

STATE SETTLEMENT AGREEMENT

I. PARTIES

This Settlement Agreement (the "Agreement") is entered into by and among the State of California ("the State"); defendants Vintage Pharmaceuticals, LLC, *d/b/a* Qualitest Pharmaceuticals; Generics International (US), Inc., *d/b/a* Qualitest Pharmaceuticals; Generics Bidco I, LLC, *d/b/a* Qualitest Pharmaceuticals; Generics Bidco II, LLC, *d/b/a* Qualitest Pharmaceuticals; Generics International (US Parent), Inc.; Generics International (US Holdco), Inc.; Generics International (US Midco), Inc.; Endo Health Solutions Inc., *f/k/a* Endo Pharmaceuticals Holdings, Inc.; and Endo Pharmaceuticals Inc. (collectively, "Qualitest" or the "Defendants"), (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, Defendants distributed, marketed and sold pharmaceutical products in the United States, including chewable multivitamin fluoride supplement tablets ("Qualitest Fluoride Tablets").
- B. On March 6, 2013, Stephan Porter ("Relator") filed a *qui tam* action in the United States District Court for the Southern District of New York captioned *United States of America, et al., ex rel. Porter v. Qualitest Pharmaceuticals Inc.*, Case No. 13-CV-1506 (S.D.N.Y.) (hereinafter the "Civil Action").
- C. Defendants have entered into a separate civil settlement agreement (the "Federal Settlement Agreement") with the United States of America (as that term is defined in the Federal Settlement Agreement) hereinafter referred to as the "United States."

D. The State contends that the defendants caused claims for payment to be submitted to the State's Medicaid Program (see 42 U.S.C. §§ 1396-1396(v)). Claims may be submitted to the State's Medicaid Program directly or through an intermediary, including through a managed care organization (MCO). The State further contends that MCOs are contractors with the State's Medicaid programs and the submission of claims for payment to an MCO constitutes the submission of claims to the State's Medicaid Program.

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

The State contends that from on or about October 1, 2007 to on or about August 31, 2013, Defendants violated federal and state false claims act statutes by marketing, selling, and distributing Qualitest Fluoride Tablets that contained less than 50% of the fluoride ion indicated in the labels and, thereby, caused the submissions of false claims to the state Medicaid Program. This conduct shall be referred to below as the "Covered Conduct".

F. The defendants admit to the facts as set forth in Exhibit A, attached to this agreement.

G. 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.

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. Defendants agree to pay to the United States and the Medicaid Participating States (as defined in sub-paragraph (c) below), collectively, the sum of \$39,000,000.00, plus accrued interest on that amount of 2% per annum commencing on September 14, 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) The defendants shall pay to the United States the sum of \$22,444,681.73 plus accrued interest on that amount at the rate of 2% per annum commencing on September 14, 2015 ("Federal Settlement Amount"). The Federal Settlement Amount shall be paid pursuant to the terms of the Federal Settlement Agreement.

(b) The defendants shall pay to the Medicaid Participating States the sum of \$16,555,318.27 plus accrued interest on that amount at the rate of 2% per annum commencing on September 14, 2015, ("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 fourteen (14) business days after the expiration of the 30 day opt-in period for Medicaid Participating States described in Sub-paragraph (c) below. 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 defendants.

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

(d) The total portion of the amount paid by the defendants in settlement for the Covered Conduct for the State is \$1,598,894.95, 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 \$875,937.30, 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 the defendants absent written agreement between counsel for the defendants 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 the defendants in State or Federal Courts for the Covered Conduct.

3. Subject to the exceptions in Paragraph 4 below, in consideration of the obligations of defendants set forth in this Agreement, and conditioned upon receipt by the State of its share of the Medicaid State Settlement Amount, the State agrees to release

defendants, their predecessors and current and former parents, divisions, subsidiaries, affiliates, successors, transferees, heirs, and assigns, and their current and former directors, officers, and employees, individually and collectively (collectively, the "Endo 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.

4. 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 Endo 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 based upon obligations created by this Agreement;
- (f) except as explicitly stated in this Agreement, any administrative liability, including mandatory exclusions from the State's Medicaid program;
- (g) any liability for expressed or implied warranty claims or other claims for defective or deficient products and services provided by defendants other than the Covered Conduct;

(h) any liability based on a failure to deliver goods or services due other than the Covered Conduct.

5. Defendants waive and shall not assert any defenses they may have to any criminal prosecution or administrative action relating to the Covered Conduct that may be based in whole or in part on a contention that, under the Double Jeopardy Clause in the Fifth Amendment of the Constitution, or under the Excessive Fines Clause in the Eighth Amendment of the Constitution, this Agreement bars a remedy sought in such criminal prosecution or administrative action.

