

## WHAT YOU SHOULD KNOW ABOUT PURDUE PHARMA'S CHAPTER 11 PLAN OF REORGANIZATION

\*\* All referenced documents are accessible on the noticing agent's website:

<https://restructuring.primeclerk.com/purduepharma/Home-DocketInfo>

### FREQUENTLY ASKED QUESTIONS

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#### **Purdue Pharma's Chapter 11 Bankruptcy Proceedings**

##### **Q: When did Purdue Pharma file for bankruptcy?**

**A:** On September 15, 2019, Purdue Pharma and 23 of its affiliates filed for chapter 11 relief in the United States Bankruptcy Court for the Southern District of New York. The case is assigned to Judge Robert D. Drain.

##### **Q: Why did Purdue file for bankruptcy?**

**A:** Purdue wanted to take advantage of a unique statutory provision under the Bankruptcy Code known as the "automatic stay" which halts any pending civil litigation (with exception to criminal prosecution) against the filing entity. At the time that Purdue filed for bankruptcy, it was subject to more than 2,900 civil lawsuits in various state and federal courts for its development and marketing of Oxycontin.

##### **Q: Did Purdue have a settlement in hand at the time that it filed for bankruptcy?**

**A:** Prior to bankruptcy, Purdue and Purdue's ultimate owners, the Sackler Families, reached a global settlement in principal with 24 state attorneys general and other key stakeholders. This global settlement was to be finalized through a chapter 11 bankruptcy filing (the terms of the global settlement are discussed herein).

##### **Q: Did members of the Sackler Families file for bankruptcy as well?**

**A:** No, no member of the Sackler Families has filed for bankruptcy (however, members of the Sackler Families are receiving releases and other benefits under the proposed plan, as discussed herein).

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#### **The Disclosure Statement and Plan of Reorganization**

##### **Q: What is the Disclosure Statement?**

**A:** A disclosure statement must provide creditors and interested parties with sufficient information to be able to make an informed decision on whether to accept or reject a proposed plan of reorganization. The bankruptcy court has approved Purdue's Disclosure Statement and is accessible on the noticing agent's website captioned above [Docket No. 2983].

##### **Q: What is the Plan of Reorganization?**

**A:** A typical chapter 11 plan of reorganization will set forth the proposed treatment of claims grouped in "classes" (i.e., who gets what, when, and how) and establishes the rights and obligations of the "new" company (including management and ultimate ownership) after the bankruptcy case is closed. Purdue has filed several iterations of a proposed plan of the reorganization to date – the *Fifth Amended Plan of Reorganization* (the "Plan") [Docket No. 2982] is what creditors are being asked to vote to approve. The materials terms of the Plan are discussed further below.

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## Voting Procedures

### **Q: Who is eligible to vote on the Plan?**

**A:** Only those individuals or entities (including governmental units and tribes) that filed a “proof of claim” by June 30, 2020, are eligible to vote on the Plan. Approximately 600,000 creditors have filed claims against Purdue (including about 6,000 local governments).

### **Q: How can I vote on the Plan?**

**A:** Given the complexity of the issues involved and the number of creditors eligible to vote, Purdue was authorized by the bankruptcy court to solicit votes in two manners: (i) direct individual solicitation or (ii) master-ballot solicitation. The master ballot solicitation approach only applies to law firms (or authorized representatives) that represent multiple clients – this method allows the same law firm to submit one (1) ballot on behalf of all creditors that agreed to vote in this manner. Under either approach, Purdue’s noticing agent, Prime Clerk, was required to deliver (by mail or electronically) a “Solicitation Package” containing the Disclosure Statement, the Plan, and voting ballot with instructions on how and where to file your vote.

### **Q: What if I didn’t receive a “Solicitation Package” and need a ballot to vote?**

**A:** You should contact Prime Clerk ASAP if you submitted a timely proof of claim and need a ballot to submit your vote at: [purduepharmaballots@primeclerk.com](mailto:purduepharmaballots@primeclerk.com).

