Provided is information relating to the Purdue Bankruptcy and Tribes Direct-Action Settlement with the Sacklers. The Sacklers executed the Direct-Action Settlement on September 19th, 2025, and it is attached in its entirety as Addendum B. The Purdue Bankruptcy Plan presents some material differences from the tribes' other previous global settlements which require explanation and disclosure. This will also update you on our other settlements.

TRIBAL SETTLEMENT HISTORY – OPIOID LITIGATION

The MDL Tribal Leadership Committee and counsel for the tribes have presented twenty-two (22) global settlements to all federally recognized tribes. Each of these settlements are "effective" and the next payment of over $78 million will go out on October 20th, 2025. The Purdue/Sackler Direct Action Settlement will be the 23rd global settlement. That settlement will not begin funding until 2026. Together these settlements total over $1.5 billion in nominal cash value and another $25 million in product.

Defendant	Global	Abatement Years
Allergan	$70,945,810.52	7
Alvogen	$629,895.05	1
Amneal	$3,936,844.10	10
Apotex	$2,147,369.41	1
CVS	$149,546,743.79	10
Distributors (3)	$514,964,500.00	7
Endo	$9,000,000.00	1
Hikma	$3,493,054.38	1
Indivior	$2,462,317.00	5
J&J	$150,000,000.00	2
Kroger	$40,464,000.00	11
MLKRT	$10,803,290	6
Mylan	$9,591,584.00	8
Purdue / Sackler	$174,675,302.00	16
Sandoz	$5,497,111.55	1
Sun	$1,045,053.15	1
Teva	$119,181,538.30	13
Walgreens	$170,866,679.09	15
Walmart	$97,939,879.20	1
Zydus	$501,052.88	1
Sub Total	**$1,537,692,024.42**	
Teva Product	**$25,000,000.00**	
Total	**$1,562,692,024.42**	

PURDUE AND THE SACKLERS

The devastating scope of the opioid crisis has been recognized repeatedly by the courts. "The opioid epidemic represents 'one of the largest public health crises in this nation's history.'" *In re Purdue Pharma L.P.* , 69 F.4th 45, 56 (2d Cir. 2023). Between 1999 and 2019, approximately 247,000 Americans died from prescription-opioid overdoses, and the U.S. Department of Health and Human Services has estimated annual costs of between $53 and $72 billion. *In re Purdue Pharma L.P.* , 635 B.R. 26, 44 (S.D.N.Y. 2021). Purdue Pharma filed for bankruptcy protection in 2019. In 2024, the United States Supreme Court addressed the first bankruptcy plan.

The United States Supreme Court Decision in *Harrington v. Purdue Pharma L.P.*

The United States Supreme Court recently addressed Purdue Pharma's role in fueling the opioid epidemic in *Harrington v. Purdue Pharma L.P.* (2024). In recounting Purdue's history, the Court observed that "[i]n the mid-1990s, it [Purdue] began marketing OxyContin, an opioid prescription pain reliever." *Harrington v. Purdue Pharma L.P.,* 603 U.S. (2024) (slip op., at 2). OxyContin, the Court noted, "quickly became 'the most prescribed brand-name narcotic medication' in the United States. Between 1996 and 2019, 'Purdue generated approximately $34 billion in revenue . . ., most of which came from OxyContin sales.'" *Id*.

The Supreme Court and lower courts have emphasized the devastating role of Purdue's aggressive marketing in causing and fueling the opioid epidemic. As the Supreme Court explained, "Purdue sits at the center of these events." *Id* at 2. Purdue was a "'family company,'" owned and controlled by the Sacklers, who held leadership positions, dominated the board of directors, and were "heavily involved" in marketing strategies, "push[ing] sales targets" and even joining sales representatives on visits to health care providers to maximize OxyContin sales. *Id*. at 2; *In re Purdue Pharma L.P.* , 69 F.4th at 86 (Wesley, J., concurring in judgment). The Supreme Court further described that in the 1990s Purdue developed OxyContin, "a powerful and addictive opioid painkiller," which it aggressively marketed while downplaying and concealing its risks. Although the drug managed pain, its addictive qualities led to widespread abuse, making OxyContin central to the crisis "from which millions of Americans and their families continue to suffer." *Id* at 19.

