IN THE DISTRICT COURT OF CLEVELAND COUNTY
STATE OF OKLAHOMA

STATE OF OKLAHOMA, *ex rel.*, Mike Hunter, Attorney General,

Plaintiff,

v.

PURDUE PHARMA L.P. *et al*

Defendants.

Case No. CJ-2017-816
Honorable Thad Balkman

William C. Hetherington
Special Discovery Master

TEVA DEFENDANTS' SUBMISSION OF REDACTED 2005 DISTRIBUTION AND SUPPLY AGREEMENT

Pursuant to the Court's instructions given during the hearing on August 19, 2019, attached as "Exhibit A" is a redacted version of the "Distribution and Supply Agreement Between Purdue Pharma L.P. and Watson Pharma, Inc. Dated as of October 13, 2005."

Dated August 21, 2019.

Respectfully submitted,

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EXHIBIT A

EXECUTION COPY

DISTRIBUTION AND SUPPLY AGREEMENT

BETWEEN

PURDUE PHARMA L.P.

AND

WATSON PHARMA, INC.

DATED AS OF

OCTOBER 13, 2005

EXHIBIT
A

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DISTRIBUTION AND SUPPLY AGREEMENT

THIS DISTRIBUTION AND SUPPLY AGREEMENT (this "Agreement") entered into as of October 13, 2005 (the "Agreement Date"), between Purdue Pharma L.P., a Delaware limited partnership ("Purdue"), and Watson Pharma, Inc., a Delaware corporation ("Watson").

PRELIMINARY STATEMENTS

A. Purdue, directly or indirectly through its Affiliates, manufactures, distributes, markets and sells the Branded Products in the Territory.

B. Purdue, directly or indirectly through its Affiliates, currently engages IVAX as its exclusive distributor to distribute, market and sell the Products in the Territory.

C. Subject to the terms and conditions of this Agreement, Purdue desires to engage Watson as a backup exclusive distributor to distribute, market and sell the Products in the Territory in the event IVAX is unable to fully perform any of its obligations under the IVAX Agreement, IVAX breaches its obligations under the IVAX Agreement, or the IVAX Agreement is terminated.

D. Subject to the terms and conditions of this Agreement, Watson desires to obtain from Purdue the right to distribute, market and sell the Products in the Territory, and to purchase all of its requirements for the Products from Purdue.

NOW, THEREFORE, in consideration of the foregoing and of the terms, conditions, agreements and covenants contained herein, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

ARTICLE I

DEFINITIONS; INTERPRETATIONS

1.1 Definitions. For purposes of this Agreement:

"Adjusted Annual Profit Share" has the meaning set forth in the definition of Annual Profit Share.

"Affiliate" means, as to any Party, any person, firm, trust, partnership, corporation, company or other entity or combination thereof, which directly or indirectly (i) controls a Party, (ii) is controlled by a Party or (iii) is under common control with a Party. The terms "control" and "controlled" mean ownership of 50% or more, including ownership by trusts with substantially the same beneficial interests, of the voting and equity rights of such person, firm, trust, partnership, corporation, company or other entity or combination thereof or the power to

direct the management of such person, firm, trust, partnership, corporation, company or other entity or combination thereof.

"Agreement" means this Agreement, together with all appendices, exhibits and schedules attached hereto, as the same may be amended or supplemented from time to time, by written agreement of the Parties.

"Agreement Date" has the meaning set forth in the Preamble.

"ANDA" means an abbreviated new drug application seeking approval for a drug under Section 505(j) of the Federal Food, Drug and Cosmetic Act and FDA's implementing regulations, including all amendments and supplements, filed pursuant to the requirements of the FDA, including all documents, data and other information concerning the drug submitted as part of the application or in amendments or supplements thereto that are necessary for FDA approval to market the drug in the Territory.

"Annual Adjusted Payment" has the meaning set forth in Section 5.4.

"Annual Distribution Fee" [redacted]

[redacted]

"Annual Net Margin" means the cumulative Net Margin earned in respect of all Products during each calendar year following the Initial Period.

"Annual Profit Share" [redacted]

[redacted] to $47.0 million, then 85% of any such Annual Net Margin for such calendar year.

"Annual Report" has the meaning set forth in Section 5.4.

"API" means active pharmaceutical ingredient.

"Appointment Fee" has the meaning set forth in Section 3.1.1.

"Bankruptcy Code" has the meaning set forth in Section 12.2.11.

"Bankruptcy Laws" has the meaning set forth in Section 12.2.11.

"Branded Product" means any of Purdue's branded products listed on Schedule 1.1A, as the same may be amended from time to time by Purdue in its sole discretion to add or subtract dosage strengths of such Branded Product.

"Bundled Product" means a Product offered or sold in combination with one or more of Watson's other products.

"Business Day" means any day other than a Saturday, Sunday or any day banks are authorized or required to be closed in the State of New York.

"Capital Stock" means (i) in the case of a corporation, corporate stock, (ii) in the case of a partnership or limited liability company, partnership or membership interests or units (whether general or limited), and (iii) any other interest or participation in a corporation, partnership or limited liability company that confers on a Person the right to (a) receive directly in the recipient's capacity as a stockholder, partner or member, a share of the profits and losses

of, or distribution of assets of, the issuing entity or (b) vote for the election of directors or managers of such entity.

"Certificate of Analysis" means the certificate of analysis for each Product in the form attached hereto as Schedule 4.4.6A.

"Certificate of Compliance" means the certificate of compliance for each Product in the form attached hereto as Schedule 4.4.6B.

"Commercialization Plan" means the activities set forth in the Commercialization Plan, attached hereto as Schedule 2.3.1.

"Commercially Reasonable Efforts" means, with respect to a given goal, the efforts, consistent with the practice of comparable pharmaceutical companies with respect to a pharmaceutical product owned by it or to which it has rights of comparable market potential at a similar stage in its product life (taking into account the competitiveness of the marketplace, the proprietary position of the applicable active ingredient, the regulatory structure involved, and the profitability of the product), that a reasonable person in the position of the obligor would use so as to achieve that goal as expeditiously as possible.

"Competitor" means a Third Party who is selling and distributing to the Trade any one or more of the 10 mg, 20 mg, 40 mg, or 80 mg dosage strengths of an AB rated generic version of the Branded Product.

"Confidential Information" means all secret, confidential or proprietary information or data, whether provided in written, oral, graphic, video, computer or other form, provided by one Party or its Affiliates or representatives (the "Disclosing Party") to the other Party or its Affiliates or representatives (the "Receiving Party") pursuant to this Agreement or generated pursuant to this Agreement, including any information or reports the Receiving Party may generate, the terms of this Agreement and any other materials that have not been made available by the Disclosing Party to the general public. Notwithstanding the foregoing sentence, Confidential Information will not include any information or materials that:

(a) were already known to the Receiving Party (other than under an obligation of confidentiality) at the time of disclosure by the Disclosing Party to the extent such Receiving Party has documentary evidence to that effect;

(b) were generally available to the public at the time of their disclosure to the Receiving Party;

(c) became generally available to the public after their disclosure or development, as the case may be, and other than through any act or omission of a Party in breach of such Party's confidentiality obligations under this Agreement;

(d) were disclosed to a Receiving Party, other than under an obligation of confidentiality, by a Third Party who had no obligation to the Disclosing Party not to disclose such information to others; or

(e) are independently developed by employees, authorized agents or independent contractors of the Receiving Party without use of, reference to or reliance upon the information furnished by the Disclosing Party, as evidenced by documentary evidence to that effect or other competent proof.

The above exceptions will not apply to (i) any individual parts of the Confidential Information merely because such parts are included in more general information, or (ii) any specific combination of the items found in the Confidential Information merely because such combination can be pieced together from multiple sources, none of which shows the whole combination.

"DEA" means the United States Drug Enforcement Administration, or any successor agency with responsibilities comparable to those of the United States Drug Enforcement Administration.

"Disclosing Party" has the meaning set forth in the definition of Confidential Information.

"Distributor Appointment Date" means, with respect to each Product, the date Purdue, in its sole discretion, authorizes Watson in writing to ship or have shipped such Product to its customers. Watson acknowledges that Purdue in its sole discretion may decide never to permit Watson to authorize the shipment of any Product to its customers.

"Executive Officers" means the Chief Executive Officer of Watson, or such other person designated by Watson from time to time, and the Chief Executive Officer of Purdue, or such other person designated by Purdue from time to time.

"FDA" means the United States Food and Drug Administration, or any successor agency with responsibilities comparable to those of the United States Food and Drug Administration.

"Firm Order" means a written irrevocable firm purchase order for a Product, which order must include a delivery schedule specifying the delivery location and date for the Product ordered.

"Force Majeure Event" has the meaning set forth in Section 13.1.

"Forecast" has the meaning set forth in Section 4.2.2.

"GAAP" means United States generally accepted accounting principles, consistently applied.

"Good Manufacturing Practices" means current good manufacturing practices set forth in (i) Title 21 of the C.F.R., Parts 210 and 211, as amended from time to time, and (ii) all other Laws applicable to the manufacture of the Products that are in effect at the time and place of manufacture of the Products.

"Governmental Authority" means within the Territory any (i) federal, state or local government; (ii) court, arbitral or other tribunal or governmental or quasi governmental authority of any nature (including any governmental agency, political subdivision, instrumentality, branch, department, official, or entity); or (iii) body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory, or taxing authority or power of any nature pertaining to government.

"Indemnifying Party" has the meaning set forth in Section 9.3.1.

"Indemnitee" has the meaning set forth in Section 9.3.1.

"Indemnitee Settlement" has the meaning set forth in Section 9.3.3.

"Initial Period" means the period beginning on the Distributor Appointment Date and ending on December 31, 2005.

"Initial Period Adjusted Payment" has the meaning set forth in Section 5.3.

"Initial Period Distribution Fee" means, with respect to the Initial Period, 15% of any positive Initial Period Net Margin.

"Initial Period Net Margin" means the cumulative Net Margin earned in respect of all Products during the Initial Period.

"Initial Period Profit Share" means, with respect to the Initial Period, 85% of any positive Initial Period Net Margin.

"Initial Period Report" has the meaning set forth in Section 5.3.

"Initial Term" has the meaning set forth in Section 12.1.

"Involuntary Recall" has the meaning set forth in Section 10.4.2.

"IVAX" means IVAX Pharmaceuticals, Inc. and its Affiliates.

"IVAX Agreement" means the distribution and supply agreement for generic OxyContin® between Purdue and IVAX, dated December 3, 2004, as amended.

"Label" means any label, labeling, package inserts and packaging designed for use with a Product.

"Laws" means all applicable laws, rules, regulations, judgments, orders, subpoenas, decrees, statutes, ordinances and other requirements of any Governmental Authority or instrumentality within the Territory.

"Losses" has the meaning set forth in Section 9.1.

"Manufacturing Cost" means, with respect to each Product, the amount set forth on Schedule 1.1B.

"Monthly Payment" has the meaning set forth in Section 5.2.

"Monthly Report" has the meaning set forth in Section 5.2.

"NDA" means Purdue's FDA New Drug Application number 020553 (including all amendments and supplements to the application).

"NDC" means National Drug Code numbers.

"Net Margin" means, with respect to a Product, Net Sales by Watson of such Product in the Territory during any month, minus:

(a) the Transfer Price for the quantity of such Product sold during that month; and

(b) the Shipping Expense Fee applicable to such monthly Net Sales.

"Net Sales" means, with respect to a Product, the gross quantity of such Product sold by Watson in a month in the Territory during the Term multiplied by the gross price for such Product invoiced by Watson to a Third Party, less the following, where such amounts are contractually due, and as adjusted periodically based on cash payment experience:

(a) cash and volume discounts;

(b) returns and other credits;

(c) Shelf Stock Adjustments;

(d) Reprocurement Charges;

(e) chargebacks, discounts, rebates and other sales allowances;

(f) other payments required by law to be made under Medicaid, Medicare and other government special medical assistance programs; and

(g) sales, excise or other similar taxes (excluding income taxes);

all of the above without duplication and determined in accordance with Watson's books and records, which Watson will maintain in accordance with GAAP. Watson will not deduct any marketing, selling, advertising or distribution expenses of any kind to determine Net Sales.

"Party" means Purdue or Watson and, when used in the plural, means Purdue and Watson.

"Person" means any individual, group, corporation, partnership, trust or other organization or entity (including any Governmental Authority).

"PPPI" means the Pharmaceutical Producer Price Index, as published by the United States Bureau of Labor Statistics or any government successor thereof.

"Product" means any of the authorized generic versions of the Branded Products listed on Schedule 1.1C, as the same may be amended from time to time by Purdue in its sole discretion. Each NDC (dosage strength) listed on Schedule 1.1C will constitute a separate Product.

"Purdue" has the meaning set forth in the first paragraph of this Agreement.

"Purdue Indemnitees" has the meaning set forth in Section 9.2.

"Purdue Transport Charges" has the meaning set forth in Section 4.4.4.

"Quality Agreement" means the Quality Agreement entered into contemporaneously with this Agreement, between Watson and Purdue, in the form of Exhibit A attached hereto.

"Quarterly Report" has the meaning set forth in Section 5.2.

"Receiving Party" has the meaning set forth in the definition of Confidential Information.

"Renewal Term" has the meaning set forth in Section 12.1.

"Reprocurement Charges" means payments or credits made by Watson to its customers per contract that result from Watson's customers not receiving adequate supply of Product from Watson and Watson's customers having to meet their requirements from another source of products at a higher price.

"Risk Management Program" means the activities and security controls that Purdue will require Watson to follow as set forth on Schedule 1.1D, as may be amended by Purdue from time to time, in its sole discretion.

"Section 12.2.15 Termination Effective Date" means the 90th day following the date upon which Purdue notifies Watson of Purdue's intention to terminate this Agreement pursuant to Section 12.2.15.

"Section 12.2.15 Termination Fee" means, in the event this Agreement is terminated pursuant to Section 12.2.15, an amount equal to the greater of (i) 15% of the aggregate Net Margin of all Product sales in the Territory for the 365-day period following the Section 12.2.15 Termination Effective Date by any Person authorized by Purdue to sell such Products or (ii) $2.0 million.

"Shelf Stock Adjustments" means payments or credits made by Watson to its customers equal to (a) the units of Product purchased by Watson's customers and in such customers' inventory, multiplied by (b) the purchase price adjustments actually paid or credited in respect of such customers' inventory.

"Shipping Expense Fee" means the amount equal to 2% of Net Sales.

"Specifications" means, for a Product, such specifications (other than indicia) for such Product as set forth in the NDA, as the same may be amended from time to time after the Agreement Date.

"Supplier Penalties" has the meaning set forth in Section 4.7.3.

"Term" has the meaning set forth in Section 12.1.

"Territory" means the United States of America, its territories and possessions.

"Teva" means Teva Pharmaceutical Industries Ltd. and its Affiliates.

"Third Party" means any Person who or which is neither a Party nor an Affiliate of a Party.

"Third Party Claim" has the meaning set forth in Section 9.1.

"Trade" means wholesalers, chains, distributors, retailers, pharmacies, mail order pharmacies or any other classes of trade that participate in the distribution or sale of pharmaceutical products.

"Transfer Price" means, for each Product, the price per unit of 100 tablets of such Product as of the Agreement Date as set forth on Schedule 1.1B, subject to increases by Purdue (a) each calendar year on January 1 after the Agreement Date, beginning with January 1, 2007, to reflect any increases in Purdue's fully allocated Manufacturing Costs; provided, however, that increases in such amounts, if any, will not exceed, as a percentage, the percentage increase over the same period of time in the PPPI and (b) periodically to account for increases in Purdue's API cost in the event that Purdue's API cost increases by more than 10% from Purdue's then applicable aggregate API cost.

"Voluntary Recall" has the meaning set forth in Section 10.4.1.

"Watson" has the meaning set forth in the first paragraph of this Agreement.

"Watson Indemnitees" has the meaning set forth in Section 9.1.

"Weekly Report" has the meaning set forth in Section 5.2.

1.2 Interpretations.

1.2.1 In the event an ambiguity or a question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the Parties and no presumption or burden of proof will arise favoring or disfavoring any Party by virtue of the authorship of any provision of this Agreement.

1.2.2 The definitions of the terms herein apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun will include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" will be deemed to be followed by the phrase "without limitation." Unless the context requires otherwise, (A) any definition of or reference to any agreement, instrument or other document herein will be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or therein), (B) any reference to any Laws herein will be construed as referring to such Laws as from time to time enacted, repealed or amended, (C) any reference herein to any Person will be construed to include the Person's successors and assigns, (D) the words "herein", "hereof" and "hereunder", and words of similar import, will be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (E) any reference herein to the words "mutually agree" or "mutual written agreement" will not impose any obligation on either Party to agree to any terms relating thereto or to engage in discussions relating to such terms except as such Party may determine in such Party's sole discretion, and (F) all references herein to Articles, Sections, Exhibits or Schedules will be construed to refer to Articles, Sections, Exhibits and Schedules of this Agreement.

ARTICLE II

DISTRIBUTORSHIP/APPOINTMENT

2.1 Appointment/Authorization.

2.1.1 Subject to the terms and conditions set forth in this Agreement, Purdue appoints Watson as of the Distributor Appointment Date as its exclusive distributor of the Products in the Territory, and in connection with such appointment, grants to Watson the exclusive right to market, distribute and sell the Products in the Territory from and after the Distributor Appointment Date through the remainder of the Term.

2.1.2 Subject to the terms and conditions set forth in this Agreement, Watson accepts the appointment as authorized exclusive distributor of Products in the Territory from and after the Distributor Appointment Date as provided in Section 2.1.1. Watson acknowledges that

Purdue in its sole discretion may decide never to permit Watson to authorize the shipment of any Product to its customers.

