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NPD AR-762-259

C Bruce Johnson Town Administrator

PO Box 157

East Montpelier, VT 05651

TO LOCAL POLITICAL SUBDIVISIONS: IMPORTANT INFORMATION ABOUT THE NATIONAL OPIOID SETTLEMENT. SUBDIVISIONS MUST SUBMIT SIGNED DOCUMENTATION TO PARTICIPATE. THE DEADLINE FOR PARTICIPATION TO MAXIMIZE SETTLEMENT BENEFITS IS JANUARY 2, 2022.

If your subdivision is represented by an attorney with respect to opioid claims, please immediately contact them.

SETTLEMENT OVERVIEW

After years of negotiations, two proposed nationwide settlement agreements (“Settlements”) have been reached that would resolve all opioid litigation brought by states and local political subdivisions against the three largest pharmaceutical distributors, McKesson, Cardinal Health and AmerisourceBergen (“Distributors”), and one manufacturer, Janssen Pharmaceuticals, Inc., and its parent company Johnson & Johnson (collectively, “Janssen”).

The proposed Settlements require the Distributors and Janssen to pay billions of dollars to abate the opioid epidemic. Specifically, the Settlements require the Distributors to pay up to \$21 billion over 18 years and Janssen to pay up to \$5 billion over no more than 9 years, for a total of \$26 billion (the “Settlement Amount”). Of the Settlement Amount, approximately \$22.7 billion is earmarked for use by participating states and subdivisions to remediate and abate the impacts of the opioid crisis:

The Settlements also contain injunctive relief provisions governing the opioid marketing, sale and distribution practices at the heart of the states’ and subdivisions’ lawsuits and further require the Distributors to implement additional safeguards to prevent diversion of prescription opioids.

Each of the proposed Settlements has two key participation steps. First, each state decides whether to participate in the Settlements. Vermont has joined both Settlements. Second, the subdivisions within each participating state must then decide whether to participate in the Settlements. Generally, the more subdivisions that participate, the greater the amount of funds that flow to that state and its participating subdivisions. Any subdivision that does not participate cannot directly share in any of the settlement funds, even if the subdivision’s state is settling and other participating subdivisions are sharing in settlement funds. However, if the individual subdivision does not participate, the allocated sums will go to the Abatement Fund.

This letter is part of the formal notice required by the Settlements.

WHY IS YOUR SUBDIVISION RECEIVING THIS NOTICE?

You are receiving this letter because Vermont has elected to participate in both of the national Settlements against (1) the Distributors, and (2) Janssen, and your subdivision may participate in the Settlements. This notice is being sent directly to subdivisions and also to attorneys for subdivisions that we understand are litigating against these companies. If you are represented by an attorney with respect to opioid claims, please immediately contact them. Please note that there is no need for subdivisions to be represented by an attorney or to have filed a lawsuit to participate in the Settlements.

WHERE CAN YOU FIND MORE INFORMATION?

This letter is intended to provide a brief overview of the Settlements. Detailed information about the Settlements may be found at: <https://nationalopioidsettlement.com/>. This national settlement website also includes links to information about how the Settlements are being implemented in your state and how settlement funds will be allocated within your state. This website will be supplemented as additional documents are created. The Vermont Attorney General's Office web site also contains information about the Settlements at: <https://ago.vermont.gov/opioid-settlement/>. Questions can also be directed to the Vermont Attorney General's Office at ago.opioidsettlement@vermont.gov.

HOW DO YOU PARTICIPATE IN THE SETTLEMENTS?

You must go to the national settlement website to register to receive in the coming weeks and months the documentation your subdivision will need to participate in the Settlements (if your subdivision is eligible). All required documentation must be executed and submitted electronically through the website and must be executed using the "DocuSign" service. As part of the registration process, your subdivision will need to identify, and provide the email address for, the individual who will be authorized to sign formal and binding documents on behalf of your subdivision.

Your unique Subdivision Identification Number to use to register is: 9QJPNA

HOW WILL SETTLEMENT FUNDS BE ALLOCATED IN EACH STATE?

