STATE SETTLEMENT AGREEMENT

I. PARTIES

This Settlement Agreement ("Agreement") is entered into between the State of California ("the State") and Novartis Pharmaceuticals Corporation (including its predecessors, successors, and assigns, collectively referred to as "Novartis"), hereinafter collectively referred to as "the Parties."

II. PREAMBLE

As a preamble to this Agreement, the Parties agree to the following:

A. At all relevant times, Novartis (a subsidiary of Novartis International AG, which is headquartered in Basel, Switzerland) was a corporation with its principal place of business in East Hanover, New Jersey that distributed, marketed and/or sold pharmaceutical products in the United States, including drugs sold under the trade names of Exjade (deferasirox) and Myfortic (mycophenolic acid). From late 2005 until at least March 31, 2012, Novartis contracted with specialty pharmacies doing business as Accredo, BioScrip and US Bioservices to dispense Exjade as part of Novartis's "Exjade Patient Assistance and Support Services" network ("EPASS").

B. On or about November 14, 2011, David Kester ("Relator") filed a *qui tam* action in the United States District Court for the Southern District of New York captioned *United States of America ex rel. David M. Kester et al. v. Novartis Pharmaceuticals Corporation, Accredo Health Group, Inc., Amerisource Bergen Corporation, Bioscrip Corporation, Curascript, Inc., CVS Caremark Corporation, Express Scripts, Inc.,*

McKesson Corporation, Medco Health Solutions, Inc., and Walgreens Company, Civil Action No. 11 Civ. 8196 (CM) (JCF) ("the Civil Action"). The Civil Action contains multiple causes of action, among them claims pursuant to the *qui tam* provisions of the federal False Claims Act, 31 U.S.C. § 3730(b), and several state False Claims Acts (the "State FCAs"). The United States and the following States are named plaintiffs in the Civil Action: California; Colorado; Connecticut; Delaware; Florida; Georgia; Hawaii; Illinois; Indiana; Louisiana; Maryland; Massachusetts; Michigan; Minnesota; Montana; Nevada; New Jersey; New Mexico; New York; North Carolina; Oklahoma; Rhode Island; Tennessee; Texas; Virginia; Wisconsin; and the District of Columbia.

In or about January 2014, the States of California, Georgia, Illinois, Indiana, Maryland, Michigan, New Jersey, New York, Oklahoma, Washington, and Wisconsin (the "Intervening States") filed complaints in the Civil Action against Novartis regarding Exjade.

C. Novartis is expected to enter into a separate civil Stipulation and Order of Settlement and Dismissal (the "Federal Settlement Agreement") with the United States.

D. The State contends that Novartis caused claims for payment to be submitted to the State's Medicaid Program (see 42 U.S.C. §§ 1396-1396(v)) in violation of the federal anti-kickback statute ("federal AKS").

E. The State contends that it has certain civil and administrative causes of action against Novartis for engaging in the following conduct (the "Covered Conduct"):

> The State contends that Novartis paid kickbacks and violated the federal Anti-Kickback Statute as follows: (a) from in or about February 2007 to in or about May 2012, Novartis (i) gave patient referrals, discounts and rebates to Accredo Health Group, Inc. ("Accredo"), BioScrip, Inc. ("BioScrip"), and U.S.

Bioservices Corporation ("US Bioservices") to induce these pharmacies to recommend to patients that they order Exjade refills and (ii) thereby caused Accredo, Bioscrip and US Bioservices to submit false claims to Medicaid for reimbursement for Exjade that were not eligible for payment; and (b) from in or about June 2004 to in or about December 2013, Novartis (i) gave discounts and/or rebates to specialty pharmacies (including Transcript Pharmacy, Bryant's Pharmacy and Healthcare Center, Kilgore's Medical Pharmacy, Baylor Health Care System, and Twenty-Ten Pharmacy) in return for their agreement to recommend to physicians to prescribe Myfortic instead of the competitor drug CellCept or generic versions of CellCept and (ii) thereby caused these pharmacies to submit false claims to Medicaid for reimbursement for Myfortic that were not eligible for payment.

F. To avoid the delay, expense, inconvenience, and uncertainty of protracted litigation of these causes of action, the Parties mutually desire to reach a full and final settlement as set forth below. This Agreement is not a concession by the State that its allegations are not well founded.