As set forth in the Supreme Court decision, the Sackler family drained Purdue of its assets following the company's 2007 plea agreement. Prior to the plea agreement, Purdue's distributions to the Sacklers represented less than 15% of annual revenue. But "[a]fter the plea agreement, the Sacklers began taking as much as 70% of the company's revenue each year. ... Between 2008 and 2016, the family's distributions totaled approximately $11

billion, draining Purdue's total assets by 75% and leaving it in 'a significantly weakened financial' state." *Id* at 3.

The Sackler family's enormous wealth reflects the scale of Purdue's OxyContin marketing and profits. As the Supreme Court noted, "OxyContin became 'the most prescribed brand-name narcotic medication' in the United States. … Between 1996 and 2019, Purdue generated approximately $34 billion in revenue … The company's success propelled the Sacklers onto lists 'of the top twenty wealthiest families in America,' with an estimated net worth of $14 billion." *Id* at 2–3. Independent financial reporting also confirms the Sacklers fortune. *Forbes* estimated the Sacklers' net worth at $13 billion in 2015 and $10.8 billion in December 2020, based on an audit report prepared by AlixPartners LLP and Purdue, while *Bloomberg* similarly reported estimates in that range. *Sackler family* , Forbes (Dec. 16, 2020), https://www.forbes.com/profile/sackler/. *Fortune* ; *How the Sacklers Shifted $10.8 Billion of an Opioid Fortune Built on OxyContin* , Bloomberg (Aug. 26, 2020), https://www.bloomberg.com/graphics/2020-sackler-family-money/ .

The Sacklers shielded their wealth while seeking extraordinary protections from courts without the consent required for their victims to make an informed decision— "The Sacklers diverted much of that money to overseas trusts and family-owned companies." *Harrington,* 603 U.S. (slip op., at 3). In bankruptcy proceedings, the Sacklers then sought a discharge that would "extinguish not only claims for negligence, but also claims for fraud and willful misconduct," and they proposed to end all such lawsuits "without the consent of the opioid victims who brought them." *Id.* at 4.

The Supreme Court made it clear that non-bankrupt defendants cannot achieve bankruptcy protection. "*Our system of justice,' they wrote, demands that the allegations against the Sackler family be fully and fairly litigated in a public and open trial, that they be judged by an impartial jury, and that they be held accountable to those they have harmed.*" *Harrington.*, 603 U.S. (2024) (slip op., at 5) quoting a creditor poll - *In re Purdue Pharma L. P.*, No. 7:21–cv–07532 (SDNY, Oct. 25, 2021), ECF Doc.94, p. 21 (internal quotation marks omitted).

Finally, as the Court explained, "A debtor can win a discharge of its debts if it proceeds with honesty and places virtually all its assets on the table for its creditors. … The Sacklers … obtained all this without securing the consent of those affected or placing anything approaching their total assets on the table for their creditors." *Harrington,*603 U.S. (2024) (slip op., at 1). The Court further emphasized: "The Sacklers have not filed for bankruptcy and have not placed virtually all their assets on the table for distribution to creditors, yet they seek what essentially amounts to a discharge." *Id.* at 2.

The TLC Direct-Action Settlement with the Sacklers

Attached as Addendum A is the proposed TLC Direct Action Settlement with the Sacklers for your consideration. The Direct-Action Settlement with the Sacklers is similar in content to the other global settlements the TLC has entered with other opioid manufacturers, distributors and pharmacies.

Participation Requirements and Threshold Percentage

As with the last set of ten agreements and Walmart, the participation threshold is 85% of litigating tribes based upon the Purdue Allocation percentages. The deadline to achieve Participation Thresholds is set forth in Paragraph 2.07 of the Direct-Action Settlement and states, "by the ninetieth (90th) calendar day prior to the second Payment Date (the "Participation Deadline")". As most of you are aware, we were able to reach participation thresholds in the last ten settlements in just over two months. **We appreciate everyone's hard work, and we encourage the same efforts meeting this Participation Threshold**.

