

National Opioids Litigation

Proposed Partial Settlement with
**Johnson & Johnson, Amerisource,
Cardinal, and McKesson**

Presentation to Michigan Association of Counties
November 19, 2021

THE
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Cardinal discloses to shareholders that broad details of a settlement have been reached between State Attorneys General and four opioids litigation defendants:

1. **Johnson & Johnson/Janssen** (an opioids manufacturer);
2. **Amerisource** (an opioids distributor);
3. **Cardinal** (an opioids distributor); and
4. **McKesson** (an opioids distributor).

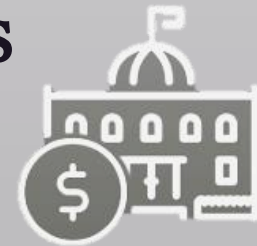
Under the deal, up to \$26 billion is to be paid over 18 years to state and local governments, provided that maximum participation in the settlement is obtained.

Significant Aspects of the SETTLEMENT AGREEMENTS

1. Injunctive
Relief



2. Payments to
State and Local
Governments



Injunctive Relief

- Johnson & Johnson **discontinues opioid sales** for at least the next 10 years
- Johnson & Johnson **discontinues lobbying activity** concerning opioids
- Establishes a Big Three **Distributor Clearinghouse** for opioids-related transactions

Payments to State and Local Governments

- Approximately **\$22.8 billion** in payments to State and Local Governments (if maximum participation is obtained)
- Approximately **3.4%** of which is allocable to Michigan (approximately \$776 million)

Default Allocation of Michigan Money

- 15% to State Government
- 15% to Local Governments
- 70% to Statewide Opioid Abatement Fund



However, the default agreement may be replaced with a state-specific agreement.

Michigan State-Specific Agreement

- Instead of 15% to Local Governments, proceeds will be split **50%** to Local Governments, **50%** to the State of Michigan
- From the 50% that is allocated to Local Governments, **deductions** for:
 - Special Circumstance Fund (**5%**)
 - Administrative Expenses (**0.3%**)
 - Attorneys Fees (no more than 15%; **likely about 8%** with remainder paid by National Fee Fund)
- Litigation Adjustments

Why 100% Participation is Important

DISTRIBUTORS: Base and Incentives

Base 55%
Incentives 45%
Net Abatement Amount

Incentives are earned by obtaining releases from subdivisions and limiting additional subdivisions from filing suit.

During the first two years, States that settle are treated as if receiving full base and incentive.

Illustrative only- Executed Agreements Control.

Incentive A

Incentive A provides for payment of all but Incentive D payments in exchange for near full peace.

Incentive A is earned by:

- Passing a Statute or court ruling that terminates existing and bars future claims by subdivisions (including special districts);
- Receiving releases on behalf of (i) all general purpose subdivisions above 10,000 population, (ii) larger school and hospital/health districts, and (iii) all currently litigating subdivisions; or
- A combination of these approaches that results in a complete bar of existing and future claims (e.g., legislation barring future claims combined with 100% participation by litigating subdivisions).

Incentive B

- Incentive B is not relevant if a State earns Incentive A.
- Incentive B is up to 25%.
- Incentive B is earned by obtaining releases from litigating subdivisions.

Incentive B Sliding Scale:

Participation or Case-Specific Resolution Levels	Incentive B Award
85%	30%
86-90%	40%
91-94%	50%
95-99%	60%
99-99.9%	95%
100%	100%

Not structured in time periods, as with Incentive B under the J&J Agreement.

Incentive C

- Incentive C is not relevant if a State earns Incentive A.
- Incentive C is up to 15%.
- Incentive C is earned by getting larger (population of 30,000) non-litigating and any-sized litigating counties and cities to join the deal.

Incentive C Sliding Scale:

Participation, Release, or Resolution Levels	Incentive C Award
60-69%	25%
70-74%	35%
75-79%	40%
80-84%	45%
85-89%	55%
90-92%	60%
93%	65%
94%	75%
95-97%	90%
98-99%	95%
100%	100%

There is no timing element.

Incentive D

5% share of the State's total Abatement Fund allocation (see page 20). Payable starting in year 6 through year 18.

Qualifying Criteria

- State must have had no later Litigating Subdivisions bring suit and proceed past preliminary motions.

Why 100% Participation is Important

JOHNSON & JOHNSON: Base and Incentives

Base 45%
Incentives 55%
Global Settlement Abatement Amount

Incentives are earned by obtaining releases from subdivisions and limiting additional subdivisions from filing suit.

