

**SETTLEMENT AGREEMENT AND**  
**FULL RELEASE OF ALL CLAIMS**

**I. Overview**

This Settlement Agreement is made and entered into this <sup>25<sup>th</sup></sup> day of May 2023 between Walgreens (defined below) and the State of Michigan (“Michigan” or the “State”), acting through its Attorney General (the “Attorney General”).

The State filed its amended complaint in this Action (defined below) on July 7, 2021, alleging, among other things, that Walgreens violated the law by (i) failing to monitor, report, and abstain from shipping allegedly suspicious orders of opioid pain medications, and (ii) dispensing opioid pain medications without confirming those prescriptions were issued for a legitimate medical purpose. The State asserted Claims for damages, injunctive relief, equitable abatement, including an abatement plan consisting of past and future costs to abate the harms allegedly caused by opioid addiction and overuse, attorneys’ fees, litigation costs, and other relief. The State brought this Action in its sovereign capacity as the people’s attorney in order to protect the public interest, including the interests of the State of Michigan and its residents.

Numerous Michigan Local Governments have filed actions in various forms against Walgreens, among others, raising claims or allegations concerning, related to, based upon, or in connection with the Alleged Harms (defined below) and/or Covered Conduct (defined below);

There are numerous Michigan Local Governments that have not filed actions against Walgreens, but may in the future raise claims or allegations concerning, related to, based upon, or in connection with the Alleged Harms and/or Covered Conduct;

Walgreens (i) denies each and all of the Claims and allegations of wrongdoing made by the State in this Action and by the Local Governments in Their Actions and maintains that it has meritorious defenses; (ii) denies all assertions of wrongdoing or liability against Walgreens arising out of any of the conduct, statements, acts, or omissions alleged, or that could have been alleged, in this Action and contends that the factual allegations made in this Actions relating to Walgreens are false and materially inaccurate; (iii) denies that the State or any person or entity in Michigan was harmed by any conduct of Walgreens alleged in this Action or any similar action; (iv) denies liability, expressly denies any wrongdoing, and denies it violated any federal or state statute, regulation, or common law; and (v) maintains that Walgreens would be able to successfully defend against the State’s claims and allegations at trial;

The Parties have each investigated the facts and analyzed the relevant legal issues. The Parties have reached this Settlement to avoid the expense, delay, and uncertainty of litigation. The State has concluded that the terms of the Settlement are fair, reasonable, adequate, and in the best interest of the State of Michigan, the Local Governments its citizens, and residents;

The Parties agree that neither this Agreement nor any statement made in the negotiation shall be deemed or construed to be a concession as to any claim, an admission, evidence of any violation of any statute, law, rule or regulation, evidence of any liability, fault or wrongdoing by

Walgreens, or evidence of the truth, falsity, merit, or lack of merit of any of the allegations in this Action or any other action, or any defense thereto;

This Settlement Agreement is a product of arm's length settlement negotiations between the duly authorized representatives of the Parties;

IT IS AGREED by the Parties, by and through their respective counsel, that all Released Claims shall be finally and fully settled and released as to the Releasees (defined below), as set forth below.

## **II. Definitions**

A. "Action" means the lawsuit filed by the State in the Circuit Court for the County of Wayne, State of Michigan, captioned *State of Michigan ex rel. Dana Nessel, Attorney General v. Cardinal Health, Inc. et al.* (No. 2019-016896-NZ).

B. "Additional Remediation Amount." A total of \$138,000,000 to be paid by Walgreens in connection with this Agreement separate and apart from the Walgreens National Opioids Settlement.

C. "Agreement," "Settlement," or "Release" refers to this Settlement Agreement and Release, together with any exhibits attached hereto.

D. "Alleged Harms" means the alleged past, present, and future financial, societal, and related expenditures arising out of the alleged misuse and abuse of Products, non-exclusive examples of which are described in the documents listed on Exhibit A, including those expenditures that have allegedly arisen as a result of the physical and bodily injuries sustained by individuals suffering from opioid-related addiction, abuse, death, and other related diseases and disorders, and that have allegedly been caused by Walgreens.

E. "Claim" means any past, present or future cause of action, claim for relief, cross claim or counterclaim, theory of liability, demand, derivative claim, request, assessment, charge, covenant, damage, debt, lien, loss, penalty, judgment, right, obligation, dispute, suit, contract, controversy, agreement, promise, performance, warranty, omission, or grievance of any nature whatsoever, whether legal, equitable, statutory, regulatory or administrative, whether arising under federal, state or local common law, statute, regulation, guidance, ordinance or principles of equity, whether filed or unfiled, whether asserted or unasserted, whether known or unknown, whether accrued or unaccrued, whether foreseen, unforeseen or unforeseeable, whether discovered or undiscovered, whether suspected or unsuspected, whether fixed or contingent, and whether existing or hereafter arising, in all such cases, including, but not limited to, any request for declaratory, injunctive, or equitable relief, compensatory, punitive, or statutory damages, absolute liability, strict liability, restitution, remediation, subrogation, contribution, indemnity, apportionment, disgorgement, reimbursement, attorney fees, expert fees, consultant fees, fines, penalties, expenses, costs or any other legal, equitable, civil, administrative, or regulatory remedy whatsoever.

F. “Claim-Over” means a Claim asserted by any entity not a Releasor against a Releasee on the basis of contribution, indemnity, or other claim-over on any theory relating to Claims arising out of or related to Alleged Harms and/or Covered Conduct (or conduct that would be Covered Conduct if engaged in by a Releasee) asserted by any Releasor.

G. “Consent Judgment” means a consent decree, order, judgment, or similar action in connection with this Agreement, which provides for the release set forth below and the dismissal with prejudice of the Action and Released Claims that the State has brought against Releasees, on the terms and conditions specified herein and as reflected in Exhibit B of this Agreement.

H. “Covered Conduct” means any actual or alleged act, failure to act, negligence, statement, error, omission, breach of any duty, conduct, event, transaction, agreement, misstatement, misleading statement or other activity of any kind whatsoever from the beginning of time through the execution of this agreement (and any past, present, or future consequence of any such act, failure to act, negligence, statement, error, omission, breach of duty, conduct, event, transaction, agreement, misstatement, misleading statement or other activity) relating in any way to: (1) compounding, counseling and documentation relating to any Product or class of Products; (2) the discovery, development, manufacture, packaging, repackaging, marketing, promotion, advertising, labeling, recall, withdrawal, distribution, delivery, monitoring, reporting, supply, sale, prescribing, dispensing, physical security, warehousing, use or abuse of, or operating procedures relating to, any Product, or any system, plan, policy or advocacy relating to any Product or class of Products, including, but not limited to, any unbranded promotion, marketing, programs, or campaigns relating to any Product or class of Products; (3) the characteristics, properties, risks, or benefits of any Product; (4) the reporting, disclosure, non-reporting or nondisclosure to federal, state or other regulators of orders placed with any Releasee; or (5) diversion control programs or suspicious order monitoring.

I. “Compensatory Remediation Amount” means the total of the National Settlement Remediation Amount and the Additional Remediation Amount to be paid by Walgreens in connection with this Agreement, subject to the allocation and use restrictions set forth in Section IV of this Agreement.

J. “Cure Period” has the meaning specified in Section VI.C of this Agreement.

K. “Execution Date” means the date on which this Agreement is executed by the last Party to do so.

L. “Effective Date of the Release” means the date on which the Court enters the Consent Judgment.

M. “Litigating Local Government” means a Local Government (or Local Government official) that has brought any Released Claim against any Releasee on or before the Execution Date.

N. “Local Government” means entities located within the geographic boundaries of the State of Michigan and identified in Exhibits C or G of the Walgreens National Opioids Settlement.

O. "MDL Common Benefit Fund" The Common Benefit Fund established by the United States District Court for the Northern District of Ohio Eastern Division, Case No. 1:17-md-2804, Judge Dan Aaron Polster in its orders of July 22, 2021, MDL Docket No. 3794, and May 9, 2022, MDL Docket No. 4428.

P. "National Settlement Amount" means the payments paid through the Walgreens National Opioids Settlement as set forth in the Walgreens National Opioids Settlement, consistent with the terms of the Walgreens National Opioid Settlement.

Q. "National Settlement Attorney Fees and Costs Amount" means the payments for attorney fees and costs totaling up to \$24,795,790 to be paid by Walgreens through the Walgreens National Opioids Settlement as set forth in the Walgreens National Opioids Settlement.

R. "National Settlement Remediation Amount" means the payments totaling up to \$175,204,210 to the State to be used for Opioid Remediation some or all of which may be paid through the Walgreens National Opioids Settlement as set forth in the Walgreens National Opioids Settlement.

S. "Non-Litigating Local Government" means a Local Government that is not a Litigating Local Government.

T. "Non-Participating Local Government" means a Local Government that is not a Participating Local Government.

U. "Notice Designees" has the meaning specified in Section VI.E of this Agreement.

V. "Participating Local Government" means a Local Government that executes a participation form attached as Exhibit C.

W. "Parties" means Walgreens together with the State.

X. "Product" means any chemical substance, whether licit or illicit, whether used for medicinal or non-medicinal purposes, and whether natural, synthetic, or semi-synthetic, or any finished pharmaceutical product made from or with such substance, that is: (1) an opioid or opiate, as well as any product containing any such substance; or (2) a benzodiazepine, a muscle relaxer, zolpidem, or gabapentin; or (3) a combination or "cocktail" of chemical substances prescribed, sold, bought or dispensed to be used together that includes opioids or opiates. "Product" shall include, but is not limited to, any substance consisting of or containing buprenorphine, codeine, fentanyl, hydrocodone, hydromorphone, meperidine, methadone, morphine, oxycodone, oxymorphone, tapentadol, tramadol, opium, heroin, carfentanil, diazepam, estazolam, quazepam, alprazolam, clonazepam, oxazepam, flurazepam, triazolam, temazepam, midazolam, chlordiazepoxide, clobazam, clorazepate, flurazepam, lorazepam, temazepam, carisoprodol, cyclobenzaprine, orphenadrine, tizanidine, gabapentin, or any variant of these substances or any similar substance.

Y. "Releasees" means with respect to Released Claims, Walgreens and (1) all past and present subsidiaries, divisions, predecessors, successors, and assigns (in each case, whether direct

or indirect) of Walgreens; (2) all past and present subsidiaries and divisions (in each case, whether direct or indirect) of any entity described in subsection (1); (3) the respective past and present officers, directors, members, trustees, and employees of any of the foregoing (each for actions that occurred during and related to their work for, or employment with, any of Walgreens or the foregoing entities); (4) all past and present joint ventures (whether direct or indirect) of Walgreens or its subsidiaries, including in any Walgreens or subsidiary's capacity as a participating member in such joint venture; (5) all direct or indirect parents and shareholders of Walgreens (solely in their capacity as parents or shareholders of Walgreens with respect to Covered Conduct); and (6) any insurer of Walgreens or any person or entity otherwise described in subsections (1)-(5) (solely in its role as insurer of such person or entity). Any person or entity described in subsections (3)-(6) shall be a Releasee solely in the capacity described in such clause and shall not be a Releasee with respect to its conduct in any other capacity. Any entity acquired, or joint venture entered into, by Walgreens after the Effective Date is not a Releasee.