As with the other global settlements, once we reach the participation thresholds, litigating and non-litigating tribes may still participate. The remaining tribes have until the Cut-Off Date. "Cut-Off Date" means the date that is ninety (90) calendar days prior to the third anniversary of the Settlement Effective Date (i.e., the 90th calendar day before the fourth Payment Date) and includes such 90th calendar day. In other words, the Direct-Action Settlement with the Sacklers is very similar to our other settlements in this regard.

Sackler Direct Action Settlement Amount

Exhibit G to the Direct-Action Settlement contains the maximum amounts from the Direction Action Settlement. The total Maximum Tribal Payment Amount is $118,939,715.74. The remaining amounts come for the Purdue Estate as set forth below.

Global Dismissal

We are using the same process we have used for the previous global settlements.

Purdue's Contribution to the Tribes as Set Forth in the Bankruptcy Plan

Section 5.2(f)(i)(B) of the Bankruptcy Plan states, "All Public Creditor Trust Distributions to the Governmental Remediation Trust and/or the Tribe Trust shall be allocated between the Governmental Remediation Trust and the Tribe Trust as follows, in each case, as calculated before accounting for any amounts payable pursuant to Section 5.9 of this Plan: (I) with respect to the Estate Distributions, (X) 96.7% to the Governmental Remediation Trust and (Y) 3.3% to the Tribe Trust ; and (II) with respect to the Shareholder Direct Settlement Portion , (X) 96.7% of the Maximum Governmental Direct Settlement Amount on the

payment dates indicated therein to the Governmental Remediation Trust, subject to, and payable in accordance with, the terms of the Governmental Entity Shareholder Direct Settlement Agreement, and (Y) 3.3% of the Maximum Governmental Direct Settlement Amount on the payment dates indicated therein to the Tribe Trust , subject to, and payable in accordance with, the terms of the Tribe Trust Agreement."

We are not directly privy to the specific remaining assets of the bankruptcy estate. We have been provided with estimates from the financial consultants, FTI Consulting. As of April 2025, we were informed that the estate will contribute approximately $56 million to the tribes over the 16 years. This is their most recent estimate.

The Bankruptcy Plan and Limitations on Claims and Causes of Action Against the Sacklers

Under the 13th Amended Plan, the Releases contained in Section 10.6(b) function as a total bar to any future claims against the Debtors. Section 10.6(b) of the 13th Amended Plan states, in relevant parts, that "the Released Parties shall be conclusively, absolutely, unconditionally, irrevocably, fully, finally, forever and permanently released by the Releasing Parties from any and all Causes of Action, including, without limitation, any Estate Cause of Action and any claims that any Releasing Party, or that any other Person or party claiming under or through any Releasing Party, would have presently or in the future been legally entitled to assert in its own right (whether individually or collectively) or on behalf of any Releasing Party or any other Person, [...] (A) directly or indirectly based on, arising out of, or in any way relating to or concerning, in whole or in part, (i) the Debtors, as such Entities existed prior to or after the Petition Date, and their Affiliates, (ii) the Estates, (iii) the Chapter 11 Cases, or (iv) Covered Conduct and (B) as to which any conduct, omission or liability of any Debtor or any Estate is the legal cause or is otherwise a legally relevant factor." Thirteenth Am. Joint Chapter 11 Plan of Reorg. of Purdue Pharma L.P., et al., Case No. 19-23649 (SHL) (Bankr. S.D.N.Y. June 20, 2025), ECF No. 7445, §10.6, at 148.

The term "Causes of Action" is further defined in Section 1.1 to explicitly cover "any Claim, action, class action, claim, cross-claim, counterclaim, third-party claim, cause of action, controversy, dispute,[...] pursuant to any other theory or principle of law, including fraud, negligence, gross negligence, recklessness, reckless disregard, deliberate ignorance, public or private nuisance, breach of fiduciary duty, avoidance, willful misconduct, veil piercing, alter ego, unjust enrichment, disgorgement, restitution, contribution, indemnification, rights of subrogation and joint liability, regardless of where in the world accrued or arising." Thirteenth Am. Joint Chapter 11 Plan of Reorg. of Purdue Pharma L.P., et al., Case No. 19-23649 (SHL) (Bankr. S.D.N.Y. June 20, 2025), ECF No. 7445, §1.1, at 3. This limitation functions as an impediment to further legal action against the Debtors.

