

Frequently Asked Questions about the 2022 National Opioid Settlements with Teva, Allergan, Walmart, Walgreens, and CVS

[Subject to ongoing corrections and updates]

[Executed Agreements Control]

1. Which Defendants Have Executed National Opioid Settlements?

Since the Summer of 2021, nine Defendant families have executed National Opioid Settlements. First, in July 2021, J&J and Distributors McKesson, Cardinal Health, and AmerisourceBergen entered into National Opioids Settlements (“2021 National Settlement(s)”; details regarding the 2021 National Settlements, including a separate set of FAQs, can be found here: <https://nationalopioidsettlement.com/distributor-janssen-faq/>). More recently, between November and December of 2022, five additional Defendant families have entered into National Opioids Settlements (“2022 National Settlement(s)”).¹ They are:

Settling Defendant	Date of Settlement Agreement	Link to Settlement Agreement
Teva	November 22, 2022	https://nationalopioidsettlement.com/wp-content/uploads/2022/12/Final-Teva-Global-Settlement-Agreement-and-Exhibits_12-20-22.pdf
Allergan	November 22, 2022	https://nationalopioidsettlement.com/wp-content/uploads/2022/12/Final-Allergan-Global-Agreement-and-Exhibits_12-20-22.pdf
Walmart	November 14, 2022	https://nationalopioidsettlement.com/wp-content/uploads/2022/12/Walmart-Settlement-Agreement-2022.12.02_FINAL.pdf
Walgreens	December 9, 2022	https://nationalopioidsettlement.com/wp-content/uploads/2022/12/Walgreens-Multistate-Agreement-and-Exhibits.pdf
CVS	December 9, 2022	https://nationalopioidsettlement.com/wp-content/uploads/2022/12/2022-12-09-CVS-Global-Settlement-Agreement-with-Exhibits.pdf

2. Which Entities Are Eligible to Participate in the 2022 National Settlements?

The 2022 National Settlements are “opt in” settlements that are open only to states, as well as state subdivisions (e.g., municipalities, counties, parishes, cities, towns, incorporated townships, villages, and boroughs) and certain special districts (e.g., school districts, fire

¹ The 2022 National Settlements define the specific entities entering into the respective agreements, as well as the “Released Entities.”

districts, and hospital districts). Claims brought on behalf of private individuals and businesses (including private hospitals and private third-party payors) are **not** included and will not be released. Claims brought on behalf of Tribal Nations are also not included and will not be released through participation in these agreements, but Tribal Nations may be eligible to participate in separate settlements with these same defendants; more information on those separate agreements may be found here: <https://www.tribalopioidsettlements.com/>.

Each 2022 National Settlement has the same basic “two-phase” structure:

Phase I – Eligible States: With respect to each 2022 National Settlement, most states are eligible to participate. (For these purposes, Washington, D.C. and the five U.S. Territories² are treated as “states.”) Certain states are not eligible to participate in certain of these settlements (e.g., due to prior settlements or litigation with a settling Defendant). Among the states eligible to participate in certain 2022 National Settlements, a small number have chosen not to participate in one or more of those settlements. Accordingly, for each of the 2022 National Settlements, the only states that may participate are those that are eligible and elected to do so. The following list sets forth, for each 2022 National Settlement, the eligible and ineligible states, as well as those eligible states that have chosen not to participate.

- **Teva Settlement:**

- All states are eligible, **except** Florida, Louisiana, Oklahoma, Rhode Island, Texas, and West Virginia. Oklahoma subdivisions and special districts, however, **are** eligible to participate.
- Nevada has chosen not to participate.

- **Allergan Settlement:**

- All states are eligible, **except** Florida, Louisiana, New York, Rhode Island, and West Virginia.
- Nevada has chosen not to participate.

- **Walmart Settlement:**

- All states are eligible, **except** Alabama, Florida, New Mexico, and West Virginia.

- **Walgreens Settlement:**

- All states are eligible, **except** Florida.
- Michigan, Nevada, New Mexico, and West Virginia have chosen not to participate.

² American Samoa, Guam, Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands.

- **CVS Settlement:**
 - All states are eligible, **except** Florida, New Mexico, and West Virginia.
 - Maryland and Nevada have chosen not to participate.

