

STATE SETTLEMENT AGREEMENT

I. PARTIES

This Settlement Agreement ("Agreement") is entered into between the State of North Carolina ("the State") and Ranbaxy Laboratories Limited, Ranbaxy, Inc., Ranbaxy Pharmaceuticals, Inc., Ranbaxy Laboratories, Inc., Ohm Laboratories, Inc., and Ranbaxy USA, Inc. (collectively "Ranbaxy"), hereinafter referred to as "the Parties".

II. PREAMBLE

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

A. Ranbaxy Laboratories Limited is a public company incorporated under India law with headquarters in Gurgaon, India. Ranbaxy, Inc., incorporated in Delaware, is the United States subsidiary of Ranbaxy Laboratories Limited. Ohm Laboratories, Inc., incorporated in New Jersey; Ranbaxy Pharmaceuticals, Inc., incorporated in Florida; Ranbaxy Laboratories, Inc., incorporated in Delaware; and Ranbaxy USA, Inc., incorporated in Florida, are all subsidiaries of Ranbaxy, Inc. At all relevant times, Ranbaxy distributed and sold in the United States pharmaceutical products that were manufactured at its facilities in Paonta Sahib, India, and Dewas, India ("Covered Drugs"). Attached hereto as Exhibit 1 is the list of these Covered Drugs.

B. *Qui Tam* Action

On or about April 13, 2007, Dinesh S. Thakur ("Relator Thakur") filed a *qui tam* action in the United States District Court for the District of Maryland ("Court") captioned *United States of America and the States of Arkansas, California, Delaware, Florida, Hawaii, Illinois, Louisiana, Massachusetts, New Hampshire, New Mexico, Nevada,*

Tennessee, Texas, Utah, Virginia and the District of Columbia, ex rel. Dinesh S. Thakur v. Ranbaxy USA, Inc., et al., Civil Action No. 1:07-00962-JFM (D. Md.). On or about February 26, 2010, Relator Thakur filed a First Amended Complaint adding additional counts under the false claims statutes for the States of Georgia, Indiana, Michigan, Montana, New Jersey, New York, Oklahoma and Wisconsin. On or about June 12, 2012, Relator Thakur filed a Second Amended Complaint adding additional counts under the false claims statutes for the States of Colorado, Connecticut and Iowa (hereinafter collectively referred to as “Civil Action”).

C. Ranbaxy USA, Inc. has entered into a plea agreement with the United States Attorney for the District of Maryland and, if the plea agreement is approved by the Court, will plead guilty, pursuant to Fed. R. Crim. P. 11, to specific conduct described in a plea agreement to be filed in *United States of America v. Ranbaxy USA, Inc.*, Criminal Action No.: [to be assigned] (the “Criminal Action”) that will allege a violation of Title 21, USC, Sections 331(a), 331(e), 333(a)(2) and 351(a)(2)(B), and Title 18, USC, Sections 2 and 1001.

D. Ranbaxy has 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”.

E. The State contends that Ranbaxy caused claims for payment to be submitted to the State’s Medicaid Program, 42 U.S.C. §§ 1396-1396(v).

F. The State contends that it has certain civil and administrative causes of actions against Ranbaxy for engaging in the following conduct concerning the manufacture,

distribution, and sale of the Covered Drugs at various times during the period from April 1, 2003, through September 16, 2010 (the "Covered Conduct"):

Ranbaxy knowingly manufactured, distributed, and sold in interstate commerce, and made false statements (including in annual reports to the Food and Drug Administration) about, certain batches, lots, or portions of lots of the Covered Drugs during the period referenced above in violation of the Federal Food, Drug, and Cosmetic Act ("FDCA"), 21 U.S.C. §§ 331, 351, 352, and 355, including batches, lots, or portions of lots of the Covered Drugs (1) the strength of which materially differed from, or the purity or quality of which materially fell below, the strength, purity, or quality which they purported or were represented to possess, or (2) that were not manufactured according to the approved formulation and were, therefore, unapproved new drugs, in violation of the FDCA, 21 U.S.C. §§ 331(d) and 355(a), and were not "covered outpatient drugs" under 42 U.S.C. § 1396r-8(k)(2) which as a result caused false and/or fraudulent claims to be submitted to the Medicaid Program.

G. This Agreement is neither an admission of facts or liability by Ranbaxy nor a concession by the State that its allegations are not well founded. Except for the specific conduct for which Ranbaxy is pleading guilty as described in the plea agreement filed in the Federal Criminal Action, Ranbaxy expressly denies the contentions and allegations of the State and Relator as set forth herein and in the Civil Action and denies that it engaged in any wrongful conduct in connection with the Covered Conduct. Neither this Agreement or its execution, nor the performance of any obligation arising under it, including any payment, nor the fact of settlement is intended to be, or shall be understood as, an admission of liability or wrongdoing, or other expression reflecting on the merits of the dispute by any party to this Agreement.

