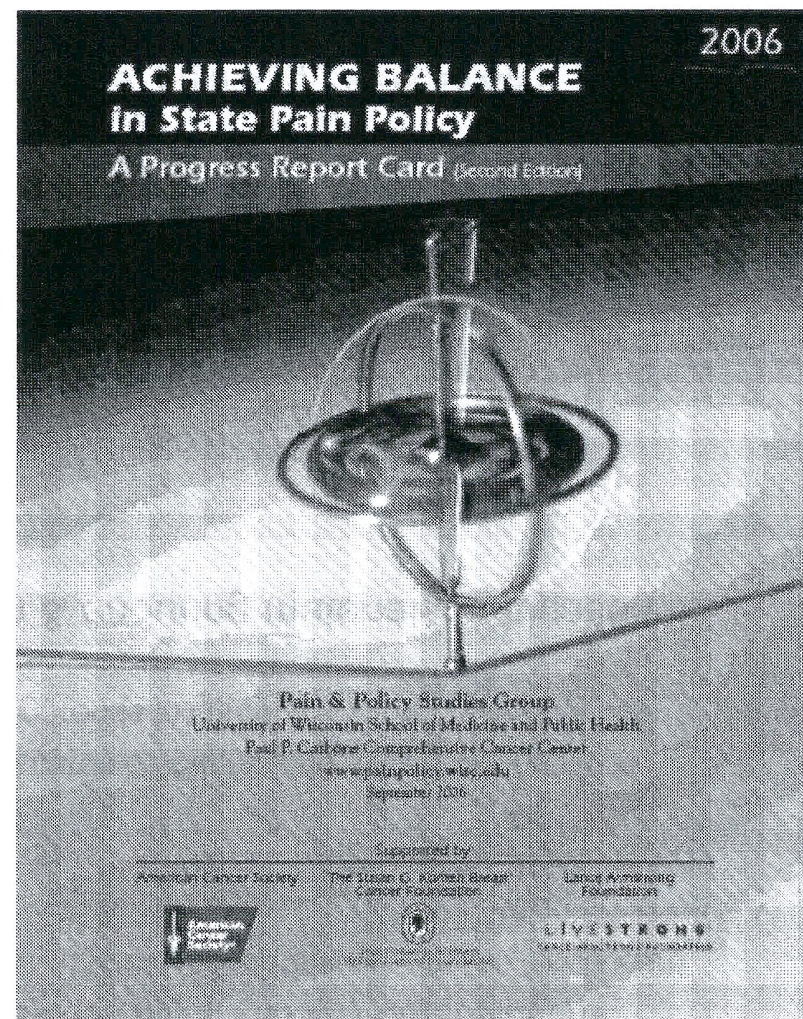
Pain & Policy Studies Group Report Cards

- Secured 3-year funding and support commitment for Univ. of Wisconsin Pain & Policy Studies Group report on state pain policies

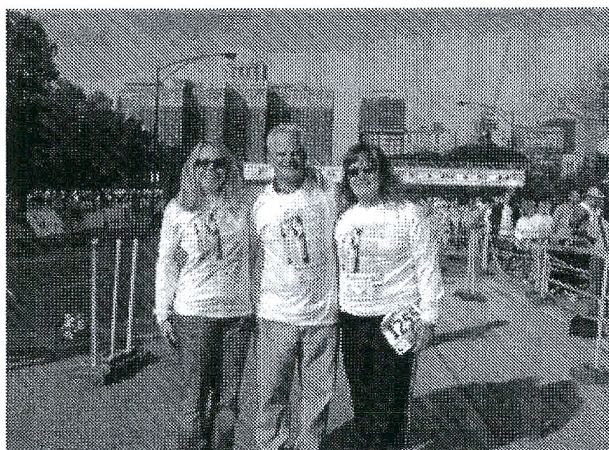


The Susan G. Komen
Breast Cancer Foundation

- Provided communications training and support to PPSG and ACS to prepare for release of report
- Worked with advocates in several states to conduct media outreach to sound a call to action



Purdue Volunteer Partnership



DISTRICT

Cincinnati
Washington State
Northern New England
Birmingham, AL
Chicago
S. Florida
Oklahoma
Michigan
Virginia
Houston
Colorado
Raleigh