Phase II – Eligible Subdivisions: Within settling states only, both non-litigating and litigating subdivisions may participate, including all municipal, county, city, town, township, parish, village, or borough governments, as well as any other subdivisions that have filed lawsuits that fall within the release provisions of the 2022 National Settlements. “Special Districts” are treated as “Subdivisions” under the Walmart, Walgreens, and CVS Settlements. Under the Teva and Allergan Settlements, certain special districts, such as school districts, fire districts, and hospital districts, are eligible to participate in the 2022 National Settlements, along with subdivisions. For ease of reference, unless otherwise noted, use of the term “Subdivision” in these FAQs includes eligible “Special Districts.”

Subdivisions within a state can only participate if their state is participating.

In addition, certain subdivisions—even within participating states—may not be eligible to participate in one or more of the 2022 National Settlements despite their state participating, e.g., if they have previously settled and released their claims. Subdivisions should speak to their respective counsel and/or their respective state attorney general for further information on their eligibility.

3. If a State or Subdivision Did Not Participate in the 2021 National Settlements with J&J or the Distributors (McKesson, Cardinal Health, and AmerisourceBergen), Can It Participate in the 2022 National Settlements with Teva, Allergan, Walmart, Walgreens, and CVS?

Yes. Whether an eligible state or subdivision participated in either of the 2021 National Settlements does **not** impact its eligibility to participate in these more recent 2022 National Settlements with Teva, Allergan, Walmart, Walgreens, and CVS.

4. May a State or Subdivision Participate in Some of the 2022 National Settlements While Choosing Not to Participate in Others?

Yes, except for the Teva and Allergan Settlements, eligible states and subdivisions may choose to participate in one or more of the 2022 National Settlements, while choosing not to participate in others. **However**, if your state has participated in both the Teva and Allergan Settlements, your subdivision must participate in both or neither of these settlements; it cannot choose to participate in just Teva or just Allergan. If your state only participated in Teva, you can choose to participate only in Teva (and the Allergan Settlement is not available to you). And vice versa. A chart reflecting each state’s participation status with respect to each of the 2022 National Settlements is available here: <https://nationalopioidsettlement.com/state-participation-status/>.

5. How Many States Are Participating? Has “Critical Mass” Been Reached at the State Level?

The 2022 National Settlements are designed to incentivize higher participation rates. Each settlement provides two or more “critical mass” phases for each settling Defendant and/or the states to determine whether there is sufficient participation to make it worth proceeding with the settlement or, in the case of the Walmart Settlement, to meet minimum, objective participation thresholds.

Phase I has been met for each of the 2022 National Settlements, meaning that there was sufficient state-level participation to proceed to Phase II of the settlements regarding subdivisions. Teva, Allergan, and Walgreens each determined there was sufficient state participation to proceed to the second phase of those agreements. For the CVS Settlement, settling states on the “Enforcement Committee,” as well as CVS, determined there was sufficient state participation to proceed to the second of the settlement. For the Walmart Settlement, the “State Participation Threshold” was achieved (i.e., at least 45 of the 50 “Threshold States” joined the settlement), so that settlement will also proceed to its second phase.

A chart reflecting each state’s participation status with respect to each of the 2022 National Settlements is available here: <https://nationalopioidsettlement.com/state-participation-status/>.

6. What Steps Are Needed for a Subdivision to Opt In?

To participate, a subdivision must execute and submit a participation form **for each settlement** it wants to participate in. Participation forms must be executed and submitted on or **before April 18, 2023**, for subdivisions to be considered an “Initial Participating Subdivision” in a settlement. The participation forms will include a release (discussed below) and advance authorization for entry of a Master Dismissal of the released claims (if the settlement moves forward).

By executing and returning a participation form for a settlement: (1) the subdivision agrees to the terms of the applicable settlement agreement pertaining to subdivisions; (2) the subdivision releases all claims within the scope of such settlement; (3) the subdivision agrees to use monies it receives as required under such settlement; (4) the subdivision submits to the jurisdiction of the court where their state’s consent judgment is filed for purposes limited to that court’s role under such settlement; and (5) with respect to subdivisions who have filed lawsuits against any settling Defendant, the subdivision commits to promptly dismissing its legal action against that settling Defendant. By signing a participation form, the subdivision is authorizing the Plaintiffs’ Executive Committee (PEC) to file a dismissal on its behalf for any claims pending in the MDL. (For claims pending outside the MDL, the subdivision is obligated to dismiss those claims itself.) A link to an example of such dismissal may be found here:

<https://nationalopioidsettlement.com/wp-content/uploads/2023/01/form-of-Master-Stipulation-of-Dismissal.pdf>.