III. TERMS AND CONDITIONS

NOW, THEREFORE, in reliance on the representations contained herein and in consideration of the mutual promises, covenants and obligations set forth in this Agreement, and for good and valuable consideration as stated herein, the Parties agree as follows:

1. Novartis agrees to pay to the United States and the Medicaid Participating States (as defined in sub-paragraph (c) below), collectively, the sum of $389,823,708.71, plus accrued interest pursuant to paragraph 3 of the Federal Settlement Agreement, plus accrued interest on the non-interest portion of the Medicaid State Settlement Amount (as defined below) of 2.0 percent per annum commencing on September 2, 2015 and continuing and including the day payment is made under this Agreement (collectively,

the "Settlement Amount"). The Settlement Amount shall constitute a debt immediately due and owing to the United States and the Medicaid Participating States on the Effective Date of the Federal Settlement Agreement, and subject to the terms of this Agreement. The debt shall forever be discharged by payments to the United States and the Medicaid Participating States, under the following terms and conditions:

(a) Novartis shall pay to the United States the sum of $306,870,245.98, plus interest on $286,870,245.98 compounded annually at the following rates: (a) a rate of 2.0 percent accruing from September 2, 2015, to the date the Federal Settlement Agreement is signed by the parties, and (b) a rate of 0.5 percent accruing from the day after the date the Federal Settlement Agreement is signed by the parties to the date of payment ("Federal Settlement Amount"). The Federal Settlement Amount shall be paid pursuant to the terms of the Federal Settlement Agreement.

(b) Novartis shall pay to the Medicaid Participating States the sum of $82,953,462.73, plus accrued interest ("Medicaid State Settlement Amount"), subject to the non-participating state deduction provision of Sub-paragraph (d) below ("Medicaid Participating State Settlement Amount"), no later than ten (10) business days after the expiration of the 30 day opt-in period for Medicaid Participating States described in Sub-paragraph (c) below (including any extensions). The Medicaid Participating State Settlement Amount shall be paid by electronic funds transfer to the New York State Attorney General's National Global Settlement Account pursuant to written instructions from the State Negotiating Team ("State Team"), which written instructions shall be delivered to counsel for Novartis.

(c) Novartis shall execute a State Settlement Agreement with any State that executes such an Agreement in the form to which Novartis and the State Team have agreed, or in a form otherwise agreed to by Novartis and an individual State. The State shall constitute a Medicaid Participating State provided this Agreement is fully executed by the State and delivered to Novartis's attorneys within 30 days of receiving this Agreement absent written agreement between Novartis and the State Team. If this condition is not satisfied within 30 days, Novartis's offer to resolve this matter with the individual State shall become null and void absent written agreement between counsel for Novartis and the State Team to extend the 30 day period.

(d) The total portion of the amount paid by Novartis in settlement for the Covered Conduct for the State is $28,721,479.07, consisting of a portion paid to the State under this Agreement and another portion paid to the United States as part of the Federal Settlement Agreement. The amount allocated to the State under this Agreement is the sum of $15,927,174.42, plus applicable interest (the "State Amount"). If the State does not execute this Agreement within 30 days of receiving this Settlement Agreement, the State Amount shall be deducted from the Medicaid State Settlement Amount and shall not be paid by Novartis absent written agreement between counsel for Novartis and the State Team to extend the time period for executing this Agreement.

2. The State agrees to dismiss with prejudice any state law claims which the State has the authority to dismiss currently pending against Novartis in State or Federal Courts for the Covered Conduct, including any supplemental state law claims asserted in the Civil Action. Conditioned upon receipt by the State of the State Amount, the State, if

served with the Civil Action and liable to pay a Relator's share, agrees to pay the Relator, as soon as feasible after such receipt, such amounts as have been or will be negotiated with the Relator in the Civil Action. In no event shall Novartis have any liability for the Relator's share, if any. With respect to claims against Novartis pending in the Civil Action that are not encompassed in the Covered Conduct (the "Remaining Claims"), including, but not limited to, claims against Novartis in Relator's Third Amended Complaint concerning drugs other than Exjade and Myfortic (and including but not limited to claims concerning Gleevec, Tasigna, TOBI and TOBI Podhaler), the State agrees to dismissal without prejudice as to itself of the Remaining Claims against Novartis and consents to the dismissal with prejudice as to Relator of the Remaining Claims against Novartis.

3. Subject to the exceptions in Paragraph 4 below, in consideration of the obligations of Novartis set forth in this Agreement, and conditioned upon receipt by the State of the State Amount, the State agrees to release Novartis, its predecessors and current and former parents, divisions, subsidiaries, affiliates, successors, transferees, heirs, assigns, agents, attorneys and their current and former directors, officers, and employees, individually and collectively (collectively, "the Novartis Released Entities"), from any civil or administrative monetary cause of action that the State has for any claims submitted or caused to be submitted to the State Medicaid Program as a result of the Covered Conduct, including but not limited to all causes of action for the Covered Conduct asserted in the Complaints of the Intervening States.