Z. "Released Claims" means any and all Claims that directly or indirectly are based on, arise out of, or in any way relate to or concern the Covered Conduct and/or Alleged Harms occurring prior to the Effective Date of the Release. Without limiting the foregoing, Released Claims include any Claims arising out of, or relating to, in whole or in part, the Covered Conduct and/or Alleged Harms, and any such Claims that were, could be or could have been asserted now or in the future in this Action or in any comparable action or proceeding brought by the State (whether judicial, arbitral, or administrative) or any of its Local Governments. Released Claims also include all Claims asserted in any proceeding to be dismissed pursuant to this Agreement, whether or not such Claims relate to Covered Conduct and/or Alleged Harms. The Parties intend that "Released Claims" be interpreted broadly. This Agreement does not release Claims by private individuals for any of their own damages for alleged personal injuries arising out of their use of any Product or any criminal liability on the part of the Releasee. It is the intent of the Parties that Claims by private individuals be treated in accordance with applicable law.

AA. "Releasor" means the State of Michigan, including without limitation all of its executive departments, agencies, divisions, boards, commissions, instrumentalities of any kind, and officers, including the Attorney General, both as a person and on behalf of all Michigan residents, and any person in his or her official capacity whether elected or appointed to serve any of the foregoing and any agency, person, or other entity claiming by or through any of the foregoing; (2) without limitation and to the maximum extent of the power of each of the State, and the Michigan Attorney General, to release Claims, any person or entity acting in a parens patriae, sovereign, quasi-sovereign, private attorney general, qui tam, taxpayer, or other capacity seeking relief on behalf of or generally applicable to the general public with respect to the State of Michigan

BB. "Settlement Amount" has the meaning set forth in Section III.A of this Agreement.

CC. "Settlement Payment" means Walgreens's payment of the Settlement Amount as provided in this Agreement.

DD. "State" means the State of Michigan, acting through its Attorney General or designee.

EE. “Third Party” means any person or entity other than Walgreens.

FF. “Walgreens” means Walgreen Co.

GG. “Walgreens National Opioids Settlement” The Settlement Agreement between Walgreens and various settling states and participating subdivisions executed on December 9, 2022.

### **III. Settlement Consideration**

A. **Payment of Settlement Amount.** Walgreens shall pay the State the sum of up to three hundred thirty-eight million dollars (\$338,000,000) (the “Settlement Amount”). The Settlement Amount includes the National Settlement Amount and the Additional Remediation Amount of \$138,000,000.

B. **Participation in National Settlement.** The State of Michigan shall participate in the Walgreens National Opioids Settlement agreement and become a Participating State (as that term is defined in the Walgreens National Opioids Settlement). If the Walgreens National Opioids Settlement does not become effective, Walgreens shall pay the National Settlement Amount attributable to the State of Michigan pursuant to terms and conditions of the Walgreens National Opioids Settlement, including the base and incentive payment structure set forth under Section IV of said Settlement.

C. **Payment Schedule.** Walgreens shall pay the Additional Remediation Amount via wire transfer pursuant to wiring instructions which shall be provided to Walgreens by the State's outside counsel on the State's behalf, consistent with the annual amounts under the schedule set forth below:

Payment Number	Payment Date	Additional Remediation Amount Payment
1	6/1/2023	\$9,000,000.00
2	6/1/2024	\$10,000,000.00
3	6/1/2025	\$10,000,000.00
4	6/1/2026	\$10,000,000.00
5	6/1/2027	\$10,000,000.00
6	6/1/2028	\$5,000,000.00
7	6/1/2029	\$5,000,000.00
8	6/1/2030	\$5,000,000.00
9	6/1/2031	\$5,000,000.00
10	6/1/2032	\$5,000,000.00
11	6/1/2033	\$5,000,000.00
12	6/1/2034	\$5,000,000.00
13	6/1/2035	\$5,000,000.00
14	6/1/2036	\$10,000,000.00
15	6/1/2037	\$10,000,000.00
16	6/1/2038	\$10,000,000.00
17	6/1/2039	\$10,000,000.00
18	6/1/2040	\$9,000,000.00
Total		\$138,000,000.00

D. **Implementation of Terms for Injunctive Relief.** As part of the Consent Judgment, the Parties agree to the entry of the injunctive relief terms attached in the Walgreens National Opioid Settlement, Exhibit P. For the avoidance of doubt, the Parties shall not seek entry of an Amended Consent Judgment imposing injunctive relief terms that match but do not exceed the injunctive relief terms imposed in any executed National Settlement until the later of (i) the Injunctive Terms Implementation Date, as defined in Walgreens's National Settlement, or (ii) the injunctive relief terms imposed in Walgreens's executed National Settlement have become effective. If no National Settlement has been executed within one year of the Effective Date of the Release, then Walgreens shall implement the terms set forth in Exhibit D to this Agreement instead.

E. **No Other Payments.** Other than the Settlement Amount, the Releasees shall have no obligation to make any further or additional payments in connection with Claims for Alleged Harms and/or Covered Conduct or this Settlement Agreement. Walgreens shall have no duty, liability, or influence of any kind with respect to the apportionment and use of the payments hereunder. The State specifically represents, however, that any such apportionment shall be made in accordance with the terms of this Agreement and all applicable laws.



**F. Nature of Payments.** Each of the Parties acknowledges, agrees and understands that, notwithstanding anything to the contrary in this Agreement, for purposes of Section 162(f) of the Internal Revenue Code, the Compensatory Remediation Amount paid by Walgreens (a minimum of \$285,604,210, up to \$313,204,210 to be paid out over eighteen years) constitutes restitution or remediation, as defined in Treasury Regulation § 1.162-21(e)(4), for damage or harm allegedly caused by the potential violation of a law and is an amount paid for the purpose of remediating the damage or harm allegedly caused, including to restore the State to the same or substantially similar position or condition as existed prior to such damage or harm allegedly caused. The Parties acknowledge, agree and understand that only the National Settlement Attorney Fees and Costs Amount (\$24,795,790) represent reimbursement to the State or any other person or entity for the fees and costs of any investigation or litigation, that no portion of the Compensatory Remediation Amount represents reimbursement to the State or any other person or entity for the fees and costs of any investigation or litigation, and no portion of the Compensatory Remediation Amount represents or should properly be characterized as the payment of fines, penalties or other punitive assessments. The State shall complete and file Form 1098-F with the Internal Revenue Service identifying \$138,000,000 as remediation/restitution amounts and shall furnish Copy B of such Form 1098-F to Walgreens and shall otherwise fully comply with the requirements of Section 6050X of the Internal Revenue Code and all treasury regulations relating to that provision of the Internal Revenue Code. With respect to the National Settlement Remediation Amount portion of the Compensatory Remediation Amount, consistent with Section V.F of the Walgreens National Opioids Settlement, the Designated State (as that term is defined in the Walgreens National Opioids Settlement) shall complete and file Form 1098-F with the Internal Revenue Service identifying the National Settlement Attorney Fees and Costs Amount as amounts to be paid for violation or potential violation of law, and shall furnish Copy B of such Form 1098-F to Walgreens and shall otherwise fully comply with the requirements of Section 6050X of the Internal Revenue Code and all Treasury regulations relating to that provision of the Internal Revenue Code. Walgreens makes no warranty or representation to the State, and the State makes no warranty or representation to Walgreens, as to the tax consequences of the Settlement Amount or the Settlement Product or any portion thereof. The State notifies Walgreens, and Walgreens acknowledges, that applicable law requires Walgreens to furnish its federal taxpayer identification number(s) to the State for inclusion on IRS Form 1098-F and that Walgreens may be subject to a penalty for failure to furnish taxpayer identification number(s). Walgreens shall furnish such number(s) by providing the State a completed IRS Form W-9 within 7 days of the Effective Date. Walgreens shall also provide such other information as may be requested by Michigan to enable it to comply with any reporting requirements for payments made pursuant to this Agreement that are imposed by applicable law.

**G. Solvency.** Walgreens warrants that, as of the date of this Agreement, it is not insolvent nor will its Settlement Payment or Implementation of Terms for Injunctive Relief render it insolvent within the meaning of and/or for the purposes of the United States Bankruptcy Code. If (i) a case is commenced with respect to Walgreens under Title 11 of the United States Code (Bankruptcy), or a trustee, receiver, or conservator is



appointed under any similar law, and (ii) a court of competent jurisdiction enters a final order determining the Settlement Payment to be a preference, voidable transfer, fraudulent transfer, or similar transaction, and (iii) pursuant to an order of a court of competent jurisdiction monies paid by Walgreens pursuant to this Settlement are either not delivered or are returned to Walgreens or the trustee, receiver, or conservator appointed by a court in any bankruptcy proceeding with respect to Walgreens, then the releases given pursuant to this Settlement shall be null and void. Walgreens and any Releasee reserve any and all rights and defenses with respect to any Claims or cause of action asserted by Plaintiffs in the event of any insolvency proceeding, receivership, or bankruptcy proceeding.

#### **IV. Allocation and Use of Settlement Payments**

A. **Use of National Settlement Remediation Amount.** The National Settlement Remediation Amount shall be used in the manner and restricted as provided in the Walgreens National Opioids Settlement.

B. **Use of Additional Remediation Amount.** It is the intent of the Parties that the entire Additional Remediation Amount be used for Opioid Remediation, as defined by the Walgreens National Opioids Settlement. While disfavored by the Parties, Michigan may use monies from the Additional Remediation Amount (that have not been restricted by this Agreement solely to future Opioid Remediation) for purposes that do not qualify as Opioid Remediation. In no event may less than eighty percent (80%) of the Additional Remediation Amount, which amount is a minimum of \$110,400,000 over the entirety of all payments, be spent on Opioid Remediation.

1. If, at any time, Michigan uses any monies from the Additional Remediation Amount for a purpose that does not qualify as Opioid Remediation, Michigan shall identify such amounts and report to Walgreens how such funds were used, including if used to pay attorneys' fees, investigation costs, litigation costs, or costs related to the operation and enforcement of this Agreement, respectively. For the avoidance of doubt, any amounts not identified under this Section IV as used for purposes that do not qualify as Opioid Remediation, including to pay attorneys' fees, investigation costs, or litigation costs, by December 15 each year, shall be considered by Walgreens as included in the Additional Remediation Amount for purposes of Section III.F.

#### **V. Participation by Local Governments**

A. **Representation and Warranty Regarding Subdivision Participation.** The State represents and warrants that it will utilize all best efforts to obtain participation in the Walgreens National Opioid Settlement from all Local Governments and will comply with the obligations related to Local Government participation contained therein.

**B. Cooperation with Dismissal of Local Government Claims.** The State agrees that it will cooperate in good faith with Walgreens to secure the prompt dismissal of any and all Released Claims and that it will not oppose any effort by Walgreens to secure the prompt dismissal of any and all Released Claims, including but not limited to any Released Claims asserted against the Releasees by Participating Local Governments, whether currently pending or in the future; provided, however, that the State may oppose any effort by Walgreens to secure dismissal if such effort is premised upon or involves (1) any material misstatement of State's legal obligations under this Agreement or (2) any material misstatement regarding the practical or legal effect or impact of this Agreement on Released Claims asserted against Releasees by Local Governments. Each Releasor also agrees that it will not encourage any person or entity to bring or maintain any Released Claim against any Releasee.

