



State of North Carolina

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North Carolina Senate President Pro Tempore Phil Berger
North Carolina House of Representatives Speaker Thom Tillis
Co-Chairs, Joint Legislative Commission on Governmental Operations

Senator Harry Brown
Senator Thom Goolsby
Representative James Boles, Jr.
Representative Leo Daughtry
Representative Pat Hurley
Representative Shirley B. Randleman
Co-Chairs, Appropriations Subcommittees on Justice and Public Safety

North Carolina General Assembly
Raleigh, North Carolina 27601-1096

RE: G.S. §114-2.5; Report on Settlement Agreement for GlaxoSmithKline, LLC

Dear Members:

Section 114-2.5 of the North Carolina General Statutes requires the Attorney General to report to the Joint Legislative Commission on Governmental Operations and the Chairs of the Appropriations Subcommittees on Justice and Public Safety regarding all settlements and court orders which result in more than \$75,000.00 being paid to the State. Pursuant to that statute, I am writing regarding the settlement of claims for Medicaid reimbursement to the state and federal governments in the above-referenced matter. Pursuant to federal law (42 C.F.R. § 433.320) recoveries in these cases are shared on a pro rata basis by the state and federal governments.

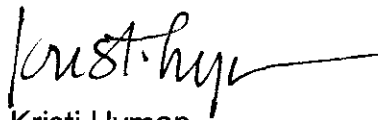
A Settlement Agreement has been executed between GlaxoSmithKline, LLC ("GSK") and the State of North Carolina. GSK is a Delaware limited liability company and an indirect subsidiary of GlaxoSmithKline plc, a public limited company incorporated under English law with headquarters in Brentford, England. The settlement resolves three allegations that from January 1, 1994 through December 1,

2010, GSK: (1) improperly marketed Paxil, Wellbutrin, Advair, Lamictal, and Zofran for uses not approved by the FDA, and paid illegal remuneration to cause the off-label promotion and prescription of these drugs and four additional products (Imitrex, Lotronex, Flovent, and Valtrex); (2) failed to report accurate "Best Prices" and underpaid rebates to the state Medicaid Programs; and (3) promoted Avandia to physicians and providers with false and misleading representations about the drug's effect on patients' lipid profiles and low-density lipoprotein (LDL) particles when these effects were not supported by adequate scientific data.

Under the terms of North Carolina's settlement, the State of North Carolina will recover \$31,897,411.91. Of that amount, the federal government will receive \$19,829,331.38 to satisfy North Carolina's obligation to return the federal portion of Medicaid recoveries to the federal government. Pursuant to G.S. § 1-610, the qui tam plaintiffs whose whistleblower actions brought this matter to the government's attention will receive \$722,524.53 of North Carolina's recovery. The North Carolina Medicaid Program will receive \$7,001,932.08 as restitution and interest. In addition, pursuant to Article IX, Section 7 of the North Carolina Constitution and G.S. § 115C-457.1, the penalty portion of the settlement in the amount of \$3,897,354.24 will be paid to the Civil Penalty Forfeiture Fund for the support of North Carolina public schools. Pursuant to G.S. § 115C-457.2 and G.S. § 108A-70.12(b)(3), the North Carolina Department of Justice will receive \$446,269.69 for investigative costs and costs of collection.

We will be happy to respond to any questions you may have regarding this report.

Very truly yours,

A handwritten signature in black ink, appearing to read "Kristi Hyman", with a long horizontal flourish extending to the right.

Kristi Hyman
Chief of Staff

KH:ng

cc: Kristine Leggett, NCGA Fiscal Research Division
Nels Roseland, NCDOJ, Deputy Chief of Staff