State of Oregon – Final Term Sheet
RE Opioid Settlements and Allocation Agreement

The following term sheet contains some of the proposed terms to be encompassed in a final, definitive settlement agreement. The purpose of the term sheet is to determine if we have sufficient acknowledgement of summary terms so as to proceed to final documentation. The state and the city/county representatives and legal counsel expressly acknowledge that there is no deal or agreement until final, definitive documentation has been fully executed.

- "Local Governments" means all counties and cities in the state of Oregon.
- "Litigating Local Governments" means the Counties of Clackamas, Clatsop, Columbia, Coos, Curry, Jackson, Josephine, Lane, Multnomah, Washington, Yamhill, and the City of Portland.

Allocation of Opioid Settlement Funds

- 45% of total settlement funds directly to the State ("State Fund")
- 55% of total settlement funds directly to Local Governments ("Local Government Fund")
    - Funds will be allocated amongst the cities and counties based upon the MDL Metrics only, without adjustment.
    - Cities may elect direct payment to counties.

State Back-Stop/Attorney Fees

- To effectuate a State Back-Stop Agreement as outlined in the MDL Fees Order, an agreement in the form of Attachment 1 may be entered into by a Litigating Local Government, private counsel, and the Oregon Attorney General. The Oregon Attorney General shall, upon the request of a Litigating Local Government, execute any agreement executed by a Litigating Local Subdivision and its private counsel if it is in the form of Attachment 1.

- For the avoidance of doubt, this agreement does not require a Litigating Local Government to request or enter into a State Back-Stop Agreement, and no State Back-Stop Agreement shall impose any duty or obligation on the State of Oregon or any of its agencies or officers, including without limitation the Attorney General.

Use of Local Government Funds

- Local Governments commit to use all funds, except Backstop Funds, for future opioid abatement per Exhibit E of the national settlement agreements ("Approved Abatement Uses").

Limitations on the use of State Funds

- The State Fund will be deposited in a Prevention, Treatment and Recovery Fund ("PTR Fund"), overseen by a PTR Board, which shall be used for:
    - Administration of the PTR Fund and Board;
    - Development of a unified and evidence-based state system for collecting, analyzing and publishing data about the availability and efficacy of substanceuse prevention, treatment and recovery services across the state; and
    - Funding statewide and regional Approved Abatement Uses.
- The State and Local Governments shall have equal representation and voting poweron the PTR Board.
- Note that the State will need to obtain legislative authority to create the PTR Fundand the Board.

Medicaid Clawback

- If a Medicaid clawback occurs, payment of the clawback to the federal governmentwill be deducted from Oregon's total combined settlement funds prior to distribution of the remaining settlement funds to the State Fund and Local Government Fund.

Reporting

- As is required under the national settlement agreements, any distributions to state and local governments that are not used for Approved Abatement Uses must be reported to the Settlement Fund Administrator, which information will be made publicly available.
- The State and Local Governments shall maintain and provide detailed records of expenditures as follows [TBD in final agreement].

Release of Claims

- All parties agree to release all claims and to participate in the Distributor and J&J settlement agreements.

Applicability

- This agreement applies to all funds received by Oregon for the McKesson, Cardinal Health and AmerisourceBergen ("Distributors"), and manufacturer Janssen Pharmaceuticals, Inc. and its parent company Johnson & Johnson (collectively, "J&J") settlements. In addition, the allocation percentage contain herein (45% to the State of Oregon, 55% to OR Subdivision Fund), shall apply to future multistate Opioid Settlements with Distributors, Manufacturers, and Pharmacies, subject to consideration of other terms of such settlements that impact allocation considerations. For the Purdue bankruptcy, the allocation shall only apply to Oregon's share under the plan confirmed by Judge

Drain on September 17, 2021, and shall not apply to any increased amount paid to Oregon that might result from Oregon and other states' appeal of the plan's confirmation. The allocation percentages shall not apply to cases brought by Oregon as an individual state.

Enabling Legislation

- The State and Local Governments commit to cooperate in drafting and promoting the passage of legislation necessary to effectuate this agreement.

Attachment 1

OREGON LITIGATING GOVERNMENT BACKSTOP AGREEMENT

On August 6, 2021, Judge Polster of the US District Court for the Northern District of Ohio issued an Order (the Order), docket number 3814, in In Re National Prescription Opiate Litigation, MDL 2804, addressing contingent attorney fee contracts between political subdivisions eligible to participate in the Distributors Settlement and their counsel.

In light of the Order, and at the request of [SUBDIVISION], the [SUBDIVISION], its counsel [COUNSEL], and the Oregon Attorney General, on behalf of the State of Oregon, are entering into this Oregon Litigating Government Backstop Agreement (Backstop Agreement).

[SUBDIVISION] and [COUNSEL] intend this Backstop Agreement to constitute a State Back-Stop Agreement as that term is used in the Order and in Exhibit R (Agreement on Attorneys' Fees, Expenses and Costs) of the Distributor Settlement Agreement.

Pursuant to this Backstop Agreement, [SUBDIVISION] may, subject to the limitations of the Distributor Settlement Agreement and [Oregon Allocation Agreement], as well as any other limitations imposed by law, use funds that it receives from the Distributor Settlement Fund to pay a contingent fee to [COUNSEL]. Any such payment from [SUBDIVISION] to [COUNSEL], together with any contingency fees that [COUNSEL] may receive from the national Attorney Fee Fund, will not exceed a total contingency fee of [PERCENTAGE NOT TO EXCEED 12%] of the total gross recovery of [SUBDIVISION] from the Distributors Settlement ("Share for Fee Purposes"), but in no event shall the Litigating Local Government's share of the contingent fee exceed $2,500,000.

[COUNSEL] certify that they first sought fees and costs from the Attorney Fee Fund created under the Distributor Settlement Agreement before seeking or accepting payment under this backstop agreement. [COUNSEL] further certify that they are not seeking and will not accept payment under this backstop agreement of any litigation fees or costs that have been reimbursed through prior settlements or judgments. The parties agree that the contingency fee paid to [COUNSEL] pursuant to this State Backstop Agreement shall be paid in accordance with the national fund payment schedule (over 7 years). For the purpose of calculating allowed contingency fees only, each Litigating Local Government's share will be calculated by applying the MDL metrics to 50% of Oregon's gross recovery under the Distributor and J&J settlements ("Share for Fee Purposes").

The Attorney General is executing this agreement solely because the definition of "State Back-Stop Agreement" in Exhibit R of the Distributor Settlement Agreement requires such agreements to be between "a Settling State" and private counsel for a participating subdivision. Neither the Oregon Attorney General nor the State of Oregon have any obligations under this Backstop Agreement, and this Backstop Agreement does not require the payment of any state funds to [SUBDIVISION], [COUNSEL], or any other party.

[SUBDIVISION SIGNATURE BLOCK]
[COUNSEL SIGNATURE BLOCK]
ATTORNEY GENERAL SIGNATURE BLOCK]