IOWA OPIOID ALLOCATION
MEMORANDUM OF UNDERSTANDING

A. Definitions

As used in this Memorandum of Understanding (“MOU” or “Agreement”):

1. “Local Government” shall mean all Iowa Counties (regardless of population) and cities, villages, and towns located within the geographic boundaries of the State of Iowa with a population exceeding 10,000.1

2. “Opioid Funds” shall mean monetary amounts obtained through a Settlement as defined in this MOU, including amounts obtained under Sections IV and V of the Distributor Master Settlement Agreement and Sections V and VI of the J&J Master Settlement Agreement. Separate amounts allocated to the State as restitution pursuant to Sections IX of the Distributor Master Settlement Agreement and Sections X of the J&J Master Settlement Agreement and amounts for reimbursement of attorneys’ fees and costs as set forth in Sections X of the Distributor Master Settlement Agreement and Section XI of the J&J Master Settlement Agreement and from similar state specific or private attorneys’ fees funds created by other Settlements are not “Opioid Funds.” For avoidance of doubt, payments to the Iowa Backstop Fund will be paid out of Opioid Funds as more specifically set forth in Section D of this MOU.

3. “Opioid Related Expenditure” shall mean an expenditure consistent with the categories enumerated in Exhibit E to the Distributor Master Settlement Agreement and the J&J Master Settlement Agreement found at https://nationalopioidsettlement.com/ and attached hereto as Exhibit 1.

4. “Parties” shall mean the State of Iowa and Participating Local Governments.

5. “Pharmaceutical Supply Chain Participant” shall mean any entity that engages in or has engaged in the manufacture, marketing, promotion, distribution or dispensing of an opioid analgesic, including but not limited to those persons or entities identified as Defendants in the matter captioned In re: Opioid Litigation, MDL 2804 pending in the United States District Court for the Northern District of Ohio.

6. “Participating Local Government” is any Local Government that agrees to be bound by a Settlement by Participation Agreement necessary to effectuate that Settlement or other similar document.

7. “Settlement” shall mean the negotiated resolution of legal or equitable claims regarding opioids against a Pharmaceutical Supply Chain Participant when that resolution has been

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1 The population figures contained in this MOU shall be derived from the published U.S. Census Bureau’s population estimates for July 1, 2019, released May 2020 as set for in the Distributor Master Settlement Agreement and the J&J Master Settlement Agreement.
jointly entered into by the Parties. For avoidance of doubt, a Settlement shall not include (i) any negotiated resolution of legal or equitable claims between the State and a Supply Chain Participant that is unrelated to the claims at issue in the matter captioned In re: Opioid Litigation, MDL 2804 pending in the United States District Court for the Northern District of Ohio or (ii) any negotiated resolution of legal or equitable claims between the State and a Supply Chain Participant that requires the Parties to allocate settlement proceeds in a specific manner or using specified allocation percentages inconsistent with this MOU.

8. “Master Settlement Agreement” shall mean the agreements documenting a Settlement. For the purposes of this MOU the Distributor Master Settlement Agreement and the J&J Master Settlement Agreement found at https://nationalopioidsettlement.com/ are Master Settlement Agreements under the meaning of this MOU.

9. “State” shall mean the State of Iowa.

B. Allocation of the Opioid Settlement Proceeds

1. Opioid Funds shall be allocated as follows: (i) 50% to the Iowa Abatement Fund (“Iowa Abatement Share”) and (ii) 50% to Participating Local Governments, less fees and costs allocated to the Iowa Backstop Fund as set forth in Section D (“LG Abatement Share”).

2. The Participating Local Governments may elect to use a Settlement Administrator (“Settlement Administrator”) to receive and distribute Opioid Funds allocated to the LG Abatement Share pursuant to this MOU.

3. Opioid Funds shall not be considered funds of the Iowa Abatement Fund or any Local Government unless and until such time as an allocation is made to the Iowa Abatement Fund or any Participating Local Government pursuant to this Section.

4. The LG Abatement Share shall be distributed in direct payments to the Counties that are Participating Local Governments according to the National Negotiation Class Formula, in the amounts set forth on Exhibit 2 (“Direct Distribution Amount”).

5. A County may elect to forego its Direct Distribution Amount by notifying the Settlement Administrator in writing of its decision. If a County makes an election to forego its Direct Distribution Amount, that amount reverts to the LG Abatement Share unless the County specifically designates that its share should revert to the Iowa Abatement Share.

6. Except as provided herein, nothing shall prohibit a County from sub-allocating any portion of its Direct Distribution Amount to the Iowa Abatement Fund or to a City that is a Participating Local Government within its jurisdiction provided, however, that the Iowa Abatement Fund or City must expend any such sub-allocation only on an Opioid Related Expenditure.
7. If a County sub-allocates Opioid Funds to a City within its jurisdiction, such suballocation shall be made according to an agreement between the County and the City requiring the use of the suballocated funds for an Opioid Related Expenditure and further providing that a use of funds inconsistent with an Opioid Related Expenditure shall make the funds subject to recoupment and otherwise disqualify the City from a future sub-allocation.