**VI. Settlement of Claims, General Release, and Covenant Not to Sue**

**A. Scope.** The State agrees that the Attorney General brought this Action in its sovereign capacity as the people's attorney to protect the public interest, including the interests of the State of Michigan and its residents. The State acknowledges that numerous Michigan Local Governments have filed actions in various forms against the Releasees, among others, raising claims or allegations concerning, related to, based upon, or in connection with the Covered Conduct and/or Alleged Harms; and that there are numerous Michigan Local Governments that have not filed actions in various forms against any Releasee, among others, but may in the future raise claims or allegations concerning, related to, based upon, or in connection with the Covered Conduct and/or Alleged Harms. Each Releasor hereby agrees to settle the Released Claims. Each Releasor agrees that settlement of the Released Claims on the terms set forth in this Agreement is in the public interest. Upon the Effective Date of the Release, each Releasor hereby releases the Releasees, and shall be deemed to have fully, finally, forever, and permanently released, remised, acquitted, held harmless, relinquished, and discharged with prejudice all Released Claims brought by such Releasor, and shall have covenanted, and hereby does covenant, not to sue, or not to assist or permit to be brought, filed or claimed against, any Releasee with respect to any Released Claim in any forum whatsoever, and shall be permanently barred and enjoined from instituting, reinstituting, maintaining, commencing, or prosecuting any Released Claim against any Releasee, and each release as set forth herein shall be given full res judicata effect. Each Releasor shall be deemed to have forever released all Released Claims against the Releasees. It is the intention of the Parties to fully and completely resolve all Claims that have been, could have been, or could be asserted by any Releasor against any Releasee with respect to Products in the State of Michigan and the Parties agree that this Agreement and the releases contained herein shall fully and completely resolve any past, present or future liability that any Releasee may have arising from, relating to or based on Covered Conduct and/or Alleged Harms occurring prior to the Effective Date of the Release, whether in the Action or otherwise.

B. In connection with the releases provided for in this Agreement, each Releasor will, and hereby does, expressly waive, release, and forever discharge any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States or other jurisdiction, or principle of common law, which is similar, comparable, or equivalent to § 1542 of the California Civil Code, which reads:

**General Release; Extent.** A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.

A Releasor may hereafter discover facts other than or different from those which it knows, believes, or assumes to be true with respect to the Released Claims, but the Releasors will, and hereby do, expressly waive and fully, finally, and forever settle, release, and discharge, upon the Effective Date of the Release, any and all Released Claims against the Releasees that may exist as of such date but which such Releasor does not know or suspect to exist, whether through ignorance, oversight, error, negligence, or through no fault whatsoever, and which, if known, would materially affect such Releasor's decision to enter into this Agreement.

C. The releases provided for in the Agreement are intended by the Parties to be broad and shall be interpreted so as to give the Releasees the broadest possible bar against any liability arising from or relating in any way to the Released Claims and extend to the full extent of the power of each Releasor to release its claims. This Settlement Agreement is, will constitute, and may be pleaded as, a complete bar to any Released Claim asserted by any Releasor against any Releasee, whether currently pending or in the future.

D. **Dismissal.** As soon as practicable following execution of this Agreement, the Parties will execute and file a Consent Judgment including a dismissal of this Action and the State's Claims against Walgreens with prejudice and with each side bearing their own attorneys' fees and costs. Notwithstanding the foregoing, the Consent Judgment shall provide that the Court shall retain jurisdiction for purposes of enforcing compliance with the Settlement Agreement. The Parties shall confer and agree as to the final form and time of filing prior to filing the Consent Judgment.

E. **Statement of Intent.** It is the intent of the Parties that:

1. The payments made under this Agreement and the National Walgreens Opioid Settlement shall be the sole payments made by the Releasees involving, arising out of, or related to the Alleged Harm and/or Released Claims;
2. Claims by any Releasor against non-Parties should not result in additional payments by any Releasee for the Released Claims, whether through contribution, indemnification, or any other means; and
3. To the extent permitted under Michigan law, the Settlement meets the requirements of the Uniform Contribution Among Tortfeasors Act and any similar

state law or doctrine that reduces or discharges a released party's liability to any other parties, and it is the intent of the parties that Releasees be discharged from all liability for contribution to any other alleged tortfeasor in the Action, whenever filed.

4. The provisions of this Section IV.F are intended to be implemented consistent with these principles. This Agreement and the releases and dismissals provided for herein are made in good faith.

F. **Non-Party Settlement.** To the extent that, on or after the Execution Date of the Agreement, a Releasor settles any Claims arising out of or related to Alleged Harms and/or Covered Conduct (or conduct that would be Covered Conduct if engaged in by a Releasee) ("Non-Party Covered Conduct Claims") it may have against any entity that is not a Releasee (a "Non-Releasee") that is, as of the Execution Date of the Agreement, a defendant in the Action or any other action and provides a release to such Non-Releasee (a "Non-Party Settlement"), including in any bankruptcy case or through any plan of reorganization (whether individually or as a class of creditors), a Releasor will seek to include (or in the case of a Non-Party Settlement made in connection with a bankruptcy case, will cause the debtor to include), unless prohibited from doing so under applicable law, in the Non-Party Settlement a prohibition on seeking contribution or indemnity of any kind from the Releasees or a release from such Non-Releasee in favor of the Releasees (in a form equivalent to the releases contained in this Agreement) of any Claim-Over. The obligation to seek to obtain the prohibition and/or release required by this subsection is a material term of this Agreement.

G. **Claim-Over.** In the event that a Releasor obtains a judgment with respect to a Non-Party Covered Conduct Claim against a Non-Releasee that does not contain a prohibition on seeking contribution or indemnity of any kind for a Releasee, or a Releasor files a Non-Party Covered Conduct Claim against a Non-Releasee in bankruptcy or a Releasor is prevented for any reason from obtaining a prohibition on seeking contribution or indemnity of any kind for a Releasee in a Non-Party Settlement, and such Non-Releasee asserts a Claim-Over against a Releasee, the Parties shall meet and confer concerning any additional appropriate means by which to ensure that the Releasees are not required to make any payment with respect to Alleged Harms and/or Covered Conduct beyond the amounts that will already have been paid by Walgreens under this Agreement.

H. **Res Judicata.** Nothing in this Agreement shall be deemed to enlarge or reduce the scope of the res judicata or claim preclusive effect that the settlement memorialized in the Agreement, and/or any Consent Judgment or other judgment or dismissal entered with respect to the Agreement, gives rise to under applicable law, including but not limited to as to any Released Claims asserted against a Releasee by Michigan Local Governments, whether currently pending or in the future.

I. **Representation and Warranty.** The signatories hereto on behalf of the State expressly represent and warrant that they will obtain on or before the Effective Date of the Release (or have obtained) the authority to settle and release, to the maximum extent

of the State's power, all Released Claims of (1) the State; (2) all past and present executive departments, state agencies, divisions, boards, commissions and instrumentalities with the regulatory authority to enforce state and federal controlled substances acts; (3) any of the State's past and present executive departments, agencies, divisions, boards, commissions and instrumentalities that have the authority to bring Claims related to Alleged Harms and/or Covered Conduct seeking money (including remediation) or suspension or revocation of a pharmaceutical distribution or dispensing license. For the purposes of clause (3) above, executive departments, agencies, divisions, boards, commissions, and instrumentalities are those that are under the executive authority or direct control of the State's Governor.

## **VII. No Admission**

A. Each Releasor acknowledges and agrees that this Settlement is a compromise of matters involving disputed issues of law and fact. Walgreens is entering into this Settlement solely for the purposes of settlement, to resolve the Released Claims, and thereby avoid significant expense, inconvenience, and uncertainty. Walgreens denies the allegations in the Action and denies any civil or criminal liability in the Action. Nothing contained herein may be taken as or deemed to be an admission or concession by Walgreens of (i) any violation of law, regulation, or ordinance; (ii) any fault, liability, or wrongdoing; (iii) the strength or weakness of any claim or defense or allegation made in any other past, present, or future proceeding relating to any Covered Conduct, Alleged Harms, and/or any Product; (iv) the legal viability of the claims and theories in the Action, including but not limited to the legal viability of relief sought; or (v) any other matter of fact or law. Except as required in the injunctive relief required by this Agreement, nothing in this Settlement Agreement shall be construed or used to prohibit any Releasee from engaging in the conduct of its business relating to any Product in accordance with applicable laws and regulations.

## **VIII. Miscellaneous Provisions**

A. **Use of Agreement as Evidence.** Neither this Agreement, nor any act performed or document executed pursuant to or in furtherance of this Agreement (i) is or may be deemed to be or may be used as an admission or evidence relating to any matter of fact or law alleged in the Action, the strength or weakness of any claim or defense or allegation with respect to, any Covered Conduct and/or Alleged Harms, or of any wrongdoing, fault or liability of any Releasee; or (ii) is or may be deemed to be or may be used as an admission of, or evidence of, any liability, fault, or omission of any Releasees in any civil, criminal, or administrative proceeding in any court, administrative agency, or other tribunal. Neither this Agreement nor any act performed or document executed pursuant to or in furtherance of this Agreement shall be admissible as evidence or otherwise used in any way in any proceeding for any purpose, except to enforce the terms of the Settlement, and except that the Releasees may use this Agreement in any action for any purpose, including, but not limited to (1) an action involving a determination regarding insurance coverage; (2) an action involving a determination of the taxable income or tax liability of any Releasees; (3) in order to support a claim for contribution and/or indemnification or to support a defense or counterclaim based on principles of res

judicata, collateral estoppel, release, good faith settlement, judgment bar or reduction, or any other theory of claim preclusion or similar defense or counterclaim, including but not limited to against Released Claims asserted against any Releasee by any Michigan Local Government, whether currently pending or in the future; or (4) in order to support any other argument or defense by a Releasee that the Settlement Amount provides a measure of compensation or otherwise satisfies the relief sought.

**B. Voluntary Settlement.** This Settlement Agreement is a product of arm's length settlement negotiations between the duly-authorized representatives of the Parties. The Parties represent and warrant that they have been advised by their respective counsel of their rights and obligations under this Settlement Agreement and the accompanying Releases, and enter into this Settlement Agreement and the accompanying Releases freely, voluntarily, and without duress. The Parties acknowledge and agree that the consideration paid by Walgreens for the releases set forth herein represents appropriate and fair consideration.

**C. Dispute Resolution.** If either Party believes that the other Party is not in compliance with any term of this Settlement, then such Party shall (i) provide written notice specifying the reason(s) why such Party believes that the other Party is not in compliance with the Settlement Agreement; and (ii) allow the other Party at least thirty (30) days to attempt to cure such alleged non-compliance (the "Cure Period"). In the event the alleged non-compliance is cured within the Cure Period, the allegedly breaching Party shall not have any liability for such alleged non-compliance. Neither Party may commence a proceeding to enforce compliance with this Settlement Agreement before expiration of the Cure Period.

**D. Authority to Enter Settlement Agreement.** Each signatory to this Agreement on behalf of a Party specifically represents and warrants that he or she is fully authorized to enter into and to execute this Agreement on behalf of such Party. Walgreens represents that it has the power and authority to enter into and perform this Agreement, and that the execution and performance of this Agreement has been duly authorized by all requisite corporate or other legal action. The State represents that it is expressly authorized to take all action required or permitted to be taken pursuant to this Agreement to effectuate its terms and to enter into and execute this Agreement. Each Party specifically represents and warrants that this Settlement Agreement constitutes a legal, valid, and binding obligation of such Party. The State agrees that it brought this Action in its sovereign capacity as the people's attorney in order to protect the public interest, including the interests of the State of Michigan and its residents. The State specifically represents and warrants that it has concluded that the terms of this Settlement are fair, reasonable, adequate, and in the best interest of the State of Michigan and its residents, and that it has satisfied all conditions and taken all actions required by law in order to validly enter into this Settlement. In addition, the State specifically represents and warrants that it has not sold, assigned, or otherwise transferred any Released Claims, or any portion thereof or rights related thereto, to any Third Party.