Purdue / Sackler Combined Tribal Settlement Math

The tribes are paid a specific percentage (3.3%) calculated off the total recoveries from the public creditor pot paid over 16 years. The top row represents the payment years, and the bottom row represents the maximum gross payment to the tribes in millions of dollars.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
$27	$11	$12	$11	$7	$10	$10	$9	$9	$7	$7	$7	$7	$13	$13	$13

As set forth above, the total settlement amount from the combined Purdue Bankruptcy and the Direct-Action Settlement with the Sacklers is for approximately **$175 million over 16** years. If payment year 1 is 2026, then payment year 16 would be 2041.

Attorneys' Fees

Attorneys' Fees are capped at 8.5% as they are with the PEC. Attorneys' Fees are paid over these sixteen years, which is different than every other deal. Brown Greer has provided the specific payment amounts for abatement and contingency fees over the course of the next 16 years.

Additional Recoveries from Third Party Cases.

The tribes will take 3.3% of any additional recoveries that come from third party litigation against insurance companies or third-party defendants like McKinsey.

Deductions for the Special Operating Reserve.

The plan establishes a Special Operating Reserve ("SOR"), a fund for the defense and indemnification of the Sackler Parties capped at $800 million. *Disclosure Statement* at 242. Under the terms of the Shareholder Settlements, the Sackler Parties will be required to pay up to approximately $7 billion over sixteen years in settlement of both the Debtors' claims against the Sackler Parties and direct claims against the Sackler Parties held by creditors that elect to settle those claims. *Id* at 237. Of that $800 million, a max $780 million to be reallocated from settling states, subdivisions, and tribes and $20 million from privates. *Id* at 237. We will explain the ethical issues created by the Special Operating Reserve below. We address three scenarios below

<u>Scenario 1: The SOR is Not Used.</u>

The Maximum Payments above take into account that the tribes are contributing to the Special Operating Reserve and that the Special Operating Reserve is not used to defend and indemnity the Sacklers.

In Payment Year 1, the tribes are contributing 3.3% of $180 million or $5.94 million. In other words, if there was no Special Operating Reserve, the tribe payment in year 1 would be $32.94 million ($27 + $5.94).

In Payment Year 2, the tribes are contributing 3.3% of $100 million or $3.3 million. In other words, if there was no Special Operating Reserve, the tribe payment in year 1 would be $14.3 million ($11 + $3.3).

If all of the claims against the Sacklers are resolved in the bankruptcy, and the Sacklers do not face litigating in state or federal court, then the Special Operating Reserve in replenished in years 6 – 9 as follows:

Year 6: $2.94 million
Year 7: $3.3 million
Year 8: $1.65 million
Year 9: $1.65 million

The Special Operating Reserve is funded through Year 9 to protect the Sacklers from paying for the defense of claims brought against them outside the bankruptcy in the state or federal court.

The maximum payment amounts set forth in the table above presume that the Special Operating Reserve is not used.

Scenario 2: The $300 Million Contribution to the Special Operating Reserve Is Exhausted.

If the SOR contribution from the tribes are used up to defend or indemnify the Sacklers, then the payments to the tribes will be reduced in Years 6 through 9 to be the following:

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
$27	$11	$12	$11	$7	$6.7	$6.7	$7.3	$7.3	$7	7	7	7	13	13	13

Scenario 3: The $800 Million Cap on the Special Operating Reserve Is Exhausted.

Tribal contribution to SOR is 3.3% of the government allocation. The total government exposure under the SOR is $780 million. 3.3% of $780 million = $25.41 million. $25.41 million /$175 million = **14.52%** of total tribal allocation at risk.[1] To be clear, the tribe's nominal payment may be reduced from an estimated $175 million over 16 years to

[1] The cap on the private creditor contribution to the SOR is $20 million. The estimated private creditor allocation is over $1.5 billion in one year.

approximately $150 million with all the reductions for the SOR taken in years 1-9. So, the net present value impact on the tribes would be somewhat greater than the $25.41 million.