8. Except as provided herein, 100% of the Iowa Abatement Share and the LG Abatement Share, regardless of allocation, shall be utilized only for Opioid Related Expenditures incurred after the Effective Date of this MOU. The list of approved Opioid Related Expenditures are set forth in Exhibit 1 to this MOU. The Parties agree that at least 75% of the Iowa Abatement Share and the LG Abatement Share shall be utilized for only the “Core Strategies” listed in Schedule A of Exhibit 1 to this MOU.

9. The Parties may use up to 2.5% of the Iowa Abatement Share and the LG Abatement Share for administrative costs for Opioid Related Expenditures.

C. Compliance Reporting and Accountability

1. Every Participating Local Government that receives a Direct Distribution Amount shall create a separate fund on its financial books and records that is designated for the receipt and expenditure of the entity’s Direct Distribution Amount, called the “LG Abatement Fund.” Funds in an LG Abatement Fund shall not be commingled with any other money or funds of the Participating Local Government. A Participating Local Government may invest LG Abatement Fund funds consistent with the investment of other funds of a Participating Local Government.

2. Funds in a LG Abatement Fund may be expended by a Participating Local Government only for Opioid Related Expenditures. For avoidance of doubt, funds in a LG Abatement Fund may not be expended for costs, disbursements or payments made or incurred prior to the Settlement.

3. Each LG Abatement Fund shall be subject to audit in a manner consistent with Code of Iowa §§331.402(2)(i) and 11.6. Any such audit shall be a financial and performance audit to ensure that the LG Abatement Fund disbursements are consistent with the terms of this MOU. If any such audit reveals an expenditure inconsistent with the terms of this MOU, the Participating Local Government shall immediately redirect the funds associated with the inconsistent expenditure to an Opioid Related Expenditure.

4. Reporting

   a. Each Participating Local Government that receives a Direct Distribution Amount must prepare and file a public annual report describing the expenditure of its Direct Distribution Amount. The report shall include, though is not limited to, a
narrative description of the funded programs; the dollar amount provided; and progress and/or outcomes of funded programs. Participating Local Governments may work together to prepare and file joint reports if they so choose.

b. A Participating Local Government taking a suballocation of some amount of its Direct Distribution Amount pursuant to Section B(7) is responsible for including the expenditure of those funds and outcomes from those expenditures in the annual report required by Section C(4)(a), above.

c. The State may utilize the reports in order to report to the public on the use and effectiveness of the Opioid Funds in addressing the opioid crisis in Iowa.

5. Two or more Participating Local Governments may combine their respective Direct Distribution Amounts.

6. Nothing shall prohibit Participating Local Governments from acting alone or together pursuant to Paragraph 5 or from entering into an agreement(s) relating to the securitization of Opioid Funds (and any allocation thereof) that are scheduled under a Settlement to be paid at a future date.

7. Pursuant to Section B of this MOU the Iowa Abatement Fund and all Participating Local Governments shall use 100% of the Iowa Abatement Share and the LG Abatement Share for Opioid Related Expenditures.

D. Payment of Counsel and Opioid Litigation Expenses

1. Sixty-six of the Participating Local Governments (“Litigating Local Governments”) have contracted with outside counsel (“Counsel”) for representation in litigation against certain Pharmaceutical Supply Chain Participants and Counsel has been representing some of those entities since 2018. The Litigating Local Governments are set forth on Exhibit 2. In consideration for Counsel’s representation, each of the Litigating Local Governments entered into a contract with its Counsel for a 25% contingency fee applied to each Litigating Local Government’s recovery.

2. The Distributor Master Settlement Agreement and the J&J Master Settlement Agreement provide for the payment of attorneys’ fees and legal expenses owed by States and Participating Local Governments to outside counsel retained for litigation against the Defendants in those agreements. To effectuate this, the Court in the MDL Litigation has established a fund to compensate attorneys for services rendered and expenses incurred that have benefitted plaintiffs generally in the litigation (the “National Attorney Fee Fund”).

3. Counsel for the Litigating Local Governments intends to make application to the National Attorney Fee Fund. Because there is still uncertainty regarding what Counsel will recover as compensation for the large volume of work done and the large out of pocket expense of the Litigation, and whereas the Litigating Local Governments desire
to fairly compensate Counsel for the work done on behalf of Litigating Local Governments, the Parties agree that the Participating Local Governments will create an Iowa attorneys’ fees and costs fund (the “Iowa Backstop Fund”) to compensate Counsel only in the event Counsel does not recover from the National Attorney Fee Fund an amount equal to 15% of the LG Abatement Share attributable to the Litigating Local Governments, less any amounts a Litigating Local Government suballocates to one or more Cities within its jurisdiction (“Net Direct Distribution Amount”). For the avoidance of doubt, collectively, Counsel are limited to being paid, at most, and assuming adequate funds are available under the National Attorney Fee Fund and the Iowa Backstop Fund, attorneys’ fees totaling fifteen percent (15%) of the total Net Direct Distribution Amount for all Litigating Local Governments.