After April 18, 2023, the extent of subdivision participation will be used to determine whether participation for each deal is sufficient for the settlement to move forward and whether a state earns its maximum potential payment under the settlement. See FAQ #8 below. If the settlement moves forward, the release in the subdivision's participation form will become effective. If a settlement does not move forward, that release will not become effective.

There are three methods for returning the executed participation forms and any supporting documentation to the Implementation Administrator:

1. **Electronic Signature via DocuSign:** Executing the participation forms electronically through DocuSign will return the signed forms to the Implementation Administrator and associate a subdivision's forms with that subdivision's records. Electronic signature is the most efficient method for returning participation forms, allowing for more timely participation and the potential to meet higher settlement payment thresholds, and is therefore strongly encouraged.
2. **Manual Signature returned via DocuSign:** DocuSign allows forms to be downloaded, signed manually, then uploaded to DocuSign and returned automatically to the Implementation Administrator. Please be sure to complete all fields. As with electronic signature, returning manually signed participation forms via DocuSign will associate a subdivision's signed forms with that subdivision's records.
3. **Manual Signature returned via electronic mail:** If a subdivision is unable to return executed participation forms using DocuSign, signed participation forms may be returned via electronic mail to opioidsparticipation@rubris.com. Please include the name, state, and reference ID of your subdivision in the body of the email and use the following subject line:

Settlement Participation Forms – [Subdivision Name, Subdivision State] – [Reference ID]

Detailed instructions on how to sign and return the participation forms, including changing the authorized signer, can be found at <https://nationalopioidsettlement.com>. You may also contact opioidsparticipation@rubris.com.

7. What Are the Deadlines to Opt In to One or More of the 2022 National Settlements?

As discussed above in FAQ #5, the state participation phase of the settlements has resulted in sufficient state participation to move forward with subdivision participation phase. The applicable time periods and deadlines are set forth below in Chart A. These deadlines reflect agreed extensions beyond the dates provided for under the settlement agreements.

For each of the 2022 National Settlements, subdivisions will have until **April 18, 2023**, to execute and submit their participation forms and be considered an “Initial Participating Subdivision” in a settlement.

For the Teva, Allergan, Walgreens, and CVS Settlements, these settling Defendants will then have until May 18, 2023, to determine whether to proceed further with their respective settlements.³ The Walgreens and CVS Settlements include an intervening deadline (May 2, 2023) by which states are to determine whether there has been sufficient subdivision-level participation to proceed with those settlements.

Chart A

Settling Defendant	Initial deadline for subdivisions to participate in settlement	Deadline for states to determine whether to proceed	Deadline for settling Defendants to determine whether to proceed (Reference Date⁴)
Walmart	April 18, 2023		
Teva	April 18, 2023		May 18, 2023
Allergan	April 18, 2023		May 18, 2023
Walgreens	April 18, 2023	May 2, 2023	May 18, 2023
CVS	April 18, 2023	May 2, 2023	May 18, 2023

8. What Level of Subdivision Participation Is Necessary for the 2022 National Settlements to Become Effective?

³ Under the Walmart Settlement, each of the settling states will use reasonable efforts to ensure that, by April 18, 2023, the settling states have met the following “Subdivision Participation Thresholds” for the Walmart Settlement to become effective: (1) more than 85% of the aggregate population of all litigating subdivisions located in the settling states and separately settling states, and (2) more than 85% of the aggregate population of all non-litigating threshold subdivisions located in the settling states and separately settling states, (a) have become participating subdivisions, (b) are subject to a bar or case-specific resolution, or (c) have joined a settlement between Walmart and a separately settling state by executing a participation form, including a release.

⁴ In the Teva, Allergan, Walgreens, and CVS Settlements, the “Reference Date” refers to the date by which each respective settling Defendant is to determine whether there has been enough subdivision-level participation to proceed beyond the second phase of its settlement. (In the Walmart Settlement, the “Subdivision Participation Thresholds” are based on objective criteria, and there is thus no such “Reference Date.”)