THE SPECIAL OPERATING RESERVE

The Bankruptcy Plan, Disclosure Statement and Exhibit N

The Purdue/Sackler Bankruptcy Plan contains a mechanism for withholding payments to claimants for the defense and indemnification of the Sackler Parties. The Plan establishes the mechanism, the Special Operating Reserve ("SOR"), for the payment of litigation costs and expenses, including settlements and judgements, incurred by the Sackler Parties against creditors who don't participate in the settlement, at the direct expense of those who do participate. *Disclosure Statement for Thirteenth Amended Joint Chapter 11 Plan of Reorganization of Purdue Pharma L.P. & Its Affiliated Debtors*, In re *Purdue Pharma L.P.*, No. 19-23649 (Bankr. S.D.N.Y. June 17, 2025), ECF No. 7589, at 241.

Initial Funding

Beginning on the first payment date, settlement proceeds to creditors participating in the settlement are withheld from distribution and diverted to cover potential litigation costs incurred by the Sacklers against any claims brought by creditors who choose to opt out of the settlement. Under Section 5.7(a) of the Plan, on the Plan's Effective Date, $200 million ($20 million from the Initial Private Creditor Trust Distributions and the Initial Public Schools Distribution and $180 million from the Initial Public Creditor Trust Distributions) is withheld from settlement distributions and diverted to the SOR. *Thirteenth Amended Joint Chapter 11 Plan of Reorganization of Purdue Pharma L.P. & Its Affiliated Debtors, In re Purdue Pharma L.P.,* No. 19-23649 (Bankr. S.D.N.Y. June 17, 2025), ECF No. 7588, § 5.7(a)(i), at 95. The Disclosure Statement states that the Sackler Parties' payment on the Effective Date will be "up to $1.5 billion," so at least 13% of the Sackler Parties' first payment under the Plan will actually be set aside to fund their defense. *Disclosure Statement* at 242.

Under Section 5.7(a) of the Plan, on the Plan's Effective Date, $200 million (20m private; 180m public). *Plan* § 5.7(a)(i), at 95). The Disclosure Statement states that the Sackler Parties' payment on the Effective Date will be "up to $1.5 billion," so at least 13% of the Sackler Parties' first payment under the Plan will actually be set aside to fund their defense. *Disclosure Statement* at 239.

Replenishment.

After the initial funding of $200 million to the SOR, the balance of the SOR on all subsequent settlement payment dates is replenished to $300 million "until the aggregate amount of all contributions to the Special Operating Reserve total $800 million." *Disclosure Statement* at 242.

When the SOR balance is any *less* than $300 million on a given Payment Date (other than the Settlement Effective Date), money is taken from claimants scheduled payment

amounts to replenish the SOR. *Exhibit N to the Master Settlement Agreement, Purdue Pharma L.P.,* No. 19-23649 (Bankr. S.D.N.Y. July 2025), §3(b) at 2. Thus, *at least* an additional $100 million of settlement funds will be withheld from claimants and reallocated to the SOR on the second payment date. Furthermore, if on that date any of the $200 million in the SOR from the Effective Date has been spent, the scheduled payment amounts to claimants will be further reduced accordingly.

Reversion

Unspent SOR funds revert to the claimants' fund on the later of either Settlement Payment 6 or when no litigation has been pending for the prior 30 days *and only if* there are no qualifying litigation costs pending. *Exhibit N* §4 at 1 . Even then, the reversion is pro rata (one third of available amount, then one year later one half, then another year later one half, etc). *Exhibit N* §4(a) at 1 . But, if any material litigation commences after first reversion, then reversion to claimants stops and replenishment transfers to Sackler Parties' defense costs resume. *Exhibit N* 4(b)(ii) at 1 . Structurally, the SOR drags out the conflict where as long as any litigation costs (up to 800 million) exist, funds will be redirected from claimant payments. Even a single new case resets the defense funding cycle.