2.1.3 In consideration of the rights granted by Purdue to Watson pursuant to this Section 2.1, Watson will pay Purdue the Initial Period Profit Share and the Annual Profit Share in accordance with the terms of Section 3.2.

2.1.4 Purdue specifically reserves the right, either directly or through its Affiliates or Third Parties, to: (i) manufacture, distribute and sell the Products to IVAX prior to the Distributor Appointment Date pursuant to the IVAX Agreement; (ii) manufacture, distribute and sell the Products to Watson pursuant to this Agreement; (iii) develop, manufacture, market, distribute and sell any products (including the Products) outside the Territory (whether such products (or Products) are manufactured in or outside the United States); (iv) develop, manufacture, market, distribute and sell the Branded Products anywhere in the world; (v) develop, manufacture, market, distribute and sell any products, including products containing the same API as Product (other than the Products set forth on Schedule 1.1C), inside the Territory (whether such products are manufactured in or outside the United States); and (vi) develop, manufacture, market, distribute and sell any product (whether a bulk active pharmaceutical ingredient or in intermediate form, but not in finished form) comprising the same chemical compound that comprises a Product.

2.1.5 No rights, titles, interests, licenses or covenants (either express or implied) other than those expressly granted in this Section 2.1 are granted by or under this Agreement to Watson in respect of the NDA or any other intellectual property owned or controlled by Purdue.

2.2 Limitation on Rights.

2.2.1 Except as set forth in Section 2.1, nothing contained in this Agreement would grant (or be construed as granting) to Watson (i) any right, title, interest, license or covenant (either express or implied) in, to or under the NDA or any other Purdue intellectual property or new drug application; or (ii) any right, title, interest, license or covenant (either express or implied) to use the NDA or any other Purdue intellectual property or new drug application.

2.2.2 Watson hereby acknowledges Purdue's ownership of the NDA. During the Term of this Agreement, Watson will not (i) directly or indirectly contest the validity of the NDA or the right and title of Purdue therein and thereto, or (ii) claim or represent that through the cross referencing to the NDA under this Agreement Watson has acquired any title in, ownership of, or right of reference to, the NDA or any other Purdue intellectual property or new drug application.

2.2.3 Watson will not use the NDA in any way otherwise than in accordance with this Agreement.

2.2.4 Watson will not, directly or indirectly through its Affiliates or Third Parties, during the Term of this Agreement (a) make, have made, import, develop, acquire, license, distribute, market or sell in the Territory any (i) AB rated generic version of any Branded

Product, or (ii) any oxycodone controlled-release product licensed, sold, distributed or marketed by Purdue or its Affiliates, or (b) submit an ANDA to the FDA or any other Governmental Authority for any (i) AB rated generic version of any Branded Product, or (ii) any oxycodone controlled-release product licensed, sold, distributed or marketed by Purdue or its Affiliates.

2.2.5 Watson will not, directly or indirectly through its Affiliates or Third Parties, for six months following the Term or termination of this Agreement, distribute, market or sell in the Territory any AB rated generic version of any Branded Product or any oxycodone controlled-release product licensed, sold, distributed or marketed by Purdue or its Affiliates.

2.2.6 Without the prior written consent of Purdue, Watson will not be permitted to grant sub-distributorships or otherwise assign its rights and obligations under this Agreement to its Affiliates or to Third Parties.

2.3 Watson Obligations.

2.3.1 Immediately following the Distributor Appointment Date, Watson will use Commercially Reasonable Efforts to ship each Product to the Trade. Commencing on the Distributor Appointment Date, Watson will use Commercially Reasonable Efforts to, and will be solely responsible for, marketing, sales and distribution of the Product to the Trade throughout the Territory, including all operations relating to any of the foregoing (including pricing, invoicing, collections, customer returns, contracting, and rebates, including Medicaid rebates), and Watson will comply with all Laws relating to all of the foregoing. Watson's commercialization efforts of the Product will include the activities set forth in the Commercialization Plan, attached hereto as Schedule 2.3.1.

2.3.2 Unless agreed to in writing by the Parties, Watson will not market, sell or distribute any Product prior to the Distributor Appointment Date for such Product.

2.3.3 In order to ensure proper allocation of Net Margin to Purdue, Watson will not use any Product as a "loss leader", including pricing a Product in order to gain or maintain sales of other products. Unless otherwise agreed to in writing by Purdue in advance, Watson will not sell Product as part of a (i) Bundled Product or (ii) in any discounting program in which Watson's terms and conditions for sale are not applied to the Product in the same way that they are applied to the majority of Watson's other products. If no agreement is reached in advance and a Product is part of such a Bundled Product or such a discounting program, then the Product sale will be treated for purposes of this Agreement as if it were made at Watson's then prevailing list price for such Product and the Agreement will be deemed to have been breached by Watson. Purdue is entitled to the remedy in the previous sentence as well as to any other rights and remedies available to Purdue under law or equity or by statute or otherwise.

2.3.4 Watson will not market, sell or distribute any Product under the trademark used by Purdue for the Branded Product, any trademark having the term "oxy" as a prefix, or any substantially similar trade names or trademarks.

2.3.5 Watson will market, sell and distribute all Products with the approved Label pursuant to Section 4.1.3.

2.3.6 With respect to each calendar quarter following the Distributor Appointment Date, Purdue's aggregate Monthly Payments must be equal to or greater than $2.0 million per quarter. Purdue's sole and exclusive remedy for breach under this Section 2.3.6 is termination pursuant to Section 12.2.3.

2.4 Meetings. The Parties will meet at least quarterly, and more or less frequently as the Parties deem appropriate, at such times and locations as are mutually acceptable to the Parties, to discuss each Party's obligations under this Agreement and any disputes relating to such performances. The Parties will also discuss, if necessary, revising the forecasting and ordering obligations under Sections 4.2 and 4.3. In connection with the foregoing, each Party will be responsible for all travel and related costs and expenses for its attendees at all such meetings in accordance with this Section 2.4.

ARTICLE III

PAYMENTS

3.1 Appointment Fee.

3.1.1 In consideration of Purdue entering into this Agreement, Watson will pay to Purdue $1.0 million (the "Appointment Fee") on the Distributor Appointment Date, provided that (i) the Distributor Appointment Date for all Products occurs on or before November 1, 2005 and (ii) Purdue has supplied Watson with 100% of Watson's Firm Order for the first delivery date launch quantities pursuant to Schedule 4.3.1.

3.1.2 Watson may deduct the amount of the Appointment Fee actually paid to Purdue on the Distributor Appointment Date from Watson's initial Monthly Payment(s) to Purdue until such Appointment Fee is repaid to Watson.

3.2 Profit Share.

3.2.1 As consideration to Purdue for the rights granted to Watson under this Agreement, Watson will, in accordance with the terms of Article V, (i) pay to Purdue in respect of the Initial Period, the Initial Period Profit Share and (ii) pay to Purdue each calendar year following the Initial Period, the applicable Annual Profit Share for such calendar year.

3.2.2 To the extent there is any monthly negative Net Margin, Watson will be entitled to accrue and set off such shortfall against future positive Net Margin prior to calculating any Monthly Payment, unless agreed otherwise in writing by Purdue and Watson prior to the negative Net Margin being incurred. For the avoidance of doubt, Purdue will not reimburse Watson for such negative Net Margin and Watson will have no obligation to refund any portion of any Initial Period Distribution Fee or Annual Distribution Fee payable hereunder.

3.3 Distribution Fee.

3.3.1 As consideration to Watson for being the exclusive distributor of the Products in the Territory, Watson will retain (i) in respect of the Initial Period, an amount equal to the Initial Period Distribution Fee and (ii) for each calendar year following the Initial Period, an amount equal to the Annual Distribution Fee.

ARTICLE IV

GENERAL TERMS OF SUPPLY

4.1 Sale and Purchase of Product.

4.1.1 During the Term after the Distributor Appointment Date, Purdue will use Commercially Reasonable Efforts to sell to Watson, and Watson will purchase from Purdue, all of Watson's requirements for the Products for distribution, sale and use in the Territory, pursuant to Firm Orders submitted by Watson to Purdue from time to time in accordance with Section 4.3, at a price equal to the Transfer Price to be paid as provided in Section 5.1. With respect to any Product, if at any time during the Term after the Distributor Appointment Date Purdue does not have sufficient manufacturing capacity to supply sufficient quantities of such Product to fulfill Watson's Firm Order requirements for such Product, then Purdue, in its sole discretion, will first allocate its manufacturing capacity to supply its and its Affiliates' Branded Product and other products, then, if there is any remaining manufacturing capacity, to supply Watson for Products.

4.1.2 All Products supplied hereunder will be in finished dosage form, filled, packaged and Labeled for commercial sale in accordance with the terms and conditions of this Agreement, the Quality Agreement, the Specifications and applicable Laws. Purdue will be responsible for the purchase of all other materials that are included in finished Products. Purdue's supply obligation will be subject to Purdue receiving sufficient DEA quota of oxycodone and other materials, if required. Any DEA quota of oxycodone and other materials will first be used to make Purdue's Branded Products and Purdue's other products.

4.1.3 Purdue and Watson will use the indicia and Label set forth on Schedule 4.1.3. In the event that Watson wishes to modify or change the indicia or Label, Watson will forward such proposed modifications or changes to Purdue for Purdue's prior written approval. Subject to Purdue's prior agreement relating to indicia or Label modification costs, Watson will reimburse Purdue for all costs incurred by Purdue for making any such changes, including the cost of destroying obsolete Products, Labeling or related materials; provided, however, that Purdue will have the responsibility for: (i) securing any approvals required by the FDA or other applicable regulatory authorities for the initial indicia and Label and for any changes or supplements to the indicia or Labeling requested by Watson; and (ii) any Purdue information on the indicia or Label which must be approved in advance by Purdue. Nothing contained herein will prevent Purdue from modifying the indicia or Labeling, so long as such changes conform to FDA requirements and the NDA relating to the Products. Purdue will be responsible for all indicia and Label modification costs if Purdue initiates the modification or change in the indicia

or Label, or if the FDA requires the indicia or Label to be modified or changed. Purdue will notify Watson promptly following a final decision to make such changes or, if FDA approval is required, to seek approval for such changes, but in no event will Watson be given less than 30 days' advance written notice of the facts and specifics of such modification, unless a shorter time is required to comply with FDA requirements. Watson will approve applicable bluelines/proofs of first run Labeling and first runs of each revision of the Labeling within 10 Business Days of Purdue sending the bluelines/proofs of the Labeling to Watson.

4.2 Forecasts.

4.2.1 The initial forecast for the Products will be a 36-month non-binding forecast of demand for each Product after the Distributor Appointment Date for capacity planning purposes, and is attached as Schedule 4.2.1.

4.2.2 Within 10 Business Days after the Distributor Appointment Date, and thereafter prior to the end of each calendar month during the Term, Watson will provide Purdue with a rolling monthly forecast of the next 15-month period of the estimated quantities and anticipated delivery schedules for the Product to be distributed, sold and used in the Territory, by calendar month ("Forecast"). Notwithstanding the initial launch quantity pursuant to Section 4.3.1, and subject to Purdue's written approval, the first three-month period of each rolling Forecast will be binding on Watson to order 100% of such forecasted quantity during the period, and the second three-month period of each rolling Forecast (other than the second three-month period following the Distributor Appointment Date) will be binding on Watson to order at least 80% of such forecasted quantity during the period.

4.3 Ordering.

4.3.1 The initial launch quantity and delivery schedule for each Product is attached as Schedule 4.3.1, and such initial launch quantity will satisfy Watson's Product requirements for a 60-day period after the Distributor Appointment Date and Purdue will have no obligation to supply Watson with any additional Product during the 60-day period after the Distributor Appointment Date. Watson will provide Purdue with all required documentation, including DEA Form 222, for the amounts set forth on Schedule 4.3.1. Upon the Distributor Appointment Date, Schedule 4.3.1 will constitute a Firm Order. Watson will purchase such quantities of Product as supplied by Purdue in accordance with Schedule 4.3.1. Any and all subsequent Firm Orders will be filled by Purdue in accordance with the Firm Orders placed by Watson pursuant to Section 4.3.2.

(a) With respect to each Product, if Purdue does not authorize a Distributor Appointment Date for such Product:

(i) Purdue will reimburse Watson for any reasonable handling and shipping costs incurred by Watson for any of Watson's purchases of such Product pursuant to this Section 4.3.1; and

(ii) At Purdue's direction and cost (such costs to be limited solely to actual out-of-pocket expenses incurred by Watson), Watson will, within 30 days after receiving notice from Purdue that the Distributor Appointment Date will not occur, either return to Purdue or Purdue's designee all pre-launch inventory of such Product ordered pursuant to this Section 4.3.1 or destroy such inventory.

(b) If on the Distributor Appointment Date any pre-launch inventory ordered pursuant to this Section 4.3.1 has an expiration date of less than 15 months from the Distributor Appointment Date and Watson is unable to sell such inventory at market terms as a result of the expiration date, then Watson will notify Purdue, and:

(i) At Purdue's direction and cost (such costs to be limited solely to actual out-of-pocket expenses incurred by Watson), Watson will, within 30 days after the notice date, either return to Purdue or Purdue's designee such inventory or destroy such inventory; and

(ii) At Purdue's discretion, Purdue will either reimburse Watson the Transfer Price and any reasonable handling and shipping costs paid by Watson for such inventory or replace such inventory.

4.3.2 Except for the 60-day period covered by the initial launch quantity ordered pursuant to Section 4.3.1, on the Forecast delivery date Watson will place a Firm Order specifying the quantities in full batches of each Product to be purchased by Watson with respect to the next three-month period. A Firm Order for any Product placed for a three-month period in accordance with this Section 4.3.2 must be 100% of the simultaneously delivered Forecast for such Product for such three-month period provided by Watson to Purdue in accordance with Section 4.2.2, and agreed to in writing by Purdue. Purdue and Watson will mutually agree in writing on the delivery schedule for each Product covered by the Firm Order. Notwithstanding the foregoing, any Firm Order for any Product placed for a three-month period in accordance with this Section 4.3.2 must be between 80% and 120% of the Forecast for such Product delivered the month prior to such three-month period provided by Watson to Purdue in accordance with Section 4.2.2. Purdue will not be obligated to fill orders in excess of 120% of the Forecast for such Product delivered during the month prior to such three-month period or in excess of Purdue's manufacturing capacity.

4.3.3 Each Product ordered by Watson will be ordered in quantities consistent with Purdue's then current minimum validated batch sizes for such Product, or multiples thereof. Purdue's minimum validated batch sizes for the Products in effect as of the Agreement Date are set forth on Schedule 1.1C, which may be updated from time to time by Purdue. Purdue will give Watson six months' notice prior to changing its minimum batch sizes.

4.3.4 No terms and conditions contained in any Firm Order, acknowledgment, invoice, bill of lading, acceptance or other preprinted form issued by either Party will be effective to the extent they are inconsistent with or modify the terms and conditions contained herein or in the Quality Agreement.

4.4 Storage and Shipments.

4.4.1 Purdue will store and transport Products, and other Product materials and API according to the Specifications for the Products and applicable Good Manufacturing Practices.

4.4.2 Purdue will notify Watson when Product orders become available for shipment. Product stored by Purdue for Watson for longer than four months will be invoiced to Watson at Purdue's Transfer Price.

4.4.3 Within two Business Days of the mutually agreed upon delivery date pursuant to Section 4.3.2, and Purdue's receipt of all required documentation, including DEA Form 222, if required, Purdue will ship Product to Watson's designated distribution facility listed on Schedule 4.4.3, which may be amended by written agreement of the Parties from time to time, on Purdue's customary carrier C.I.F. customer destination, except that no shipments will be made on Friday, Saturday, Sunday, a legal holiday, or the day before a legal holiday in any week, and shipments due for those days will commence on the following Business Day.

4.4.4 Purdue will be responsible for all DEA reporting, where applicable, and unless otherwise required by law or regulation, will obtain and pay for freight insurance, custom clearance, and any duties or taxes in connection with the shipment of any Product to Watson's designated distribution facility (collectively, the "Purdue Transport Charges"), which Purdue Transport Charges will be included in Purdue's Manufacturing Costs for such Product. Only following approval and release from Purdue's quality assurance group will Product be shipped to Watson.

4.4.5 Purdue will package the Product for shipment in accordance with its customary practices, unless otherwise requested by Watson in writing 30 Business Days prior to such shipment and approved by Purdue, in which event any extra Purdue Transport Charges incurred by Purdue on account of changes requested by Watson and approved by Purdue will be included in Purdue's Manufacturing Costs for such Product.

4.4.6 Purdue will include the following with each shipment of the Products: (a) Watson purchase order number, (b) the Purdue lot and batch numbers for the Products included, (c) the quantity of the Products included, (d) the Certificate of Analysis (the form of which is attached hereto as Schedule 4.4.6A) and (e) the Certificate of Compliance (the form of which is attached hereto as Schedule 4.4.6B).

4.4.7 Purdue, in its sole discretion, and at its cost, will perform periodic security audits of Watson's Product distribution system and will disclose its findings to Watson. Except for cause, such security audits may be made no more than two times each calendar year, at reasonable times and on three Business Days' prior written notice and will be made by Purdue's qualified representative that is acceptable to Watson, which acceptance will not be unreasonably withheld. Without limiting Purdue's rights under this Section to use other qualified representatives, Watson acknowledges that the following Purdue qualified representatives are acceptable: Aaron Graham, Glenn Faber, Richard Widup and Charles Forsaith. Watson will give Purdue reasonable access and cooperation in connection with Purdue's security audits.