**E. Notices.** To be effective, all notices under this Agreement shall be in writing and delivered to the persons specified below (i) by e-mail and (ii) by either hand delivery or

registered or certified mail, return receipt required, postage pre-paid. Any Party may change its Notice Designee(s) by giving written notice to all other Parties as provided in this paragraph.

1. Notices to the State shall be delivered to:

Fadwa Hammoud  
Chief Deputy Attorney General  
MICHIGAN OFFICE OF THE ATTORNEY GENERAL  
525 W Ottawa Street  
Lansing, MI 48933  
Email: hammoudf1@michigan.gov  
Phone : 517-335-7622

AND

Daniel Alberstone  
Mark Pifko  
BARON & BUDD, P.C.  
15910 Ventura Blvd.  
Suite 1600  
Encino, CA 91436  
Direct: (818) 839-2322  
Fax: (818) 986-9698  
Email: dalberstone@baronbudd.com  
Email: mpifko@baronbudd.com

Notice for Walgreens shall be delivered to:

Michael J. Freeman  
104 Wilmot Road, MS#144Q  
Deerfield, IL 60015  
michael.j.freeman@walgreens.com

AND

Wayne B. Mason  
Faegre Drinker  
1717 Main Street, Ste. 5400  
Dallas, TX 75201-7367  
Wayne.Mason@faegredrinker.com

Harlan Levy  
Foley Hoag LLP  
1301 Avenue of the Americas



New York, New York 10019  
hlevy@foleyhoag.com

Kristyn DeFilipp  
Foley Hoag LLP  
155 Seaport Boulevard  
Boston, MA 02110  
kbuncedefilipp@foleyhoag.com

F. **Severability; Reinstatement.** In the event any one or more immaterial provisions of this Settlement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Settlement; provided, however, that if a Releasor is required by final order of a court of competent jurisdiction to return the Settlement Payment for any reason, this Agreement, including the releases set forth herein, shall be void ab initio and all rights and remedies of the Parties as they existed immediately prior to the Execution Date shall be reinstated in full.

G. **Successors and Assigns.** This Agreement shall be binding upon, and inure to the benefit of, the successors and assigns of the Parties hereto.

H. **Choice of Law.** Any dispute arising from or in connection with the completion and execution of the Settlement Agreement shall be governed by Michigan law without regard to its choice of law provisions and the Parties agree to venue in the Third Circuit Court, Wayne County, Michigan.

I. **Headings; No Conflict Intended.** The headings used in this Agreement are intended for the convenience of the reader only and shall not affect the meaning or interpretation of this Agreement.

J. **No Party Deemed to Be the Drafter.** None of the Parties hereto shall be deemed to be the drafter of this Agreement or any provision hereof for the purpose of any statute, case law, or rule of interpretation or construction that would or might cause any provision to be construed against the drafter.

K. **Amendment; Waiver.** This Agreement shall not be modified in any respect except by a writing executed by all the Parties hereto, and the waiver of any rights conferred hereunder shall be effective only if made by written instrument of the waiving Party. The waiver by any Party of any breach of this Agreement shall not be deemed or construed as a waiver of any other breach, whether prior, subsequent, or contemporaneous, of this Agreement.

L. **Execution in Counterparts.** This Agreement may be executed in one or more counterparts. All executed counterparts and each of them shall be deemed to be one and the same instrument. An executed signature page of this Settlement delivered in PDF format via email shall be as effective as an original executed signature page.

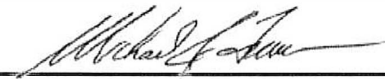
M. **Integrated Agreement.** This Agreement constitutes the entire agreement between the Parties and no representations, warranties, or inducements have been made to any Party concerning this Agreement other than the representations, warranties, and covenants contained and memorialized herein. As such, the Parties represent and warrant that they are not relying on any promises, inducements, or representations other than those provided herein.

N. **Public Statements.** The Parties agree that the terms of this Settlement shall remain strictly confidential and that no press releases or other public statements concerning the Settlement shall be made until June 9, 2023 or the Execution Date, whichever is later. At the expiration of the confidentiality period, press releases regarding this settlement shall be embargoed until an agreed upon date and time, and each Party shall provide the other Party forty-eight (48) hours' notice in advance of any press release or other public statement. The Parties shall undertake the necessary steps to facilitate Michigan's participation in the Walgreens National Settlement, including but not limited to press releases and public statements to garner participation of Michigan Local Subdivisions in the Walgreens National Settlement.


O. IN WITNESS WHEREOF, the Parties hereto, through their fully authorized representatives, have executed this Agreement as of the dates set forth below.

DATED: May 25, 2023

WALGREENS

By:   
Michael Freeman  
Vice President, Head of Litigation,  
Employment and Regulatory Law  
104 Wilmot Road, MS#144Q  
Deerfield, IL 60015  
michael.j.freeman@walgreens.com

DATED: June 8, 2023

  
FADWA HAMMOUD  
CHIEF DEPUTY,  
MICHIGAN ATTORNEY GENERAL

DATED: ~~May 22~~, 2023

May 31

By: \_\_\_\_\_  
APPROVED AS TO FORM OUTSIDE  
COUNSEL FOR MICHIGAN

  
By: \_\_\_\_\_  
Mark Pifko  
Baron and Budd, P.C.  
15910 Ventura Boulevard, Suite 1600  
Los Angeles, CA 91436  
mpifko@baronbudd.com

## **EXHIBIT A**

### **Alleged Harms**

The following expert reports that were filed in connection with the case captioned *In re: National Prescription Opiate Litigation*, No. 1: 17-md-2804 (N.D. Ohio) provide non-exclusive examples of Alleged Harms:

1. Expert report of G. Caleb Alexander, dated April 16, 2021.
2. Expert report of David Cutler, dated April 16, 2021; supplemental expert report of David Cutler, dated April 21, 2021; and second supplemental expert report of David Cutler, dated May 10, 2021.
3. Expert report of David Herzberg, dated April 16, 2021.
4. Expert report of Katherine M. Keyes, Ph.D., dated April 16, 2021; supplemental expert report of Katherine M. Keyes, Ph.D, dated June 2, 2021.
5. Expert report of Dr. Anna Lembke, dated April 16, 2021.
6. Expert report of Harvey Rosen, dated April 16, 2021.
7. Expert report of Nancy Young, dated April 16, 2021.

**EXHIBIT B**  
**STATE OF MICHIGAN**  
**IN THE CIRCUIT COURT FOR THE COUNTY OF WAYNE**

STATE OF MICHIGAN, EX REL.,  
DANA NESSEL, ATTORNEY GENERAL,

Case No.: 19-016896-NZ  
Hon. Patricia Perez Fresard

Plaintiff,

v.

**Consent Judgment and Order of Dismissal**  
**With Prejudice**

CARDINAL HEALTH, INC., McKESSON  
CORPORATION, AMERISOURCEBERGEN  
DRUG CORPORATION AND WALGREEN  
CO.,

Defendants.

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The State of Michigan (the “State”) and Walgreen Co. (“Walgreens”) (together with the State, the “Parties” and each a “Party”) have entered into a consensual resolution of all matters in controversy in the above-captioned litigation. The Parties respectfully request entry of this Consent Judgment (the “Consent Judgment”) by the Court to fully **DISMISS** the State’s claims against Walgreens **WITH PREJUDICE**.

Upon consideration of the foregoing, it is hereby **ORDERED** that this action is **DISMISSED WITH PREJUDICE**, as all matters in controversy between the Parties have been fully adjusted, compromised, and settled. The Court retains jurisdiction for the limited purposes of enforcement of the Parties’ settlement agreement.

IT IS SO ORDERED and FINAL JUDGMENT is entered this \_\_\_\_\_ day of \_\_\_\_\_, 2023. This order resolves the last pending claim and closes the case.

**It is so ORDERED.**

---

HON. PATRICIA PEREZ FRESARD  
CIRCUIT COURT JUDGE

**APPROVED AS TO FORM:**

/s/ Mark P. Pifko

DANIEL ALBERSTONE (pro hac vice)

MARK PIFKO (pro hac vice)

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Attorney for Walgreen Co.

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JOSEPH C. SMITH, JR. (pro hac vice)

ALEX J. HARRIS (pro hac vice)

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PETER J. MOUGEY (pro hac vice)  
TROY A. RAFFERTY (pro hac vice)  
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[trafferty@levinlaw.com](mailto:trafferty@levinlaw.com)  
[jgaddy@levinlaw.com](mailto:jgaddy@levinlaw.com)



### Exhibit C

#### **MICHIGAN SETTLEMENT SUBDIVISION PARTICIPATION FORM AND RELEASE**

Political Subdivision:	Michigan
Authorized Official:	
Address 1:	
Address 2:	
City, State, Zip:	
Phone:	
Email:	

The governmental entity identified above ("Michigan Political Subdivision"), in order to obtain and in consideration for the benefits provided to the Michigan Political Subdivision pursuant to the Walgreens Michigan Settlement Agreement and Full Release of All Claims dated \_\_\_\_\_ ("Walgreens Michigan Settlement"), and acting through the undersigned authorized official, hereby elects to participate in the Walgreens Michigan Settlement, release all Released Claims against all Releasees, and agrees as follows.

1. The Michigan Political Subdivision above is aware of and has reviewed the Walgreens Settlement Agreement, understands that all terms in this Election and Release have the meanings defined therein, and agrees that by this Election, the Political Subdivision, Hospital District or Independent School District elects to participate in the Walgreens Michigan Settlement and become a Participating Political Subdivision, Hospital District or Independent School District as provided therein.
2. The Michigan Political Subdivision shall immediately cease any and all litigation activities as to the Releasees and Released Claims and, within 14 days of executing this Participation Form, its counsel shall work with Walgreens's counsel to dismiss with prejudice any Released Claims that it has filed.
3. The Michigan Political Subdivision agrees to the terms of the Walgreens Michigan Settlement pertaining to Political Subdivisions as provided therein.
4. By agreeing to the terms of the Walgreens Michigan Settlement and becoming a Releasor, the Michigan Political Subdivision is entitled to the benefits provided therein, including, if applicable, monetary payments beginning after the Effective Date of the Release.
5. The Michigan Political Subdivision submits to the exclusive jurisdiction and authority of the Michigan Consolidated Litigation Court as defined in the Walgreens Michigan Settlement Agreement. For the avoidance of doubt, nothing contained in this Participation Form, or the Walgreens Michigan Settlement constitutes consent to jurisdiction, express or implied, over the governmental entity or its selected counsel to the jurisdiction of any other court (including without limitation MDL 2804, the MDL 2804 Fee Panel, the MDL 2804 Enforcement Committee, or the Court in which

any Michigan Consent Judgment is filed) for any purpose whatsoever.