The Special Operating Reserve: The Sacklers' Positions on Conflicts of Interest and Their Potential Rights to Move to Disqualify Lawyers from Representing Existing Clients.

Preservation of the Attorney Client Relationship Between Attorneys and Their Existing Tribal Clients.

The MDL Court appointed the Tribal Leadership Committee to represent all federally recognized tribes against opioid manufacturers, distributors, and pharmacies responsible for creating an epidemic that has shattered the health and welfare of cities, counties, and communities throughout this country. The TLC firms each represent multiple public entity clients. The existing client relationships between the TLC firms and the tribes have been in place for more than seven years. These tribes have hired TLC law firms to represent them in litigation against defendants (bankrupt and solvent) in the American Civil Justice system; representation that has included discovery, experts, trial, and resolution. The TLC law Firms have the resources, experience, and knowledge to litigate against those responsible for the opioid crisis and resulting epidemic. Over the last eight years, the TLC firms conducted the discovery, prepared the experts and completed 20 global settlements against manufacturers, pharmacies, and distributors. None of these settlements include Purdue Pharma or any of the Sacklers.

Analysis of the Special Operating Reserve and the Claimed Conflicts of Interest Giving Rise to the Risk of Disqualification from Representation of Existing Clients.

Purdue Pharma is an opioid manufacturer that sought bankruptcy protection on September 16, 2019. The Sacklers, who are non-bankrupt defendants, but who had a controlling interest in Purdue, demand protection from the law firms through the Purdue bankruptcy and have manufactured methods by which to achieve a covert prohibition against litigation so that the Sacklers will never have to face litigation in the American Civil Justice system. The Sacklers demand protections that invade the attorney client relationship of adverse parties including our clients and interfere with the fundamental terms of contractual relationship, by shifting the duty of loyalty from existing client to the Sacklers. The submitted bankruptcy plan manufactures conflicts of interest between lawyers and their existing clients. Specifically, the Sacklers through the bankruptcy plan have created a Special Operating Reserve (SOR) which pays for their defense fees and expenses in civil litigation against the Sacklers from the settlements of other creditors. This places lawyers in conflicts with their existing clients because settlement money that would otherwise go to abatement will go to pay for the defense and indemnity of the Sacklers. In practical terms, this means that one client choosing to litigate against the Sacklers means that the rest of the clients will get less money because some of those litigation costs will go to the SOR and be deducted from settling clients' recoveries. By doing this, the Sacklers create a conflict for the TLC's lawyers by making their settling clients "adverse" to their litigating clients.

The SOR / existing client conflict problem does NOT exist in any of the other 20 global settlements the TLC achieved. This restraint of practice is unique to the benefit of the Sacklers. The more clients a lawyer represents, the more of a problem the SOR creates going into the informed consent discussions. This is because the more clients a lawyer represents, the higher the likelihood that some number of clients will want to discuss the option of civil litigation against the originators of the opioid crisis, resulting epidemic, and national catastrophe. All of the clients represented by the lawyer would need to waive the conflict for the waiver to be effective.

In discussion with the TLC in June and July of this year, the Sacklers maintain that, based upon conflicts triggered by the Special Operating Reserve during the settlement sign on process, they have right to move to disqualify a lawyer from the representation of an existing client if that client attempts to pursue litigation against the Sacklers and that lawyer represents other clients who are participating in the Sackler settlement. In other words, every member of the TLC could be disqualified from representing any of their

existing clients in litigation against the Sacklers as each of the TLC members will have some clients who want to participate in the settlement.

The Sacklers maintained that any conflict of interest created by the SOR, which pays for the Sackler's defense (and possibly the settlement as well), may not be waived by the participating clients. The Sacklers placed into the 13th Amended Plan, the following since-removed provision: "[In addition to granting the foregoing release, any Releasing Party represented by counsel agrees not to waive any conflict of interest that may arise for any such counsel by virtue of the clients of such counsel participating in any Shareholder Settlement.]" May 16, 2025, Thirteenth Amended Plan. Section 10.7(b)(ii), Page 160. The same language also appears in the June 17th Disclosure Statement. Disclosure Statement. Section F. 5. (ii). Page 35 and I. 7.(ii)(ii). Page 322.

