

June 5, 2008

GlaxoSmithKline
980 Great West Road
Brentford, Middlesex, United Kingdom TW8 9GS

Dear Sir or Madam:

Sometime in the next few weeks, the Project On Government Oversight (POGO) will update its Federal Contractor Misconduct Database (<http://www.contractormisconduct.org/>), a compilation of information from public resources regarding government contractors, including GlaxoSmithKline. I have enclosed the findings relevant to your company, and I am seeking verification of this data.

Any response would be greatly appreciated, as the accuracy of this information is in the best interest of all parties. Out of fairness to GlaxoSmithKline, please be assured that any response received by POGO will be posted on the website along with the data.

The biggest change we will be making to the database is the inclusion of more federal contractors (the top 100). We are also adding new instances that we have found in recent months and updating instances already in the database with new information. Please note that the database also includes pending instances, but these are kept separate from resolved instances and are not included in the totals.

If you have any questions, I can be reached at (202) 347-1122. Thank you for your time and consideration.

Sincerely,

Neil Gordon
Investigator

Enclosure

Instances

1. Relafen Antitrust Litigation

Date: 02/06/2004 (Date of Announcement)

Misconduct Type: Antitrust

Enforcement Agency: Non-Governmental

Contracting Party: None

Court Type: Civil

Amount: \$175,000,000

Disposition: Settlement

Synopsis: GlaxoSmithKline agreed to pay \$175 million to settle an antitrust lawsuit filed in federal court in Massachusetts accusing the company of blocking cheaper generic forms of its arthritis drug Relafen. The lawsuit was filed on behalf of wholesale purchasers who bought Relafen directly from GSK and resold them to health plans, pharmacies and supermarkets. In August 2001, a court ruled that GSK's patent covering Relafen was both invalid and unenforceable due to the company's inequitable conduct.

2. Paxil Multistate Litigation - NY Attorney General Settlement

Date: 03/28/2006 (Date of Announcement)

Misconduct Type: Antitrust

Enforcement Agency: State/Local

Contracting Party: None

Court Type: Civil

Amount: \$14,000,000

Disposition: Settlement

Synopsis: The New York State Attorney General and GlaxoSmithKline reached a \$14 million multi-state settlement resolving claims involving GSK's anti-depression drug Paxil. GSK was accused of fraudulently delaying generic competition for Paxil by filing frivolous patent infringement lawsuits. The settlement resolved claims by 49 states that charged their Medicaid programs had been gouged.

3. Relafen Multistate Litigation - NY Attorney General Settlement

Date: 04/01/2005 (Date of Settlement - approx.)

Misconduct Type: Antitrust

Enforcement Agency: State/Local

Contracting Party: None

Court Type: Civil

Amount: \$10,000,000

Disposition: Settlement

Synopsis: New York State Attorney General Eliot Spitzer reportedly reached a national settlement with GlaxoSmithKline for \$10 million, resolving claims that GSK delayed generic competition by by filing frivolous patent infringement lawsuits over its arthritis drug Relafen.

4. Average Wholesale Price (AWP) Drug Litigation

Date: 09/06/2002 (Date of Filing)

Misconduct Type: Antitrust

Enforcement Agency: Non-Governmental

Contracting Party: None

Court Type: Civil

Amount: \$70,000,000

Disposition: Settlement

Synopsis: A class-action lawsuit was filed in federal court in Massachusetts against GlaxoSmithKline and 22 other pharmaceutical companies alleging consumers are harmed by the way the companies price their drugs. The companies set prices using the Average Wholesale Price (AWP) formula. The government uses average wholesale prices as reported by drug companies to set reimbursements from federal health programs. Plaintiffs claim drugmakers artificially inflated their prices as part of a scheme to overcharge consumers. In August 2006, GlaxoSmithKline agreed to a proposed \$70 million settlement.

5. Paxil New York Litigation

Date: 08/26/2004 (Date of Consent Order)

Misconduct Type: Health

Enforcement Agency: State/Local

Contracting Party: None

Court Type: Civil

Amount: \$2,500,000

Disposition: Settlement

Synopsis: The New York State Attorney General sued GlaxoSmithKline in June 2004, alleging the company withheld negative information about its anti-depression drug Paxil. The suit alleged GSK suppressed the results of studies which failed to prove Paxil's effectiveness and which suggested a possible increased risk of suicidal thoughts and acts in certain individuals. GSK was further alleged to have failed to disclose this information in medical information letters it sent to physicians. The following August, a settlement was reached in which GSK agreed to pay \$2.5 million in disgorgement and costs to the State of New York and to publicly disclose information on all clinical studies -- whether positive or negative -- of the safety and efficacy of its drugs.

6. Augmentin Antitrust Litigation

Date: 07/08/2004 (Date of Announcement)

Misconduct Type: Antitrust

Enforcement Agency: Non-Governmental

Contracting Party: None

Court Type: Civil

Amount: \$92,000,000

Disposition: Settlement

Synopsis: GlaxoSmithKline agreed to settle nationwide antitrust class action lawsuits regarding Augmentin. GSK will pay \$92 million to direct purchasers of the antibiotic product, including pharmaceutical wholesalers, and indirect purchasers such as consumers and third party payers. GSK was accused of fraudulently preventing generic versions of Augmentin from entering the market by obtaining fraudulent patents and pursuing sham litigation defending those patents, resulting in higher prescription prices.