6. The Michigan Political Subdivision has the right to enforce the Walgreens Settlement in the Michigan Consolidated Litigation Court as provided therein.
7. The Michigan Political Subdivision, as a Participating governmental entity, hereby becomes a Releasor for all purposes in the Walgreens Michigan Settlement, including but not limited to all provisions of Section\_\_ (Settlement of Claims, General Release, and Covenant Not to Sue), and along with all departments, agencies, divisions, boards, commissions, districts, instrumentalities of any kind and attorneys, and any person in their official capacity elected or appointed to serve any of the foregoing and any agency, person, or other entity claiming by or through any of the foregoing, and any other entity identified in the definition of Releasor, provides for a release to the fullest extent of its authority. As a Releasor, the Local Government hereby absolutely, unconditionally, and irrevocably covenants not to bring, file, or claim, or to cause, assist or permit to be brought, filed, or claimed, or to otherwise seek to establish liability for any Released Claims against any Releasee in any forum whatsoever. The releases provided for in the Walgreens Michigan Settlement are intended by the Parties to be broad and shall be interpreted so as to give the Releasee the broadest possible bar against any liability relating in any way to Released Claims and extend to the full extent of the power of the Local Government to release claims. The Walgreens Michigan Settlement shall be a complete bar to any Released Claim.
8. In connection with the releases provided for in the Walgreens Michigan Settlement, each Local Government expressly waives, releases, and forever discharges any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States or other jurisdiction, or principle of common law, which is similar, comparable, or equivalent to § 1542 of the California Civil Code, which reads:

**General Release; extent.** A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.

A Releasor may hereafter discover facts other than or different from those which it knows, believes, or assumes to be true with respect to the Released Claims, but each Local Government hereby expressly waives and fully, finally, and forever settles, releases and discharges, upon the Effective Date, any and all Released Claims that may exist as of such date but which Releasors do not know or suspect to exist, whether through ignorance, oversight, error, negligence or through no fault whatsoever, and which, if known, would materially affect the Governmental Entities' decision to participate in the Walgreens Michigan Settlement.

9. The Michigan Political Subdivision acknowledges, agrees, and understands that the Settlement Amount in Section \_\_\_\_ of the Walgreens Michigan Settlement for the benefit of the Participating Michigan Political Subdivision, is less than or equal to the amount, in the aggregate, of the Alleged Harms allegedly suffered by the

governmental entity, constitutes restitution and remediation for damage or harm allegedly caused by Walgreens in order to restore, in whole or part, the governmental entity to the same position or condition that it would be in had it not suffered the Alleged Harms; and constitutes restitution and remediation for damage or harm allegedly caused by the potential violation of a law and/or is an amount paid to come into compliance with the law.

10. Nothing herein is intended to modify in any way the terms of the Walgreens Michigan Settlement Agreement, to which the Michigan Political Subdivision hereby agrees. To the extent this Election and Release is interpreted differently from the Walgreens Michigan Settlement, the Walgreens Settlement Agreement controls.

I have all necessary power and authorization to execute this Election and Release on behalf of the Michigan Political Subdivision.

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

## **EXHIBIT D**

# **Pharmacy Controlled Substance Compliance Program & Anti-Diversion Injunctive Terms**

## **I. INTRODUCTION**

1. Except where these Injunctive Terms specify a different implementation period, Walgreens shall implement the Injunctive Terms set forth below in Sections II through XVII by the Injunctive Terms Implementation Date (defined below).
2. To the extent that Walgreens already has in place positions, committees, departments, policies or programs that satisfy the Injunctive Terms, no re-naming or other change is required by these Injunctive Terms.
3. Overview
  - a. Walgreens will implement or maintain a Controlled Substance Compliance Program (“CSCP”).
  - b. The CSCP must include written standard operating procedures and/or corporate policies (the “CSCP Policies and Procedures”) required by these Injunctive Terms.
  - c. The CSCP shall apply during the term of these Injunctive Terms, to each of Walgreens’ retail pharmacy stores that dispense Schedule II Designated Controlled Substances and are registered or licensed in Michigan.
  - d. Walgreens shall provide a copy of the relevant CSCP Policies and Procedures to each Michigan within sixty (60) days of the Injunctive Terms Implementation Date. To the extent any implementation is expected to require additional time, the Parties agree to work together in good faith to establish a timeline for implementation.
4. Compliance with Laws

- a. Walgreens acknowledges and agrees that its pharmacies must comply with applicable state and federal laws, regulations, and rules, including those regarding the dispensing of Controlled Substances. The requirements of these Injunctive Terms are in addition to, and not in lieu of, any other requirements of federal, state, or local law. Nothing in the Injunctive Terms shall be construed as relieving Walgreens of the obligation of its pharmacies to comply with all federal, state and local laws, regulations or rules, nor shall any of the provisions of the Injunctive Terms be deemed as permission for Walgreens to engage in any acts or practices prohibited by such laws, regulations or rules.
- b. The Injunctive Terms are not intended to and shall not be interpreted to prevent Walgreens from taking or implementing any other compliance or policy steps that are more restrictive or that are necessary to conform with federal, state, or local legal requirements, unless such steps would conflict with State or local law. The Injunctive Terms are not intended to and shall not be interpreted to require Walgreens to inventory any Controlled Substances or any particular Controlled Substances or to require dispensing of any Controlled Substances or of any individual, types, subsets or categories of Controlled Substances prescriptions.
- c. In the event that Walgreens determines that there may be a conflict between the Injunctive Terms and the express requirements of federal, state, or local laws, or interpretations of such laws articulated by an agency responsible for enforcing such laws or a court (“Express Interpretations”), such that Walgreens determines that it cannot comply with the Injunctive Terms without violating these express requirements or Express Interpretations, Walgreens shall follow the express requirements of the federal, state or local law or Express Interpretation thereof and shall provide notice to the Michigan(s). Within thirty (30) days after receipt of a notification from Walgreens referenced above, Walgreens and the State shall meet and discuss the potential conflict, and Walgreens shall comply with any reasonable requests from the Michigan as necessary to determine whether there is a conflict between the Injunctive Terms and the express requirements of federal, state, or local laws, or Express Interpretations. In the event that Walgreens believes a court or administrative action brought by a governmental body in a Michigan has commenced against it or its pharmacists for actions required by the Injunctive Terms, then Walgreens may notify the Attorney General of the Michigan of such pending action. If the State agrees that the court or administrative action is a result of actions required by the Injunctive Terms, the State will engage in best efforts to resolve the conflict or assist in achieving resolution of the court or administrative action. Nothing in this paragraph shall (i) limit the right of the

Michigan to disagree with Walgreens as to the conflict; (ii) be deemed to relieve Walgreens from following any subsequently enacted law or regulation, or judicial decisions from a regulatory authority with jurisdiction over controlled substances that is more restrictive than the provisions of the Injunctive Terms, or from following the Injunctive Terms if they are more restrictive than applicable laws at issue in the administrative action if there is no conflict; (iii) be deemed to relieve Walgreens from adhering to the outcome of a court or administrative action when it is determined that there is no conflict; or (iv) limit a Michigan's ability to relieve Walgreens of a duty under these Injunctive Terms if that Michigan determines that that term is in conflict with that Michigan's express legal requirements.

- d. Walgreens shall retain all records it is required to create pursuant to its obligations hereunder for a period no shorter than three years, unless otherwise specified. Nothing in these Injunctive Terms shall prevent a Michigan from issuing a lawful subpoena or Civil Investigative Demand (CID) for records pursuant to an applicable law.
5. No Admission and No Use as Evidence. Walgreens does not admit liability or wrongdoing. These Injunctive Terms shall not be considered, construed, or represented to be (1) an admission, concession, or evidence of liability, wrongdoing, or to impose the existence of any legal obligations or requirements other than the requirement to follow these Injunctive Terms, or (2) a waiver or limitation of any defense otherwise available to Walgreens. These Injunctive Terms shall not be offered or received in evidence or otherwise relied on in any action or proceeding for any purpose other than in an action or proceeding to modify or enforce or monitor compliance with these Injunctive Terms.

## **II. TERM AND SCOPE**

1. The term of these Injunctive Terms shall be from the Injunctive Terms Implementation Date until August 15, 2032, unless otherwise specified herein.
2. Except as otherwise stated herein, the Injunctive Terms shall apply to Walgreens' retail pharmacy stores located in, and registered or licensed with, each Michigan that dispense Schedule II Designated Controlled Substances to Patients, including any Schedule II Designated Controlled Substances dispensed by any such retail pharmacy stores that are mailed or shipped to patients in a Michigan. Should Walgreens operate an online pharmacy that is registered or licensed to dispense Schedule II Designated

Controlled Substances in any Michigan while these Injunctive Terms are in effect, the Injunctive Terms shall apply to such pharmacy as well.<sup>1</sup>

3. These Injunctive Terms may be amended by mutual agreement of a majority of Michigan and Settling Pharmacy. Any such amendments must be in writing.

### **III. DEFINITIONS**

1. The term “Distributor Injunctive Terms” means Exhibit P of the Settlement Agreement, dated as of July 21, 2021, between McKesson Corporation, Cardinal Health, Inc., and AmerisourceBergen Corporation and certain States and subdivisions.
2. The term “Block” means an action taken by Walgreens preventing or otherwise prohibiting any Settling Pharmacy pharmacist from filling prescriptions for Controlled Substances from a specific identified Prescriber.
3. The term “Clearinghouse” means the system established by Section XVII of the Distributor Injunctive Terms.
4. The term “Controlled Substances” means those substances designated under schedules II-V pursuant to the federal Controlled Substances Act.
5. The term “Designated Controlled Substances” shall be limited to: (a) oxycodone; (b) hydrocodone; (c) hydromorphone; (d) tramadol; (e) oxymorphone; (f) morphine; (g) methadone; and (h) fentanyl.
6. The term “Injunctive Terms Implementation Date” means thirty (30) days after the Effective Date of the Walgreens Settlement Agreement.
7. The term “Patient” means any individual who receives a prescription for a Designated Controlled Substance from a Prescriber, whether legally valid or not, and attempts to fill it at one of Walgreens’ pharmacy stores in a Michigan.
8. The term “Prescriber” means any individual that has written a prescription for a Designated Controlled Substance, whether legally valid or not, that is presented to Walgreens in a Michigan.
9. The term “Red Flag(s)” means the enumerated Patient Red Flags, Prescription Red Flags, and Prescriber Red Flags set out in Section IX.

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<sup>1</sup> Walgreens’ specialty and mail order pharmacies are not subject to, and are not online pharmacies for purposes of, these Injunctive Terms.