Under the Teva, Allergan, Walgreens, and CVS Settlements, there is no set threshold of subdivision-level participation required for those settlements to become effective. As to the Teva and Allergan Settlements, once the deadline for subdivisions to participate has passed, these settling Defendants will determine whether there has been sufficient subdivision-level participation for these settlements to become effective. The Walgreens and CVS Settlements operate similarly to the Teva and Allergan Settlements, except that under those settlements, the settling states (Walgreens) or the “Enforcement Committee” representing the settling states (CVS) will first have the opportunity to determine whether there has been sufficient subdivision participation to proceed with these settlements. If so, then Walgreens and CVS are to determine whether they agree that sufficient subdivisions have participated in the settlements. The decisions of the Teva, Allergan, CVS, and Walgreens as to whether there has been adequate subdivision-level participation is in their sole discretion and must be made in good faith.

The Walmart Settlement is different in that the level of subdivision participation required for the settlement to become effective is based on objective criteria: (1) more than 85% of the aggregate population of all litigating subdivisions located in settling states, as well as states that have separately settled with Walmart, must agree to participate or otherwise have their claims fully released, **and** (2) more than 85% of the aggregate population of all non-litigating threshold subdivisions (defined to include subdivisions with populations greater than 30,000 or those with populations between 10,000 and 30,000 that have brought opioids-related claims against McKesson, Cardinal Health, AmerisourceBergen, or J&J) must agree to participate or otherwise have their claims fully released. The calculation of the aggregate populations of litigating subdivisions and non-litigating threshold subdivisions is on an aggregated basis and not a state-by-state basis. If these thresholds are met, then the Walmart Settlement will become effective.

9. Can Eligible States Opt In After the Deadlines for Doing So?

Except for the Walmart Settlement, eligible states may, under certain circumstances, join the 2022 National Settlements after the deadlines to do so. However, later joinder by eligible states requires the consent of the respective settling Defendant (and, if applicable, the State Enforcement Committee for such settlement). If an eligible state later joins a 2022 National Settlement, subdivisions within that state may also sign on and participate in such settlement but may receive lower total payments. Note that, with respect to the CVS and Walgreens Settlements, no eligible state may become a settling state after May 31, 2023, and June 30, 2023, respectively.

10. What Funds Will Be Available for Abatement?

The amounts to be paid under each 2022 National Settlement depend on the level of participation by eligible states and subdivisions. Each of the settlements requires the settling Defendant to make annual payments over a period of years consisting of base and

incentive payments. **Assuming maximum participation** by eligible states and subdivisions, **Chart B** below reflects the **highest** amounts to be paid by each settling Defendant, including the base, incentive, and total amounts for abatement.

Chart B

Settling Defendant	Abatement – Base	Abatement - Incentive	Abatement – Total	Other	Total
Teva	\$1,325,488,100 (45% of the Net Abatement Amount of \$2,945,529,111)	\$1,620,041,011 (55% of the Net Abatement Amount of \$2,945,529,111)	\$2,945,529,111	<ul style="list-style-type: none"> • Maximum cash conversion of Settlement Product if Settling State elects to convert all or a portion of its Settlement Product allocation into a cash payment (\$240,000,000)⁵ • Additional Restitution Amount (\$28,669,762) • Global Settlement Attorney Fee Amount of (\$366,335,847.76) 	\$3,580,534,720.76
Allergan	\$809,634,037.95 (45% of the Net Abatement Amount of \$1,799,186,751)	\$989,552,713.05 (55% of the Net Abatement Amount of \$1,799,186,751)	\$1,799,186,751	<ul style="list-style-type: none"> • Additional Restitution Amount (\$16,192,680.76) • Global Settlement Attorney Fee Amount (\$206,906,476.36) 	\$2,022,285,908.12
Walmart	\$909,641,765.08 (38% of Global Settlement Remediation Amount of \$2,393,794,118.64).	\$1,484,152,353.56 (62% of Global Settlement Remediation Amount of \$2,393,794,118.64).	\$2,393,794,118.64	<ul style="list-style-type: none"> • Subdivision Attorneys’ Fees, Expenses and Costs (\$297,720,376.93) • State Outside Counsel Fee Fund (\$16,006,471.88) • State Cost Fund (\$16,006,471.88) 	\$2,739,533,911.20

⁵ Under the Teva Settlement, Teva will offer up to \$1.2 billion of Teva’s generic version of the overdose reversal drug Narcan or, alternatively, provide cash at 20% of the \$1.2 billion wholesale acquisition cost “in lieu of product.”

