SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is made and entered by and between the following Parties as defined below: (i) Participating States and (ii) GSK;

WHEREAS, Participating States are prepared to file suit against SmithKline Beecham Corporation, d/b/a GlaxoSmithKline and SmithKline Beecham, plc (hereafter collectively "GSK") using the States' Complaint, which is attached as Exhibit A;

WHEREAS, Participating States allege as specified in the States' Complaint that GSK unlawfully monopolized the market for Paxil® and its generic bioequivalents through patent filings, lawsuits, and entrenchment activities, all in violation of section 2 of the Sherman Act and state antitrust and/or unfair competition laws and Participating States have conducted an investigation relating to the claims and underlying events alleged and as a result, are familiar with the liability and damages aspects of the claims asserted;

WHEREAS, GSK contests the Participating States' allegations and contends instead that its patent filings, lawsuits, and other activities specified in the States' Complaint were lawful;

WHEREAS, as a result of arms-length negotiations, the Parties have determined that it is in their mutual best interests to resolve the dispute to avoid the expense, delay, and uncertainty of protracted and complex antitrust litigation;

NOW, THEREFORE, WITNESSETH, this Agreement is intended by the Parties to fully, finally, and forever resolve, discharge, and settle the Released Claims, as defined herein upon and subject to the terms and conditions set forth below. This Agreement is without admission or concession by any Party as to the merit of the Parties' respective positions or as to any alleged violation of law.

I. DEFINITIONS

As used in this Agreement, the following shall have the meanings specified below:

(a) "Court" means the Honorable John R. Padova, or if he is unavailable, another judge of the United States District Court for the Eastern District of Pennsylvania.

(b) "Effective Date" means the earlier of (i) notice by State Liaison Counsel to GSK of an affirmative decision by all states except West Virginia whether to be a Participating State or (ii) forty-five (45) days after the date this Agreement is signed by authorized representatives for GSK and State Liaison Counsel.

(c) "GSK" means SmithKline Beecham Corporation, d/b/a GlaxoSmithKline and SmithKline Beecham plc.

(d) "Non-participating State" means each state, commonwealth or territory of the United States that declines to become a signatory to this Agreement on or before the Effective Date.

(e) "Participating States" means each state, commonwealth or territory of the United States of America that joins in and executes this Settlement Agreement on or before the Effective Date in its sovereign capacity and on behalf of its respective State Agencies.

(f) "Parties" means Participating States and GSK;

(g) "Paxil" means the prescription drug paroxetine hydrochloride sold under the trademark Paxil®.

(h) "Paxil End Payor Settlement" means the Agreement of Settlement by and between the End Payor Plaintiffs and GSK in Nichols v. SmithKline Beecham Corp., No. 00-CV-6222 (E.D. Pa.) (Padova, J.).

(i) "Paxil Products" means Paxil® and/or its AB-rated generic bioequivalents.

(j) "Released Claims" means all manner of claims, demands, actions, suits, causes of action, damages whenever incurred, liabilities of any nature whatsoever, including costs, expenses, penalties and attorneys' fees, known or unknown, suspected or unsuspected, in law or equity, that the Participating States, or any of them, ever had, now have, or hereafter can, shall or may have, directly, representatively, derivatively or in any other capacity and which are either asserted in the States' Complaint or which arise out of the conduct, events or transactions, prior to the date hereof, asserted in the States' Complaint involving the pricing or purchase of, or the enforcement of intellectual property related to, Paxil Products. "Released Claims" shall include any claims under federal or state law that GSK delayed or prevented generic competition for Paxil Products through any means, including alleged fraud or other improper conduct in the acquisition of intellectual property covering any form or method of use of paroxetine hydrochloride, litigation to enforce such intellectual property, the alleged improper listing of patents in the FDA's Orange Book under an NDA related to paroxetine hydrochloride, the agreement between Par Pharmaceuticals and GSK related to paroxetine hydrochloride, and the launching of Paxil CR.

