ANDA INC.
INTEROFFICE MEMORANDUM

DATE: July 24, 2008

TO: Files

FROM: Brian Witte

SUBJECT: Control Substance Reviews

In July 2007 Al Paonessa III and other Watson/Anda employees were requested to meet at the DEA Headquarters in Washington, DC. During the initial contact to set-up the meeting the DEA asked for significant changes, prior to meeting. Anda put 1 piece daily limits on all controlled substances that are available in 100ct bottles and made every other size unavailable until the Anda warehouse management system could be modified to limit a customer's purchases by chemical and not as previously done by individual "sku" count. Anda was able to make these changes within 36 hours.

In the August 2007 meeting with Anda and the DEA, the DEA stated that they were concerned with the amount of controlled substances that Anda was shipping to certain customers. Anda explained the changes already made to the system, the DEA already was aware of some type of change from the ARCOS submissions. The DEA mentioned that in their research they found that the average pharmacy did not use more than 5,000 dosage units of a controlled substance chemical per month; specifically Hydrocodone, Alprazolam, and Carisoprodal were used as the examples. Anda used that as a benchmark to create the threshold and allow all of their customers to purchase up to the 5,000 dosage units per chemical.

The DEA is aware that there are some pharmacies that could far exceed 5,000 dosage units per month. Anda reviews past sales history as well as the percentage of controlled substance sales vs. non-controlled substance sales before giving any customers an increase over the 5,000 dosage units per month. A customer may also be asked to complete a questionnaire regarding their company. In some instances customers are asked to submit a dispensed report for 1-3 months sorted by top script. Based on the information obtained from the customer they may be recommended for an increase over 5,000. Any increases must be approved by Al Paonessa III.