4.4.8 In Purdue's sole discretion, if and for so long as Watson's Product distribution system does not meet Purdue's minimum security standards for distribution of Products as identified in Purdue's periodic security audit, then Purdue will have the option to distribute Products at Watson's direction for Watson (including Products already in Watson's distribution system) to Watson's customers in common with Purdue's customers, and:

(a) If Purdue exercises its option described in this Section 4.4.8:

(i) Watson will pay Purdue the Shipping Expense Fee with the Monthly Payment;

(ii) Watson must designate a distribution services provider that is acceptable to Purdue, in Purdue's reasonable discretion, to distribute Products to Watson's customers that are not in common with Purdue's customers; and

(iii) Purdue will, at Watson's expense, use Commercially Reasonable Efforts to work with Watson to develop a Watson distribution system for Products that would meet Purdue's minimum security standards.

(b) If Purdue elects not to exercise its option described in clause (a) of this Section 4.4.8, Watson may designate a distribution services provider other than Purdue that is acceptable to Purdue, in Purdue's reasonable discretion, to distribute Products (including Products already in Watson's distribution system) to all of Watson's customers.

4.4.9 If Watson or its approved distribution services provider pursuant to Section 4.4.8(b) deliver all of the Product to Watson's customers, then Watson will have earned the Shipping Expense Fee and will not have to pay Purdue the Shipping Expense Fee.

4.5 Product Rejection.

4.5.1 Watson will give written notice to Purdue of any claim that any Product does not conform with the Quality Agreement requirements promptly upon Watson becoming aware of such non-compliance, but in no event later than 30 days after receipt of such Product by Watson; provided, however, if the Product non-compliance is not observable from a visual inspection, then such latent non-compliance must be reported to Purdue in writing within 30 days of the discovery of such latent non-compliance of the Product, but not later than six months after receipt of the Product by Watson. In the event that Watson fails to notify Purdue of any such claim within the applicable notice period specified in the preceding sentence, such Product will be deemed accepted by Watson. Any such notice by Watson pursuant to this Section 4.5.1 that any Product does not conform with the Quality Agreement must be accompanied by a reasonably detailed statement of Watson's reasons for rejection and a report of any pertinent analysis performed by Watson on the allegedly non-conforming Product, together with the methods and procedures used. The Parties will cooperate in good faith to resolve any dispute arising under this Section 4.5.1, and in the event that the Parties are unable to resolve such dispute within 30 calendar days from the date of Watson's notice pursuant to this Section 4.5.1, the Parties will submit such dispute to a previously qualified and mutually agreed-to independent laboratory.

The laboratory will use such procedures and tests as the laboratory may consider necessary or appropriate to reach a conclusion as to the matter in dispute. Both Parties agree to cooperate with the laboratory's reasonable requests for assistance in connection with its analysis hereunder. The determination by such laboratory will be final and binding and the laboratory's costs will be borne by the non-prevailing Party. Watson will not dispose of any Product claimed by it not to conform with the terms and conditions hereof until resolution of any dispute with respect thereto.

4.5.2 If Purdue acknowledges an alleged nonconformity (or if the laboratory provided for in Section 4.5.1 concludes that any Product was non-conforming), Purdue will promptly (and in any case within 30 calendar days thereafter) make arrangements for the return or disposal, at Purdue's option, of the non-conforming Product and will provide Watson with a credit for the Transfer Price invoiced to Watson for any non-conforming Product (including all out-of-pocket transportation and/or disposal charges for such non-conforming Product). If Purdue instructs Watson to dispose of such non-conforming Product, Purdue will give Watson written instructions as to the process by which Watson or its agent must dispose of such non-conforming Product, and Watson will provide Purdue with written certification of such destruction. Purdue will be under no obligation to accept a return of Product except as provided in this Section 4.5.2.

4.5.3 Whether or not Purdue accepts Watson's assertion of nonconformity, promptly upon receipt of a notice of nonconformity, Purdue will have the option to use Commercially Reasonable Efforts to provide replacement Products for those Products rejected by Watson in the original shipment. Watson will pay the Transfer Price to Purdue for such replacement Product in accordance with Section 5.1. If Purdue chooses the option to provide replacement Products and it is determined subsequently that such Product was in fact conforming (whether pursuant to Section 4.5.1 or if Watson so acknowledges in writing), then Watson will also be responsible for the Transfer Price of the allegedly nonconforming Product, including all transportation charges if Watson returned the Product to Purdue, and the reasonable and customary carrying cost of such Transfer Price for the period during which the allegedly non-conforming product was kept out of the market. Purdue will re-ship to Watson such alleged non-conforming Product if Watson returned such Product to Purdue. Replacement shipments will also be subject to the Product rejection procedures contained in this Section 4.5.

4.5.4 Purdue's obligation to reimburse the Transfer Price of the Product to Watson for any non-conforming Product pursuant to this Section 4.5 is Watson's sole and exclusive remedy for such non-conforming Product. This Section 4.5.4 will not limit Purdue's obligations under Section 9.1(a).

4.6 Quality Control; Change in Specifications.

4.6.1 The quality control obligations with respect to the manufacture, handling, storage and shipment of the Products are set forth in the Quality Agreement.

4.6.2 All changes to Specifications must be in accordance with Purdue's change control procedure set forth in the Quality Agreement.

4.7 Failure to Supply. In the event that (i) Purdue fails to supply, for any reason (other than as a result of a Force Majeure Event), 70% of Watson's Product requirements on the delivery dates as specified in any Firm Order; (ii) the Firm Order for such Product requirements does not exceed the applicable Forecast delivered to Purdue; and (iii) Purdue's failure to supply continues for at least 30 calendar days beyond the delivery date(s) specified in the Firm Order, which results in Watson's inability to meet its customer demands:

4.7.1 Watson will have the right to adjust, without any penalty or liability, the Forecast and any Firm Order for the Product to reflect any resulting changes in the amount and timing of such customers' demand requirements.

4.7.2 Any incremental freight costs incurred to ship Product to the location set forth on Schedule 4.4.3 as a result of Product shipment delays caused by Purdue's inability to supply will be borne by Purdue and will not be invoiced to Watson or charged to Manufacturing Cost.

4.7.3 Subject to Section 12.2.2, the foregoing provisions of Sections 4.7.1 and 4.7.2 will be Watson's only remedies if Purdue fails to meet the supply obligation thresholds set forth in Section 4.7. Notwithstanding the foregoing, Purdue will reimburse Watson for any pre-approved reasonable and customary supplier penalties, as set forth on Schedule 4.7.3 as may be amended from time to time upon mutual approval of the Parties, which approval will not be unreasonably withheld or delayed (the "Supplier Penalties"), that are incurred by Watson as a result of or arising out of such failure to supply.

4.8 Product Expiration. Watson will be eligible to return any Product purchased from Purdue that is damaged and not saleable or within nine months of expiration for full credit at the Transfer Price in effect when the Product was purchased. Watson will be responsible for managing its Product inventory on an expiration-dating basis (with lots having the earliest expiration date to be sold first) in order to minimize Product returns due to expiration.

4.9 Second Supplier. Watson will not have the right to secure or qualify a second supplier of Product during the Term of the Agreement. Purdue will provide a backup supplier of Product to the extent that Purdue has a backup supplier available for the Branded Product and such backup supplier is willing to supply Product.

4.10 Change of Manufacturing Facility. Without in any way limiting Watson's rights to inspection as set forth herein, Purdue may from time to time change the manufacturing facility of Product. Purdue will advise Watson of any such change and provide Watson with reasonable prior notice thereof so as to allow Watson to comply with its legal and regulatory obligations.

ARTICLE V

PAYMENTS AND REPORTS

5.1 Product Payment. Purdue will submit invoices to Watson for Products (i) on or after shipment and (ii) if Purdue stores Product inventory beyond four months from Purdue's

notification to Watson that the Product is available for shipment. The invoices will reflect the Transfer Price for the Products. Watson will pay the Transfer Price to Purdue within 60 calendar days of the invoice date, or in the case of initial launch quantity, within 60 calendar days of the Distributor Appointment Date. Purdue will notify Watson of any increased Transfer Price to become effective 30 days after such notice, and if Watson disputes any increased Transfer Price, Watson will be required to pay the increased Transfer Price unless and until a revised Transfer Price is agreed to by the Parties after an audit pursuant to Section 5.7.2 or is otherwise established through dispute resolution.

5.2 Weekly, Monthly, and Quarterly Reports and Profit Share Payment. Beginning with the month in which the Distributor Appointment Date occurs and for any remaining months in any stub calendar quarter after the Distributor Appointment Date, and for each of the first two months of each calendar quarter thereafter, Watson will prepare a monthly report that includes the information contained in the form report set forth on Schedule 5.2A ("Monthly Report"), and Watson will be liable to Purdue for the payment of 85% of the Net Margin of each Product ("Monthly Payment"). Within 45 calendar days following the end of (a) each remaining month in any stub calendar quarter beginning with the month of the Distributor Appointment Date, and (b) each of the first two months of each calendar quarter after any initial stub calendar quarter, Watson will (i) submit to Purdue such Monthly Report and (ii) pay to Purdue such Monthly Payment. After the end of the last month of each calendar quarter, including any stub calendar quarter, Watson will prepare a Monthly Report for such last month of the calendar quarter and a reconciliation report that contains the quarterly information for the same line items in the Monthly Report plus any necessary adjustments to account for the difference between amounts in prior reports as set forth on the form report on Schedule 5.2A ("Quarterly Report"). Within 45 calendar days following the end of the last month of each calendar quarter, including any stub calendar quarter, Watson will (x) submit to Purdue such Monthly Report and Quarterly Report and (y) pay to Purdue such Monthly Payment, and such Monthly Payment amount will reflect adjustments, as necessary, for differences between amounts in prior reports. In addition, Watson will prepare and deliver to Purdue a weekly sales report, as soon as commercially reasonable but in no event later than two Business Days after the end of each week, Product-by-Product, which provides all of the information contained in the sample weekly report set forth on Schedule 5.2B ("Weekly Report").

5.3 Initial Period Adjustments. Following the last month of the Initial Period, Watson will prepare a Monthly Report for the last month of the Initial Period. In addition, Watson will prepare a reconciliation report that contains all previous Initial Period monthly information for the same line items in the Monthly Report plus any necessary Initial Period adjustments to the Initial Period Profit Share in the form set forth on Schedule 5.2A ("Initial Period Report"). Watson will be liable for the payment to Purdue for the amount, if any, by which the Initial Period Profit Share exceeds the sum of the Monthly Payments already received by Purdue in respect of the calendar months prior to the last calendar month of such Initial Period (the "Initial Period Adjusted Payment"). Within 45 calendar days following the end of the last month of the Initial Period, Watson will (x) submit to Purdue such Monthly Report and Initial Period Report and (y) pay to Purdue such Initial Period Adjusted Payment, and such Initial Period Adjusted Payment will reflect adjustments, as necessary, for differences between amounts

in prior Monthly Reports and to ensure that Purdue is paid its total Initial Period Profit Share for such Initial Period.

5.4 Annual Adjustments. Following the last month of each calendar year following the Initial Period, Watson will prepare a Monthly Report for the last month of the calendar year and a Quarterly Report for the last quarter of the calendar year. In addition, Watson will prepare a reconciliation report that contains all previous quarterly information for the same line items in the Monthly Report plus any necessary year end adjustments to Annual Profit Share in the form set forth on Schedule 5.2A ("Annual Report"). Watson will be liable for the payment to Purdue of the amount, if any, by which the Annual Profit Share exceeds the sum of the Monthly Payments already received by Purdue in respect of the first three quarters of such calendar year (the "Annual Adjusted Payment"). Within 45 calendar days following the end of the last month of such calendar year, Watson will (x) submit to Purdue such Monthly Report, Quarterly Report and Annual Report and (y) pay to Purdue such Annual Adjusted Payment, and such Annual Adjusted Payment amount will reflect adjustments, as necessary, for differences between amounts in prior Quarterly Reports as compared to the Annual Report and to ensure that Purdue is paid its total Annual Profit Share for such calendar year.

5.5 Mode of Payment. Each Party will make all payments required under this Agreement by electronic funds wire transfer in United States dollars to a bank account designated by the other Party from time to time. Watson will give Purdue one day's written notice prior to making any such wire transfers.

5.6 Records Retention.

5.6.1 Watson will keep complete, true and accurate records pertaining to its activities under this Agreement, including but not limited to records pertaining to the sales of Products in the Territory and covering all transactions from which Net Sales are derived, in accordance with Law, but in no event for a period of less than two calendar years after the year in which such sales occurred, and in sufficient detail to permit Purdue to confirm the accuracy of Net Sales, Net Margin and the amount of Monthly Payments and Annual Profit Share payments due under this Agreement.

5.6.2 Purdue and its Affiliates will keep complete, true and accurate records pertaining to its activities under this Agreement, including but not limited to records pertaining to the Manufacturing Costs and API cost incurred by Purdue and its Affiliates with respect to each Product, in accordance with Law, but in no event for a period of less than two calendar years after the year in which such costs are incurred, and in sufficient detail to permit Watson to confirm the accuracy of any increases in Manufacturing Costs and increases in the API cost.

5.7 Audit Request.

5.7.1 Watson will keep complete, true and accurate books of accounts and records for the purpose of determining gross sales, Net Sales, Net Margin, Monthly Payment, Annual Profit Share and Annual Distribution Fee. Watson will permit an independent certified public accountant chosen by Purdue and reasonably acceptable to Watson, which acceptance will not be

unreasonably withheld, to conduct audits of books and records related to the Product that the independent certified public accountant in its judgment considers relevant, including establishing that the Product was not used as a "loss leader", and that the Product was not sold as part of a Bundled Product or in any discounting program in which Watson's terms and conditions for sale are not applied to the Product in the same way that they are applied to the majority of Watson's other products, with the result that the profit of the Product is diminished to benefit Watson's other products. These books and records include all selling records, customer bids and contracts, analyses, minutes and records of Watson's pricing decisions, rebate submissions and all deductions between gross sales and Net Sales of all of the Products and Watson's other products up to three months prior to the Distributor Appointment Date and during the Term of this Agreement. Such books and records will be kept at the principal place of business of Watson for at least two years following the end of the calendar month to which they pertain. Such books and records will be open for inspection during such two-year period by an independent certified public accountant chosen by Purdue and acceptable to Watson, which acceptance will not be unreasonably withheld, for the purpose of verifying the amounts payable by Watson hereunder. Watson will be required to pay to Purdue any unpaid amounts that are discovered, together with interest on such unpaid amounts at the rate set forth in Section 5.9. Such inspections may be made no more than once each calendar year, at reasonable times and on reasonable notice. Watson will be required to respond to the independent auditor's data requests within 15 Business Days. The independent auditor will be obligated to execute a reasonable confidentiality agreement prior to commencing any such inspection, that includes a provision that the independent auditor will conduct its audit observing Watson's obligations of confidentiality to Third Parties. Inspections conducted under this Section 5.7.1 will be at the expense of Purdue, unless a variation or error producing an underpayment in amounts payable exceeding 5% of the amount paid for the period covered by the inspection is established in the course of such inspection, whereupon all costs relating to the inspection for such period, in addition to any unpaid amounts that are discovered will be paid by Watson, together with interest on such unpaid amounts at the rate set forth in Section 5.9. If Purdue's independent certified public accountant finds a variation or error producing an underpayment in amounts payable exceeding 5% of the amount paid for any period covered by the inspection, Purdue will have the additional right to make inspections twice per year for the next two years. Notwithstanding anything in this Agreement to the contrary, the remedies set forth in this Section 5.7.1 will be Purdue's and its Affiliates' sole and exclusive remedies in connection with Watson's underpayment identified as a result of an audit; provided, however, such underpayment is less than 15% of any amount paid for any period covered by the inspection. The Parties will endeavor to minimize disruption of Watson's normal business activities to the extent reasonably practicable. The independent certified public accountant who examines the books and records of Watson pursuant to this Section 5.7.1 may not disclose to Purdue (a) any names of Watson's customers or names of products sold by Watson (other than the Product name) or (b) any other information identified by Watson to the independent certified public accountant the disclosure of which would result in Watson's violation of Watson's confidentiality obligation to a Third Party. Without limiting the foregoing, such independent certified public accountant will report to Purdue only the results of its audit and such other information as may be necessary for Purdue to evaluate its rights under this Agreement. The independent certified public accountant will present both Parties with a preliminary report of its findings and provide both Parties with an opportunity to respond to any

questions raised or issues identified before issuing any final reports. Notwithstanding the foregoing, Purdue will pay for the initial audit pursuant to this Section 5.7.1.

5.7.2 Purdue will keep, and require its Affiliates to keep, complete, true and accurate books of accounts and records for the purpose of determining increases in Manufacturing Costs and increases in API cost. Such books and records will be kept at the principal place of business of Purdue and its Affiliates for at least two years following the end of the calendar quarter to which they pertain. Such records related to the Product will be open for inspection during such two-year period by an independent certified public accountant chosen by Watson and reasonably acceptable to Purdue, which acceptance will not be unreasonably withheld, for the purpose of verifying the amounts of any increases in Manufacturing Costs or increases in API cost payable by Watson hereunder. Purdue will be required to pay to Watson any overpayment amounts that are discovered to be owed to Watson, together with interest on such overpaid amounts at the rate set forth in Section 5.9. Such inspections may be made no more than once each calendar year, at reasonable times and on reasonable notice. The independent auditor will be obligated to execute a reasonable confidentiality agreement prior to commencing any such inspection, that includes a provision that the independent auditor will conduct its audit observing Purdue's obligations of confidentiality to Third Parties. Inspections conducted under this Section 5.7.2 will be at the expense of Watson, unless a variation or error producing an overpayment in amounts payable exceeding 5% of the amount paid for the period covered by the inspection is established in the course of such inspection, whereupon all costs relating to the inspection for such period in addition to any overpaid amounts that are discovered will be paid by Purdue, together with interest on such overpaid amounts at the rate set forth in Section 5.9. If Watson's independent certified public accountant finds a variation or error producing an overpayment in an amount exceeding 5% of the amount paid for any period covered by the inspection, Watson will have the additional right to make inspections twice per year for the next two years. Notwithstanding anything in this Agreement to the contrary, the remedies set forth in this Section 5.7.2 will be Watson's and its Affiliates' sole and exclusive remedies in connection with Watson's overpayment identified as a result of an audit; provided, however, such overpayment is less than 15% of any amount paid for any period covered by the inspection. The Parties will endeavor to minimize disruption of Purdue's normal business activities to the extent reasonably practicable. The independent certified public accountant who examines the books and records of Purdue pursuant to this Section 5.7.2 may not disclose to Watson names of Purdue's products (other than the Product name), any name of Purdue's suppliers, any names of components (other than oxycodone) of Purdue's products or the names or individual compensation amounts of Purdue's directors, officers, employees, temporary employees or consultants. Without limiting the foregoing, such independent certified public accountant will report to Watson only the results of its audit and such other information as may be necessary for Watson to evaluate its rights under this Agreement. The independent certified public accountant will present both Parties with a preliminary report of its findings and provide both Parties with an opportunity to respond to any questions raised or issues identified before issuing any final reports.