10. The term “Walgreens Settlement Agreement” means the settlement agreement dated as of May [ ] and Walgreens.

#### **IV. CONTROLLED SUBSTANCE COMPLIANCE PERSONNEL**

1. Walgreens shall designate a Controlled Substance Compliance Director, or other appropriately titled position, to be a member of the Controlled Substance Compliance Committee (described below in Section VI), and to oversee a Controlled Substance Compliance Department and Walgreens’ compliance with 21 C.F.R. 1306.04 and these Injunctive Terms. As used in these Injunctive Terms, the terms “Controlled Substance Compliance Committee” and “Controlled Substance Compliance Department” refer to the entity or entities, however titled, that carry out the functions required by these Injunctive Terms. Notwithstanding the preceding sentence, to the extent an existing position, committee or department carries out the functions required by these Injunctive Terms, any other functions undertaken by such position, committee or department shall not be subject to these Injunctive Terms or oversight by Michigan pursuant to these Injunctive Terms. The position, committee and department discussed in these Terms may bear different names and need not be limited to the roles and functions set forth herein.
2. The Controlled Substance Compliance Director shall have knowledge of and experience with the laws and regulation of Controlled Substances, in particular the regulations in 21 C.F.R. § 1306.04.
3. The Controlled Substance Compliance Director shall provide at least quarterly reports to the Controlled Substance Compliance Committee (described below in Section VI) regarding Walgreens’ compliance with these Injunctive Terms, including the implementation of any changes to the CSCP Policies and Procedures required by these Injunctive Terms.
4. Staffing levels of Walgreens’ Controlled Substance Compliance Department shall be reviewed periodically, but at least on an annual basis, by Walgreens’ Controlled Substance Compliance Committee to assess whether such staffing levels are sufficient for the Controlled Substance Compliance Department to comply with this Agreement. This review shall include consideration of relevant developments in technology, law, and regulations.
5. Throughout the term of these Injunctive Terms, Walgreens shall maintain a telephone and electronic submission hotline(s) (the “Hotline”) to permit employees and/or Patients and/or members of the public to anonymously report suspected inappropriate or illegitimate dispensing, prescribing or diversion of Designated Controlled Substances, violations of the CSCP Policies and Procedures, these Injunctive Terms, Walgreens’ company policy, or other applicable law. The Hotline may be implemented by adding a dedicated option to existing systems that includes reporting regarding

Designated Controlled Substances. Walgreens shall publish its Hotline contact information to its employees and Patients in Michigan. Walgreens shall maintain for the duration of Injunctive Terms a record of each complaint made to the Hotline regarding Designated Controlled Substances and documentation regarding any investigation or response to such complaints. Nothing herein shall require Walgreens to investigate a pharmacist's professional judgment to refuse a prescription that the pharmacist believes was prescribed or is being used for other than a legitimate medical purpose or that the pharmacist believes was not prescribed by an individual Prescriber acting in the usual course of his or her professional practice.

**V. INDEPENDENCE**

1. Walgreens' Controlled Substance Compliance Department personnel, pharmacists and pharmacist technicians who work at Walgreens' pharmacies within Michigan and field personnel who supervise pharmacists and pharmacist technicians (together, "CSCP Employees"), shall not be compensated in whole or in part by commissions, bonuses, incentives or any other monetary or non-pecuniary benefit that depends in material part on revenue or profitability targets or expectations to sales of Controlled Substances. Nothing in these Injunctive Terms shall be interpreted to prevent compensation of employees based on sales volume, revenue or profitability targets/expectations for enterprise-, store-, or pharmacy-wide sales that include Controlled Substances.
2. No CSCP Employees may be terminated, suspended, threatened with or face any other negative employment consequence for failing to meet any revenue or profitability targets or expectations that depends in material part on sales of Controlled Substances. Nothing in these Injunctive Terms shall be interpreted to prevent Walgreens from taking employment action based on sales volume, revenue or profitability targets/expectations for enterprise-, store-, or pharmacy-wide sales that include Controlled Substances.
3. Personnel in Walgreens' Controlled Substance Compliance Department shall not report to Walgreens' sales, marketing, or business development departments, and sales, marketing, or business development departments shall not be authorized to make decisions regarding the promotion, compensation, demotion, admonition, discipline, commendation, periodic performance reviews, hiring, or firing of Controlled Substance Compliance Department personnel. This provision does not apply to an officer or executive to whom both the Controlled Substance Compliance Department and sales, marketing and/or business development departments report.
4. Walgreens' sales, marketing and business development departments are prohibited from interfering with, obstructing, or otherwise exerting control over any Controlled Substance Compliance Department or Controlled Substance Committee decision-making. This provision does not apply to an officer or executive to whom both the Controlled Substance Compliance Department and sales, marketing and/or business

development departments report.

5. To the extent necessary to comply with this section, Walgreens' Controlled Substance Compliance Committee shall review, modify, and direct any changes to any compensation and non-retaliation policies specific to the sale or dispensing of Designated Controlled Substances.

## **VI. OVERSIGHT**

1. To the extent not already established, within thirty (30) business days of the Injunctive Terms Implementation Date, Walgreens shall establish a compliance committee, however titled, that includes representatives from its respective legal, compliance, pharmacy operations and asset protection departments, however named, to provide oversight over the CSCP and its compliance with the Injunctive Terms. For the purposes of reference herein, this committee, however named, shall be referred to as the "Controlled Substance Compliance Committee." Walgreens shall maintain its Controlled Substance Compliance Committee for the duration of the term of the Injunctive Terms. The Controlled Substance Compliance Director shall be a member of the Controlled Substance Compliance Committee.
2. Walgreens' Controlled Substance Compliance Committee shall have quarterly meetings during which the Controlled Substance Compliance Director shall report on, and the Controlled Substance Compliance Committee shall review, among other things, (a) the Prescription Validation Process, including the CSCP Policies and Procedures on identifying and resolving Patient, Prescriber and Prescription Red Flags; (b) the training required under the Injunctive Terms; (c) proactive due diligence and site visits; (d) the Prescriber Review Processes; (e) significant new national and regional diversion trends involving Controlled Substances; (f) Walgreens' adherence to the Injunctive Terms and applicable laws and regulations; and (g) any technology, staffing, or other resource needs for the CSCP. The Controlled Substance Compliance Committee shall have access to all CSCP reports described in the following subsection.
3. On an annual basis, Walgreens' Controlled Substance Compliance Committee shall provide a written report to the President of the Settling Pharmacy's Retail Division, the Chief Financial Officer of the Settlement Pharmacy's Retail Division, the Chief Legal Officer of the Settling Pharmacy's Retail Division, and the corporate Chief Compliance Officer, outlining (a) the Settling Pharmacy's adherence to, and any material deviations from these Injunctive Terms; (b) the allocation of resources sufficient to comply with these Injunctive Terms; and (c) any revisions to the CSCP that the Controlled Substance Compliance Committee has approved. The corporate Chief Compliance Officer shall determine if and when it is appropriate to make a report to the Board or any subcommittee thereof, but shall report at least annually.

4. Walgreens, through its Controlled Substance Compliance Department and Committee, shall, at least once every year, review and oversee any enhancements to the CSCP Policies and Procedures and systems for dispensing activity that the Controlled Substance Compliance Committee deems necessary.
5. The Controlled Substance Compliance Committee shall be responsible for the approval of all material revisions to the CSCP Policies and Procedures, provided that nothing herein shall prevent Walgreens from implementing changes to the CSCP Policies and Procedures pending such review and approval.

## **VII. MANDATORY TRAINING**

1. The CSCP Policies and Procedures shall be published in a form and location readily accessible to all pharmacy and compliance personnel at each of Walgreens' retail pharmacy locations in Michigan. Online availability is sufficient, so long as pharmacy and compliance personnel have access to a computer with access to the CSCP Policies and Procedures.
2. Walgreens shall launch training for all existing CSCP Employees, to the extent practical (for example, accounting for employee leave), on the CSCP Policies and Procedures required under these Injunctive Terms, including the Prescription Validation Process and corresponding responsibility. The training shall be launched within one hundred twenty (120) days of the Injunctive Terms Implementation Date. All CSCP Employee new hires, to the extent practical, shall be required to participate in such trainings within sixty (60) days of hiring or six (6) months of the Injunctive Terms Implementation Date, whichever is later. Walgreens will further require that every CSCP Employee, to the extent practical, receive such training at least once every three (3) years for the term of these Injunctive Terms.
3. On an annual basis for the duration of these Injunctive Terms, Walgreens shall test its CSCP Employees on their knowledge regarding the CSCP Policies and Procedures required under these Injunctive Terms, including the Prescription Validation Process and corresponding responsibility.
4. It shall be a part of the CSCP Policies and Procedures and all trainings of all CSCP Employees required under these Injunctive Terms that pharmacists shall refuse to dispense Controlled Substances that they believe were prescribed or are being used for other than a legitimate medical purpose or that they believe were not prescribed by an individual Prescriber acting in the usual course of his or her professional practice.

5. All trainings required under these Injunctive Terms shall also make clear that (i) Walgreens' compensation and non-retaliation policies, including pursuant to these Injunctive Terms, prevent CSCP Employees from being compensated or penalized in any way related to revenue or profitability targets or expectations specific to sales of Controlled Substances; and ii) pharmacists will not be penalized in any way for exercising their professional judgment to refuse to fill prescriptions for Controlled Substances pursuant to their corresponding responsibility. To the extent that trainings designed and launched prior to the Effective Date of these Injunctive Terms do not reference these policies, they shall be added by the end of 2023.

#### **VIII. THE PRESCRIPTION VALIDATION PROCESS**

1. As part of its CSCP, Walgreens shall maintain a Prescription Validation Process in the CSCP Policies and Procedures, as further described and set forth in this section, that each pharmacist employed by Walgreens in Michigan must follow when dispensing a prescription for a Controlled Substance. The inclusion of an enumerated Red Flag in these Injunctive Terms shall not be considered, construed, or represented to be an admission, concession, or evidence of any factual or legal contention related to such Red Flag. A Red Flag shall not be interpreted to mean that a prescription is, or is more likely than not, illegitimate and/or not issued in the usual course of professional practice or treatment.
2. A Red Flag will be considered "resolved" if, after further investigation as described below, and given other facts and circumstances surrounding the prescription, a pharmacist determines, in his or her professional judgment, that the facts that triggered the Red Flag do not lead him or her to believe that the prescription was written or is being submitted for an illegitimate medical purpose or outside the usual course of a Prescriber's professional practice.
3. Walgreens' CSCP Policies and Procedures shall provide that if a pharmacist identifies any "Patient Red Flags" associated with a Controlled Substances prescription (described in Section IX(3) below), before filling the prescription the pharmacist must resolve them; and that the method of resolution falls within the judgment of the pharmacist and may include reviewing the Patient's profile and history with the Settling Pharmacy, calling the Prescriber or Prescribers if appropriate, speaking with the Patient if appropriate, calling on the pharmacist's pre-existing knowledge of the Patient or Prescriber, reviewing available Prescription Monitoring Program ("PMP" or "PDMP") data, and/or reviewing other data or information available to the pharmacist.
4. Walgreens' CSCP Policies and Procedures shall provide that if forgery or fraud is suspected, or if the pharmacist identifies any other "Prescription Red Flags" associated with a Controlled Substances prescription (described in Section IX(4) below), the

pharmacist must resolve the Prescription Red Flags before filling the prescription; and that the method of resolution falls within the judgment of the pharmacist and may include reviewing the Patient's profile and history with Walgreens, calling the Prescriber or Prescribers if appropriate, speaking with the Patient if appropriate, calling on the pharmacist's pre-existing knowledge of the Patient or Prescriber, reviewing available PMP or PDMP data, and/or reviewing other data or information available to the pharmacist.

5. Walgreens' CSCP Policies and Procedures shall require that if a pharmacist identifies any "Prescriber Red Flags" associated with a Controlled Substances prescription (described in Section IX(5) below), the pharmacist must resolve them before filling the prescription; and that the method of resolution falls within the judgment of the pharmacist and may include reviewing any Walgreens records regarding the Prescriber, calling the Prescriber if appropriate, speaking with the Patient if appropriate, calling on the pharmacist's pre-existing knowledge of the Patient or Prescriber, reviewing available PMP or PDMP data, and/or reviewing other data or information available to Walgreens.
6. Walgreens' CSCP Policies and Procedures related to Schedule II Designated Controlled Substances shall provide that the resolution of all Red Flags identified by the pharmacist, as well as any prescriptions that were rejected pursuant to Red Flags identified by the pharmacist, and the reasons why they were rejected, must be documented by the pharmacist, unless if based on the pharmacist's pre-existing knowledge of the Patient or Prescriber. Any such records shall be maintained for the duration of these Injunctive Terms. To the extent that a Red Flag is resolved based upon facts or circumstances that are already reflected or documented in Walgreens' records, further documentation of those facts or circumstances is not required for resolution of substantially the same Red Flag on subsequent prescriptions. For example, if a Patient lives fifty-five (55) miles from a Walgreens but works near the pharmacy and that fact is reflected in pharmacy records, no documentation for the resolution of the Red Flag addressing the Patient's distance from the pharmacy is required in connection with individual prescriptions dispensed for that Patient. A lack of documentation shall not be interpreted to create a presumption that a pharmacist did not resolve any identified Red Flags. Nothing in these Injunctive Terms shall require Walgreens to create a record in those instances where the pharmacist rejects a prescription when presented without an effort to resolve any red flags, including but not limited to instances where the pharmacist rejects a prescription for clinical reasons, or where the pharmacist identifies on the face of the prescription a Prescription Red Flag (defined in Section IX below) that causes the pharmacist to conclude without further inquiry that the prescription is invalid.

