

Memorandum to Dr. Richard Sackler

From: F. Peter Boer

April 12, 2008

Re: CEO Considerations

This memo is responsive to your request for an update to our correspondence of Dec 28, 2007 and thereafter regarding the key issues and considerations in selecting a CEO for Purdue USA.

Assumptions

Let me begin by framing the situation as I currently see it.

My central assumption is that Purdue must be managed for long-term success. While it is very possible that the company can be recapitalized using debt, or sold to a strategic buyer, the perception of a sound long-term plan and effective management will translate into maximizing value for the present owners. Conversely, a perception of a hasty exit will unnecessarily diminish their bargaining position.

Secondly, there are two risks the owners cannot effectively control. The first is the availability of a meaningful amount of debt on reasonable terms (rate and covenants). The second is the entrance of strategic buyers both able to finance an acquisition and a conviction that Purdue is among the best investments currently available to them. We and our advisers will have some control over buyers' perception of Purdue, but not over their competing investment opportunities or strategies. These risks again argue for operating the company for sustained value.

In the event that a favorable deal cannot be structured during 2008, the most certain way for the owners to diversify their risk is to distribute more free cash flow to themselves if they cannot purchase diversifying assets. Top management must be aligned to this reality, which intrinsically competes with the use of free cash flow to maximize growth and diversification for Purdue itself. In the end, the right targets will depend on a realistic assessment of the quality of the investment opportunities available to Purdue, which includes the competence of its management team to execute on these opportunities.

Special CEO Considerations — These are for the Board only and not for Management discussions at this time.

Purdue's situation is unique, particularly in its dangerous concentration of risk, and this circumstance of itself makes CEO selection considerations unique.