5.7.3 Any disputes between the Parties concerning the results of audits provided for in Section 5.7.1 or 5.7.2 will be addressed in accordance with Section 13.5.

5.7.4 Purdue will permit Watson's independent and qualified representatives acceptable to Purdue, which acceptance will not be unreasonably withheld, access, no more than once each calendar year, or more frequently if for cause, all at reasonable times and on reasonable notice, to Purdue's manufacturing facilities for Product to conduct inspections of the premises where the Products are being manufactured, tested and stored. All of Watson's representatives will be obligated to execute a reasonable confidentiality agreement prior to commencing any such inspection. Watson will provide Purdue with a written report of the results of any inspections of Purdue's manufacturing facilities for Product by Watson's independent and qualified representatives within 30 days of any such inspection. If Purdue disputes the findings of the inspection, such dispute will be resolved through the resolution procedures set forth in the Quality Agreement.

5.8 Taxes. Any and all transfer, sales, use, registration and other taxes imposed upon or with respect to or measured by the sale or delivery by Purdue to Watson of any Product under this Agreement will be the responsibility of and for the account of Watson. Sales tax will be included on Purdue's invoices to Watson for such Products. Notwithstanding the previous sentence, Watson will have no obligation to pay any income tax imposed on Purdue or any of its Affiliates which may arise from the transactions contemplated by this Agreement.

5.9 Late Payments. Watson will not be eligible for any prompt payment discounts. In the event that any payment due by Watson under this Agreement is not made when due, the payment will accrue interest from the date due at the rate of 12% per annum; provided that in no event will such rate exceed the maximum legal annual interest rate. The payment of such interest will not limit Purdue from exercising any other rights it may have as a consequence of the lateness of any payment.

5.10 Notice of Destruction of Records. Notwithstanding any other provision of this Agreement to the contrary, neither Party will destroy any records created under this Agreement without first giving the other Party advance written notice so that such Party may request additional retention of such records for good cause.

ARTICLE VI

COVENANTS

6.1 Mutual Covenants.

6.1.1 Compliance with Law. Each Party will maintain in full force and effect all necessary licenses, permits and other authorizations required by Law to carry out its duties and obligations under this Agreement. Each Party will comply in all material respects with all Laws applicable to its activities under this Agreement and the Quality Agreement. Watson and Purdue will handle and store the Products in compliance in all material respects with all applicable Laws. Each Party will keep all records and reports required to be kept by applicable Laws. The Parties will reasonably cooperate with one another with the goal of ensuring full compliance in all material respects with applicable Laws. Each Party will cooperate with the other to provide

such letters, documentation and other information on a timely basis as the other Party may reasonably require to fulfill its reporting and other obligations under applicable Laws to applicable regulatory authorities.

6.1.2 Reasonable Cooperation. Purdue and Watson will each use Commercially Reasonable Efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary or proper to make effective the transactions contemplated by this Agreement, including such actions as may be reasonably necessary to obtain approvals and consents of Governmental Authorities and other Persons; provided that no Party will be required to assume any other material obligation not otherwise required to be assumed by this Agreement or the Quality Agreement.

6.2 Purdue Covenants.

(a) Purdue will comply in all material respects with all applicable Laws (including DEA and FDA regulations) relating to the manufacturing, packaging, Labeling, handling, storage and shipment of the Products, including filing with the FDA required notices, supplemental applications and annual or other reports, including adverse event reports, with respect to the NDA which would otherwise have a material adverse effect on the NDA, Branded Products or Products.

(b) Purdue will notify Watson of the Distributor Appointment Date, if any.

(c) Purdue will perform all stability and other testing sufficient to maintain the Product in conformity with the NDA.

(d) The Products manufactured by or for Purdue and sold to Watson under this Agreement:

(i) will not be adulterated under applicable Laws at the time they are tendered to Purdue's customary carrier for delivery to Watson;

(ii) will meet the Specifications therefor at the time they are tendered to Purdue's customary carrier for delivery to Watson;

(iii) will be manufactured, packaged and Labeled in accordance with Good Manufacturing Practices; and

(iv) will have a shelf life of not less than 24 months at the time the Products are tendered to Purdue's customary carrier for delivery to Watson; provided, however, that, if Purdue and Watson agree in writing or if Watson delays for more than 30 days accepting delivery of Product after Purdue notifies Watson of the Product order becoming available for shipment, any Product sold to Watson may have a shelf life of less than 24 months (by the amount of such agreed period or delay) at the time such Products are tendered to Purdue's customary carrier for delivery to Watson.

(e) Labels of Products will not be misbranded under applicable Laws, will meet the Specifications, and will be Labeled in accordance with Good Manufacturing Practices at the time the Products are tendered to Purdue's customary carrier for delivery to Watson.

(f) Purdue will review all marketing and sales materials within 10 Business Days after receipt from Watson.

(g) Purdue will immediately inform Watson if Purdue, its Affiliates or any of their employees are convicted of a crime for which a person can be debarred, under Section 306(a) or 306(b) of the Generic Drug Enforcement Act of 1992 or under 42 U.S.C. Section 1320-7, or are sanctioned by, suspended, excluded or otherwise ineligible to participate in any federal health care program, including Medicare and Medicaid or in Federal procurement or non-procurement programs.

(h) Purdue will not knowingly and willfully market, distribute or sell the Product to any Third Party outside of the Territory for resale inside of the Territory.

6.3 Watson Covenants.

(a) Watson will comply in all material respects with all applicable Laws (including DEA and FDA regulations) relating to the handling, storage and disposal of the Products.

(b) Watson will comply with all applicable Laws related to the marketing, distribution and sale of the Products.

(c) Prior to Watson using any marketing and sales materials pursuant to this Agreement, Watson will submit to Purdue for Purdue's written approval all such marketing and sales materials.

(d) Watson will be responsible for all pricing decisions with respect to the Products.

(e) In accordance with applicable Law, Watson will register and sell the Products only using NDC numbers that reflect Watson as the distributor of the Products.

(f) Watson will be responsible for all price reporting under Watson's own NDC for the Products to any and all Governmental Authorities, as well as to any Third Party pricing publications.

(g) Watson will cause its employees responsible for the supply, distribution, sale or marketing of the Products in the Territory to act in accordance with the highest standards of the industry and in a professional, ethical and lawful manner, and consistent with the same diligence used with regard to other products marketed by Watson.

(h) Watson acknowledges that nothing in this Agreement will grant to Watson any rights, titles, licenses, or covenants to, or interest in, either express or implied, any improvements, new formulations, indications, dosages, forms of administration, dosage strengths, or other presentations or uses of Product at any time derived or developed by or on behalf of Purdue or its Affiliates, or any other product, compound or molecule owned or controlled, in whole or in part, by Purdue or its Affiliates.

(i) Watson will market, distribute and sell the Product only after the Distributor Appointment Date, during the Term and only in the Territory.

(j) Watson will not knowingly market, distribute or sell the Product to any Third Party in the Territory for resale outside of the Territory.

(k) Watson will process and be responsible for all rebates, price protection claims and payments to Medicaid, Medicare, PBMs (pharmacy benefit managers) and other payors under Watson's NDC number, whether required by contract or Law, for the Products. Furthermore, for all rebates due under or calculated under 42 U.S.C. 1396r-8, Watson acknowledges that it will treat the Products as innovator multiple source drugs, as defined in 42 U.S.C. 1396r-8(k)(7)(A)(ii), and that Watson will carry over the base average manufacturer price for the Products in accordance with HCFA Labeler Release No. 26.

(l) Watson will take all reasonable actions to ensure that all discounts and price reductions offered to its customers and included in the definition of Net Sales fall within the discount safe-harbor to the federal anti-kickback statute, as described in 42 U.S.C. 1320a-7b(b)(3)(A) and 42 C.F.R. 1001.952(h).

(m) Watson will process all customer returns of Product.

(n) Watson will credit customers for the customers' Product returns in accordance with Watson's Pharmaceutical and Diagnostics Products Return Goods Policy that applies to all of Watson's products, including the Products.

(o) Watson will immediately inform Purdue if Watson, its Affiliates or any of their employees are convicted of a crime for which a person can be debarred, under Section 306(a) or 306(b) of the Generic Drug Enforcement Act of 1992 or under 42 U.S.C. Section 1320-7, or are sanctioned by, suspended, excluded or otherwise ineligible to participate in any federal health care program, including Medicare and Medicaid or in Federal procurement or non-procurement programs.

(p) Watson will comply with the Risk Management Program. Upon Purdue amending the Risk Management Program, Watson will implement any additional risk management activities under such amended Risk Management Program as soon as possible. Purdue will pay Watson's reasonable out-of-pocket incremental cost associated with implementing such amended Risk Management Program.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES

7.1 Representations and Warranties of Both Parties. Each of Purdue and Watson represents and warrants to the other Party that:

7.1.1 Corporate/Limited Partnership Organization. Each Party is duly organized and validly existing under the laws of its state of formation.

7.1.2 Authority. Each Party has all the requisite corporate or limited partnership power and authority to execute and deliver this Agreement and the Quality Agreement and to perform all of its obligations hereunder and thereunder. The execution and delivery of this Agreement and the Quality Agreement and the performance by the Parties of their respective obligations hereunder and thereunder have been authorized by all requisite corporate or limited partnership action on their respective parts. This Agreement and the Quality Agreement have been validly executed and delivered by each Party, and, assuming that such documents have been duly authorized, executed and delivered by such Party, constitute a valid and binding obligation of such Party, enforceable against such Party in accordance with their terms.

7.1.3 Consents and Approvals; No Violations.

(a) Except as otherwise set forth in this Agreement, no material filing with, and no material permit, authorization, consent or approval of any Governmental Authority is necessary for the consummation by each Party of the transactions contemplated by this Agreement and the Quality Agreement, except for those filings, permits, authorizations, consents or approvals, the failure of which to be made or obtained would not materially impair such Party's ability to consummate the transactions contemplated hereby, or materially delay the consummation of the transactions contemplated hereby.

(b) Neither the execution and delivery of this Agreement or the Quality Agreement by either Party, nor the performance by such Party of its obligations hereunder or thereunder, will (i) violate the certificate of incorporation, by-laws, limited partnership agreement or other organizational documents of such Party; or (ii) violate or conflict in any material respect with any material Law, rule, regulation, judgment, order or decree of any court or Governmental Authority applicable to such Party or any Product, except for violations, breaches or defaults which would not have a material adverse effect on such Party's ability to consummate the transactions contemplated hereby.

7.2 Additional Purdue Representations and Warranties. Purdue represents and warrants to Watson that:

(a) Purdue or one of its Affiliates owns and possesses all right, title and interest in, to and under the NDA.

(b) The NDA has been approved by the FDA, and neither Purdue nor any of its Affiliates has received any notice in writing that has, or reasonably should have, led Purdue to believe that such NDA is not currently effective or not currently in material compliance with all material Laws.

(c) To Purdue's knowledge, the manufacture, use, importation or sale of the Products in the Territory pursuant to this Agreement do not infringe, misappropriate or otherwise conflict with any intellectual property rights of any Third Party.

(d) Purdue has the right to use and convey the rights to the Products that are expressly granted to Watson under this Agreement.

(e) Neither Purdue nor its Affiliates or their employees have ever been:

(i) convicted of a crime for which a person can be debarred, under Section 306(a) or 306(b) of the Generic Drug Enforcement Act of 1992, or under 42 U.S.C. Section 1320-7; or

(ii) sanctioned by, suspended, excluded or otherwise ineligible to participate in any federal health care program, including Medicare and Medicaid or in Federal procurement or non-procurement programs.

7.3 Additional Watson Representations and Warranties. Watson represents and warrants to Purdue that:

(a) Watson has utilized its own marketing and distribution expertise and experience to analyze and evaluate the commercial value of the Product and has solely relied on such analysis and evaluations in deciding to enter into this Agreement.

(b) Neither Watson nor any of its Affiliates is a party to or otherwise bound by any oral or written contract or agreement that will result in any Person obtaining any interest in, or that would give to any Person any right to assert any claim in or with respect to, any of Watson's rights under this Agreement.

(c) Neither the execution and delivery of this Agreement or the Quality Agreement nor the performance of its obligations hereunder or thereunder will conflict in any material respect with or result in a material violation or breach of, or constitute a material default under, any material contract, agreement or instrument to which Watson is bound, or result in the creation or imposition of any material lien upon any Product.

(d) Watson acknowledges that the rights set forth in Section 2.1.1 pertaining to the Watson will not be granted if Purdue in its sole discretion decides never to permit Watson to authorize the shipment of any Product to its customers.

(e) Prior to the Distributor Appointment Date, Watson is not required by Law (including disclosure requirements under federal or state securities laws, NASDAQ or any

stock exchange requirements, or otherwise) to disclose the existence or subject matter of this Agreement, or the relationship between the Parties with respect to the Product.

(f) Neither Watson nor its Affiliates or their employees have ever been:

(i) convicted of a crime for which a person can be debarred, under Section 306(a) or 306(b) of the Generic Drug Enforcement Act of 1992, or under 42 U.S.C. Section 1320-7; or

(ii) sanctioned by, suspended, excluded or otherwise ineligible to participate in any federal health care program, including Medicare and Medicaid or in Federal procurement or non-procurement programs.

7.4 No Reliance by Third Parties. The representations and warranties of each Party set forth in this Agreement are intended for the sole and exclusive benefit of the other Party hereto, and may not be relied upon by any Third Party.

7.5 Disclaimer of Warranties. EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED IN THIS AGREEMENT, NEITHER PARTY MAKES ANY REPRESENTATIONS OR WARRANTIES, EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, CONCERNING THE PRODUCT. EXCEPT AS EXPRESSLY SET FORTH HEREIN, EACH PARTY EXPRESSLY DISCLAIMS ANY AND ALL WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

ARTICLE VIII

INTELLECTUAL PROPERTY

8.1 Limited Intellectual Property Rights. Watson acknowledges that by entering into this Agreement, Watson will not have, assert or acquire any right, title, license, interest or covenant, express or implied, in or to any Purdue intellectual property or other proprietary rights of Purdue except as may be necessary for Watson to distribute the Product as explicitly provided for in this Agreement.

8.2 Watson Improvements. Any improvements to the Products made solely by Watson during the Term of this Agreement will be promptly disclosed solely to Purdue, and Purdue will have a fully paid up, royalty-free, irrevocable, non-exclusive license to use any such improvements for the Products and the Branded Products. Purdue will have the right to file for intellectual property protection for such improvements if Watson does not file for intellectual property protection. Watson, its employees and agents will, at no cost to Purdue (except for Watson's reasonable out-of-pocket costs incurred in signing such documents), sign all documents requested by Purdue to evidence such rights, including patent rights, in any country.

8.3 Purdue and Joint Improvements. Any improvements to the Products made solely by Purdue, or jointly conceived or made by Watson and Purdue, will be the sole property

of Purdue, and Purdue will have the exclusive right to file for intellectual property protection for such improvements. Watson, its employees and agents will, at no cost to Purdue (except for Watson's reasonable out-of-pocket costs incurred in signing such documents), sign all documents requested by Purdue to evidence such rights, including patent rights, in any country.

ARTICLE IX

INDEMNIFICATION; LIMITATIONS ON LIABILITY

9.1 Purdue Indemnity. Purdue will indemnify, defend, save, protect, and hold harmless Watson and its Affiliates and their respective directors, officers, employees, and agents ("Watson Indemnitees") from and against any and all losses, claims, damages, liabilities, costs and expenses (including reasonable attorneys' fees and expenses and court costs) (collectively, "Losses") resulting or arising from any Third Party claims, suits, actions, proceedings or litigation ("Third Party Claims") arising from or in connection with:

(a) any actual or alleged death of or bodily injury to any individual arising out of the use of the Product sold by Watson in the Territory, including a claim based on failure to warn, design defect, product defect, strict liability in tort, or otherwise;

(b) any patent infringement or antitrust claim (other than a claim based on the propriety of authorized generics, Watson's pricing of the Products, or a claim arising from this Agreement) arising out of the sale of the Product by Watson in the Territory, but only to the extent that it is claimed Purdue improperly asserted its patents covering the Products;

(c) Purdue's negligence or willful misconduct in performing any of its obligations under this Agreement;

(d) a breach by Purdue of any of its representations, warranties, covenants or agreements under this Agreement; or

(e) the IVAX Agreement.

provided, however, that in all cases referred to in this Section 9.1, Purdue will not be liable to indemnify Watson for any Losses of Watson to the extent that such Losses of Watson were caused by: (i) the negligence or willful misconduct or wrongdoing of Watson or (ii) any breach by Watson of its representations, warranties, covenants or agreements under this Agreement.