(k) "Released Parties" means GSK and its present and former direct and indirect parents, subsidiaries, divisions, partners and affiliates, and their respective present and former stockholders, officers, directors, employees, managers, agents, attorneys and any of their legal representatives (and the predecessors, heirs, executors, administrators, trustees, successors and assigns of each of the foregoing).

(l) "Relevant Period" means the period from January 1, 1998 through September 30, 2004.

(m) "Settlement Administrator" means the person at the State of New York Office of the Attorney General chosen by Participating States.

(n) "Settlement Amount" means the sum of fourteen million dollars ($14,000,000), or such lesser amount as may be determined in accordance with the provisions of Paragraph IV below.

(o) "Settlement Fund" means the Settlement Amount plus all interest and income accrued thereon.

(p) "State Agencies" means the current and former state departments, state bureaus, state agencies, and other state governmental entities that the undersigned State Attorneys General represent in this Settlement Agreement. All employee benefit plans, self insured or otherwise, and all Medicaid Health Maintenance Organization claims, to the extent they are included within the Paxil End Payor Settlement, are excluded. State Agencies shall include those current and former state departments, state bureaus, state agencies, and other state governmental entities whose purchases and/or payments are contained in the state purchase data provided to GSK by the states.

(q) "State Liaison Counsel" means the Attorneys General of the States of New York and Maryland.

(r) "States' Complaint" means the complaint attached as Exhibit A, the allegations of which may be further amended only as necessary to specify the Participating States to the action.

II. AGREEMENT

The Parties agree to compromise, settle and resolve fully and finally on the terms set forth herein, all Released Claims.

III. SETTLEMENT PAYMENT

(a) GSK shall pay the Settlement Amount to the Participating States in full and final satisfaction of all Released Claims. State Liaison Counsel acknowledge that GSK has paid nine hundred thousand dollars ($900,000) in connection with a settlement between GSK and the City of New York, dated December 27, 2005. That payment shall be applied to GSK's obligation to pay the Settlement Amount. The Settlement Amount less $900,000 shall be referred to below as the "Remaining Settlement Amount."

(b) Unless this Agreement is terminated, as provided in Paragraph IV, the Remaining Settlement Amount shall be paid by certified check or by wire transfer to the Settlement Administrator in full, complete and final settlement of the Released Claims as provided herein, within seven (7) business days of the Effective Date of this Agreement. GSK's transfer of the Remaining Settlement Amount to the Settlement Administrator shall satisfy GSK's obligation to make payments under this Agreement. GSK shall not

have any liabilities, obligations or responsibilities with respect to the investment, payment, disposition or distribution of the Settlement Fund after such transfer.

(c) Within three (3) business days of the transfer of the Remaining Settlement Amount to the Settlement Administrator, State Liaison Counsel shall simultaneously file with the Court the Complaint and the Final Order, a copy of which is attached as Exhibit B. The Participating States shall not previously file the Complaint with the Court or otherwise disclose it publicly.

(d) If the Court declines to sign the Final Order, the Participating States shall return the Remaining Settlement Amount to GSK in full.

(e) The Settlement Administrator shall have the authority to invest the monies in the Settlement Fund in short term federally insured investments. Under no circumstances shall GSK or the Settlement Administrator be held liable for any increases or decreases of the Settlement Fund.

(f) The apportionment and distribution of the funds shall be determined exclusively by the Attorneys General of the Participating States.

IV. SETTLEMENT PAYMENT OR TERMINATION

(a) If, by the Effective Date, Participating States representing 80% of the total direct or indirect sales of Paxil to the fifty states (less West Virginia) during the Relevant Period have not become signatories to this Agreement, GSK shall have the option, in its unfettered discretion, to

(1) terminate this Agreement; or

(2) proceed with this Agreement but reduce the Settlement Amount by a percentage equal to the direct or indirect sales of paroxetine hydrochloride to Non-participating States as a percentage of direct or indirect sales of paroxetine hydrochloride to all states (i.e., if direct or indirect sales to Non-participating States represent 30% of direct or indirect sales to all states, the Settlement Amount would likewise be reduced by 30%, or to $9,800,000).