				<ul style="list-style-type: none"> • Additional Remediation (\$16,006,471.88) 	
Walgreens	\$1,963,147,836 (41% of the Adjusted State Remediation Payment of \$4,788,165,456)	\$2,825,017,620 (59% of the Adjusted State Remediation Payment of \$4,788,165,456)	\$4,788,165,456	<ul style="list-style-type: none"> • Private Attorneys Fees (\$638,600,000) • State AG Fees and Costs (\$63,842,206) • Additional Remediation Amount (\$31,921,103) 	\$5,522,528,766
CVS	\$1,626,081,118 (38% of Maximum Remediation Payment of \$4,279,160,837)	\$2,653,079,719 (62% of Maximum Remediation Payment of \$4,279,160,837)	\$4,279,160,837	<ul style="list-style-type: none"> • Common Benefit and Subdivision Attorneys' Fees, Expenses and Costs (\$539,457,124) • State Outside Counsel Fee Fund (\$28,527,739) State Cost Fund (\$28,527,739) and Additional Remediation Amount (\$28,527,739) 	\$4,904,201,178

11. How Much Will a Settling State Receive in Base Payments Under the 2022 National Settlements?

As illustrated in Chart B above, approximately \$6.63 billion in base payments would be available to settling states. These base payments do not require a settling state to meet any specific participation benchmarks or conditions. Base payments will be paid out annually for distribution to each settling state according to its share of the abatement funds using the top-level state allocation model discussed below. Each state’s base payment is then allocated into the three sub-funds or according to a state-subdivision agreement, qualifying statute, or statutory trust, as explained below.

12. How Much Can a State Receive in Incentive Payments?

Under the 2022 National Settlements, approximately \$9.57 billion in abatement funds would be earmarked for “Incentive Payments” Although the criteria for Incentive Payments under each of the 2022 National Settlements are similar, there are differences in how they operate and when they accrue, as explained in FAQ #13 below.

13. How Do Incentive Payments Work?⁶

In each of the 2022 National Settlements, incentive payments are designed to reward states for increasing participation in the settlements by their subdivisions and/or taking steps to bar or otherwise resolve current and future subdivision litigation, but there are differences in how these incentive payments operate and when they accrue.

Eligibility for incentive payments is **state-specific**, meaning that eligibility for incentive payments, as well as the amount of such payments, depends on whether, and the extent to which, the applicable incentive criteria set forth in each of the 2022 National Settlements are met **in each such settling state**, irrespective of any other settling states.

- **Teva/Allergan**

The Teva and Allergan Settlements divide incentive payments into four categories: Incentives A, B, C, and D. Under the Teva Settlement, Incentives A-C would be due in installments over 12 years beginning with Payment Year 2, and Incentive D would be due in installments over 10 years beginning with Payment Year 4. Under the Allergan Settlement, Incentives A-C would be due in installments over 6 years beginning with Annual Payment 2, and Incentive D would be due in installments over 4 years beginning with Annual Payment 4. Under these settlements, if a settling state qualifies for Incentive A, it would receive the maximum payment allocable to the State for Incentives A-C. If a settling state does not qualify for Incentive A, it can alternatively qualify for Incentive B and/or Incentive C. A settling state can qualify for Incentive D regardless of whether it qualifies for another incentive payment.

Incentives A-D are generally as follows:

Incentive A: Full participation, or fully released claims, of (1) litigating subdivisions/special districts and (2) non-litigating subdivisions with populations greater than 10,000/non-litigating covered special districts.

Incentive B: Early participation, or released claims, by litigating subdivisions/special districts representing at least 75% of the settling state's litigating population.

Incentive C: Participation, or release of claims, by litigating **or** non-litigating primary subdivisions (defined as subdivisions with populations of 30,000 or more) representing more than 60% of the settling state's primary subdivision population (Part 1) and 100% of its 10 largest subdivisions by population (Part 2).

⁶ Note that these FAQs include certain terms that are specifically defined in the 2022 National Settlements. The definitions contained in the 2022 National Settlements are determinative.

Incentive D: No opioids-related lawsuits filed by subdivisions within the settling state against settling Defendants as of two look-back dates 2 years and 5.5 years after the “Preliminary Agreement Date.”