4. Notwithstanding any term of this Agreement, the State specifically does not release any person or entity from any of the following liabilities:

(a) any criminal, civil, or administrative liability arising under state revenue codes;

(b) any criminal liability not specifically released by this Agreement;

(c) any civil or administrative liability that any person or entity, including any Released Entities, has or may have to the State or to individual consumers or state program payors under any statute, regulation or rule not expressly covered by the release in Paragraph 3 above, including but not limited to, any and all of the following claims: (i) State or federal antitrust violations; (ii) Claims involving unfair and/or deceptive acts and practices and/or violations of consumer protection laws;

(d) any liability to the State for any conduct other than the Covered Conduct;

(e) any liability which may be asserted on behalf of any other payors or insurers, including those that are paid by the State's Medicaid program on a capitated basis;

(f) any liability based upon obligations created by this Agreement;

(g) except as explicitly stated in this Agreement, any administrative liability, including mandatory exclusions from the State's Medicaid program;

(h) any liability for expressed or implied warranty claims or other claims for defective or deficient products and services provided by Novartis;

(i) any liability for personal injury or property damage or for other consequential damages arising from the Covered Conduct; or

(j) any liability based on a failure to deliver goods or services due.

causes of action (including attorneys' fees, costs, and expenses of every kind and however denominated) which Novartis has against the State, its agencies, employees, and agents arising from the State's investigation and prosecution of the Covered Conduct.

8. The amount that Novartis must pay to the State pursuant to Paragraph III.1. above will not be decreased as a result of the denial of any claims for payment now being withheld from payment by the State's Medicaid program, or any other state payor, for the Covered Conduct; and Novartis agrees not to resubmit or cause to be submitted, to the State's Medicaid program or any other state payor, any previously denied claims, which denials were based on the Covered Conduct, and agrees to withdraw the appeal of or not to appeal or cause the appeal of any such denials of claims, if any.

9. Novartis shall not seek payment for any claims for reimbursement to the State's Medicaid Program covered by this Agreement from any health care beneficiaries or their parents, sponsors, legally responsible individuals, or third party payors.

10. Novartis expressly warrants that it has reviewed its financial condition and that it is currently solvent within the meaning of 11 U.S.C. §§ 547(b)(3) and 548(a)(1)(B)(ii)(I), and reasonably expects to remain solvent following payment of the Settlement Amount and compliance with this Agreement.

11. The Parties each represent that this Agreement is freely and voluntarily entered into without any degree of duress or compulsion whatsoever.

12. As it relates to the Covered Conduct, Novartis agrees to cooperate fully and truthfully with any State investigation of individuals or entities not released in this

Association of Medicaid Fraud Control Units, after the Medicaid Participating States execute their respective Agreements, or as otherwise agreed by the Parties. In addition, Novartis agrees to pay the Intervening States' litigation costs and expenses in the amount of $176,291.29, plus interest at a rate of 2.0 percent per annum commencing on September 2, 2015 and continuing and including the day payment is made to the National Association of Medicaid Fraud Control Units, after the Intervening States execute their respective Agreements, or as otherwise agreed by the Parties.

17. This Agreement is governed by the laws of the State, (and for the avoidance of doubt, disputes arising under the CIA shall be resolved exclusively under the dispute resolution provisions of the CIA), and venue for addressing and resolving any and all disputes relating to this Agreement shall be the state courts of appropriate jurisdiction of the State.

18. The undersigned Novartis signatories represent and warrant that they are authorized as a result of appropriate corporate action to execute this Agreement. The undersigned State signatories represent that they are signing this Agreement in their official capacities and that they are authorized to execute this Agreement on behalf of the State through their respective agencies and departments.

19. The Effective Date of this Agreement shall be the date of signature of the last signatory to this Agreement. Facsimiles of signatures shall constitute acceptable binding signatures for purposes of this Agreement.

20. This Agreement shall be binding on all successors, transferees, heirs, and assigns of the Parties.

State of California

By: Original Signed By: Dated: 12/17/15

Nicholas N. Paul
Supervising Deputy Attorney General
State of California
OFFICE OF THE ATTORNEY GENERAL

By: Original Signed By: Dated: 12/2/15

Jennifer Kent
Director
Department of Health Care Services
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P.O. Box 997413
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Medicaid Program

NOVARTIS PHARMACEUTICALS CORPORATION

By: Original Signed By:

Dated: Jan. 5, 2016

Christi Shaw
President

By: Original Signed By:

Dated: 1-5-16

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