(b) If, by the Effective Date, Participating States representing more than 80%, but less than 100%, of the total direct or indirect sales of Paxil to the fifty states (less West Virginia) during the Relevant Period, have become signatories to this Agreement, the Settlement Amount shall be reduced by the percentage of direct or indirect sales of paroxetine hydrochloride to all states accounted for by direct or indirect sales of paroxetine hydrochloride to the Non-participating States.

(c) For purposes of this Paragraph, sales to states shall be determined from Medicaid expenditure data found at http://new.cms.hhs.gov/MedicaidDrugRebateProgram/SDUD/list.asp.

V. RELEASE

(a) Upon entry by the Court of an order in the form of Exhibit B, the Participating States shall release and forever discharge the Released Parties from the Released Claims. Each Participating State hereby covenants and agrees that it shall not, hereafter, seek to establish liability against any Released Party based, in whole or in part, on any of the Released Claims. The Parties do not intend to release or otherwise affect in any way any rights a Participating State has or may have against any other party or entity

whatsoever other than the Released Parties with respect to the Released Claims. In addition, the Released Claims shall not include any claims arising in the ordinary course of business between the Participating States and the Released Parties concerning product liability, breach of contract, breach of warranty, or personal injury. Furthermore, the Released Claims shall not include any claim Participating States may have that does not arise from the facts, matters, transactions, events, occurrences, acts, disclosures, statements, omissions or failures to act set forth in the States' Complaint, such as claims involving "best price" reporting practices, "average wholesale price," "wholesale acquisition cost," prescription drug importation, or Medicaid fraud or abuse; provided, however, that in such litigation GSK preserves its right to assert that any recovery by the Participating States in such litigation involving the drug Paxil should be set-off by the pro rata share received from the Settlement Fund and the Participating States reserve the right to assert that there should be no set-off.

(b) Each Participating State may hereafter discover facts other than or different from those which it knows or believes to be true with respect to the Released Claims. Accordingly, each Participating State hereby expressly waives and releases, upon entry by the Court of an order in the form of Exhibit B, any and all provisions, rights and benefits conferred by § 1542 of the California Civil Code, which reads:

> Section 1542. General Release; extent. A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if

known by him must have materially affected his settlement with the debtor;

or by any law of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to § 1542 of the California Civil Code.

VI. QUALIFIED SETTLEMENT FUND

The Settlement Fund maintained by the Settlement Administrator is intended by the parties hereto to be treated as a single "qualified settlement fund" for federal income tax purposes pursuant to Treas. Reg. § 1.468B-1, and to that end, the parties hereto shall cooperate with each other and shall not take a position in any filing or before any tax authority that is inconsistent with such treatment. Whether or not the Effective Date has occurred, and whether or not the Settlement Fund qualifies as a qualified settlement fund within the meaning of Treas. Reg. § 1.468B-1, the Settlement Administrator shall cause to be paid from the Settlement Fund any taxes or estimated taxes due on any income earned on the funds in the Settlement Fund and all related costs and expenses. The parties elect that the Settlement Fund should be treated as a "qualified settlement fund" from the earliest possible date and agree to make any "relation back" election that may be available. If amounts received by a Participating State or by GSK upon any Settlement Payment or Termination, are construed to be income, it is the recipient's sole responsibility to pay taxes on the amount construed to be income, plus any penalties or interest.

VII. MISCELLANEOUS

(a) This Agreement and attached Exhibits contain the entire agreement and understanding of the Parties. There are no additional promises or terms of the Agreement other than those contained herein. This Agreement shall not be modified except in

writing signed by all of the Participating States and GSK or by their authorized representatives.