6. In consideration of the obligations of the State set forth in this Agreement, Endo Released Entities waive and discharge the State, its agencies, employees, and agents from any causes of action (including attorneys' fees, costs, and expenses of every kind and however denominated) which the Endo Released Entities have against the State, its agencies, employees, and agents arising from the State's investigation and prosecution of the Covered Conduct.

7. The amount that defendants 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, any MCO which may be under contract to the State Medicaid Program or any other state payor for the Covered Conduct; and defendants agree not to resubmit to the State's Medicaid program, any MCO which may be under contract to the State 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.

8. Defendants 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, and further shall not seek payment for any claims for reimbursement to any MCOs which may be under contract to the State's Medicaid Program and attributable in any way to the Covered Conduct, from any health care beneficiaries or their parents, sponsors, legally responsible individuals, or third party payors.

9. Defendants 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 shall remain solvent following payment of the Settlement Amount and compliance with this Agreement.

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

11. Except as expressly provided to the contrary in this Agreement, each Party to this Agreement shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

12. Except as otherwise stated in this Agreement, this Agreement is intended to be for the benefit of the Parties only, and by this instrument the Parties do not release any liability against any other person or entity.

13. Nothing in this Agreement constitutes an agreement by the State concerning the characterization of the amounts paid hereunder for purposes of the State's revenue code.

14. In addition to all other payments and responsibilities under this Agreement, defendants agree to pay all reasonable expenses and travel costs of the State Team, including

reasonable consultant fees and expenses. Defendants will pay this amount by separate check made payable to the National Association of Medicaid Fraud Control Units, after the Medicaid Participating States execute their respective Agreements, or as otherwise agreed by the Parties.

15. This Agreement is governed by the laws of the State, 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.

16. The undersigned defendants' 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.

17. 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.

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

19. This Agreement constitutes the complete agreement between the Parties with respect to this matter and shall not be amended except by written consent of the Parties.

20. This Agreement may be executed in counterparts, each of which shall constitute an original, and all of which shall constitute one and the same Agreement.

**ENDO HEALTH SOLUTIONS, INC.
QUALITEST PHARMACEUTICALS, INC.**

By: _____ Dated: _____

[Name]
[Title]

By: _____ Dated: _____

Counsel to Endo Health Solutions, Inc.
Qualitest Pharmaceuticals, Inc.

STATE OF CALIFORNIA

By: _____ Original Signed By _____ Dated: 2/3/2016
Jennifer S. Gregory
Deputy Attorney General
OFFICE OF THE ATTORNEY GENERAL

By: _____ Original Signed By _____ Dated: 2/2/16
Jennifer Kent
Director
Department of Health Care Services
MS0000
P.O. Box 997413
Sacramento, CA 95899-7413
Medicaid Program

FOR THE DEFENDANTS

Dated: Washington, D.C.
February 8, 2016

ARNOLD & PORTER LLP

Original Signed By _____

By:

[Signature]
JONATHAN L. STERN
DAVID D. FAUVRE
555 Twelfth Street, NW
Washington, D.C. 20004
Counsel for the Defendants

Dated: Malvern, PA
February 1, 2016

ENDO HEALTH SOLUTIONS INC.

Original Signed By _____

By:

[Signature]
RAJIV De SILVA
Chief Executive Officer

Dated: Malvern, PA
February 1, 2016

ENDO PHARMACEUTICALS WE.

Original Signed By _____

By:

[Signature]
RAJIV De SILVA
Chief Executive Officer

Dated: Malvern, PA
February 1, 2016

VINTAGE PHARMACEUTICALS, LLC

Original Signed By _____

By:

[Signature]
RAJIV De SILVA

Dated: Malvern, PA
February 1, 2016

GENERIC INTERNATIONAL (US), INC.

Original Signed By _____

By:

[Signature]
RAJIV De SILVA

Dated: Malvern, PA
February 1, 2016

GENERICS BID O I, LLC

By: Original Signed By

RAJIV De SILVA

Dated: Malvern, PA
February 1, 2016

GENERICS BIDCO II, LLC

By: Original Signed By

RAJIV De SILVA

Dated: Malvern, PA
February 1, 2016

GENERIC INTERNATIONAL (US PARENT), INC.

By: Original Signed By

RAJIV De SILVA

Dated: Malvern, PA
February 1, 2016

GENERICS INTERNATIONAL (US HOLDCO), INC.

By: Original Signed By

RAJIV De SILVA

Dated: Malvern, PA
February 1, 2016

GENERICS INTERNATIONAL (US MIDCO), INC.

By: Original Signed By

RAJIV De SILVA