### **Q: Is there a voting deadline?**

**A:** Yes. Your voting ballot must be submitted and received by July 14, 2021, 4:00 PM (ET) or else your vote will not count.

### **Q: How can I submit my vote?**

**A:** You can submit a ballot as follows:

- E-Ballot: your solicitation package includes the voting ballot (w/ a unique ID), which may be submitted on the noticing agent's website: <https://restructuring.primeclerk.com/purduepharma/EBallot-Home> ;
- First Class Mail: PPB Processing c/o Prime Clerk LLC, One Grand Central Place, 60 East 42nd Street Suite 1440 New York, NY 10165

If you have yet to receive the solicitation package, you should contact Prime Clerk at [purduepharmaballots@primeclerk.com](mailto:purduepharmaballots@primeclerk.com).

### **Q: When do we find out the voting results and whether the Plan is approved?**

**A:** The bankruptcy court has scheduled a “Confirmation Hearing” for August 9, 2021 at 10:00 AM (ET). Prior to the Confirmation Hearing, Purdue is expected to file a report detailing the voting results. The Plan divides claims into 18 different classes – in order for the Plan to be approved, two-thirds of the members of each impaired class must vote to approve the Plan, among other statutory requirements that the Plan must satisfy.

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## Material Terms of the Plan

### **Q: Who negotiated the terms of the Plan?**

**A:** The Plan is the culmination of over two years of negotiations and work among the Plaintiff's Executive Committee, certain of the States' Attorneys' Generals, the United States Government, the Debtors and their shareholders (the "Sackler Families"), and various other opioid creditor representatives, including the Official Committee of Opioid Creditors.

### **Q: What are the core terms of the Plan?**

**A:** The Plan provides for the assets of the Purdue corporation to be transferred to a new "corporation" that will be indirectly owned by the "public creditors" of Purdue—all state, local and tribal governments. The continued operation of the company and then its ultimate sale may generate \$1-2 billion in assets. These operating and sales revenues, along with certain insurance proceeds and other assets, will be combined with a contribution of \$4.275 billion (over a series of years) to be made by members of the Sackler family.

### **Q: What are the expected distributions to creditors under the Plan?**

**A:** With the exception of personal injury claimants, all creditor recoveries will be in the form of funding to abate the opioid crisis and related programs. The combined assets of the bankruptcy estate will be used to pay various groups of private creditors, as follows:

Personal Injury Trust:	\$700 million to \$750 million
Third Party Payors Trust:	\$365 million
Hospitals Trust:	\$250 million
NAS Monitoring Trust:	\$60 million

The residual amount, which may be approximately \$5 billion, will be allocated among state and local governments (97% of the residual amount) and tribal governments (3% of the residual amount).

### **Q: Why are members of the Sackler Family making a \$4.275 billion contribution?**

**A:** Members of the Sackler Family, as the ultimate shareholders of Purdue, have agreed to make this contribution (over a period of nine (9) years) in exchange for receiving releases and injunctions from civil liability pursuant to section 1F of the Plan – this in effect conclusively and irrevocably releases the Sackler Families of any actual or potential claims or causes of actions relating to Purdue and its opioid-related activities.

### **Q: How are attorney's fees and costs paid under the proposed Plan?**

**A:** Section 5.8 of the Plan states that attorneys' fees and costs are being funded on a percentage basis from each distribution made to the Private and Public Trusts over the years. Ten percent (10%) of these total funds will be allocated to attorneys' fees and costs, with a negotiated cap of up to \$500 million.

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## Treatment of Local Governments Under the Plan

### Q: Am I able to determine how much any given local government is going to receive under the Plan?

**A:** Not at this time. All recoveries by non-federal governmental entities from the proceeds of the operation of the company post-emergence, as well as proceeds from the settlement with the shareholders, and other consideration provided in the Plan, will flow through the NOAT TDP and be used to fund approved abatement uses. The NOAT TDP gives each state and its local governments fourteen (14) days after the Plan's Effective Date to file a "Statewide Abatement Agreement," which effectively lays out a process for sharing and allocating opioid recoveries within a state.