ORGANIZATION

Malia's CORD Foundation
Komen Fdn. & Evergreen Breast Center
Making Strides Against Breast Cancer
Metro Birmingham Relay For Life
Komen Cancer Foundation
Sickle Cell Fdn. of Palm Beach Cty
Arthritis Foundation
ACS Making Strides Agst. Breast Cancer
Org. of Sickle Cell Anemia Resources
Hospice of South Texas
Komen Race for the Cure
Sickle Cell Disease Association



HAD - 2007 Issues

- Patient Access

- Work with professional/advocacy groups, government officials and individuals to reduce barriers to, and advance federal and state policies that promote, effective pain management
- Create and offer resources to advance the focus on pain management as a public health problem
- Address patient and advocate concerns about price and access surrounding return to exclusivity and misperceptions about reduced treatment options

- Reputation Management

- Position Purdue as a leader in supporting balanced pain management and a caring responsible corporate citizen
- Engage thought leaders, professional associations and advocacy organizations in signature programs to educate their members about effective pain management



Public Affairs

2006 Accomplishments
2007 Issues



Public Affairs - 2006 Accomplishments

- **Product Portfolio Support**
 - OxyContin: Managed communications for court rulings and settlement agreements
 - Developed message platform and plan to guide customer communications
 - Led Tramadol OAD BBU communications planning for FDA approval and launch
- **Access to Care**
 - Supported four advocacy training programs reaching more than 175 advocates
 - National Fibromyalgia Assoc., Amer. Soc. of Pain Management Nurses, Amer. Alliance of Cancer Pain Initiatives, American Pain Foundation (APF)
 - Provided PR support to advocacy groups
 - Outreach for APF campaign on HR 1020 in key markets
 - Radio campaigns for Ohio Pain Initiative, ICC, ACPA, APS, NCPS
- **Reputation Management/Community Partnerships**
 - Managed media relations for company programs to reduce diversion and abuse
 - RFID/e-pedigree, RxPatrol/Crimestoppers, LELE programs
 - Maintained partnerships with key opinion leaders and community coalitions in drug abuse prevention arena
- **Litigation Support**



Media Relations Overview

- More than 460 stories rated as positive/favorable were generated
 - reaching 75 million impressions (viewers and readers)*

- Combating Diversion and Abuse
 - RFID, RxPatrol, Law Enforcement Liaison & Education (LELE)
 - 242 stories generating **41.4 million** impressions
 - Two national TV stories: *Dateline*, *Good Morning America*
 - @50 percent of LELE stories delivered “access to care” message
 - 20/20 - a story avoided

- Pain Management/Advocacy
 - More than 60 stories generating greater than **13 million** impressions

- Reputation Managemnet
 - More than 65 newspaper and magazine stories generating more than **5 million** positive impressions

- Litigation
 - 120 stories generating **16 million** impressions
 - primarily on patent and insurance settlement agreements

* does not include radio or online placements



Public Affairs - 2007 Issues

- Support Company's pain product portfolio
 - Develop clear and compelling messages on return to exclusivity
 - Support re-launch of Partners Against Pain program
- Support patient access to appropriate and effective pain medicines
 - Continue to advance advocacy training into action on patient access
- Enhance Purdue's reputation as a leader in pain management and a highly ethical company
 - Discuss with the Executive Committee the implementation of a Corporate Image & Social Responsibility initiative to support:
 - employee recruitment and retention
 - business development and sales
- Diversion and Abuse
 - Lay foundation for expanded Community Partnerships program to reduce Rx drug abuse and diversion (in anticipation of return to exclusivity)
- Litigation Support



2007 Objectives for External Affairs Group

- Develop and execute a coordinated communications, government relations and healthcare alliance development strategy to:
 - Assure patient access to appropriate and effective pain medicines
 - Support return to OxyContin exclusivity and overall commercial success of Purdue's prescription and OTC product lines
 - Enhance Purdue's reputation as the high quality provider of innovative prescription and non-prescription products and a highly ethical corporate citizen – provider of choice, good business partner, health and public policy resource
 - Reinforce Purdue's position as the industry leader in the fight against Rx drug abuse and diversion
 - Reassure key audiences that attacks on properly prescribed, FDA-approved pain medications represent an unjustified threat to good patient care
 - Support Purdue's financial objectives