- **CVS**

Under the CVS Settlement, Incentives A-D are generally like the Teva and Allergan Settlements. But there are certain differences.

First, unlike the Teva and Allergan Settlements, Incentive A is **mutually exclusive** with Incentives B, C, and D, meaning that a settling state may either qualify for Incentive A, or Incentives B, C, and/or D. A settling state will be eligible for its full allocable share of the maximum amount available for incentive payments by either: (1) achieving Incentive A within 2 years of the Effective Date or (2) by fully earning Incentive B in each Payment Year it is available and earning Incentives C and D in a manner that produces that maximum possible combined amount from those two incentives.

Second, Incentive B requires early participation, or released claims, by litigating subdivisions representing at least 85% of the settling state’s litigating population.

Third, Incentive C requires participation, or release of claims, by at least 85% of the settling state’s litigating subdivisions **and** non-litigating threshold subdivisions (defined to include subdivisions with populations greater than 30,000 or subdivisions with populations between 10,000 and 30,000 that have brought an opioids-related claim against McKesson, Cardinal Health, AmerisourceBergen, or J&J).

Finally, there are five look-back dates for Incentive D: April 30 of Payment Years 6-10.

- **Walgreens**

Under the Walgreens Settlement, incentive payments are divided among three categories: Incentives A, BC, and D. Incentive A is mutually exclusive with Incentives BC and D; if a settling state receives Incentive A, such settling state is not eligible for Incentives BC or D.

Incentive A requires full participation from all litigating subdivisions, primary subdivisions (defined to include subdivisions with populations over 10,000), and certain special districts. Incentive BC is determined based on the percentage of the aggregate population of all the settling state’s litigating subdivisions and non-litigating threshold subdivisions (defined to include subdivisions with

populations greater than 30,000 or those with populations between 10,000 and 30,000 that have brought opioids-related claims against McKesson, Cardinal Health, AmerisourceBergen, or J&J) that have participated in the settlement or otherwise fully released their claims. A sliding percentage scale will determine the Incentive BC Payments under these settlement agreements.

Under the Walgreens Settlement, a settling state may earn Incentives A and BC in annual payments 2 through 15.

Finally, Incentive D (payments which are based on Incentive BC participation percentage) can be earned if there are no qualifying lawsuits surviving a threshold motion as of certain look-back dates prior to Incentive D payments being made. Any Incentive D payments would be made under the Walgreens Settlement during Payment Years 6-15.

- **Walmart**

Incentive payments under the Walmart Settlement operate similarly to incentive payments under the Walgreens Settlement. However, under the Walmart Settlement, Incentive Payments A and BC would be paid in (at most) three payments in Payment Years 1 through 3. Any Incentive D payments would be made during Payment Years 3-6.

14. If States or Subdivisions Elect to Participate in the 2022 National Settlements, When Will They Receive Abatement Fund Payments?

Participating states and subdivisions would receive abatement proceeds through annual payments continuing over a period of years. Chart C below sets forth, for each 2022 National Settlement, the date through which annual abatement payments would be made by the respective settling Defendant.

Chart C

Settling Agreement	Annual Abatement Payments Made Until
Teva Settlement	July 15, 2035
Allergan Settlement	July 15, 2029
Walmart Settlement	~July 15, 2028
Walgreens Settlement	December 31, 2036
CVS Settlement	June 30, 2032

15. How Will Settlement Proceeds Be Used?

Each of the 2022 National Settlements requires that at least 85% to 95.5% of abatement funds be used to fund opioid-remediation efforts, with at least 70% of abatement funds required to be used in connection with future opioid-remediation efforts. Chart D below sets forth, for each settlement, the minimum percentage of settlement payments disbursed to states and participating subdivisions that must be spent on “Opioid Remediation” and “future Opioid Remediation,” respectively. The 2022 National Settlements effectively define “Opioid Remediation” as including care, treatment, and other programs and expenditures (including reimbursement for past such programs or expenditures, except where the agreement restricts the use of funds solely to **future** Opioid Remediation) designed to (1) address the misuse and abuse of opioid products, (2) treat or mitigate opioid use or related disorders, or (3) mitigate other alleged effects of, including on those injured as a result of, the opioid epidemic. The 2022 National Settlements include broad and non-exhaustive lists of qualifying opioid-remediation expenditures.⁷