H. 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. Ranbaxy agrees to pay to the United States and the Medicaid Participating States (as defined in Sub-paragraph (c) below), collectively, the sum of \$350,000,000.00, plus accrued interest on that amount of 1.75% per annum commencing on February 1, 2012 and continuing and including the day before 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) Ranbaxy shall pay to the United States the sum of \$231,844,066.71, plus accrued interest on that amount at the rate of 1.75% per annum commencing on February 1, 2012, ("Federal Settlement Amount"). The Federal Settlement Amount shall be paid by electronic funds transfer pursuant to written instructions from the United States Attorney's Office for the District of Maryland no later than thirty (30) days after (i) the

Federal Settlement Agreement is fully executed by the parties to that Agreement and delivered to counsel for Ranbaxy; or (ii) the Court accepts a Fed. R. Crim. P. 11(c)(1)(C) guilty plea as described in Preamble Paragraph II.C above in connection with the Criminal Action and imposes the agreed upon sentence, whichever occurs later.

(b) Ranbaxy shall pay to the Medicaid Participating States the sum of \$118,155,933.29, plus accrued interest ("Medicaid State Settlement Amount"). Ranbaxy shall pay the Medicaid State Settlement Amount, subject to the non-participating state deduction provision of Sub-paragraph (d) below, no later than thirty (30) days after (i) the expiration of the 60 day opt-in period for Medicaid Participating States described in Sub-paragraph (c) below ("Medicaid Participating State Settlement Amount"); or (ii) the Court accepts a Fed. R. Crim. P. 11(c)(1)(C) guilty plea as described in Preamble Paragraph II.C above in connection with the Criminal Action and imposes the agreed upon sentence, whichever occurs later. 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 Ranbaxy.

(c) Ranbaxy shall execute an Agreement with any State that executes such an Agreement in the form to which Ranbaxy and the State Team has agreed, or in a form otherwise agreed to by Ranbaxy and an individual State. The State shall constitute a Medicaid Participating State provided this Agreement is fully executed by the State and delivered to Ranbaxy's attorneys within the period of 60 days immediately following

receipt of this Agreement. If this condition is not satisfied within 60 days, Ranbaxy's offer to resolve this matter with the individual State shall become null and void absent written agreement between counsel for Ranbaxy and the State Team to extend the 60 day period.

(d) The total portion of the amount paid by Ranbaxy in settlement for the Covered Conduct for the State is \$8,745,227.34 , 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 \$2,985,120.88 , plus applicable interest (the "State Amount"). If the State does not execute this Agreement within the period of 60 days immediately following receipt of this Agreement, the State Amount shall be deducted from the Medicaid State Settlement Amount and shall not be paid by Ranbaxy absent written agreement between counsel for Ranbaxy 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 Ranbaxy in State or Federal Courts for the Covered Conduct, including any supplemental state law claims asserted in the Civil Action. Contingent upon the receipt of their respective State Amounts, the State, if served with the Civil Action and liable to pay a Relator's share, agrees to pay the Relator the amount of \$626,875.38 , plus applicable interest. This amount is to be paid through the State Team and has been addressed via a side letter with the Relator in the Civil Action.

3. Subject to the exceptions in Paragraph 4 below, and in consideration of the obligations of Ranbaxy set forth in this Agreement, conditioned upon receipt by the State of its share of the Medicaid State Settlement Amount, the State agrees to release Ranbaxy, its predecessors and current and former parents, divisions, subsidiaries, successors, transferees, heirs, and assigns, and their current and former directors, officers, and employees individually and collectively (collectively, the "Ranbaxy 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. 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; and (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 expressed or implied warranty claims or other liability for defective or deficient products and services provided by Ranbaxy other than the Covered Drugs for the Covered Conduct;

(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.

5. This Agreement is expressly conditioned upon resolution of the Criminal Action. In consideration of the acceptance of Ranbaxy USA, Inc.'s plea of guilty in the Criminal Action, the State's Medicaid Fraud Control Unit agrees that it shall not further criminally investigate, prosecute, or refer for prosecution or criminal investigation to any agency, Ranbaxy, its present and former parents, divisions, and subsidiaries and their predecessors, successors and assigns, for the Covered Conduct.

6. If Ranbaxy USA, Inc.'s agreed-upon guilty plea pursuant to Fed. R. Crim. P. 11(c)(1)(C) in the Criminal Action described in the Federal Settlement Agreement at Preamble Paragraph II.C is not accepted by the Court or the Court does not impose the agreed-upon sentence for whatever reason, this Agreement shall be null and void at the option of either the State or Ranbaxy. If either the State or Ranbaxy exercises this option,

which option shall be exercised by notifying all Parties, through counsel, in writing within five (5) business days of the Court's decision, the Parties will not object and this Agreement will be rescinded. If this Agreement is rescinded, Ranbaxy will not plead, argue or otherwise raise any defenses under the theories of statute of limitations, laches, estoppel or similar theories, to any civil or administrative claims, actions or proceedings arising from the Covered Conduct that are brought by the State within ninety (90) calendar days of rescission, except to the extent such defenses were available on the day on which the *qui tam* complaint listed in Preamble Paragraph II.B, was filed.