### Q: How much is each state going to receive under the Plan?

**A:** Pursuant to the Disclosure Statement, we can only estimate the amount that each state will receive under the NOAT TDP on a percentage basis (please refer to Exhibit A, attached hereto for a state-by-state listing).

### Q: What happens if a state and its local governments fail to file a Statewide Abatement Agreement?

**A:** In the event that a state does not have a Statewide Abatement Agreement with its local governments, the NOAT TDP provides the following default allocation method:

- Abatement funds will be distributed to local governments through *Regional Apportionment* or *Non-Regional Apportionment* (each as described below), subject to a sliding scale based on the amount of total available abatement funds to be dispersed under the Plan to non-federal governmental creditors:

	<b>Regional Apprt.</b>	<b>Non-Regional Apprt.</b>
<b>First \$1 billion</b>	70%	30%
<b>\$1-2.5 billion</b>	64%	36%
<b>\$2.5-\$3.5 billion</b>	60%	40%
<b>Above \$3.5 billion</b>	50%	50%

- Any county, parish, or city that has a population of 400,000 (750,000 for CA) or more shall receive its "Proportionate Share of Regional Apportionment" as a block grant, pursuant to an allocation model;
  - *Regional Apportionment* funds not disbursed as block grants shall be expended on the local governments that did not meet the population threshold to qualify for a block grant, subject to a "Government Participation Mechanism" to be developed by each state and its local governments; and
  - States will have discretion to expend its *Non-Regional Apportionment* funds only on Approved Uses, which encapsulates many facets of opioid abatement and ancillary treatment services.
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**EXHIBIT A**

<b>State</b>	<b>Final Percentage Division of Funds</b>
Alabama	1.6579015983%
Alaska	0.2681241169%
American Samoa*	0.0175102976%
Arizona	2.3755949882%
Arkansas	0.9779907816%
California	9.9213830698%
Colorado	1.6616291219%
Connecticut	1.3490069542%
Delaware	0.5061239962%
District of Columbia	0.2129072934%
Florida	7.0259134409%
Georgia	2.7882080114%
Guam*	0.0518835714%
Hawaii	0.3476670198%
Idaho	0.5364838684%
Illinois	3.3263363702%
Indiana	2.2168933059%
Iowa	0.7639415424%
Kansas	0.8114241462%
Kentucky	1.5963344879%
Louisiana	1.5326855153%
Maine	0.5725492304%
Maryland	2.1106090494%
Massachusetts	2.3035761083%
Michigan	3.4020234989%
Minnesota	1.2972597706%
Mississippi	0.8994318052%
Missouri	2.0056475170%
Montana	0.3517745904%
N. Mariana Islands*	0.0191942445%
Nebraska	0.4335719578%
Nevada	1.2651495115%
New Hampshire	0.6419355371%
New Jersey	2.7551354545%
New Mexico	0.8749406830%
New York	5.3903813405%
North Carolina	3.2502525994%
North Dakota	0.1910712849%
Ohio	4.3567051408%
Oklahoma	0.6073894708%
Oregon	1.4405383452%
Pennsylvania	4.5882419559%
Puerto Rico**	0.7324076274%
Rhode Island	0.5040770915%
South Carolina	1.5989037696%
South Dakota	0.2231552882%
Tennessee	2.6881474977%
Texas	6.2932157196%

Utah	1.2039654451%
Vermont	0.2945952769%
Virgin Islands*	0.0348486384%
Virginia	2.2801150757%
Washington	2.3189040182%
West Virginia	1.1614558107%
Wisconsin	1.7582560561%
Wyoming	0.2046300910%

\* Allocations for American Samoa, Guam, N. Mariana Islands, and Virgin Islands are 100% based on population because of lack of available information for the other metrics.

\*\* Allocations for Puerto Rico are 25% based on MMEs and 75% based on population because of lack of available information for the other metrics.