4. Counsel must first seek recovery at the National Attorney Fee Fund before applying to the Iowa Backstop Fund and may not recover from the Iowa Backstop Fund any amounts recovered at the National Attorney Fee Fund.

5. Counsel can seek payment from the Iowa Backstop Fund only for the difference between what they have collected from the National Attorney Fee Fund and the amount to which they are entitled under Paragraph D(3), above.

6. If Counsel receives fees/costs for common benefit work from the National Attorney Fee Fund, when determining “amounts recovered” for purposes of this Section D, those fees/costs received from the National Attorney Fee Fund for common benefit work will be allocated proportionately across all of their local governmental clients based on the Negotiation Class Model to allocate the appropriate portion to Iowa Litigating Local Governments.

7. The Iowa Backstop Fund shall be funded as follows: from the Opioid Funds Allocated to Participating Local Governments pursuant to this MOU, the Settlement Administrator shall deposit in the Iowa Backstop Fund an amount equal to 15% of the total Net Direct Distribution Amount for all Litigating Local Governments and distribute the remainder of the funds allocated to Participating Local Governments as set forth in Section B above. No funds from the Iowa Abatement Share shall be used to pay attorneys’ fees and no funds from the Iowa Abatement Share shall be paid to the Iowa Backstop Fund.

8. Any funds remaining in the Iowa Backstop Fund in excess of the amounts needed to cover the deficiency in attorneys’ fees as provided in this Section shall revert back to the LG Abatement Share and shall be allocated to the Participating Local Governments as provided in Section B.

9. The Settlement Administrator shall be responsible for receiving requests for and allocating payments to Counsel from the Iowa Backstop Fund. Counsel seeking payment from the Iowa Backstop Fund shall provide all documents and information required and/or sought by the Settlement Administrator.
10. The Settlement Administrator is authorized to provide information regarding requests for and payment from the Iowa Backstop Fund to the Attorney General, upon request.

11. The Iowa Backstop Fund will not be funded by proceeds from any resolution in the matter of *In re Purdue Pharma L.P., et. al.*, Docket No. 19-23649 in the Bankruptcy Court for the Southern District of New York.

E. Minimum Participation

1. This Agreement shall become effective at the time when Litigating Local Governments comprising 95% of the total Litigating Local Government population and Local Governments comprising 80% of the total population of eligible Primary Subdivisions as defined and described in in the Settlement Agreements with a population over 30,000 people sign this MOU (“MOU Effective Date”).

2. For avoidance of doubt, a list of the Litigating Local Governments and eligible Primary Subdivisions with a population over 30,000 people whose participation is required to achieve the MOU Effective Dates as set forth above is attached hereto as Exhibit 3.

F. Other Terms

1. The Parties agree to make such amendments as necessary to implement the intent of this agreement. After this Agreement becomes effective, amendments may only be made to this Agreement if approved in writing by the Attorney General and at least 51% of the Participating Local Governments.

2. This Agreement shall be governed by and construed under the laws of the State of Iowa using Iowa law. Any action related to the provisions of this Agreement, except as otherwise provided in the Master Settlement Agreements or Future Resolutions, must be adjudicated by the Iowa state courts of Polk County in the State of Iowa.

3. This Agreement does not supersede or alter the terms of the Master Settlement Agreements except to the extent those terms allow for a State-Subdivision Agreement to do so.

4. If any part of this Agreement is declared invalid or becomes inoperative for any reason, such invalidity or failure shall not affect the validity and enforceability of any other provision.

5. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which together shall be considered one and the same agreement. A signature transmitted by facsimile or electronic image shall be deemed an original signature for purposes of executing this Agreement.
6. Each person signing this Agreement represents that he or she is fully authorized to enter into the terms and conditions of, and to execute, this Agreement on behalf of the named governmental entity, and that all necessary.

IN WITNESS WHEREOF, the parties hereby execute this MOU as of the date set forth below.

ON BEHALF OF THE STATE OF IOWA:

__________________________________ Date: ____________________
Attorney General Thomas J. Miller

ON BEHALF OF THE LOCAL GOVERNMENTS:

______________________ ______________ Date: ______________________
Adair County
Printed: ____________________________

______________________ ______________ Date: ______________________
Adams County
Printed: ____________________________

______________________ ______________ Date: ______________________
Allamakee County
Printed: ____________________________

______________________ ______________ Date: ______________________
Altoona City
Printed: ____________________________

______________________ ______________ Date: ______________________
Ames City
Printed: ____________________________

______________________ ______________ Date: ______________________
Ankeny City
Printed: ____________________________
Jefferson County
Printed: ____________________________

Johnson County
Printed: ____________________________

Johnston City
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Jones County
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Keokuk City
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Keokuk County
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Kossuth County
Printed: ____________________________

Le Mars City
Printed: ____________________________