9.2 Watson Indemnity. Watson will indemnify, defend, save, protect, and hold harmless Purdue and its Affiliates and their respective directors, officers, employees, and agents (the "Purdue Indemnitees") against any and all Losses resulting or arising from any Third Party Claims arising from or in connection with:

(a) Watson's negligence or willful misconduct in performing any of its obligations under this Agreement; or

(b) a breach by Watson of any of its representations, warranties, covenants or agreements under this Agreement;

provided, however, that in all cases referred to in this Section 9.2, Watson will not be liable to indemnify Purdue for any Losses of Purdue to the extent that such Losses of Purdue were caused by: (i) the negligence or willful misconduct or wrongdoing of Purdue or (ii) any breach by Purdue of its representations, warranties, covenants or agreements under this Agreement.

9.3 Procedure for Indemnification.

9.3.1 Notice. In the case of a Third Party Claim as to which a Party (the "Indemnifying Party") may be obligated to provide indemnification pursuant to this Agreement, such Party seeking indemnification hereunder ("Indemnitee") will notify the Indemnifying Party in writing of the Third Party Claim (and specifying in reasonable detail the factual basis for the Third Party Claim and, to the extent known, the amount of the Third Party Claim) promptly after becoming aware of such Third Party Claim; provided, however, that failure to give such notification will not affect the indemnification provided hereunder except to the extent the Indemnifying Party will have been actually prejudiced as a result of such failure.

9.3.2 Defense of Claim.

(a) If a Third Party Claim is made against an Indemnitee, the Indemnifying Party will be entitled to assume the defense of the Indemnitee by providing written notice to the Indemnitee of its intention to assume the defense of such Third Party Claim (at the expense of the Indemnifying Party) within 30 days after receipt of written notice from the Indemnitee of such Third Party Claim, with counsel selected by the Indemnifying Party and reasonably satisfactory to the Indemnitee for so long as the Indemnifying Party is conducting a good faith and diligent defense.

(b) Should the Indemnifying Party so elect to assume the defense of the Indemnitee, the Indemnifying Party will not be liable to the Indemnitee for any legal or other expenses subsequently incurred by the Indemnitee in connection with the defense thereof; provided, that if under applicable standards of professional conduct a conflict of interest exists between the Indemnifying Party and the Indemnitee in respect of such claim, such Indemnitee will have the right to employ separate counsel to represent such Indemnitee with respect to the matters as to which a conflict of interest exists, and in that event the reasonable fees and expenses of such separate counsel will be paid by such Indemnifying Party; provided, further, that the Indemnifying Party will only be responsible for the reasonable fees and expenses of one separate counsel for such Indemnitee.

(c) If the Indemnifying Party assumes the defense of the Indemnitee, the Indemnitee will have the right to participate in such defense and to employ counsel, at its own expense, separate from the counsel employed by the Indemnifying Party.

(d) If the Indemnifying Party assumes the defense of the Indemnitee, the Indemnifying Party will promptly supply to the Indemnitee copies of all correspondence

and documents relating to or in connection with such Third Party Claim and keep the Indemnitee informed of developments relating to or in connection with such Third Party Claim, as may be reasonably requested by the Indemnitee (including providing to the Indemnitee on reasonable request updates and summaries as to the status thereof).

(e) If the Indemnifying Party assumes the defense of the Indemnitee, the Indemnitee will, and will cause all Watson Indemnitees or Purdue Indemnitees, as the case may be, to reasonably cooperate with the Indemnifying Party in the defense thereof (including making documents and records available for review and copying and making persons within its/his/her control available for pertinent testimony).

(f) If the Indemnifying Party does not elect to assume the defense of the Indemnitee or does not provide written acknowledgement of the defense of the Indemnitee within the 30-day period set forth in Section 9.3.2(a), or if a good faith and diligent defense is not being or ceases to be conducted by the Indemnifying Party, the Indemnitee will have the right, at the reasonable expense of the Indemnifying Party, after three Business Days' notice to the Indemnifying Party of its intent to do so, to undertake the defense of the Indemnitee (at the reasonable expense of the Indemnifying Party) with counsel reasonably selected by the Indemnitee, and to compromise or settle such Third Party Claim, with the Indemnifying Party's reasonable consent (which consent will not be unreasonably withheld, delayed or conditioned).

9.3.3 Settlement of Claims. If the Indemnifying Party acknowledges in writing its obligation to indemnify the Indemnitee for a Third Party Claim, the Indemnitee will agree (which agreement will not be unreasonably withheld, delayed or conditioned) to a reasonable settlement, compromise or discharge of such Third Party Claim that the Indemnifying Party may recommend; provided, however, that, without the Indemnitee's prior written consent, the Indemnifying Party will not consent to any settlement, compromise or discharge (including the consent to entry of any judgment), and the Indemnitee may refuse to agree to any such settlement, compromise or discharge, that provides for injunctive or other nonmonetary relief affecting the Indemnitee. If the Indemnifying Party acknowledges in writing its obligation to indemnify the Indemnitee for a Third Party Claim, the Indemnitee will not (unless required by law) admit any liability with respect to, or settle, compromise or discharge ("Indemnitee Settlement"), such Third Party Claim without the Indemnifying Party's prior written consent (which consent will not be unreasonably withheld, delayed or conditioned) and if such consent is not received, then the Indemnifying Party will have no obligation or liability under this Article IX for any Indemnitee Settlement.

9.4 Limitations on Liability.

9.4.1 Nothing in this Article IX will act to negate any obligation under common law of either Party to mitigate damages with respect to any Third Party Claim for which such Party is seeking indemnification from the other Party hereunder.

9.4.2 EXCEPT FOR THE PARTIES' INDEMNIFICATION OBLIGATIONS UNDER SECTIONS 9.1 AND 9.2, UNDER NO CIRCUMSTANCES WILL EITHER PARTY BE LIABLE FOR ANY SPECIAL, INCIDENTAL, INDIRECT, PUNITIVE OR CONSEQUENTIAL DAMAGES, COSTS OR EXPENSES (INCLUDING, BUT NOT LIMITED TO, LOST PROFITS, LOST REVENUES AND/OR LOST SAVINGS), ARISING UNDER THIS AGREEMENT OR CONCERNING ANY PRODUCTS, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, COSTS OR EXPENSES.

ARTICLE X

COMPLIANCE WITH GOVERNMENTAL AUTHORITY REGULATIONS

10.1 Governmental Authority Communications. Purdue will be responsible for all communications with any Governmental Authority relating to Purdue's manufacturing activities under this Agreement and will have the responsibility to communicate with any Governmental Authority concerning the marketing, distribution, or sale of the Products (except as otherwise required by applicable Law); provided, however, Watson will have the responsibility (a) to communicate with any Governmental Authority concerning all obligations for federal or state governmental rebate reporting and payments required thereunder, (b) for all price reporting for the Products to any and all Governmental Authorities, as well as to any Third Party pricing publications, and (c) for all rebates, price protection claims and payments to Medicaid, Medicare, PBMs (pharmacy benefit managers) and other payors under Watson's NDC number, whether required by contract or Law, for the Products, and Purdue will provide Watson with copies of all correspondence from the FDA covering the marketing, distribution or sale of the Products. In addition to the foregoing, Purdue will be responsible for reviewing, processing, and responding to all regulatory communications relevant to product quality, including communications relating to Product defects, adverse event reports and medical inquiries.

10.2 Governmental and Regulatory Inspections. Each Party will notify the other Party of any inspections by any Governmental Authorities of the premises where the Product is being manufactured, tested or stored, to the extent such inspection relates to the manufacture or storage of the Products, within five Business Days after such inspection, and will provide to the other Party copies of all Form 483s relating to the production, testing, storage, use or sale of the Products, redacted as necessary with respect to any portions of the Form 483 not pertaining to the Products, within five Business Days after they are received by or on behalf of a Party from the FDA or any Governmental Authority. All notices sent to a Party pursuant to this Section 10.2 will be sent to such Party in accordance with the Quality Agreement.

10.3 Watson Inspections. Subject to the terms of the Quality Agreement, all Product manufacturing facility inspections will be conducted pursuant to Section 5.7.4.

10.4 Voluntary Recalls; Involuntary Recalls.

10.4.1 Voluntary Recalls. Each Party will notify the other Party in the event that such Party determines that any Product already in interstate commerce in the Territory presents a risk of injury or gross deception or is otherwise defective and that recall of such Product is appropriate (a "Voluntary Recall"), and Purdue solely, after consultation with Watson, will make the decision whether to initiate a Voluntary Recall and will control all recall activities and the Parties will follow the Product recall procedure set forth in the Quality Agreement.

(a) In the event that Watson requests a Voluntary Recall, Watson will be responsible for all expenses of such Voluntary Recall (including any reasonable out-of-pocket expenses incurred by Purdue in connection with its cooperation in facilitating such Voluntary Recall), except to the extent that such Voluntary Recall is attributable to a breach by Purdue of its representations, warranties, covenants or agreements under this Agreement (in which case, to such extent, Purdue will be responsible for the expenses associated with any such Voluntary Recall, including any reasonable out-of-pocket expenses incurred by Watson in connection with its cooperation in facilitating such Voluntary Recall).

(b) In the event that Purdue requests a Voluntary Recall, Purdue will be responsible for all expenses of such Voluntary Recall (including any reasonable out-of-pocket expenses incurred by Watson in connection with its cooperation in facilitating such Voluntary Recall), except to the extent that such Voluntary Recall is attributable to a breach by Watson of its representations, warranties, covenants or agreements under this Agreement (in which case, to such extent, Watson will be responsible for the expenses associated with any such Voluntary Recall, including any reasonable out-of-pocket expenses incurred by Purdue in connection with its cooperation in facilitating such Voluntary Recall).

(c) Any expenses incurred by either Party in connection with a Voluntary Recall will not be included in any calculation of Net Margin for any Product and the Party responsible for the expenses of any Voluntary Recall pursuant to this Section 10.4.1 will also be solely responsible for the Transfer Price for such Products. To the extent that Purdue is the Party responsible for such Transfer Price, the amount of any such Transfer Price invoiced to Watson will be credited to Watson by Purdue. To the extent that Watson is the Party responsible for such Transfer Price, the amount of any such Transfer Price invoiced to Watson will be paid to Purdue by Watson.

(d) Purdue will have the option to provide replacement Products for Products recalled pursuant to this Section 10.4.1. If Purdue elects to provide replacement Products, then Purdue will use Commercially Reasonable Efforts to provide such Products. Watson will pay the Transfer Price to Purdue for such replacement Products in accordance with Section 5.1.

10.4.2 Involuntary Recalls. In the event that any applicable Governmental Authority should issue a request, directive or order that a Product be recalled ("Involuntary Recall"), Purdue will control all recall activities and the Parties will follow the Product recall procedure set forth in the Quality Agreement.

(a) In the event of an Involuntary Recall of any Product inventory (e.g., batch recall), Purdue will be responsible for all expenses of such Involuntary Recall (including any reasonable out-of-pocket expenses incurred by Watson in connection with its cooperation in facilitating such Involuntary Recall), except to the extent that such Involuntary Recall is attributable to a breach by Watson of its representations, warranties, covenants or agreements under this Agreement (in which case to such extent Watson will be responsible for the expenses associated with any such Involuntary Recall, including any reasonable out-of-pocket expenses incurred by Purdue in connection with its cooperation in facilitating such Involuntary Recall).

(b) Any expenses incurred by either Party in connection with such an Involuntary Recall will not be included in any calculation of Net Margin for any Product and the Party responsible for the expenses of such an Involuntary Recall pursuant to this Section 10.4.2 will also be solely responsible for the Transfer Price for such Products. To the extent that Purdue is the Party responsible for such Transfer Price, the amount of any such Transfer Price invoiced to Watson will be credited to Watson by Purdue. To the extent that Watson is the Party responsible for such Transfer Price, the amount of any such Transfer Price invoiced to Watson will be paid to Purdue by Watson.

(c) Purdue will have the option to provide replacement Products for Products recalled pursuant to this Section 10.4.2. If Purdue elects to provide replacement Products, then Purdue will use Commercially Reasonable Efforts to provide such Products. Watson will pay the Transfer Price to Purdue for such replacement Products in accordance with Section 5.1.

10.5 Quality Agreement. The Quality Agreement will include protocols and specific responsibilities for handling all Product quality complaints, adverse event reports and professional medical service inquiries in accordance with Purdue's standard operating procedures and in conformity with applicable Laws.

ARTICLE XI

CONFIDENTIALITY

11.1 Confidentiality. Except to the extent expressly authorized by this Agreement or otherwise agreed to in writing, Watson and Purdue each agree that, until the later of (i) the termination of this Agreement or (ii) 10 years after the date of disclosure, each of Watson or Purdue, upon receiving or learning of any Confidential Information of the other Party, will keep such Confidential Information confidential and otherwise will not disclose or use such Confidential Information for any purpose other than as provided for in this Agreement. The

Receiving Party will advise its Affiliates, employees, agents and consultants who might have access to the Disclosing Party's Confidential Information of the confidential nature thereof and agrees that its Affiliates, employees, agents and consultants will be bound by the terms of this Agreement. Subject to Section 11.7, the Receiving Party will not disclose any Confidential Information of the Disclosing Party to any Affiliate, employee, agent or consultant who does not have a need to know such Confidential Information.

11.2 Authorized Disclosure. Subject to Section 11.7, Receiving Party may disclose Disclosing Party's Confidential Information to Receiving Party's Affiliates, employees, agents and consultants who need to receive the Confidential Information in order to further the activities contemplated in this Agreement, and who are made aware of the confidential nature of the Confidential Information. The Receiving Party must (i) enforce the terms of this Article XI as to its respective Affiliates, employees, agents and consultants; (ii) take such action to the extent necessary to cause its Affiliates, employees, agents and consultants to comply with the terms and conditions of this Article XI; and (iii) be responsible and liable for any breach of the provisions of this Article XI by it or its Affiliates, employees, agents and consultants. Each Party will take reasonable precautions to safeguard the Confidential Information of the other Party. Each Party will also have the right to make disclosures of such portions of the other Party's Confidential Information to Governmental Authorities where such disclosure is necessary for such Party to perform its obligations under this Agreement. In addition, the Receiving Party may disclose those portions of the Disclosing Party's Confidential Information required to be disclosed by legal process; provided, in each case the Receiving Party, to the extent it is lawfully able to do so, promptly informs the Disclosing Party, uses reasonable efforts to limit the disclosure and maintains the confidentiality to the extent possible and permits the Disclosing Party to attempt by appropriate legal means to limit such disclosure.

11.3 Remedies. Each Party understands and agrees that the wrongful disclosure of the other Party's Confidential Information may result in serious and irreparable damage to the other Party hereto, that the remedy at law for any breach of this covenant may be inadequate, and that the Disclosing Party will be entitled to seek injunctive relief without the posting of any bond or other security, enjoining or restraining any Person from any violation or threatened violation of this Article XI, without prejudice to any other rights and remedies to which it may be entitled.

11.4 Return of Confidential Information. Except as otherwise set forth in this Agreement, upon termination of this Agreement, the Receiving Party will promptly return all of the Disclosing Party's Confidential Information, including all reproductions and copies thereof in any medium, except that the Receiving Party may retain one copy for its legal files.

11.5 Unauthorized Use. If either Party becomes aware or has knowledge of any unauthorized use or disclosure of the other Party's Confidential Information, it will promptly notify the other Party of such unauthorized use or disclosure.

11.6 Exclusive Property. All Confidential Information is the sole and exclusive property of the Disclosing Party and the permitted use thereof by the Receiving Party for purposes of its performance hereunder will not be deemed a right, license or covenant, either

express or implied, of the Receiving Party to use any such Confidential Information for any other purpose.

11.7 Additional Confidentiality Prior to Distributor Appointment Date. Notwithstanding the other confidentiality provisions of this Article XI and the remainder of this Agreement, including Section 13.8, prior to the Distributor Appointment Date:

11.7.1 Each Party will use code names to refer to the other Party, this Agreement and the Product in such a manner as to disguise the true identity of the Parties, and the subject matter of this Agreement and the Products; provided, however, the actual names of the Parties and Products may be used in the executed Agreement and Quality Agreement.

11.7.2 Watson will not disclose to any of its non wholly-owned Affiliates, agents and consultants or to any Third Party the existence of this Agreement, the subject matter of this Agreement, or the relationship between the Parties with respect to the Product, without the prior written consent of Purdue.

11.7.3 Watson will not disclose to any of its employees the existence of this Agreement, the subject matter of this Agreement, or the relationship between the Parties with respect to the Product, except on a "need-to-know" basis.

11.7.4 Watson will not make any public announcement or disclosure relating directly or indirectly to this Agreement or the subject matter of this Agreement, or the relationship between the Parties with respect to the Product, without the prior written consent of Purdue.

ARTICLE XII

TERM; TERMINATION

12.1 Term. This Agreement will become effective as of the Agreement Date and will expire on December 31, 2008, unless this Agreement is terminated earlier (the "Initial Term"). This Agreement will automatically renew for successive one-year periods following the Initial Term (each, a "Renewal Term"), unless terminated prior to the expiry of any Initial Term or any Renewal Term by either Party confirmed in writing and delivered to the other Party at least six months prior to the expiration of the Initial Term or the Renewal Term to which it relates (the Initial Term, together with any Renewal Term, the "Term").

12.2 Termination. This Agreement may be terminated under any of the following circumstances:

12.2.1 Material Breach. Failure by either Party to comply in any material respect with any of its obligations contained in this Agreement with respect to a Product will entitle the other Party, if it is not in material default hereunder, to give to the Party in default notice specifying the nature of the default and requiring it to cure such default. If such default is not cured within 30 days after the receipt of such notice, the notifying Party will be entitled, without prejudice to any of its other rights conferred on it by this Agreement, and in addition to any other

remedies available to it at law or in equity, to terminate this Agreement by giving written notice, to take effect immediately upon delivery of such notice.