The language above is difficult to decipher but here is how it would have worked as the Sacklers demanded – when a client signs a release, that client states that they are not waiving any conflict that may arise because that client has decided to accept the settlement. The SOR, which pays for the defense of individual claims against the Sacklers, comes from the abatement money from clients who want to accept the deal. So, by one client litigating against the Sacklers, the rest of the clients get less money – conflict. The Debtors/Sacklers would therefore have the right to disqualify such counsel by filing a motion to conflict them out of the case, citing the attorney's concurrent representation and the existence of the SOR. This risk appears to be embedded in the provision itself, which expressly precludes waivers. Even if the Debtors/Sacklers do not bring a motion, the conflict would exist.

The provision would have effectively forced counsel to withdraw from representing clients because of the conflict of interest created by the SOR. The SOR triggers both conflicts illustrated in ABA Model Rule 1.7(a). First, representation of opt-in clients is directly adverse to representation of opt-out clients, as the SOR reallocates settlement proceeds from the former group to defend and indemnify the Sacklers against the latter. Second, there is a significant risk of material limitation, as counsel's ability to represent one group effectively is structurally constrained by conflicting obligations to the other. While the SOR constitutes an indirect restraint on practice in violation of ABA Rule 5.6 by creating a conflict of interest for counsel representing opt-in and opt-out clients, this provision would have been a direct restraint on practice.

Under the provision, any Releasing Party would have agreed that if their counsel represents any clients "participating in any Shareholder Settlement," the Releasing Party will not waive conflicts of interest that arise either (1) between participants and non-participants by virtue of their participation or (2) among participants "in any Shareholder Settlement" if

"clients…participating in any Shareholder Settlement" is not limited to "Releasing Parties." In other words, any Releasing Party would be prohibited from waiving any conflict that arose as a result of their counsel's representation of them and of non-participants/opt-outs (or of them and of other participants). As a result, the provision would have compelled withdrawal under Model Rule 1.7(a), since there is a conflict of interest created by the SOR as between participants and nonparticipants.

On July 3rd, 2025, the Sacklers informed the TLC that the Sacklers will seek to enforce any conflict of interest created by the SOR against the tribes and that counsel for the tribes must agree in writing that we are not allowed to obtain a waiver of the conflict from our tribal clients. Thereby, either the lawyer must move to withdraw from representing any client who wants to pursue individual litigation against the Sacklers or the Sacklers may move to disqualify us. The specific language from the Sacklers followed in their proposed Direct-Action Settlement or in a "side-instrument" which stated: 1. Tribes' counsel's representation of a non-settling party in litigation against a Shareholder Released Party could present a conflict of interest and 2. Tribes' counsel will not seek a waiver of any such conflict.

This presented the TLC with a significant number of problems. The Sacklers (1) assert the right to interfere with the contractual relationships between lawyers and clients; (2) inform the lawyers that they can't continue to represent their existing clients in litigation against the Sacklers – the reason the lawyers were retained; (3) involve themselves and their interests in the informed consent discussions between lawyers and clients; (4) shift the duty of loyalty from lawyer to existing client to lawyer to the Sacklers' closure interests; and (5) cancel the rights of individual and entities from pursuing their civil liability claims against the Sacklers in state or federal court.

The TLC said NO.

After another month of negotiations, the Sacklers removed their demand to the TLC that any releasing party agree not to waive the conflict of interest that is created by the SOR between a firm's clients that want to pursue individual litigation and the same firm clients who want to settle. <u>However, the conflict imposed by the SOR still exists</u> and the Sacklers may continue pushing for conflict waiver agreements from lawyers in either settlement agreements or non-public instruments.

Still, we are recommending that, under the circumstances, the Tribes participate in the Bankruptcy Plan by signing the Participation Form.

The Special Operating Reserve is Unprecedented, Unnecessary and Creates a Damaging Precedent for Future Cases

The SOR as applied in this case has not been present in any of the other opioid global settlements.