7. Walgreens' CSCP Policies and Procedures shall provide that, even if all Red Flags are resolved, a pharmacist shall reject a prescription if, in his or her professional judgment, he or she believes that it was written or is being submitted for other than a legitimate medical purpose and/or was written outside the usual course of an individual Prescriber's professional practice.

## **IX. RED FLAGS**

1. Upon request by Michigan but no more than annually, and no earlier than four months after the Injunctive Terms Implementation Date, Walgreens shall provide to the Michigan a report (the "Annual Data Report") that sets forth: (1) the total number of prescriptions for Controlled Substances dispensed annually, aggregated nationally and by state; (2) the top twenty-five prescribers of Designated Controlled Substances in each Michigan; (3) the list of prescribers subject to disclosure in section X.5; (4) the specific process, system, metrics or algorithms (if any) sufficient to demonstrate the operational system's ability to identify each category of Red Flag listed in this section; and (5) the total number of prescriptions that pharmacists at the Settling Pharmacy refused to dispense using Walgreens' Good Faith Dispensing worksheet. Michigan acknowledges that the Good Faith Dispensing worksheet documents the resolution of some Red Flags listed in this section, but does not document the resolution of every Red Flag listed in this section. Upon request, the State Injunctive Relief Committee may request a reasonable sample of completed Good Faith Dispensing worksheets. Unless otherwise required by law, if Michigan seeks to disclose any data and/or information provided under this provision as part of a proceeding to enforce these Injunctive Terms or otherwise, it shall first provide ten (10) days' notice to Walgreens unless doing so would conflict with applicable law. Michigan shall not otherwise disclose or provide any data provided under this provision to third parties during or after the Term of these Injunctive Terms unless required to do so by law. If Michigan is required to disclose or provide any data under this provision to third parties during or after the Term of these Injunctive Terms, it shall first provide ten (10) days' notice to Walgreens unless doing so would conflict with applicable law. All data and/or information provided under this paragraph shall be deemed confidential law enforcement material, to the extent state law permits, and shall not be subject to production unless required by law. Nothing in this paragraph shall be deemed to prevent Michigan from sharing this material with other State or federal law enforcement agencies.
2. Within the three months following the provision of the Annual Data Reports, either Walgreens or Michigan may propose in writing a meet and confer to discuss potential changes to the scope of one or more categories of Red Flags. At such a meeting, Walgreens or Michigan may provide additional research, information or data available



to them beyond that provided in the Annual Data Reports. For example, Walgreens might propose reducing the threshold for triggering a particular category of Red Flag or consolidating certain Red Flags or subcategories of Red Flags into a single metric, or Michigan might propose increasing the threshold for triggering a particular Red Flag or expanding that Red Flag to include multiple subcategories (*e.g.*, number of prescriptions, distance thresholds).

- a. If Walgreens and Michigan agree on such changes to one or more Red Flags, they shall document those changes in writing and they shall become a part of these Injunctive Terms for all intents and purposes.
  - b. If Walgreens and Michigan cannot agree on the proposed changes during their meeting and confer, the Party seeking the change(s) to the Red Flag(s) may seek a 5-day mediation of the issue at its own expense. If the mediation fails to resolve the dispute between the parties, the party seeking the proposed change(s) may file arbitration to modify the Red Flags on the basis that the change(s) would be consistent both with avoiding unnecessary material costs of identifying and resolving Red Flags and materially reducing the diversion of Controlled Substances. In such a proceeding, the Party seeking the proposed change(s) may provide evidence from Annual Data Reports or from other research, data and information.
  - c. In any such proceedings, there shall be a presumption against imposition of any proposed Red Flags, or proposed modifications to pre-existing Red Flags, that have not been identified by the United States Drug Enforcement Administration (DEA) or other law enforcement agencies tasked with the regulation of Controlled Substances.
  - d. The Red Flags required by these Injunctive Terms shall at no point be too numerous or complex to be reasonably workable for pharmacists in the context of protecting patient safety, performing corresponding responsibility, drug utilization review, and their other responsibilities. Any dispute over whether the Red Flags required by these Injunctive Terms have become too numerous or complex to be reasonably workable for pharmacists shall be submitted to arbitration. In the event a dispute is submitted to arbitration, it shall be Walgreens' burden to prove that the Red Flag(s) at issue are overly burdensome and that their burdensome nature outweighs any public health benefit.
3. Walgreens' CSCP Policies and Procedures shall direct its pharmacists to treat the following circumstances as "Patient Red Flags":

- a. A Patient seeks to fill a Schedule II Designated Controlled Substance prescription more than three days prior to the contemplated exhaustion date of an earlier prescription of the same Schedule II Designated Controlled Substance (e.g., exhaustion of the days' supply assuming the prescription has been taken in accordance with the prescribers' directions on the face of the prescription), provided the previous prescription was also dispensed by the same Settling Pharmacy;
- b. A Patient seeks to fill a Designated Controlled Substance prescription from a Prescriber after having filled Designated Controlled Substance prescriptions at the same Walgreens from more than four other Prescribers, from separate practices, in a given 6-month period;<sup>2</sup>
- c. To the extent personally known by the dispensing pharmacist, Prescriber has been the subject of more than ten (10) documented refusals to fill within a six-month period;
- d. A Patient seeks to fill a Designated Controlled Substance prescription after having filled three other Designated Controlled Substance prescriptions written by multiple Prescribers with overlapping days of supply at Walgreens' pharmacies within thirty (30) days;
- e. The distance between a Patient's residence and the Walgreens receiving the Designated Controlled Substance prescription is farther than 50 miles;
- f. The Patient resides more than one hundred (100) miles from the Prescriber who issued the Designated Controlled Substances prescription;
- g. To the extent personally known by the dispensing pharmacist, a Patient seeks to fill a Designated Controlled Substance prescription after having two other prescriptions for Designated Controlled Substances subjected to documented refusals to fill by a Walgreens pharmacist within the past thirty (30) days;
- h. A patient pays in cash for a Designated Controlled Substance despite having prescription drug insurance on file for that medication;
- i. Three or more Patients come to the pharmacy together to fill prescriptions for the same Designated Controlled Substances;
- j. A Patient requests a Designated Controlled Substance by its slang or street description, such as "Mallinckrodt blues," "M's" or "the blue pill"; and

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<sup>2</sup> In Walgreens' sole discretion, for administrative convenience Walgreens may implement this Red Flag without regard to whether Prescribers are at separate practices, thereby resulting in more instances in which the flag occurs.

- k. A Patient presenting a prescription for a Designated Controlled Substance appears visibly altered, intoxicated, or incoherent.
- 4. Walgreens' CSCP Policies and Procedures shall direct its pharmacists to treat the following circumstances as "Prescription Red Flags:"
  - a. A Controlled Substance prescription fails to meet the requirements of law;
  - b. A Controlled Substance prescription that appears altered, including but not limited to, a photocopied prescription or a prescription in which an altering agent, such as white out, was used;
  - c. A Controlled Substance prescription written with misspellings suggesting the prescription may not have been written by a valid Prescriber;
  - d. A Controlled Substance prescription using atypical abbreviations suggesting the prescription may not have been written by a valid Prescriber; and
  - e. A Controlled Substance prescription written with multiple colors of ink or in multiple different handwritings.
- 5. Walgreens' CSCP Policies and Procedures shall direct its pharmacists to treat the following circumstances as "Prescriber Red Flags:"
  - a. A Prescriber provides a Patient with prescriptions for all three of a Schedule II Designated Controlled Substance, a benzodiazepine, and carisoprodol;
  - b. A Prescriber has no office within fifty (50) miles of the retail pharmacy store where a Designated Controlled Substance prescription is submitted; and
  - c. A Prescriber of Designated Controlled Substances uses prescriptions that are preprinted or stamped with drug type and amount.

**X. PRESCRIBER REVIEW**

- 1. Walgreens shall regularly review the prescribing patterns and practices of Prescribers of Designated Controlled Substances (the "Prescriber Review Process"). The Prescriber Review Process shall employ algorithms, or other means, to review data on Walgreens' retail dispensing for potential Prescribers of concern.
- 2. Walgreens shall initiate Prescriber Review Process in the following circumstances:
  - a. Personnel implementing the Prescriber Review Process become aware that a Prescriber of Designated Controlled Substances located in a Michigan has been the subject of a blanket refusal to fill by one or more of Walgreens' retail pharmacy stores in Michigan;

- b. Personnel implementing the Prescriber Review Process become aware that a Prescriber of Designated Controlled Substances located in a Michigan has been charged or indicted with a crime related to prescribing Designated Controlled Substances by the Federal Government or law enforcement in Michigan; or
  - c. Walgreens has received a Hotline complaint that has been investigated and substantiated concerning a Prescriber's illegitimate prescribing of Designated Controlled Substances.
- 3. Based on the professional judgment of the employees operating the Prescriber Review Process, Walgreens may also initiate the Prescriber Review Process when:
  - a. Personnel implementing the Prescriber Review Process are notified in writing by law enforcement that a Prescriber of Designated Controlled Substances located in Michigan is the target of an investigation regarding the prescribing of Controlled Substances;
  - b. A Prescriber of Designated Controlled Substances was flagged for review by a Walgreens pharmacist in Michigan (other than through a refusal to fill or blanket refusal to fill) or by field personnel who supervise Walgreens' pharmacies in Michigan; or
  - c. A Prescriber of Designated Controlled Substances located in Michigan was identified through the running of algorithms on Walgreens' retail dispensing.
- 4. Once Walgreens identifies a Prescriber for further investigation, Walgreens shall review pertinent and available data or information pertaining to the Prescriber, which may include interviews or other information gathered in the discretion of the employees operating the Prescriber Review Process. All data and information collected or created as part of the Prescriber Review Process shall be maintained by Walgreens for the length of these Injunctive Terms. When permitted by law, nothing contained in this Section prevents Walgreens from taking immediate action to Block a Prescriber.
- 5. If after the Prescriber Review Process those making the decision have not resolved the circumstances that caused Walgreens to further investigate the Prescriber, then the Prescriber shall be Blocked from having Controlled Substance prescriptions filled at Walgreens' retail pharmacies in Michigan, when permitted by law. A Prescriber may have an opportunity at the discretion of Walgreens to seek future reinstatement by providing information to Walgreens that may resolve its concerns. Nothing in this Section shall limit the right or ability of Walgreens pharmacists to either refuse to fill

a given prescription or refuse to fill all prescriptions for Controlled Substances from a given Prescriber independent of any decision by Walgreens to Block or not Block a given Prescriber. On written demand, on an annual basis, Walgreens shall provide to Michigan the names of and DEA registration or NPI numbers of Prescribers of Designated Controlled Substances within Michigan that it has Blocked. On an annual basis, Walgreens shall provide to Michigan the number, names and DEA registration or NPI numbers of Prescribers who were: (a) blocked, and (b) the number of prescribers who were reviewed but not blocked.