Illustrative only- Executed Agreements Control.

Incentive A

Incentive A provides for payment of all but Incentive D payments in exchange for near full peace.

Earning Incentive A also causes substantial payments, the first three years of payments, accelerated and paid within 90 days.

Incentive A is earned by:

- Passing a Statute or court ruling that terminates existing and bars future claims by subdivisions (including special districts);
- Receiving releases on behalf of (i) all general purpose subdivisions above 10,000 population, (ii) larger school and hospital/health districts, and (iii) all currently litigating subdivisions; or
- A combination of these approaches that results in a complete bar of existing and future claims (e.g., legislation barring future claims combined with 100% participation by litigating subdivisions).

Incentive B

- Incentive B is not relevant if a State earns Incentive A.
- Incentive B is up to 30%.
- Incentive B is earned from obtaining releases from litigating subdivisions.

Incentive B Sliding Scale:

Participation or Case-Specific Resolution Levels	Incentive B Award
75%	50%
76%	52%
77%	54%
78%	56%
79%	58%
80%	60%
85%	70%
90%	80%
95%	90%
100%	100%

Timing element

Incentive B is structured in time periods and states will receive a percentage of sliding scale payments depending on when they reach 75% of litigating subdivisions signed on: (a) 0-210 days = 100% of sliding scale; (b) 211-365 = 75% of sliding scale; and (c) 366-2 years from effective date = 50% of sliding scale.

Incentive C

- Incentive C is not relevant if a State earns Incentive A.
- Incentive C is up to 20%. It breaks Incentive C in two parts.
- Incentive C is earned by getting larger (population of 30,000) litigating and non-litigating counties and cities to join the deal. 5% is awarded for obtaining a State's ten largest general purpose subdivisions (cities and counties).

Incentive C Sliding Scale:

Participation, Release, or Resolution Levels	Incentive C(1) Award
60%	40%
70%	45%
80%	50%
85%	55%
90%	60%
91%	65%
92%	70%
93%	80%
94%	90%
95%	100%

There is no timing element.