7. Zofran and Kytril False Claims Act Violations

Date: 09/20/2005 (Date of Press Release)
Misconduct Type: Cost/Labor Mischarge
Enforcement Agency: Health and Human Servs.
Contracting Party: None
Court Type: Civil
Amount: \$150,000,000

Disposition: Settlement

Synopsis: GlaxoSmithKline paid over \$150 million to settle allegations that it violated the False Claims Act through the fraudulent drug pricing and marketing of the anti-emetic drugs Zofran and Kytril. GSK allegedly engaged in a scheme to set and maintain inflated prices for Zofran and Kytril knowing that federal healthcare programs established reimbursement rates based on those prices, and thereby caused false and fraudulent claims to be submitted to Medicare and other federal healthcare programs. The government also alleged GSK engaged in a "double dipping" billing scheme with respect to Kytril by encouraging customers to pool leftover vials of Kytril to create an extra dose, which would then be administered to a patient and re-billed to government healthcare programs.

8. Underreporting Profits

Date: 09/11/2006 (Date of Announcement)

Misconduct Type: Tax
Enforcement Agency: Treasury – IRS
Contracting Party: None
Court Type: Civil
Amount: \$3,400,000,000

Disposition: Settlement

Synopsis: GlaxoSmithKline agreed to pay approximately \$3.4 billion to settle charges by the IRS that the company under-reported profits to avoid paying U.S. taxes. The Internal Revenue Service accused GSK of a practice called "transfer pricing," by which a company claims most of its earnings belong in a country where taxes are low. The transactions at issue, which concerned the way GSK priced drugs for sale through its U.S. subsidiary, occurred between the years 1989 and 2005.

9. Overcharging Medicaid

Date: 04/16/2003 (Date of Announcement)
Misconduct Type: Cost/Labor Mischarge
Enforcement Agency: Health and Human Servs.
Contracting Party: None
Court Type: Civil
Amount: \$87,600,000

Disposition: Settlement

Synopsis: Bayer AG and GlaxoSmithKline simultaneously settled allegations they overcharged Medicaid. GSK agreed to pay the government a civil fine of \$87.6 million for failing to give the Medicaid program the lowest price charged to any consumer for anti-depressant Paxil and nasal allergy spray Flonase. Both companies were accused of hiding their lowest prices from Medicaid by repackaging or relabeling their products under a middleman's name, who then sold them at a deep discount not reported to the government. All 50 states will share in the settlement.

10. Relafen Consumer Litigation

Date: 11/24/2004 (Date of Order)

Misconduct Type: Antitrust

Enforcement Agency: Non-Governmental

Contracting Party: None

Court Type: Civil

Amount: \$75,000,000

Disposition: Settlement

Synopsis: In February 2002, a class-action lawsuit was filed in federal court in Massachusetts against GlaxoSmithKline PLC, SmithKline Beecham Corp, Beecham Group PLC, and SmithKline Beecham PLC, on behalf of consumers and third-party payors around the country who purchased the drug Relafen or its generic alternatives. The suit alleged the companies unlawfully obtained a patent which allowed them to enforce a monopoly over Relafen, causing consumers to pay inflated prices for the drug. A court in August 2001 ruled that GSK's patent covering Relafen was both invalid and unenforceable due to the company's inequitable conduct. In November 2004, the judge granted preliminary approval of a proposed settlement under which the defendant companies agreed to pay \$75 million in damages.

11. Paxil Class Action Litigation (Madison County, IL)

Date: 10/06/2006 (Date of Settlement)

Misconduct Type: Health

Enforcement Agency: Non-Governmental

Contracting Party: None

Court Type: Civil

Amount: \$63,833,148

Disposition: Settlement

Synopsis: A class action lawsuit filed against GlaxoSmithKline in Madison County, Illinois claimed GSK withheld negative information about the safety and effectiveness of its anti-depression drug Paxil. A settlement was reached in October 2006 and was approved by the court the following April. Under the settlement, GSK, which did not admit any wrongdoing, was required to establish a fund of \$63.8 million to compensate all U.S. consumers who bought Paxil or Paxil CR for a person under the age of 18.

Pending Instances

Larosa v. SmithKline Beecham Corp. (Avandia)

Date: 12/17/2007 (Date of Filing)

Misconduct Type: Health

Enforcement Agency: Non-Governmental

Contracting Party: None

Court Type: Civil

Amount: \$0

Disposition: Pending

Synopsis: The family of Milagros Larosa sued GlaxoSmithKline, claiming its diabetes drug Avandia was responsible for Larosa's fatal stroke in December 2005. The Larosas accuse GSK of causing her wrongful death due to negligence, breach of warranty, fraud, and failing to warn about the risks of Avandia. The Larosa case will eventually be transferred and consolidated with similar cases in a multi-district legal action pending in Pennsylvania federal court. In November 2007, the Food and Drug Administration (FDA) announced a second "black box" warning would be added to the Avandia label advising users of its cardiovascular risks.