The settlement funds are first divided among the participating states according to a formula developed by the Attorneys General that considers population and the severity of harm caused by the opioid epidemic in each participating state. Each state's share of the abatement funds is then further allocated within each state according to the default provisions in the agreements. Within the State of Vermont, the settlement funds are allocated into three (3) buckets. They are:

- 15% to state subdivisions to be used to abate the opioid crisis (the "Subdivision Fund");
- 15% to states to remediate for past expenses of the opioid crisis or for future abatement (the "State Fund"); and
- 70% to a statewide abatement fund (the "Abatement Fund").

Exhibit G of the Settlement Agreements provides the calculation of the relative allocation of funds available to the respective subdivision as a portion of the 15% subdivision settlement bucket. Further information is available from at the Vermont Attorney General's web site: <https://ago.vermont.gov/opioid-settlement/>.

You may be contacted by the Attorney General's Office with additional information regarding the allocation of settlement funds in the State of Vermont. Subdivisions with representation can expect information from their attorneys as well. We encourage you to review all materials and to follow up with any questions. The terms of these Settlements are complex, and we want to be sure you have all the information you need to make your participation decision.

WHY YOU SHOULD PARTICIPATE

A vast majority of states have joined the Settlements, and attorneys for many subdivisions have already announced support for them. For example, the Plaintiffs' Executive Committee, charged with leading the litigation on behalf of more than 3,000 cities, counties and others against the opioid industry, and consolidated in the national multi-district litigation ("MDL") pending before Judge Dan Aaron Polster in the Northern District of Ohio, recommends participation in these Settlements. It is noted that Vermont cities and towns who did not participate in the MDL have the same opportunity to receive settlement proceeds as those jurisdictions that filed a lawsuit.

Subdivision participation is strongly encouraged, for the following reasons:

First, the amounts to be paid under the Settlements, while insufficient to abate the epidemic fully, will allow state and local governments access to funds designed to curb opioid addiction, overdose and death;

Second, time is of the essence. The opioid epidemic continues to devastate communities around the country. These settlement processes will provide funds to address the epidemic in our communities;

Third, if there is not sufficient subdivision participation in these proposed Settlements, the Settlements will not be finalized, the important business practice changes will not be implemented, the billions of dollars in abatement funds will not flow to communities, and more than 3,000 cases may be sent back to their home courts for trial, which will take many years;

Fourth, the extent of participation by subdivisions litigating in Vermont and those whose populations exceed 10,000, also will determine how much money each state and its local subdivisions will receive because approximately half of the abatement funds are in the form of "incentive payments," *i.e.*, the higher the participation of subdivisions in a state, the greater the amount of settlement funds that flow into that state;

Fifth, you know first-hand the effects of the opioid epidemic on your community. Funds from these Settlements will be used to help abate the crisis and provide relief in the State of Vermont while litigation and settlement discussions proceed against other defendants in the opioid industry;

Sixth, because pills do not respect boundaries, the opioid epidemic is a national crisis that needs a national solution.

NEXT STEPS

These Settlements require that you take affirmative steps to “opt in” to the Settlements. If you do not act, you will not receive any settlement funds. If litigating subdivisions and those in excess of 10,000 citizens do not “opt in,” we will not be able to achieve the participation thresholds necessary to maximize the amount of available abatement funds to our state.

First, register your subdivision on the national settlement website so that information and documents required to participate can be sent to you. You will need the email address of the person who will be authorized to sign on behalf of your subdivision. This is the only action item needed at this time.

Second, have your authorizing person(s) or body begin to review the materials on the websites concerning the settlement agreement terms, allocation and other matters. Develop a list of questions for your counsel or the Attorney General’s Office. In the very near future, your subdivision will need to begin the process of deciding whether to participate in the proposed Settlements, and subdivisions are encouraged to work through this process well before the January 2, 2022, deadline to be an initial participating subdivision. Again, the Attorney General’s Office, your counsel, and other contacts within the state are available to discuss the specifics of the Settlements within your state, and we encourage you to discuss the terms and benefits of the Settlements with them.

Third, monitor your email for further communications, which will include a Participation Agreement, Release, (where applicable) a model Resolution, and instructions on executing using DocuSign.

We urge you to view the national settlement website and the Vermont Attorney General’s web page at <https://ago.vermont.gov/opioid-settlement/> at your earliest convenience. These web sites contain information and documents regarding the national Settlements. Questions about the settlements can also be directed to the Vermont Attorney General’s Office at ago.opioidsettlement@vermont.gov.