Chart D

Settling Defendant	Minimum Amount of Settlement Proceeds To Be Spent on Opioid Remediation	Minimum Amount of Settlement Proceeds To Be Spent on Future Opioid Remediation
Teva	85%	70%
Allergan	85%	70%
Walmart	85%	70%
Walgreens	95%	70%
CVS	95.5%; <i>provided, however, that the remaining 4.5% only may be spent outside of Opioid Remediation to the extent necessary to satisfy certain attorney fee agreements entered into by settling states.</i>	70%

16. How Will the State-Level Allocations Be Made?

Under the 2022 National Settlements, each of the settling Defendants would make annual payments consisting of base and incentive payments (described above). Calculation of the amounts distributed to each settling state (including the state and its settling subdivisions) starts with a top-level allocation among all states of the maximum potential payment. How much of that maximum amount each state will receive in any given year is then based on (1) which incentive payment categories that state qualifies for that year; and (2) whether amounts otherwise payable are offset or otherwise adjusted (see FAQ #18 below regarding offsets). Once the

⁷ If settlement proceeds are used for something other than “Opioid Remediation,” then the amounts and uses (including any use to pay attorneys’ fees and costs) must be publicly reported.

annual payment for a state is calculated, the further allocation of that state’s payment proceed as outlined below among that state’s (1) “State Fund”; (2) “Abatement Accounts Fund”/“Remediation Accounts Fund”; and (3) “Subdivision Fund.”

For purposes of the top-level maximum potential allocation discussed above, an “Overall Allocation Percentage” or “State Allocation Percentage” has been calculated for each 2022 National Settlement based on the states eligible to participate in such settlements. Within each eligible state, there is a “Subdivision Allocation Percentage” or “Subdivision and Special District Allocation Percentage,” set forth in Exhibit G to the respective 2022 National Settlements, which reflects the portion of a settling state’s Subdivision Fund that a subdivision would receive if it becomes a participating subdivision (in the absence of a state-subdivision agreement, qualifying statute, or statutory trust; see FAQ #17 below). The aggregate “Subdivision Allocation Percentage” or “Subdivision and Special District Allocation Percentage” for each state equals 100%.

These sub-percentages for each state are based on population, adjusted for the proportionate share of the impact of the opioid epidemic using reliable, detailed, and objective national data, including: (1) the amount of opioids shipped to the state; (2) the number of opioid-related deaths that occurred in the state; and (3) the number of people who suffer opioid use disorder in the state. Adjustments were made to reflect the severity of impact insofar as the oversupply of opioids had more deleterious effects in some locales than in others. Ultimately, the model allocates settlement funds in proportion to where the opioid crisis has caused harm.

17. How Will Settlement Funds Be Allocated Within a State?

Settlement proceeds will be allocated in accordance with the terms of any qualifying agreement between a state and its subdivisions, a qualifying statute, or a statutory trust. Otherwise, settlement proceeds will be allocated in accordance with default allocation terms set out in the respective 2022 National Settlements. Under these default terms, settlement proceeds will be allocated among three sub-funds for each settling state: (1) a State Fund; (2) an Abatement Accounts Fund or Remediation Accounts Fund; and (3) a Subdivision Fund.⁸ There are several important points to observe with respect to three sub-funds:

⁸ Non-litigating municipalities with a population under 10,000 and special districts will not receive direct allocations from the Subdivision Fund, unless an intrastate agreement provides otherwise. Moreover, a subdivision will not necessarily directly receive settlement funds by participating because decisions on how settlement funds will be allocated within a state may be subject to intrastate agreements or state statutes.

- The settlement agreements provide default allocations among the sub-funds (15% to the State Fund, 70% to the Abatement Accounts Fund/Remediation Accounts Fund, and 15% to the Subdivision Fund⁹). As noted above, these defaults can be changed on a state-by-state basis through a qualifying state-subdivision agreement, qualifying statute, or statutory trust.¹⁰
- Under the default set forth in the 2022 National Settlements, at least 50% of the annual spend from the Abatement Accounts Fund/Remediation Accounts Fund must be allocated at a **regional** level for settling states above a certain population. Each settling state will have an advisory committee—with equal representation from the state and local levels—to recommend how to spend the Abatement Accounts Fund/Remediation Accounts Fund.¹¹
- Certain large participating subdivisions also will be eligible to receive block grants from the Abatement Accounts Fund/Remediation Accounts Fund.
- A settling state also is free to direct all or a portion of its State Fund to its Abatement Accounts Fund/Remediation Accounts Fund. A participating subdivision listed in Exhibit G to the respective 2022 National Settlements also may choose to direct all or a portion of its allocation from the Subdivision Fund to the state’s Abatement Accounts Fund/Remediation Accounts Fund or to another participating subdivision.