12.2.2 Failure to Supply. In the event that Purdue fails to supply (i) 80% of the aggregate of Watson's binding forecasted orders for the Product for more than 180 consecutive days within any rolling 365-day period or (ii) 65% of Watson's binding forecasted orders for the Product for more than 90 consecutive days within any rolling 365-day period, Watson will have the right to terminate this Agreement with 30 days' prior written notice of such termination to Purdue.

12.2.3 Minimum Quarterly Profit Share Guarantee. If at any time after the Distributor Appointment Date, 85% of the aggregate Net Margin of all Products during such calendar quarter is less than $2.0 million per quarter; provided that Purdue has fulfilled 90% of Watson's binding forecasted orders for Product for such calculation period, then Purdue may terminate this Agreement with 30 days' prior written notice to Watson. If, during any calendar quarter following the Distributor Appointment Date, the aggregate Net Margin of all Products during such calendar quarter is less than $500,000, then either Party may terminate this Agreement with 30 days' prior written notice to the other Party.

12.2.4 Product Discontinuance. In the event that Watson decides to discontinue selling any dosage strength of Product (other than if required by the FDA), then Purdue will have the right to terminate this Agreement by giving written notice to take effect immediately upon delivery of such notice to Watson. In the event that Purdue decides to discontinue selling any dosage strength of Product, then Watson will have the right to terminate this Agreement by giving written notice to take effect immediately upon delivery of such notice to Purdue; provided, however, that Watson will not have the right to terminate this Agreement if Purdue removes a dosage strength of Product from Schedule 1.1C because (i) there occurs a serious and unexpected event with respect to safety issues involving any such dosage strength of the Product, or any Governmental Authority has requested or directed discontinuance of development, use or sale of such dosage strength of the Branded Product or Product in the Territory, or (ii) Purdue removes or withdraws such dosage strength of the Branded Product from the market. If the Agreement is terminated pursuant to this Section 12.2.4, Purdue will reimburse Watson for Supplier Penalties that are incurred by Watson for cancellation of customer supply contracts existing at the date of the termination notice.

12.2.5 Limited Distribution. If there is a limited distribution of any dosage strength of AB rated generic versions of the Branded Product, such that sales of such dosage strength of any AB rated generic versions of the Branded Product are less than 25% of the aggregate sale units of all corresponding dosage strengths of (a) AB rated generic versions of the Branded Product units, (b) Branded Product units, and (c) Product units, as reported by IMS Health National Prescription Audit™ report, or such other report as may be mutually agreed to in writing by the Parties, for a period of 30 consecutive days, then Purdue may elect to terminate this Agreement, with respect to such dosage strength only, by giving written notice, to take effect immediately upon delivery of such notice to Watson. If the Agreement is terminated pursuant to this Section 12.2.5, Purdue will reimburse Watson for Supplier Penalties that are incurred by

Watson for cancellation of customer supply contracts existing at the date of the termination notice. If the Agreement, with respect to such dosage strength, is terminated pursuant to this Section 12.2.5, then the post-termination non-compete provision, with respect to such dosage strength, in Section 2.2.5, will not apply.

12.2.6 Risks and Liabilities. If for any reason this Agreement or Watson's sale of any Product under this Agreement creates a disadvantage, liability or risk to either Purdue or Purdue's products, including the Branded Products, then Purdue may terminate this Agreement with immediate effect by giving written notice to Watson. If this Agreement is terminated pursuant to this Section 12.2.6, Purdue will reimburse Watson for Supplier Penalties that are incurred by Watson for cancellation of customer supply contracts existing at the date of the termination notice. Notwithstanding the foregoing and except as required by Law, Purdue may not terminate this Agreement pursuant to this Section 12.2.6 prior to the 60th calendar day following the Distributor Appointment Date if such disadvantage, liability or risk arises or results directly from an act by IVAX or Teva related to the IVAX Agreement.

12.2.7 Improved Branded Product. If (i) Purdue gains market authorization from the FDA to market a different or additional formulation or indication of the Branded Product, including a formulation with abuse resistant properties (whether or not such properties are approved for labeling by the FDA), and (ii) Purdue removes or withdraws Branded Product from the market, then Purdue may terminate this Agreement with immediate effect by giving written notice to Watson. If this Agreement is terminated pursuant to this Section 12.2.7, Purdue will reimburse Watson for Supplier Penalties that are incurred by Watson for cancellation of customer supply contracts existing at the date of the termination notice.

12.2.8 Patent Litigation. Purdue may elect to terminate this Agreement with immediate effect by giving written notice to Watson if Purdue settles or receives a favorable decision, order or judgment in Purdue's sole determination, in any of its patent infringement suits against infringers of Branded Product, including its pending petition for panel rehearing and rehearing *en banc*, or a subsequent Supreme Court appeal, of its patent infringement suit against Endo Pharmaceuticals, whether or not Watson has begun marketing the Products. If this Agreement is terminated pursuant to this Section 12.2.8, Purdue will reimburse Watson for Supplier Penalties that are incurred by Watson for cancellation of customer supply contracts existing at the date of the termination notice.

12.2.9 Negative Net Margin. If at any time after the Distributor Appointment Date, the Product has a negative Net Margin for 90 or more consecutive days, then either Party will have the right to terminate this Agreement with 30 days' prior written notice of such termination to the other Party.

12.2.10 Regulation of Authorized Generics. If Purdue determines in its sole discretion that after the Agreement Date (a) any new Law has been enacted, promulgated or deemed applicable to the transactions contemplated by this Agreement, including any Law covering authorized generics or the "best price" interpretation for any dosage strength of Branded Products for purposes of Medicaid or any other governmental reimbursement program,

or (b) any existing Law or interpretation of any existing Law deemed applicable to the transactions contemplated by this Agreement has been changed, including any existing Law covering authorized generics or the "best price" interpretation for any dosage strength of Branded Products for purposes of Medicaid or any other governmental reimbursement program, with the effect or anticipated effect that the consummation of the transactions contemplated by this Agreement would be illegal or would otherwise cause a liability or risk to either Purdue or the Branded Products, then Purdue will have the right to terminate this Agreement by giving written notice to take effect immediately upon delivery of such notice to Watson.

12.2.11 Bankruptcy. This Agreement may be terminated, prior to the expiration of the Initial Term or any Renewal Term, immediately by either Party: (a) in the event that the other Party hereto (i) applies for or consents to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property, (ii) makes a general assignment for the benefit of its creditors, (iii) commences a voluntary case under the United States Bankruptcy Code, as now or hereafter in effect (the "Bankruptcy Code"), (iv) files a petition seeking to take advantage of any law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or readjustment of debts (the "Bankruptcy Laws"), (v) fails to controvert in a timely and appropriate manner, or acquiesce in writing to, any petition filed against it in any involuntary case under the Bankruptcy Code, or (vi) takes any corporate action for the purpose of effecting any of the foregoing; or (b) if a proceeding or case is commenced against the other Party hereto in any court of competent jurisdiction, seeking (i) its liquidation, reorganization, dissolution or winding-up, or the composition or readjustment of its debts, (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of the Party or of all or any substantial part of its assets, or (iii) similar relief under any Bankruptcy Laws, or an order, judgment or decree approving any of the foregoing is entered and continues unstayed for a period of 60 days; or an order for relief against the other Party hereto is entered in an involuntary case under the Bankruptcy Code.

12.2.12 Occurrence of Serious Safety Event. If there occurs a serious and unexpected event with respect to safety issues involving any Product, as a result of which the NDA has been terminated or suspended in the Territory or any Governmental Authority has directed discontinuance of development, use or sale of the Product in the Territory, then either Party may terminate this Agreement by giving written notice, to take effect immediately upon delivery of such notice to the other Party.

12.2.13 Distributor Appointment Date Authorization. If the Distributor Appointment Date does not occur by 12 months after the Agreement Date, then either Party will have the right to terminate this Agreement immediately upon written notice of such termination to the other Party. If the Agreement is terminated pursuant to this Section 12.2.13, then the post-termination non-compete provision in Section 2.2.5 will not apply.

12.2.14 Change of Control. If for any reason Watson enters into any agreement to sell, assign, transfer, mortgage, pledge or otherwise directly or indirectly (by merger, consolidation, sale of assets and business or stock, whether by operation of law or otherwise) dispose of, or suffer the disposition of, more than 50% of its total assets or Capital Stock, or,

enters into any agreement that would otherwise result in a change of control of Watson such that a corporation or other organization will control or own, directly or indirectly, more than 50% of the Capital Stock, or more than 50% of the voting power entitled to vote on the election of members of the board of directors or similar governing body of Watson, then Purdue may elect to terminate this Agreement with immediate effect by giving written notice to Watson.

12.2.15 Other. If for any reason Purdue, in its sole discretion, determines that it wishes to terminate this Agreement, then Purdue will have the right to terminate this Agreement with 90 days' prior written notice of such termination to Watson; provided, however, that Purdue may not provide notice of termination of this Agreement pursuant to this Section 12.2.15 during the period beginning on the Distributor Appointment Date and ending 12 months after the Distributor Appointment Date.

12.3 Effect of Termination.

12.3.1 In the event this Agreement is terminated pursuant to Section 12.2 (other than pursuant to Section 12.2.15), the termination notice and post-termination provisions, if any, of such Sections will apply. Upon delivery of such termination notice, Watson will not place any Firm Orders for Product, and will not enter into any new supply contracts for Product, and, unless terminated by Watson pursuant to Section 12.2.1, Purdue will have the option of not filling any existing Firm Orders. At Purdue's option, Watson will (a) within 30 days after the termination notice date, return all remaining inventory to Purdue, (b) within 30 days after the termination notice date, destroy all remaining inventory, or (c) within 90 days after the termination notice date, have the option to sell all remaining inventory. If Purdue elects option (a) or (b) or Watson declines option (c), Purdue will be responsible for reimbursing Watson for the Transfer Price plus reasonable shipping costs incurred on inventory that Watson destroyed or returned, and Watson will have no responsibility for any further inventory that it had previously ordered.

12.3.2 In the event this Agreement is terminated pursuant to Section 12.1, at Purdue's option, Watson will (a) within 30 days after the termination effective date, return all remaining inventory to Purdue, (b) within 30 days after the termination effective date, destroy all remaining inventory, or (c) within 90 days after the termination effective date, have the option to sell all remaining inventory. If Purdue elects option (a) or (b) or Watson declines option (c), Purdue will be responsible for reimbursing Watson for the Transfer Price plus reasonable shipping costs incurred on inventory that Watson destroyed or returned, and Watson will have no responsibility for any further inventory that it had previously ordered.

12.3.3 In the event Purdue notifies Watson of Purdue's intention to terminate this Agreement pursuant to Section 12.2.15, Watson will, during the 90-day period beginning on the date of receipt of such notice and continuing up to the day preceding the Section 12.2.15 Termination Effective Date, continue to act as the exclusive distributor of the Products in the Territory and continue to market, distribute and sell all of Watson's remaining inventory of the Products in the Territory, pursuant to the terms and conditions of this Agreement. At Purdue's option, Watson will (a) within 30 days after the Section 12.2.15 Termination Effective Date,

return all remaining inventory to Purdue, (b) within 30 days after the Section 12.2.15 Termination Effective Date, destroy all remaining inventory, or (c) within 90 days after the Section 12.2.15 Termination Effective Date, have the option to sell all remaining inventory. If Purdue elects option (a) or (b) or Watson declines option (c), Purdue will be responsible for reimbursing Watson for the Transfer Price plus reasonable shipping costs incurred on inventory that Watson destroyed or returned, and Watson will have no responsibility for any further inventory that it had previously ordered.

12.3.4 In the event that Purdue notifies Watson of Purdue's intention to terminate this Agreement pursuant to Section 12.2.15, Purdue will pay to Watson on the 14-month anniversary of the Section 12.2.15 Termination Effective Date, an amount equal to the Section 12.2.15 Termination Fee.

12.3.5 In the event of any termination, Watson will be responsible to pay Purdue its Monthly Payment(s) on any sales of such Products after the termination notice date in accordance with Section 3.2 and Article V as though such rights had not terminated. In the final accounting of Annual Profit Share owed for Products sold prior to the effective date of such termination, Purdue will not include in the Manufacturing Costs the cost of such Products that are in finished form (whether on hand at Purdue or at Watson), all work-in-progress, all inventories of Product materials, and all components and other bulk materials purchased by Purdue for the manufacture of Products pursuant to this Agreement. At Purdue's sole discretion, Purdue may use all or some of such inventories of Product materials, components and other bulk materials. Subject to Section 12.3.1(c) and Section 12.3.2(c), upon the termination effective date, Watson will immediately stop marketing, selling and distributing Product to the Trade.

12.3.6 Without limiting either Party's right to damages for any breach of this Agreement, neither Purdue nor Watson will incur any liability to the other by reason of the termination of this Agreement as provided herein, whether for loss of goodwill, anticipated profits or otherwise, and Purdue and Watson will accept all rights granted and all obligations assumed hereunder, including those in connection with such termination in full satisfaction of any claim resulting from such termination.

12.3.7 Upon termination of this Agreement, the rights granted to Watson pursuant to Section 2.1.1 with respect to Products will immediately terminate and each Party and its respective Affiliates and agents will cease any and all use of Confidential Information of the other Party relating to the Products.

12.4 Accrued Rights; Surviving Obligations.

12.4.1 Termination or relinquishment of this Agreement for any reason will be without prejudice to any rights that will have accrued to the benefit of either Party prior to such termination or relinquishment, and such termination or relinquishment will not relieve either Party from obligations which are expressly indicated to survive termination of this Agreement.

12.4.2 All of the Parties' rights and obligations under Articles I (Definitions; Interpretations), III (Payments) (as applicable), V (Payments and Reports) (as applicable), VIII

(Intellectual Property), IX (Indemnification; Limitations on Liability), X (Compliance with Governmental Authority Regulations), XI (Confidentiality), and XIII (Miscellaneous Provisions), and Sections 12.3 (Effect of Termination) (as applicable) and 12.4 (Accrued Rights; Surviving Obligations) will survive termination hereof.

ARTICLE XIII

MISCELLANEOUS PROVISIONS

13.1 Force Majeure. Each Party will be excused from the performance of its obligations under this Agreement to the extent that such performance is prevented by a Force Majeure Event and the non-performing Party promptly provides written notice to the other Party of such inability and of the period for which such inability is expected to continue. Such excused performance will be continued so long as the condition constituting a Force Majeure Event continues and the non-performing Party takes reasonable efforts to remove the condition. For purposes of this Agreement, a Force Majeure Event will include conditions caused by occurrences beyond the control of the Parties affected, including an act of God, an act, pronouncement, omission or delay in acting by any Governmental Authority (including the FDA and the DEA) or the other Party, war, an act of war, terrorism, insurrection, riot, civil commotion, epidemic, failure or default of public utilities or common carriers, labor strike, lockout, labor disturbance, embargo, fire, earthquake, flood, storm or like catastrophe (each a "Force Majeure Event"). Notwithstanding the foregoing, nothing in this Section 13.1 will excuse or suspend the obligation of either Party to make any payment due under this Agreement or the Quality Agreement in the manner and at the time provided.

13.2 Notice. All notices, instructions and other communications hereunder or in connection herewith will be in writing, will be sent to the addresses below and will be: (a) delivered personally; (b) sent by registered or certified mail, return receipt requested, postage prepaid; (c) sent via a reputable nationwide overnight courier service; or (d) sent by facsimile transmission. Any such notice, instruction or communication will be deemed to have been delivered (w) upon receipt if delivered by hand, (x) three Business Days after it is sent by registered or certified mail, return receipt requested, postage prepaid, (y) one Business Day after it is sent via a reputable nationwide overnight courier service, or (z) when transmitted with electronic confirmation of receipt, if transmitted by facsimile (if such transmission is on a Business Day; otherwise, on the next Business Day following such transmission).

For Purdue:

One Stamford Forum
Stamford, CT 06901-3431
Attention: Howard R. Udell
Executive Vice President,
Chief Legal Officer

Telephone: (203) 588-7020
Fax: (203) 588-6204

with a copy to:

Chadbourne & Parke LLP
30 Rockefeller Plaza
New York, NY 10112
Attention: Anthony M. Roncalli

Telephone: (212) 408-5281
Fax: (212) 541-5369

For Watson:

360 Mt. Kemble Avenue
Morristown, New Jersey 07962
Attention: President, Generics Division

Telephone: (973) 355-8550
Fax: (973) 355-8580

with a copy to:

Watson Pharmaceuticals, Inc.
311 Bonnie Circle
Corona, California 92880
Attention: General Counsel

Telephone: (951) 493-5925
Fax: (951) 493-5821

13.3 Assignment. Neither Party will assign this Agreement or its rights or obligations hereunder without the express written consent of the other Party hereto, except that (x) Purdue may assign or transfer this Agreement and its rights and obligations hereunder without the consent of Watson to (i) an Affiliate, (ii) any assignee of all or substantially all of its business, or (iii) its successor in the event of its merger, consolidation or involvement in a similar transaction; and (y) Watson may assign or transfer this Agreement and its rights and obligations hereunder without the consent of Purdue to a wholly-owned subsidiary of Watson, provided such assignment by Watson will not relieve Watson of its obligations to Purdue under this Agreement. Any permitted successor or assignee of rights and/or obligations hereunder will, in a writing to the other Party, expressly assume performance of such rights and/or obligations. An assignment or transfer by a Party pursuant to this Section 13.3 will be binding on its successors or assigns. No such assignment or transfer will be valid or effective unless performed in accordance with this Section 13.3.