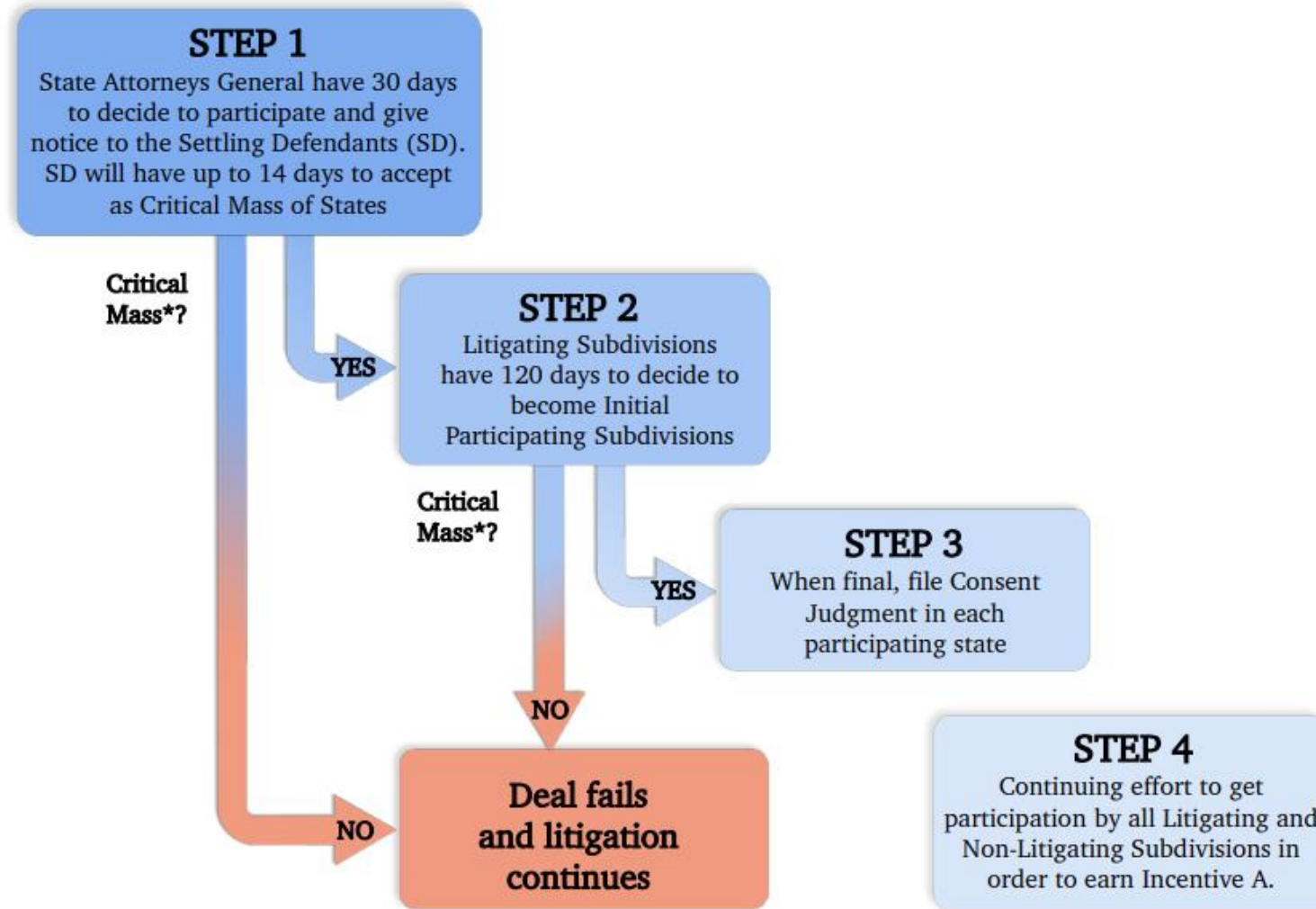
Incentive D

5% share of the State's total Abatement Fund allocation (see page 20). Payable starting in year 6 through year 18.

Qualifying Criteria

- State must have had no later Litigating Subdivisions bring suit and proceed past preliminary motions in the 5 years following the Effective Date.

Implementation



*Sole discretion of Distributors & J&J

2021.07.22 Subject to Update & Correction/Executed Agreements Control

How Does My County Participate?

1. Register

on national settlement website to **receive participation agreements** for Distributor and Janssen Settlement Agreements; and

2. Sign and submit

settlement participation agreements **before January 2**

How Does My County Register?

1. Go to the following website:
<https://nationalopioidsettlement.com>
2. Click on the link: "**Update: Subdivisions Register Here to Receive Participation Agreements for Distributor and Janssen Settlement Agreements**" in the yellow box on the above website's homepage
3. This will open a form on a new tab, on which you will fill out the following information:
 - **State:** Michigan
 - **Political Subdivision:** _____ County / City of _____
 - **Registration Code:** Unique for each City/County

How Does My County Register?

4. Click the “**Verify Registration Code**” button at the bottom of the form after completing Step 3
5. Follow the remaining steps to **complete registration**
 - *Please be prepared to include information as to the **designated representative** authorized to receive and sign paperwork on behalf of your political subdivision

How Does My County Sign Onto The Settlements?

- Once you have registered, you will receive **TWO Settlement Participation Agreements** (One for Janssen and one for the Distributors)
- You **must fill out BOTH of the Participation Agreements** and follow the instructions to submit them
- They must be submitted **BEFORE JANUARY 2, 2022**
- **ANY County may participate** in the settlement, even if that county never brought a lawsuit

How May the Funds Be Used?

- Governed by “**opioid remediation**” as defined in the Distributor and Janssen Settlements
- Guided by “Exhibit E” of the **Distributor and Janssen Settlements**
- **Opioid Use Disorder** (OUD) Treatment
- Treatment and **Recovery Support**
- **Connecting People** to Help
- Address Needs of **Criminal Justice-Involved Persons**

How May the Funds Be Used?

- Address Needs of **Pregnant Women, Infants, and Parents**
- **Prevention**
- First Responder **Support**
- **Leadership** Planning
- **Training**
- **Research**



When Will My County Receive Money?

Payment #1

as early as

April 2022

Payment #2

as early as

July 2022

Subsequent payments will be
received annually in July.

How Much Money Will My County Receive?

- Nonlitigating Local Governments:
 - Contact **Matthew Walker**, Assistant Attorney General
 - AG-OpioidLitigation@michigan.gov
- Litigating Local Governments:
 - Contact your attorneys

RESOURCES

- www.mi.gov/agopioids
- www.nationalopioidsettlement.com
 - Full copy of Janssen Settlement Agreement
 - Full copy of Distributor Settlement Agreement
 - Frequently Asked Questions
 - Local Government Registration Information