Purdue settles Insurance Complaint

THE WALL STREET JOURNAL

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OxyContin Maker, Insurer Settle Legal-Bill Dispute

By ASHRA HAMMAN
And HEATHER WOL FISCHBERG

Purdue Pharma L.P., facing nearly 1,400 lawsuits over OxyContin, its prescription painkiller, settled a case filed by its insurer over legal costs. The case provides a glimpse into the fashion of the aggressive strategy drug makers are adopting amid a barrage of consumer suits.

The insurer, Steadfast Insurance Co., a unit of Zurich Insurance Co. of Switzerland, had balked at paying more than \$60 million in OxyContin-related defense costs Purdue has generated in defending consumer claims that OxyContin is addictive. Underlying the insurance spat: 200 hours stuffed with paper invoices of Purdue's legal costs for defending the OxyContin cases, none of which has gone to trial.

The dispute came on the eve of a trial in this case, filed by Steadfast in Superior Court of Connecticut in Stamford, which would have exposed details of Purdue's strategy in defending the underlying OxyContin suits. As part of a confidential settlement, Steadfast will pay slightly

more than \$20 million, people familiar with the matter say. Spokesmen for Purdue and Zurich's North American operations confirmed that a settlement was reached but declined further comment.

"As the drug and health industry face greater liability, they will come into greater conflict with their insurance companies," says William G. Ross, a law professor at Birmingham, Ala.-based Samford University and the author of the book "The Honest Hour, the Ethics of Time-Based Billing by Attorneys."

Though squabbles over insurance aren't uncommon, this case went to extremes. Steadfast, based in Schaumburg, Ill., alleges that closely held Purdue hired 49 law firms in 32 states to fight the OxyContin claims. Purdue's legal team includes 352 partners, 549 associates and 1,303 paralegals, Steadfast says. All told, they billed the company for more than 1.3 million hours of work, Steadfast alleges.

Among the costs in the insurance case: One law firm billed Stamford, Conn.-based Purdue \$10,000 a month for keeping a calendar of important dates in the OxyContin cases, according to court papers. Another law firm charged the

drug maker for secretarial duties, including "mystroking," rather than include them in their overhead, Steadfast alleged.

A private investigator billed Purdue \$2,150 (about 26 hours at \$160 an hour) for one attempted interview related to OxyContin use—but thwarted it by going to Florida when the interview subjects were in Indiana.

The investigator also billed Purdue bill rates for "waiting in line" for documents, according to a Purdue report included in court documents. Purdue was billed \$11,600 for several brief interviews—including one of the wrong person, the report said. The investigator also charged \$100 an hour for "organizing" reports—an hourly rate higher than what it charged for research.

The investigator, Atlanta-based Smith & Carson didn't respond to a request for comment.

The settlement comes at a pivotal time for drug companies. The industry has been hit with lawsuits—the most notable being the 11,500 suits drug giant Merck & Co. faces over its painkiller Vioxx. There also are suits pending over Pfizer Inc.'s painkiller drugs Celebrex

and Bextra. Johnson & Johnson's birth-control patch Ortho Evra and Merck's osteoporosis drug Fosamax.

Merck is in the midst of private arbitration proceedings with some of its insurers, who are seeking to void their obligations under outstanding policies.

The Steadfast case knuckles on a thorny area. With their regulations on the rise, many drug makers are eager to fight every lawsuit regarding their products, tapping the best lawyers to lead their efforts. At issue in the Purdue matter: How much control do insurers have about how their clients' litigation is handled?

"A lot of big companies don't want to delegate defense strategy to their insurer because they want to direct counsel" by picking lawyers from a stable of firms they have worked with in the past, says Stephen Gillers, law professor at New York University.

But many insurance contracts were written before the era of big drug suits. And policies vary greatly. In some product-liability policies, there aren't any caps on legal costs. Other policies count legal costs toward the total amount covered including indemnity payments.