13.4 No Waiver. Any term or condition of this Agreement may be waived at any time by the Party that is entitled to the benefit thereof, but no such waiver will be effective unless set forth in a written instrument duly executed by or on behalf of the Party waiving such term or condition. No waiver by any Party of any term or condition of this Agreement, in any one or more instances, will be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion. Except as expressly set forth in this Agreement, all rights and remedies available to a Party, whether under this Agreement or afforded by Law or otherwise, will be cumulative and not in the alternative to any other rights or remedies that may be available to such Party.

13.5 Dispute Resolution.

13.5.1 Any dispute or claim arising out of or relating to this Agreement, or to the breach, termination, or validity of this Agreement, will be resolved as follows: the Executive Officers of each Party will meet to attempt to resolve such dispute by good faith negotiations. If the Executive Officers cannot resolve the dispute within 30 days after a Party requests such a meeting, then each Party will attempt in good faith to settle the dispute by mediation pursuant to Section 13.5.2.

13.5.2 The mediation of any dispute is to be administered by JAMS or such other mediator as may be mutually agreed to by the Parties. If mediation is unsuccessful within 30 days after the Parties request mediation pursuant to this Section 13.5.2, the Parties may then resort to the alternative dispute resolution procedures set forth on Schedule 13.5.2.

13.5.3 Notwithstanding anything to the contrary in Section 13.5.1 or 13.5.2, if either Party in its sole judgment believes that any such dispute could cause it irreparable harm, such Party (a) will be entitled to seek equitable relief in order to avoid such irreparable harm and (b) will not be required to follow the procedures set forth in Section 13.5.1 or 13.5.2.

13.6 Governing Law. This Agreement, including the interpretation, performance, enforcement, breach or termination thereof and any remedies relating thereto, will be governed by and interpreted in accordance with the internal laws of the State of New York, without regard to its conflicts of laws rules.

13.7 Entirety of Agreement. This Agreement and the Quality Agreement, and all schedules and exhibits attached hereto and thereto, set forth the complete, final and exclusive agreement and all the covenants, promises, agreements, warranties, representations, conditions and understandings between the Parties hereto and supersede and terminate all prior covenants, promises, agreements, warranties, representations, conditions and understandings between the Parties. There are no covenants, promises, agreements, warranties, representations, conditions or understandings, either oral or written, between the Parties other than as are set forth herein and therein. No subsequent alteration, amendment, change or addition to this Agreement or the Quality Agreement will be binding upon the Parties unless reduced to writing and signed by an authorized officer of each Party.

13.8 Public Announcements. The form and content of any public announcement, including any press release, to be made by one Party regarding this Agreement, or the subject matter contained herein, will be subject to the prior written consent of the other Party. Subject to the prohibitions of Section 11.7, this provision will not preclude a Party from making disclosures required by applicable Law (including disclosure requirements under federal or state securities laws, NASDAQ or any stock exchange requirements, or otherwise), in which event the disclosing Party will give the other Party reasonable advance notice of at least two Business Days to review and comment on such disclosure. The disclosing Party will use Commercially Reasonable Efforts to obtain confidential treatment of such information that is required to be disclosed by Law.

13.9 Relationship of the Parties. Neither Party will have any responsibility for the hiring, termination or compensation of the other Party's employees or for any employee benefits of such employee. No employee or representative of a Party will have any authority to bind or obligate the other Party to this Agreement for any sum or in any manner whatsoever, or to create or impose any contractual or other liability on the other Party without said Party's approval. For all purposes, and notwithstanding any other provision of this Agreement to the contrary, Watson's legal relationship to Purdue under this Agreement will be that of independent contractor. This Agreement is not a partnership agreement and nothing in this Agreement will be construed to establish a relationship of partners or joint venturers between the Parties.

13.10 Non-Solicitation of Employees. During the Term of this Agreement, neither Party may, directly or indirectly, recruit or solicit any employee of the other Party who became known to the other Party through contact or interactions for the purposes of performing this Agreement, without the prior consent of the other Party, except pursuant to general solicitations not targeted at such employees.

13.11 Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstances, is held to be invalid, illegal or unenforceable in any respect for any reason, the Parties will negotiate in good faith with a view to the substitution therefor of a suitable and equitable solution in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid provision; provided, however, that the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein will not be in any way impaired thereby, it being intended that all of the rights and privileges of the Parties hereto will be enforceable to the fullest extent permitted by Law.

13.12 Books and Records. Any books and records to be maintained under this Agreement by a Party or its Affiliates will be maintained in accordance with GAAP.

13.13 Expenses. Each of Purdue and Watson will bear its own direct and indirect expenses incurred in connection with the negotiation and preparation of this Agreement and the Quality Agreement and, except as set forth in this Agreement or the Quality Agreement, the performance of the obligations contemplated hereby and thereby.

13.14 No Third Party Beneficiary. This Agreement will be binding upon and inure solely to the benefit of the Parties hereto, their successors and permitted assigns, and nothing in this Agreement, express or implied, is intended to or will confer upon any other Person or Persons any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement.

13.15 Further Actions. Each Party will execute, acknowledge and deliver such further instruments, and do all such other acts, as may be necessary or appropriate in order to carry out the purposes and intent of this Agreement.

13.16 Counterparts; Facsimile Signatures. This Agreement may be executed in counterparts, each of which counterparts, when so executed and delivered, will be deemed to be an original, and both of which counterparts, taken together, will constitute one and the same instrument even if both Parties have not executed the same counterpart. Signatures provided by facsimile transmission will be deemed to be original signatures.

13.17 Headings. The headings for each Article and Section in this Agreement have been inserted for convenience of reference only and are not intended to limit or expand on the meaning of the language contained in the particular Article or Section, and will be of no force or effect in construing or interpreting any of the provisions of this Agreement.

[The next page is the signature page.]

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed in multiple counterparts by its duly authorized representative.

PURDUE PHARMA L.P.

By: Purdue Pharma Inc., its general partner

By: Edward B. Mahony
Name: Edward B. Mahony
Title: Executive Vice President, Chief Financial Officer

WATSON PHARMA, INC.

By: C P Slacik
Name: Charles P. Slacik
Title: Executive Vice President and Chief Financial Officer

Exhibit A

QUALITY AGREEMENT

See TAB 2.

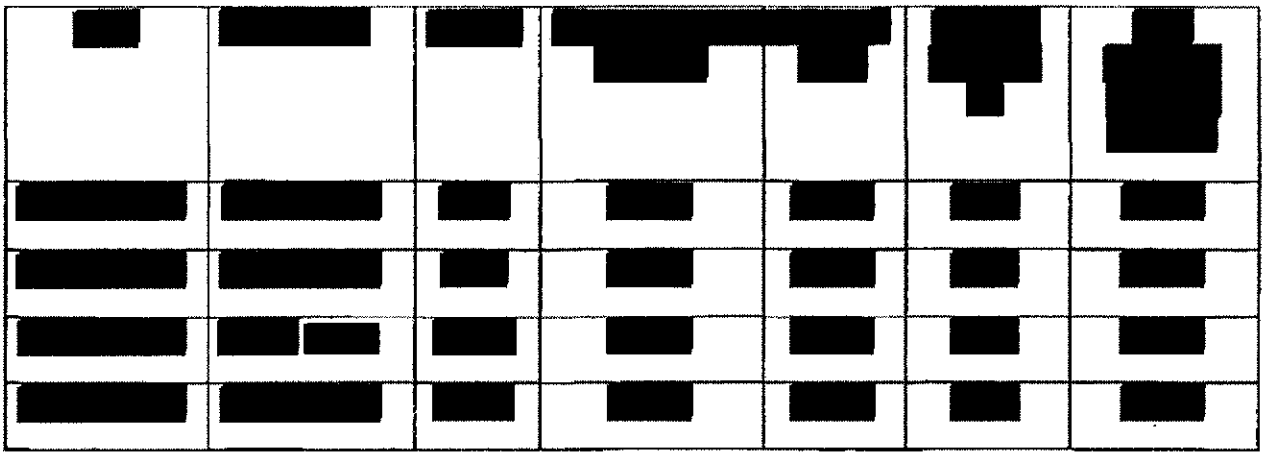
Schedule 1.1A

BRANDED PRODUCTS

10 mg, 20 mg, 40 mg and 80 mg OxyContin® (oxycodone hydrochloride controlled-release) Tablets, approved for the management of moderate to severe pain when continuous, around-the-clock analgesia is needed for an extended period of time under NDA number 020553 on December 12, 1995 for the 10 mg, 20 mg, and 40 mg dosage strengths, and December 9, 1996 for the 80 mg dosage strength, and as currently marketed by Purdue on the Agreement Date, but specifically excluding all other existing or future dosage strengths, all other existing or future formulations, including abuse resistant formulations, and all other existing or future indications.

Schedule 1.1B

CALCULATION OF TRANSFER PRICE



Schedule 1.1C

PRODUCTS; SHELF LIFE; MINIMUM BATCH SIZE

Product definition: Authorized generic versions of 10 mg, 20 mg, 40 mg and 80 mg OxyContin ® (oxycodone hydrochloride controlled-release) Tablets, approved for the management of moderate to severe pain when continuous, around-the-clock analgesia is needed for an extended period of time under NDA number 020553 on December 12, 1995 for the 10 mg, 20 mg and 40 mg dosage strengths, and December 9, 1996 for the 80 mg dosage strength, and as currently marketed by Purdue on the Agreement Date, but specifically excluding all other existing or future dosage strengths, all other existing or future formulations, including abuse resistant formulations, and all other existing or future indications.

NDC	Description	Minimum Batch Size	Shelf Life
0591-3501-01	10 mg 100 ct	15,000 bottles	35 months
0591-3502-01	20 mg 100 ct	15,000 bottles	35 months
0591-3503-01	40 mg 100 ct	10,000 bottles	35 months
0591-3504-01	80 mg 100 ct	5,000 bottles	35 months

Schedule 1.1D

RISK MANAGEMENT PROGRAM

Watson must comply with the following Risk Management Program activities prior to and at all times during all marketing, selling or distributing of the Products in the Territory:

(a) Watson will provide to Purdue's Corporate Security Department (contact information below in clause (k)) a detailed report of any disruption to, loss from or imminent threat to supply chain integrity, from receipt of Product from Purdue to distribution of Product to the Trade, upon becoming aware of such event, including:

(i) Attempted or actual theft or loss of any controlled substance, or packaging materials, such as bottles, Labels, etc. relating to Product; and

(ii) Counterfeit Product or packaging for Product;

(b) Watson will provide to Purdue's Controlled Substance Act Compliance Officer (contact information below in clause (k)):

(i) Reports of any variances to Watson's standard operating procedures for Product handling or record keeping within facilities under Watson's control; and

(ii) Results of DEA inspections of Watson's facilities that contain Product (provided that Watson will not be required to provide the results of any inspection that is unrelated, in whole or in part, to Product or any scheduled products and that could not reasonably be construed to affect Product in any manner whatsoever).

(c) Upon Purdue's request, Watson will produce as soon as possible, but in no event later than three Business Days after such request, a complete and accurate listing of all distribution facilities/entities to which Product has been shipped, including legible copies of the relevant DEA 222 forms.

(d) If Watson telemarkets the Product directly to any pharmacy, Watson will distribute to these pharmacies Purdue's written materials dealing with prevention of abuse and diversion, and materials for education on the proper management of pain (provided that, prior to distribution, Purdue provides Watson with a copy of the DEA's approval of such written materials, if such approval is required by Law).

(e) Watson will only market or sell Product to buying officers of wholesalers, pharmacy retailers and other distribution channels such as mail order pharmacies, long-term care facilities and closed provider pharmacies.

(f) Watson will not market or sell Product to health care professionals, hospitals or any patient setting that would be equivalent to a pharmaceutical sales representative detail call.

(g) Watson will not market the Product to consumers, patients, or potential patients, directly or indirectly, or through any direct-to-consumer advertising.

(h) Watson will make available to its customers for the Product the "Patient Package Insert" or "Medication Guide", whichever is applicable.

(i) Watson will cooperate with Purdue in the timely adoption and implementation of security features for the Product as they are developed and implemented in Purdue's risk management program for its Branded Products.

(j) If Watson becomes aware of any abuse or diversion of Product, Watson will notify Purdue's Department of Risk Management & Health Policy (contact information below in clause (k)).

(k) Contact information:

(i) Purdue's Corporate Security Department

J. Aaron Graham
Vice President, Chief Security Officer
Tel: (203) 588-8454
Cell: (203) 912-2000
Fax: (203) 588-6088

(ii) Purdue's Controlled Substance Act Compliance Officer

John Crowley
Executive Director, Controlled Substance Act Compliance
Tel: (203) 588-8613
Fax: (203) 588-6204

(iii) Purdue's Department of Risk Management & Health Policy

J. David Haddox, D.D.S., M.D.
Vice President, Risk Management & Health Policy
Tel: (203) 588-7667
Fax: (203) 588-6242

Schedule 2.3.1

COMMERCIALIZATION PLAN

Early Stage

1. National Account Team will identify which Watson customers are currently purchasing Products from all sources.
2. From the identified current Watson customer list, develop a list of priority customers in order to gain the target market share.
    a. Target approximately 2-3 large chains, mid-level regional chains and wholesalers, and 1-2 large wholesaler source programs.
    b. Obtain customer commitments from customers to reach the target share.
    c. Depending on the customer mix, develop tote bin promotional stuffers for the wholesalers to include in all C-II orders they ship to their customers. Obtain Purdue's approval of promotional stuffers in accordance with Section 6.3(c) prior to distribution.
3. Develop an advertisement that Watson will send in the monthly Pharm-alert. This advertisement will also be placed in Trade Journals. Obtain Purdue's approval of such advertisement in accordance with Section 6.3(c) prior to distribution or placement.

Upon Commercialization

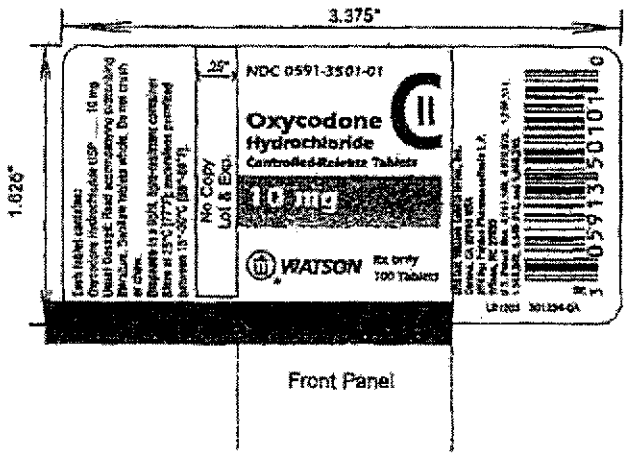
1. Send INFOlert to Trade announcing the New Product Introduction. (This message would include SWP and WAC along with tablet description).
2. Send marketing and distribution specifications to customers who choose Watson as the vendor of choice.
3. Issue an advertisement to Pharm-alert that will be sent to the Pharmacist level. Obtain Purdue's approval of such advertisement in accordance with Section 6.3(c) prior to distribution or placement.
4. Run same advertisement from the Pharm-alert as soon as possible in the Trade Journals.

NOTE: The above plan may change upon mutual consent of the Parties depending on timing of Watson launch, number of Competitors and other market factors.

Schedule 4.1.3

INITIAL LABEL

See attached.