(b) The Parties: (1) acknowledge that it is their intent to consummate this Agreement; and (2) agree to cooperate and exercise their best efforts to the extent reasonably necessary to effectuate and implement all terms and conditions of the Agreement.

(c) The Parties agree that the Settlement Amount, and the other terms set forth in this Agreement were negotiated in good faith by the Parties, and reflect a settlement that was reached voluntarily after investigation, consultation with experienced legal counsel and arms-length negotiations.

(d) Neither this Agreement nor any act performed or document executed pursuant to or in furtherance of the Agreement is or may be used as an admission of, or evidence of: (1) the validity of any Released Claim, or of any wrongdoing or liability of GSK, or (2) any fault or omission of GSK in any civil, criminal or administrative proceeding in any court, administrative agency or other tribunal.

(e) This Agreement shall be binding on, and shall inure to the benefit of, the Parties hereto and their successors and assigns. The Parties expressly disclaim any intention to create rights which may be enforced by any other person under any circumstances.

(f) All signatories to this Agreement, by their signature, expressly represent that they are fully authorized to execute this Agreement for the Party they represent, including without limitation, all who are encompassed within the definitions of the

Participating States or GSK, on whose behalf the signatory is executing this Agreement. This Agreement may be executed on separate signature pages or in counterparts with the same effect as if all Parties had signed the same instrument.

(g) Except as otherwise provided in this Agreement, neither the Participating States nor GSK shall have the right to withdraw from this Agreement once the Settlement Agreement has been executed by the Parties.

(h) Any failure by any Party to insist upon the strict performance by any other Party of any of the provisions of this Agreement shall not be deemed a waiver of any of the provisions hereof, and that Party, notwithstanding that failure, shall have the right thereafter to insist upon the strict performance of any and all of the provisions of this Agreement to be performed by the other Party.

(i) This Agreement, including, but not limited to, the Released Claims contained herein, shall be governed by, and construed in accordance with, the laws of the Commonwealth of Pennsylvania without regard to its conflict of laws principles. The Parties agree that this Agreement shall be enforceable in the United States District Court for the Eastern District of Pennsylvania. The Parties waive any objection that each of them may or hereafter have to the venue of any such suit, action, or proceeding and irrevocably consent to the jurisdiction of the Court and agree to accept and acknowledge service in any such suit, action, or proceeding.

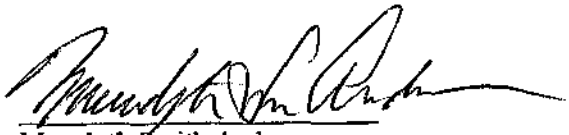
(j) The Parties agree and acknowledge that the monies paid as part of this Agreement do not constitute, nor shall they in any way be deemed a payment of a penalty or a fine of any kind. The Parties further acknowledge and agree that GSK's payment of

the Settlement Amount described in this Agreement is strictly for compensatory damages and/or equitable relief. Participating States have not included the imposition of criminal or civil fines or penalties (or payments in lieu thereof) as part of this Settlement Agreement.

(k) The headings used in this Agreement are intended for the convenience of the reader only and shall not affect the meaning or interpretation of this Agreement in any manner.

IN WITNESS WHEREOF, the Parties have entered into this Agreement by affixing the signatures of their authorized representatives below.

STATE OF MARYLAND
J. JOSEPH CURRAN, JR.
Attorney General
Ellen S. Cooper
Chief, Antitrust Division



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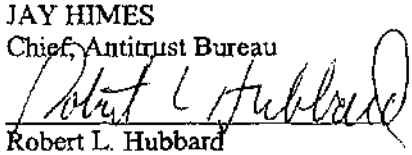

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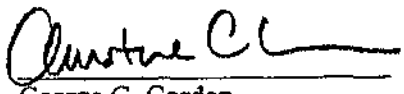

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