If any creditor decides to pursue litigation against the Sacklers in the American Civil Justice System, the other creditors must pay for the defense and indemnity of the Sacklers up to $800 million. This unprecedented reality places all creditors in conflict with each other prior to informed consent discussions regarding settlement. Through the SOR, the Sacklers are obtaining protection from civil litigation that is not present in any of the other global settlements in this litigation.

The SOR is Unnecessary

Tribal participation in these settlements has been outstanding. The tribes have achieved 100% participation of the litigating tribes based upon the Purdue allocation across the first nine global settlements and over 99% participation of the non-litigating tribes. As for the last eight settlements, the tribes hit the participation thresholds in slight over two months and are on track to achieve 100% participation of all federally recognized tribes and tribal health care organizations.

The SOR creates a Damaging Precedent for Future Cases

The rights of tribes to be represented by counsel of their choosing from the start of the case through settlement and/or trial should be protected. It is not the defendants' place to insert themselves inside the informed consent discussions between lawyers and their existing tribal clients and force tribes to either settle or risk losing their lawyers. The informed consent discussion should involve full evaluation of the settlement and the risks and potential benefits of continued litigation unencumbered by conflicts of interest and potential restraints of practice.

The TLC strives to understand the significance of this litigation for tribal communities and seeks to enhance the tribes' ability to proceed in other public entity litigations in collaboration with the states – as we did here. The ability of counsel to fully represent their tribal clients unincumbered by manufactured conflicts of interest is critical to the tribes' interests described above.

Complete conflict waiver for signature set forth in Addendum C.

CONFLICT WAIVER

I have reviewed the above client disclosure letter. I understand the following:

1. The TLC negotiated the Direct-Action Settlement with the Sacklers. The Direct-Action Settlement with the Sacklers is essentially the same as the other master settlement agreements the TLC has entered.
2. The Special Operating Reserve is contained in the Bankruptcy Plan. The Special Operating Reserve pays for the defense and indemnity of the Sacklers, who are not bankrupt defendants, from settlement money that would otherwise go towards abatement funds and attorney's fees if there is civil litigation against the Sacklers by any public or private creditor of Purdue.
3. As such there is conflict of interest between existing clients who may want to participate in the settlement and those who want to pursue litigation against the Sacklers in state or federal court, because money that the Sacklers use to litigate against some clients will be taken from all settling clients for the SOR. This conflict of interest existed prior to these informed consent discussions with the tribes and is, therefore, being disclosed with the presentation of the Purdue/Sackler settlement.
4. Further, the Sacklers counsel have maintained that they have the right to move to disqualify TLC counsel for representing existing clients who seek to litigate against the Sacklers in state or federal court. The TLC has successfully kept out of the Direct-Action settlement any language that would support their position.
5. The Maximum anticipated settlement amount to the tribes is $175 million over 16 years. Under the Plan, the maximum amount of money going to the SOR is capped. That means it is possible to determine that as much as 14.52% of total tribal allocation could be lost to the SOR. If that happens, the tribes total estimated payment would be around $150 million over the 16 years.
6. Notwithstanding the fact that the tribes may have this diminished recovery, we understand that advice of counsel to still participate in the Bankruptcy Plan, sign the Participation Form, and accept the 14.52% possible reduction.
7. I understand the conflict of interest between settling tribes and litigating tribes, and the potential restraint of practice created by the Special Operating Reserve, and I, hereby, on behalf of _____ waive the conflict.

PARTICIPATION FORMS

As always, settlement is the client's decision (Model Rule 1.2). Under the circumstances of this bankruptcy deal and Direct-Action settlement with the Sacklers, we are required to achieve 85% participation based upon the Purdue Allocation. Signing the Participation Form allows you to participate in the Direct-Action settlement and, we are told, eliminates any impediments for the tribe to participate in the payments made under the bankruptcy plan. It is the recommendation of the TLC to work to promptly achieve this Participation Threshold so that this settlement can be effective for all federally recognized tribes. The Participation Form is attached.