## **XI. PROACTIVE DUE DILIGENCE AND SITE VISITS**

1. During the term of these Injunctive Terms, Walgreens shall conduct periodic proactive compliance reviews of its retail pharmacy stores in Michigan to assist with the identification of potential compliance issues related to the dispensing of Designated Controlled Substances at its retail pharmacy stores in Michigan. This may be satisfied by the use of algorithms, or other electronic means, to analyze data associated with each pharmacy's dispensing of Designated Controlled Substances to identify particular pharmacies for review as required under this Section XI. Documentation of any resulting reviews shall be maintained by Walgreens and made accessible to all Controlled Substance Compliance Department personnel upon request for the duration of these Injunctive Terms.
2. During the term of these Injunctive Terms, Walgreens personnel or qualified third-party compliance consultants shall conduct site visits to each pharmacy in a calendar year. These site visits shall at a minimum consist of a review of Controlled Substance dispensing documentation and recordkeeping; and a review of physical surroundings and other circumstances for any indications of potential non-compliance with these Injunctive Terms or the CSCP Policies and Procedures, or any violations of other applicable laws and regulations related to the dispensing of Controlled Substances.
3. During site visits, Walgreens' personnel or qualified third-party compliance consultants shall interview relevant pharmacy employees, if appropriate, about any potential areas or issues of concern, including potential violations of laws related to the dispensing of Controlled Substances, the CSCP Policies and Procedures, and these Injunctive Terms.
4. Walgreens' personnel or qualified third-party compliance consultants who conduct site visits shall complete a report reflecting the findings of any site visit pursuant to this section. This report shall document areas or issues of concern, including potential violations of law related to the dispensing of Controlled Substances, the CSCP Policies and Procedures, and these Injunctive Terms.

5. The site visit reports described above shall be maintained by Walgreens and made accessible to all Controlled Substance Compliance Department personnel for the duration of these Injunctive Terms. Upon its request, Michigan shall be provided sample reports or a report for a particular store.

## **XII. THEFT AND LOSS PREVENTION**

1. In addition to complying with all theft and loss procedures, policies and precautions required by state and federal law, Walgreens shall maintain for at least three years information regarding the receipt and disposition of inventory of all Designated Controlled Substances at each retail pharmacy store.
2. In addition to any other reporting obligations under state and federal law, Walgreens must provide to Michigan on a quarterly basis any reports it has made to the DEA regarding the theft or significant loss of Designated Controlled Substances in Michigan pursuant to 21 C.F.R. §1301.76(b). Michigan shall provide contact information in order to receive such reports. There shall be no obligation to provide these reports to the extent that Michigan receives contemporaneous reporting of thefts or significant losses of Designated Controlled Substances to its board of pharmacy.

## **XIII. REPORTING TO LAW ENFORCEMENT**

1. Michigan shall inform Walgreens to what extent their law enforcement authorities would like to receive reports, other than those already required by law or regulation, of any confirmed forged prescriptions. To the extent required and not already in place, Walgreens shall implement standard operating procedures directing its employees to report any confirmed forged prescriptions for Designated Controlled Substances to Michigan within five (5) days of completing any review of such prescription or conduct. Michigan shall provide contact information in order to receive such reports.
2. Walgreens shall document and for at least two (2) years maintain records of any such reports that are made to Michigan regarding confirmed fraudulent or forged prescriptions, which are maintained centrally.

## **XIV. ENFORCEMENT OF INJUNCTIVE TERMS**

1. Notice of Potential Violations and Opportunity to Cure.
  - a. A “Potential Violation” occurs when Michigan determines, after appropriate investigation and due diligence, that Walgreens is not in substantial compliance with a material aspect of the Injunctive Terms. A Potential Violation may be

for a single retail pharmacy. A violation of this Agreement is not presumed to occur when a pharmacist, pharmacist technician, or other field personnel who supervise pharmacists and/or pharmacist technicians employed by Walgreens violates Walgreens' CSCP Policies and Procedures.

- b. Potential Violation Discovered by Michigan.
  - i. In the event of a Potential Violation identified by Michigan, Michigan shall notify Walgreens in writing (the "State's Notice").
  - ii. Within thirty (30) days of receipt of the State's Notice, Walgreens shall provide a written response to the Michigan. The response shall include Walgreens' position as to the act(s) of non-compliance, including, possibly, a statement setting forth why Walgreens believes it is in substantial compliance with the relevant provision(s) or a statement explaining how the Potential Violation has been addressed.
  - iii. If Michigan wishes to meet with Walgreens, Walgreens shall promptly make itself available for such a meeting.
- c. If, after review of a written response and any meeting, Michigan believes that a Potential Violation is ongoing or has not been substantially addressed, it will provide written notice to Walgreens and work in conjunction with Walgreens to devise, within thirty (30) days, a corrective action plan ("Corrective Action Plan") to remedy such Potential Violation, including a reasonable period for implementation of such plan.
- d. Within sixty (60) and one hundred twenty (120) days after implementing the Corrective Action Plan, Walgreens will provide a written compliance update to Michigan and make itself available to meet with Michigan if requested. If after reviewing the compliance update and any meeting, Michigan believes a Potential Violation remains ongoing or has not been substantially addressed, Michigan may commence a 30-day mediation period. If mediation fails to resolve the dispute between the parties, Michigan may take whatever action it deems necessary, including but not limited to bringing an action to enforce these Injunctive Terms, filing a new action (administrative or civil action) for violation of the Injunctive Terms as allowed by state law, conducting further investigation, or attempting to negotiate an updated Corrective Action Plan with Walgreens. But Michigan may not seek to reinstate claims that have been released as part of the Settlement Agreement.

- e. If Walgreens fails or refuses to provide a written response, to devise or implement a Corrective Action Plan or to provide a compliance update as required by subsections 1(b), 1(c) and/or 1(d), Michigan may bring an action to enforce these Injunctive Terms, filing a new action (administrative or civil action) for violation of the Injunctive Terms as allowed by state law, conduct further investigation, or attempt to negotiate an updated Corrective Action Plan with Walgreens. But Michigan may not seek to reinstate claims that have been released as part of the Settlement Agreement.
  - f. If, after review of a written response and any meeting, pursuant to subsections 1b. or 1c., above, Michigan concludes that a Potential Violation is not ongoing or has been substantially addressed, Michigan will provide written notice of this conclusion to the Settling Pharmacy within thirty (30) days of reaching its conclusion.
2. Enforcement Action. Michigan agrees that prior to taking any court or administrative action, other than an action that Michigan concludes is necessary to address an immediate threat to the health, safety, or welfare of the citizens of Michigan, or that a public emergency requiring immediate action exists, it will follow the process outlined above. If Michigan concludes that action is necessary to address an immediate threat to the health, safety, or welfare of the citizens of Michigan or that a public emergency requiring immediate action exists, it will make best efforts to provide reasonable notice to Walgreens prior to initiating any such action.

## **XV. COMPLIANCE CERTIFICATION**

- 1. Walgreens' Controlled Substance Compliance Director shall, after diligent inquiry, complete an annual compliance certification as set out in Section XV(4).
- 2. The certification shall be filed annually for the duration of these Injunctive Terms with Michigan's appropriate licensing and/or regulatory agency and its Attorney General.
- 3. The certification shall state:



“I understand the compliance requirements and responsibilities as they relate to [insert name of department], an area under my supervision. My job responsibilities include attempting to achieve compliance with regard to the [insert name of department] with all applicable statutory requirements, obligations of the Injunctive Terms, and applicable policies, and I have taken steps to promote such compliance. To the best of my knowledge, the [insert name of department] is in compliance with the obligations of these Injunctive Terms. I understand that this certification is being provided to and relied upon by the State of [Michigan].”

4. If the Controlled Substance Compliance Director is unable to provide such a certification, the Controlled Substance Compliance Director shall provide a written explanation of the reasons why he or she is unable to provide the certification outlined above.

## **XVI. DATA SHARING**

1. Walgreens shall consent to the provision by its distributors of Walgreens’ unblinded “867 Data” (data sent from the distributor to the manufacturer concerning the sale of its products to Walgreens) to opioid manufacturers on any particular Designated Controlled Substances manufactured by them as soon as commercially reasonable and at no cost to the manufacturers, provided that, pursuant to a prior written agreement with Walgreens, the opioid manufacturers agree (a) to ensure the confidentiality of the 867 Data, except as required by law; (b) to implement safeguards and procedures to limit access to and use of the 867 Data, except as required by law; (c) that the 867 Data shall be used solely for compliance purposes as part of their Suspicious Order Monitoring programs; and (d) that the 867 Data shall be shared only with specified personnel and shall not be shared with business or sales personnel.
2. To the extent that Walgreens provide McKesson Corporation, Cardinal Health, Inc., or AmerisourceBergen Corporation (the "Settling Distributors") with Pharmacy Customer Data (as defined in the Distributor Injunctive Terms) for use in their Controlled Substance Monitoring Programs, Walgreens agree that the Settling Distributor(s) may share such Pharmacy Customer Data with the Monitor appointed pursuant to the Distributor Injunctive Terms, provided that the Monitor agrees, pursuant to a prior written agreement with Walgreens, (a) to ensure the confidentiality of the Pharmacy Customer Data; (b) to implement safeguards and procedures to limit access to and use of the Pharmacy Customer Data; (c) that the Pharmacy Customer Data is used solely for the purpose of ensuring the Settling Distributors’ compliance with the Distributor Injunctive Terms; and (d) that the Pharmacy Customer Data shall be shared only with specified personnel.

## **XVII. CLEARINGHOUSE**

1. Walgreens will confer with any Settling Distributor that distributes Designated Controlled Substances to its retail pharmacies and Michigan for a period not to exceed six (6) months from the Injunctive Terms Implementation Date to determine: what additional deidentified information, if any, is needed from Walgreens for a Settling Distributor to perform suspicious order monitoring; if additional deidentified information is needed, how the Settling Pharmacy shall provide it to a Settling Distributor; and what information provided by Walgreens to a Settling Distributor may be deposited by the Settling Distributor into the Clearinghouse. For the avoidance of doubt “deidentified” does not refer to Prescribers. If agreements are not reached, the matters in dispute shall be submitted to arbitration. Due to patient privacy and legal restrictions and other confidentiality and commercial concerns, in connection with any meet and confer described above, Walgreens may not be compelled to provide individual patient-level or prescription-level data, de-identified or otherwise, to the Settling Distributors.
2. Walgreens and Settling Distributors will also determine whether and in what amount each Settling Pharmacy will contribute to the cost of the operation of the Clearinghouse. When Walgreens contributes to the costs of the Clearinghouse, Settling Pharmacy, Settling Distributors and all other participants in the Clearinghouse shall determine an equitable amount of Walgreens’ contribution. If agreements are not reached, the matters in dispute shall be submitted to arbitration.
3. Any data provided by Walgreens to a Settling Distributor and/or the Clearinghouse pursuant to these Injunctive Terms shall be treated in compliance with state and federal law, including but not limited to the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) and all applicable state and federal privacy laws.
4. No Settling Distributor or other participant in the Clearinghouse shall receive from the Clearinghouse information specific to Walgreens.