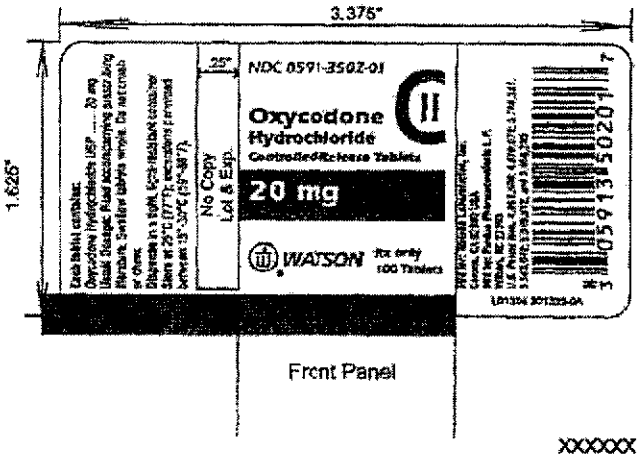


Front Panel

xxxxx = Res
xxxxx-xx = Cor

C K

CONFIDENTIAL



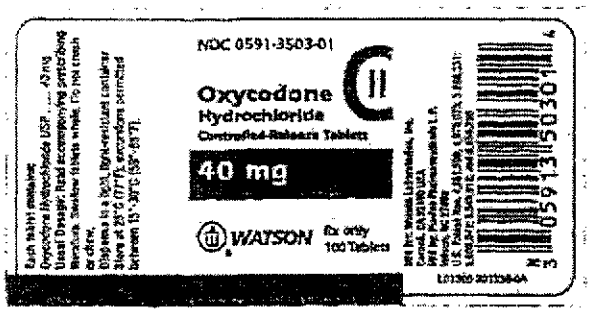
xxxxxx = Resource # Placement
xxxxxx-xx = Component # Placement

C K

Pantone 425

Pantone 199 CV

DIE (Does not print)



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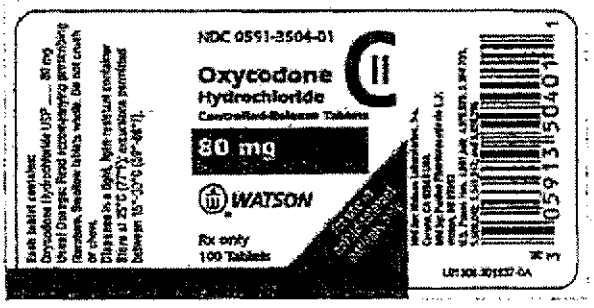
CONFIDENTIAL



CONFIDENTIAL

Schedule 4.2.1

INITIAL 36-MONTH FORECAST IN TABLETS (000s)

	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06
10mg	2,868	3,031	2,909	1,695	1,790	2,238	1,701	1,787	2,221	1,698	1,783	2,211
20mg	4,323	4,655	4,509	2,676	2,875	3,623	2,800	2,970	3,698	2,839	2,993	3,694
40mg	4,086	4,509	4,329	2,620	2,846	3,554	2,835	3,038	3,746	2,951	3,161	3,550
80mg	786	947	1,505	1,374	1,495	1,887	1,528	1,634	2,057	1,663	1,751	2,173

	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07
10mg	1,686	1,767	2,191	1,671	1,749	2,166	1,651	1,727	2,139	1,630	1,706	2,113
20mg	2,831	2,978	3,675	2,816	2,959	3,648	2,792	2,933	3,616	2,768	2,908	3,585
40mg	2,632	3,071	3,786	2,982	3,195	3,918	3,067	3,267	4,003	3,128	3,324	4,065
80mg	1,733	1,812	2,235	1,770	1,847	2,272	1,795	1,873	2,304	1,820	1,899	2,336

	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08
10mg	1,610	1,685	2,087	1,590	1,664	2,061	1,570	1,643	2,035	1,580	1,653	2,009
20mg	2,744	2,883	3,554	2,720	2,858	3,523	2,696	2,833	3,492	2,714	2,851	3,461
40mg	3,176	3,375	4,122	3,217	3,415	4,171	3,255	3,456	4,220	3,276	3,478	4,270
80mg	1,845	1,925	2,368	1,871	1,952	2,401	1,896	1,976	2,427	1,910	1,990	2,462

Schedule 4.3.1

INITIAL FIRM ORDER

NDC # PRODUCT	QUANTITY	BATCH SIZE	BATCHES	DELIVERY DATE
0591-3501-01 10 mg 100 ct bottle	60,000	15,000	4	10/26/05
0591-3502-01 20 mg 100 ct bottle	45,000	15,000	3	10/26/05
0591-3503-01 40 mg 100 ct bottle	30,000	10,000	3	10/26/05
0591-3504-01 80 mg 100 ct bottle	20,000	5,000	4	10/26/05
0591-3501-01 10 mg 100 ct bottle	0	15,000	0	11/2/05
0591-3502-01 20 mg 100 ct bottle	60,000	15,000	4	11/2/05
0591-3503-01 40 mg 100 ct bottle	70,000	10,000	7	11/2/05
0591-3504-01 80 mg 100 ct bottle	0	5,000	0	11/2/05
0591-3501-01 10 mg 100 ct bottle	0	15,000	0	11/9/05
0591-3502-01 20 mg 100 ct bottle	0	15,000	0	11/9/05
0591-3503-01 40 mg 100 ct bottle	0	10,000	0	11/9/05
0591-3504-01 80 mg 100 ct bottle	30,000	5,000	6	11/9/05

Schedule 4.4.3

SHIPPING LOCATION

Watson Pharmaceuticals, Inc.

39 Mt. Ebo Road South

Brewster, NY 10509

Schedule 4.4.6A

FORM OF CERTIFICATE OF ANALYSIS

See attached.

PURDUE

CERTIFICATE OF ANALYSIS

Finished Product: Oxycodone CR 40mg Tablets - ABG

Lot Size:	n,nnn,nnn	Lot Number: WXXXX
Manufactured:	Month, Day, Year	Specification Number: QS301086 USV1
Expiration Date:	mmm-yyyy	

Tested in accordance with Quality Standard Number: QS301086 USV1

Testing Performed:		Specification:	Results:
Identification, HPLC		Retention time of the active substance in the sample is within 0.5 min. of the standard and has an area greater than 5% of the standard peak area.	
Assay, Oxycodone HCl		90.0 – 110.0 % Label Claim 36.0 – 44.0 mg / Tablet	
Content Uniformity		Meets USP <905> Requirements	
Dissolution	1st hour 4th hour 12th hour	37 – 57 % of Label Claim 68 – 88 % of Label Claim Not ≤ 85 % of Label Claim	
Description		Round, bi-convex yellow film coated tablets with "ABG" on one side and "40" on the other side.	

Meets all requirements for Identity, Potency, Purity and Quality.

Data Reported By / Date: Data Approved By / Date:

name
Title, Quality Control

name
Title, Quality Control

Additionally the finished product was manufactured under cGMP conditions.

Data Approved By / Date:

name
Title, Quality Assurance

Schedule 4.4.6B

FORM OF CERTIFICATE OF COMPLIANCE

See attached.

PURDUE PHARMACEUTICALS, L. P.
CERTIFICATE OF COMPLIANCE

Batch Number: _____ Quantity: _____

Product Name: _____ Manufacturing Date: _____
Coating Date: _____
Expiration Date: _____ Packaging Date: _____

Product Batch Disposition Form Completed: _____
(Initial/Date)

	Reviewed By	Completed By:
Packaging	_____ (Initial/date)	_____ (Initial/date)
Finished Product QC Testing Results	_____ (Initial/date)	_____ (Initial/date)

Quality Notifications/LIR (N/A section if not applicable)
Associated Number and completion date _____
_____
_____

RELEASE OF THIS LOT SIGNIFIES THAT THIS BATCH HAS BEEN MANUFACTURED AND PACKAGED IN ACCORDANCE WITH PURDUE PHARMACEUTICAL L. P., WILSON FACILITY'S STANDARD OPERATING PROCEDURES, REGULATORY REQUIREMENTS AND IN COMPLIANCE WITH CURRENT GOOD MANUFACTURING PRACTICES.

FINAL QA RELEASE BY: _____
(Signature/date)

VERIFIED QA RELEASE BY: _____
(Signature/date)

BATCH IS NONCONFORMING AND IS NOT TO BE RELEASED:

_____ Date: _____
(QA Management or Designee)

QA Disposition By:_____ Date:_____ Verified By:_____ Date:_____

Comments:
_____

Schedule 4.7.3

REASONABLE AND CUSTOMARY SUPPLIER PENALTIES

See attached.

Schedule 5.2A

SAMPLE MONTHLY, QUARTERLY, INITIAL PERIOD AND ANNUAL REPORTS

WATSON PHARMA, INC.
Monthly & Quarterly Statement

Watson Gross Sales	Units	$
0591-3501-01 10 mg 100 ct bottle	XXX	$XXX,XXX
0591-3502-01 20 mg 100 ct bottle	XXX	$XXX,XXX
0591-3503-01 40 mg 100 ct bottle	XXX	$XXX,XXX
0591-3504-01 80 mg 100 ct bottle	XXX	$XXX,XXX
Gross Sales	**X,XXX**	**$X,XXX,XXX**
Less: Sales Returns and Adjustments (SRA)		(XXX,XXX)
Net Sales		**$X,XXX,XXX**
Cost of Goods Sold (Transfer Price)		(XXX,XXX)
Shipping Expense Fee (2% of net Sales)		(XXX,XXX)
Net Margin		X,XXX,XXX
Purdue Margin Share (90%)		X,XXX,XXX

MEMOS

1

Sales by Class of Trade, Units (on an as needed basis)	Chains	Major Whslr	Mail Order	Independent Wholesalers
0591-3501-01 10 mg 100 ct bottle	XXX	XXX	XXX	XXX
0591-3502-01 20 mg 100 ct bottle	XXX	XXX	XXX	XXX
0591-3503-01 40 mg 100 ct bottle	XXX	XXX	XXX	XXX
0591-3504-01 80 mg 100 ct bottle	XXX	XXX	XXX	XXX
Totals	X,XXX	X,XXX	X,XXX	X,XXX

2

SRA's Consist of:	%
Chargebacks	XX.X%
Rebates	XX.X%
Returns	XX.X%
Shelf Stock Adjustments	XX.X%
Reprocurement Charges	XX.X%
Cash Discounts	XX.X%
Medicare, Medicaid Rebates	XX.X%

Other Credits	XX.X%	

3	**Watson Market Share, % Units (on an as needed basis)**	**% Total**	**% Generics**
	0591-3501-01 10 mg 100 ct bottle	XX.X%	XX.X%
	0591-3502-01 20 mg 100 ct bottle	XX.X%	XX.X%
	0591-3503-01 40 mg 100 ct bottle	XX.X%	XX.X%
	0591-3504-01 80 mg 100 ct bottle	XX.X%	XX.X%
	Overall	XX.X%	XX.X%

4	**AB Generic Market Share Information (on an as needed basis)**	**Company X % share**	**Company Y % share**	**Company Z % share**
	10 mg	XX.X%	XX.X%	XX.X%
	20 mg	XX.X%	XX.X%	XX.X%
	40 mg	XX.X%	XX.X%	XX.X%
	80 mg	XX.X%	XX.X%	XX.X%
	Overall	XX.X%	XX.X%	XX.X%

5	**Average Net Selling Price per Unit**	**$/unit**
	0591-3501-01 10 mg 100 ct bottle	$XXX.XX
	0591-3502-01 20 mg 100 ct bottle	$XXX.XX
	0591-3503-01 40 mg 100 ct bottle	$XXX.XX
	0591-3504-01 80 mg 100 ct bottle	$XXX.XX

6	**Period Inventory Levels, Units (on an as needed basis)**	**WATSON**			**CUSTOMERS**	
		Beginning	**Ending**	**Change**	**Beginning**	**Ending**
	0591-3501-01 10 mg 100 ct bottle	XX,XXX	XX,XXX	XXX	XX,XXX	XX,XXX
	0591-3502-01 20 mg 100 ct bottle	XX,XXX	XX,XXX	XXX	XX,XXX	XX,XXX
	0591-3503-01 40 mg 100 ct bottle	XX,XXX	XX,XXX	XXX	XX,XXX	XX,XXX

0591-3504-01 80 mg 100 ct bottle	X.XXX	X.XXX	XXX	X.XXX	X.XXX
	XXX,XXX	XXX,XXX	XX,XXX	XXX,XXX	XXX,XXX
All other oxycodone ER products				XXX,XXX	XXX,XXX

7 **Third Party Reports (to be attached to actual Monthly/Quarterly Reports)**

(a) IMS Health National Prescription Audit™ report

(b) Such other report(s) as may be mutually agreed to in writing by the Parties in support of the market share information relating to each Product

(c) Other reports that are customary in the generic pharmaceutical industry

NOTE: Actual reports may vary in format but will contain the above information and any additional information which may be mutually agreed upon

Schedule 5.2B

SAMPLE WEEKLY REPORT

WATSON PHARMA, INC.
Weekly Statement

Watson Gross Sales	Units	$
0591-3501-01 10 mg 100 ct bottle	XXX	$XXX,XXX
0591-3502-01 20 mg 100 ct bottle	XXX	$XXX,XXX
0591-3503-01 40 mg 100 ct bottle	XXX	$XXX,XXX
0591-3504-01 80 mg 100 ct bottle	XXX	$XXX,XXX
Gross Sales	X,XXX	$X,XXX,XXX

Schedule 13.5.2

ALTERNATIVE DISPUTE RESOLUTION

In accordance with Section 13.5.2 of the Agreement, either Party may initiate an Alternative Dispute Resolution ("ADR") proceeding as provided herein. The Parties will have the right to be represented by counsel in such a proceeding.

1. To initiate an ADR proceeding, a Party must provide written notice to the other Party of the issues to be resolved by ADR. Within 14 calendar days after its receipt of such notice, the other Party may, by written notice to the Party initiating the ADR, add additional issues to be resolved within the same ADR.

2. Within 21 calendar days following receipt of the original ADR notice, the Parties will select a mutually acceptable neutral to preside in the resolution of any disputes in the ADR proceeding. If the Parties are unable to agree on a mutually acceptable neutral within such period, either Party may request the President of the CPR Institute for Dispute Resolution (the "CPR"), 366 Madison Avenue, 14th Floor, New York, New York 10017, to select a neutral pursuant to the following procedures:

(a) The CPR will submit to the Parties a list of not less than five candidates within 14 calendar days after receipt of the request, along with a *Curriculum Vitae* for each candidate. No candidate may be an employee, director, or shareholder of either Party or any of their subsidiaries or Affiliates.

(b) Such list will include a statement of disclosure by each candidate of any circumstances likely to affect his or her impartiality.

(c) Each Party will number the candidates in order of preference (with the number one signifying the greatest preference) and will deliver the list to the CPR within seven calendar days following receipt of the list of candidates. If a Party believes a conflict of interest exists regarding any of the candidates, that Party will provide a written explanation of the conflict to the CPR along with its list showing its order of preference for the candidates. Any Party failing to return a list of preferences in the required time allowed will be deemed to have no order of preference.

(d) If the Parties collectively have identified fewer than three candidates deemed to have conflicts, the CPR immediately will designate as the neutral the candidate for whom the Parties collectively have indicated the greatest preference. If a tie should result between two candidates, the CPR may designate either candidate. If the Parties collectively have identified three or more candidates deemed to have conflicts, the CPR will review the explanations

regarding the conflicts and, in its sole discretion, may either (i) immediately designate as the neutral the candidate for whom the Parties collectively have indicated the greatest preference, or (ii) issue a new list of not less than five candidates, in which case the procedures set forth in subparagraphs 2(a) - 2(d) will be repeated.

3. No earlier than 28 calendar days or later than 56 calendar days after selection, the neutral will hold a hearing to resolve each of the issues identified by the Parties. The ADR proceeding will take place at a location agreed upon by the Parties. If the Parties cannot agree, the neutral will designate a location other than the principal place of business of either Party or any of their subsidiaries or Affiliates.

4. At least 14 calendar days prior to the hearing, each Party will submit the following to the other Party and the neutral:

(a) a copy of all exhibits on which such Party intends to rely in any oral or written presentation to the neutral;

(b) a list of any witnesses such Party intends to call at the hearing, and a short summary of the anticipated testimony of each witness;

(c) a proposed ruling on each issue to be resolved, together with a request for a specific damage award or other remedy for each issue. The proposed rulings and remedies must not contain any recitation of the facts or any legal arguments and must not exceed one page per issue; and

(d) a brief in support of such Party's proposed rulings and remedies; provided that the brief must not exceed 20 pages. This page limitation will apply regardless of the number of issues raised in the ADR proceeding.

Prior to the hearing, each Party may conduct not more than three depositions of not more than two hours each in duration. Further, each Party may submit to the other Party with a copy to the neutral, with sufficient time for the other Party to respond, one set of interrogatories of not more than five questions, including subparts. Each Party will make available its deponents and fully respond to the interrogatories in a timely fashion.

Except as expressly set forth in subparagraphs 4(a) - 4(d) and the immediately preceding paragraph, no discovery will be required or permitted by any means, including depositions, interrogatories, requests for admissions, or production of documents.

5. The hearing will be conducted on two consecutive days and will be governed by the following rules:

(a) Each Party will be entitled to five hours of hearing time to present its case. The neutral will determine whether each Party has been allowed the five hours to which it is entitled.

(b) Each Party will be entitled, but not required, to make an opening statement, to present regular and rebuttal testimony, documents or other evidence, to cross-examine witnesses, and to make a closing argument. Cross-examination of witnesses will occur immediately after their direct testimony, and cross-examination time will be charged against the Party conducting the cross-examination.

(c) The Party initiating the ADR will begin the hearing and, if it chooses to make an opening statement, will address not only issues it raised but also any issues raised by the responding Party. The responding Party, if it chooses to make an opening statement, also will address all issues raised in the ADR. Thereafter, the presentation of regular and rebuttal testimony and documents, other evidence, and closing arguments will proceed in the same sequence.

(d) Any testimony given will be under oath and except when testifying, witnesses will be excluded from the hearing until closing arguments.

(e) Settlement negotiations, including any statements made therein, will not be admissible under any circumstances. Affidavits prepared for purposes of the ADR hearing also will not be admissible. As to all other matters, the neutral will have sole discretion regarding the admissibility of any evidence.

6. Within seven calendar days following completion of the hearing, each Party may submit to the other Party and the neutral a post-hearing brief in support of its proposed rulings and remedies; provided that such brief must not contain or discuss any new evidence and must not exceed ten pages. This page limitation will apply regardless of the number of issues raised in the ADR proceeding.

7. The neutral will rule on each disputed issue within 14 calendar days following completion of the hearing. Such ruling must adopt in its entirety the proposed ruling and remedy of one of the Parties on each disputed issue but may adopt one Party's proposed rulings and remedies on some issues and the other Party's proposed rulings and remedies on other issues. The neutral will not issue any written opinion or otherwise explain the basis of the ruling.

8. The neutral will be paid a reasonable fee plus expenses. These fees and expenses, along with the reasonable legal fees and expenses of the prevailing Party (including all expert witness fees and expenses), the fees and expenses of a court reporter, and any expenses for a hearing room, will be paid as follows:

(a) If the neutral rules in favor of one Party on all disputed issues in the ADR, the losing Party will pay 100% of such fees and expenses.

(b) If the neutral rules in favor of one Party on some issues and the other Party on other issues, the neutral will issue with the rulings a written determination as to how such fees and expenses will be allocated between the Parties. The neutral will allocate fees and expenses in a way that bears a reasonable relationship to the outcome of the ADR, with the Party prevailing on more issues, or on issues of greater value or gravity, recovering a relatively larger share of its legal fees and expenses.

9. The rulings of the neutral and the allocation of fees and expenses will be binding, non-reviewable, and non-appealable, and may be entered as a final judgment in any court having jurisdiction. Upon the written mutual consent of the Parties, the neutral may amend or alter any provision of this ADR.

10. Except as provided in paragraph 9 or as required by Law, the existence of the dispute, any settlement negotiations, the ADR hearing, any submissions (including exhibits, testimony, proposed rulings, and briefs), and the rulings will be deemed Confidential Information. The neutral will have the authority to impose sanctions for unauthorized disclosure of Confidential Information.