18. Can a Defendant Take an Offset Against a Settlement Payment?

In each of the 2022 National Settlements, the settling Defendant is entitled to an offset for abatement/remediation payments that had been allocated to states that did not choose to participate in that settlement. In addition, Teva, Allergan, Walgreens, and CVS are entitled to dollar-for-dollar offsets for certain class resolution opt-outs, as well as payments made as a result of litigation bars, settlement class resolutions, or case-specific resolutions that are subsequently revoked, rescinded, or otherwise materially limited. Walgreens and CVS are also entitled to a dollar-for-dollar offset for certain taxes, assessments, or any other fees imposed by a settling state on Walgreens or CVS on the sale, transfer, or distribution of opioid products.

19. Will the Settlements Require Any Change to How the Defendants Operate Their Businesses?

⁹ As a default, amounts apportioned to a state’s Subdivision Fund would be distributed to participating subdivisions in that state listed on Exhibit G to the respective 2022 National Settlement, per the Subdivision Allocation Percentage listed in Exhibit G.

¹⁰ Allocation agreements/statutes have already been reached or enacted in several states.

¹¹ Spending from the Abatement Allocation Account Fund will be tracked and reported annually.

In addition to billions of dollars to be used for abatement of the effects of the opioid epidemic in communities across the nation, the proposed settlements provide for robust and meaningful injunctive relief that will require the settling Defendants to make significant changes to their business operations to address the opioid epidemic.

Teva and Allergan have agreed to strict limitations on their marketing, promotion, sale, and distribution of opioids, including a ban on: (1) promotion and lobbying; (2) rewarding or disciplining employees based on volume of opioid sales; and (3) funding or grants to third parties; and Teva and Allergan are also required to publicly disclose documents, including internal documents, related to their role in the opioid crisis. Allergan is also required to stop manufacturing and selling opioids for ten years, and Teva is required to create and maintain systems to prevent drug misuse, including suspicious order monitoring.

Walmart, CVS, and Walgreens are required to implement changes in how they handle opioids, including requirements that they: (1) maintain independent departments to oversee compliance with controlled-substance laws and the injunctive terms in the settlements; (2) ensure pharmacists exercise independent judgment in the dispensing of controlled substances; (3) create and maintain robust oversight programs, including site visits and audits, to prevent diversion; (4) monitor, report, and share data about suspicious activity related to opioid prescriptions; and (5) provide data to the states about their red-flag processes, as well as blocked and potentially problematic prescribers.

20. How Will Attorneys' Fees and Costs Be Addressed?

The overarching goal of these global settlements is to dedicate funds to abate opioid-related harms. If private lawyers who represent some of the states and thousands of subdivisions were to enforce their contingency fee contracts, then a significant portion of the global settlement payments would potentially go towards legal fees to compensate efforts to prosecute the lawsuits that are being resolved as to the settling Defendants. As a result, government entities that hired outside counsel to litigate against the settling Defendants would recover proportionately less than entities that did not litigate. To protect against this imbalance, and maximize the amounts available for abatement, the negotiating State Attorneys General, the Plaintiffs' Executive Committee (PEC) Negotiation Team, and the settling Defendants agreed that the settling Defendants will pay, and the parties will set aside, separate funds to compensate attorneys' fees and costs. These funds total approximately \$2.2 billion in connection with the Teva, Allergan, Walmart, Walgreens, and CVS Settlements. See the "Other" column within Chart B in FAQ #10 above for deal-specific amounts. These attorneys' fees include amounts for outside counsel representing participating states and participating subdivisions and are intended to cover both contingency and common benefit work.

21. How will more information on the settlements be made available?

Settlement documents, information, and updates will be posted on a public settlement website: <https://nationalopioidsettlement.com/>

The website will provide current information on an ongoing basis as the settlement implementation progresses. Some states have also set up their own websites to provide state-specific information.