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

8. In consideration of the obligations of the State set forth in this Agreement, Ranbaxy waives and discharges the State, its agencies, political subdivisions, employees, servants, and agents from any causes of actions (including attorneys' fees, costs, and expenses of every kind and however denominated) which Ranbaxy has asserted, could have asserted, or may assert in the future against the State, its agencies, political subdivisions, employees, servants, and agents, arising from the State's investigation and prosecution of the Covered Conduct.

9. The amount that Ranbaxy must pay to the State pursuant to Paragraph III. 1. above will not be decreased as a result of the denial of claims for payment now being withheld from payment by the State's Medicaid program, or any other state payor, for the Covered Conduct; and Ranbaxy agrees not to resubmit 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 not to appeal or cause the appeal of any such denials of claims.

10. Ranbaxy shall not seek payment for any of the 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.

11. Ranbaxy 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. Further, the Parties expressly warrant that, in evaluating whether to execute this Agreement, the Parties (a) have intended that the mutual promises, covenants, and obligations set forth herein constitute a contemporaneous exchange for new value given to Ranbaxy within the meaning of 11 U.S.C. § 547(c)(1); and (b) have concluded that these mutual promises, covenants and obligations do, in fact, constitute such a contemporaneous exchange.

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

13. Ranbaxy agrees to cooperate fully and truthfully with any State investigation of individuals and entities not released in this Agreement. Upon reasonable notice, Ranbaxy shall encourage, and agrees not to impair, the cooperation of its directors, officers, and employees, and shall use its best efforts to make available, and encourage, the cooperation of former directors, officers, and employees for interviews and testimony, consistent with the rights and privileges of such individuals. Ranbaxy further agrees to furnish to the State, upon request, complete and unredacted copies of all non-privileged documents, reports, memoranda of interviews, and records in its possession, custody or control concerning any investigation of the Covered Conduct that it has undertaken, or that has been performed by another on its behalf.

14. 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.

15. 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.

16. 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.

17. In addition to all other payments and responsibilities under this Agreement, Ranbaxy agrees to pay all reasonable expenses and travel costs of the State Team, including reasonable consultant fees. Ranbaxy 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.

18. 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.

19. The undersigned Ranbaxy 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.

20. 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.

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

22. 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.

23. 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.

STATE OF NORTH CAROLINA

By: Charles H. Hobbgood

CHARLES H. HOBGOOD
Director, Medicaid Investigations Division
Office of the Attorney General

Dated: 4/8/2013

By: Carol Steckel

CAROL STECKEL, Director
Division of Medical Assistance

Dated: 4/2/13

Ranbaxy

By: _____ Dated: _____

[Name]

[Title]

By: _____ Dated: _____

Counsel to

(May need multiple blocks)

EXHIBIT 1

COVERED DRUGS


Acyclovir
Amoxicillin
Amoxicillin and Clavulanate Potassium
Cefaclor
Cefadroxil
Cefpodoxime Proxetil
Cefprozil
Cefuroxime Axetil
Cephalexin
Ciprofloxacin HCl
Clarithromycin
Fenofibrate
Fluconazole
Fosinopril Sodium
Fosinopril Sodium and Hydrochlorothiazide
Gabapentin
Ganciclovir
Glimepiride
Loratadine
Metformin HCl
Nefazodone HCl
Nitrofurantoin and Macrocrystalline
Ofloxacin
Ranitidine
Sotret (Ranbaxy brand for Isotretinoin)
Zidovudine

Ranbaxy Laboratories Limited

By: _____ Dated: _____

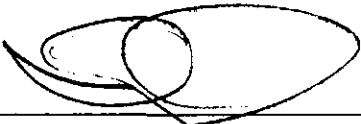
Sushil Patwari
Corporate Secretary

**Ranbaxy, Inc.
Ranbaxy Pharmaceuticals, Inc.
Ranbaxy Laboratories, Inc.
Ohm Laboratories, Inc.**


By:  _____ Dated: 5/6/13

Ahmad Aboelezz
Corporate Secretary

Ranbaxy USA, Inc.

By:  _____ Dated: 5/12/13

Irving Kagan
Corporate Secretary

By:  _____ Dated: 5/10/13

W. Warren Hamel
Geoffrey Garinther
Winifred Weitsen
Venable LLP

Counsel for Ranbaxy

Ranbaxy Laboratories Limited

By: sem Dated: 5/7/13

Sushil Patwari
Corporate Secretary

**Ranbaxy, Inc.
Ranbaxy Pharmaceuticals, Inc.
Ranbaxy Laboratories, Inc.
Ohm Laboratories, Inc.**

By: _____ Dated: _____

Ahmad Aboelezz
Corporate Secretary

Ranbaxy USA, Inc.

By: _____ Dated: _____

Irving Kagan
Corporate Secretary

By: _____ Dated: _____

W. Warren Hamel
Geoffrey Garinther
Winifred Weitsen
Venable LLP

Counsel for Ranbaxy

