1 2 3	KAMALA D. HARRIS ENDORSED Superior Court of California Superior Court of California 		
4	San Francisco, CA 94102-7004 Telephone: (415) 703-5555 Fax: (415) 703-5480 Empile Kothleen Foote@doi.org.com		
5	Fax: (415) 703-5480 Email: <u>Kathleen.Foote@doj.ca.gov</u>		
6	CHERYL L. JOHNSON Deputy Attorney General		
7	State Bar No. 66321 300 S. Spring Street, Suite 1700		
8	Los Angeles, CA 90013 Telephone: (213) 897-2688		
9 -10	Fax: (213) 897-2801 E-mail: <u>Cheryl.Johnson@doj.ca.gov</u>		
11	Attorneys for Plaintiff The People of the State of California		
12	SUPERIOR COURT OF THE STATE OF CALIFORNIA		
13	COUNTY OF SAN FRANCISCO		
14.			
15	THE PEOPLE OF THE STATE OF Case No. CGC 12-519460		
16 17	CALIFORNIA, JOINT MOTION FOR ENTRY OF		
17	Plaintiff,		
19	v.		
20	MEDCO HEALTH SOLUTIONS, INC.		
21	Defendant.		
22			
23			
24	Plaintiff, the People of the State of California ("the State"), by and through Kamala D.		
25	Harris, Attorney General of the State of California, and Defendant Medco Health Solutions, Inc.		
26	("Medco"), a Delaware corporation, through its attorneys, Williams & Connolly LLP, jointly		
27	move this Court for entry of a final judgment against Medco in the form attached hereto and		
28	1		

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entitled "Stipulated Final Judgment."

STATEMENT OF POINTS AND AUTHORITIES

This civil enforcement action is brought by the Plaintiff under Business and Professions Code Sections 17200 et seq. (the Unfair Competition Law) and Sections 16700 et seq. (the 4 5 Cartwright Act) against defendant Medco. Medco and its subsidiaries constitute a pharmacy 6 benefit manager ("PBM"), an entity that contracts with health plans, employers, labor unions, and 7 other similar entities to administer the prescription drug component of health insurance plans. In 8 2005, the California Public Employees' Retirement System ("CalPERS") issued a request for 9 proposal for the provision of pharmacy benefit management services to its members (the "2005 10 RFP"). Numerous PBMs, including Medco, responded to the 2005 RFP. Pursuant to the RFP 11 process, Medco was awarded the CalPERS PBM contract, which was subsequently extended for 12 several years.

13 The Plaintiff in its law enforcement capacity has been investigating the procurement of the 14 PBM contract with CalPERS and Medco's relationship with Alfred Robles Villalobos. Having 15 conducted a broad ranging investigation of this matter, the parties, being desirous of avoiding 16 further dedication of resources to this investigation, have agreed to conclude the investigation on 17 terms reflected in the Settlement Agreement and Release attached hereto as Exhibit A. Those 18 terms include the filing of the complaint in this action and the entry of judgment which is sought 19 herein.

20 For the above reasons, the parties ask the Court pursuant to California Code of Civil 21 Procedure Section 664.6 to enter the Stipulated Final Judgment as attached as Exhibit B. The 22 Court is also requested to retain jurisdiction over the parties to enforce the settlement until 23 performance in full of the terms of the settlement.

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1	Dated: March 23, 2012	Respectfully Submitted,
2 3		KAMALA D. HARRIS
3 4		Attorney General of California
5		KHI MIA
6		KATHLEEN E. FOOTE
7	• .	Senior Assistant Attorney General 455 Golden Gate Avenue, Suite 11000
8		San Francisco, CA 94102-7004
9		CHERYL L. JOHNSON
10		Deputy Attorney General 300 S. Spring Street, Suite 1700
11		300 S. Spring Street, Suite 1700 Los Angeles, CA 90013 Telephone: (213) 897-2688 Fax: (213) 897-2801
12		Fax: (213) 897-2801 E-mail: <u>Cheryl.Johnson@doj.ca.gov</u>
13		Attorneys for Plaintiff
14		MEDCO HEALTH SOLUTIONS, INC.
15		
16		
17		By:
18		Enu Mainigi
19		Deneen C. Howell (Cal. Bar. No. 194494) Williams & Connolly LLP
20		725 12th Street, NW Washington, DC 20005
21		(202) 434-5420 (tel) (202) 434-5029 (fax)
22		dhowell@wc.com
23		
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1		
2	Dated: March 23, 2012	Respectfully Submitted,
3	•	KAMALA D. HARRIS Attorney General of California
4		
5		
6		KATHLEENE, FOOTE
7		Senior Assistant Attorney General 455 Golden Gate Avenue, Suite 11000
8		San Francisco, CA 94102-7004
9		CHERYL L. JOHNSON
10		Deputy Attorney General 300 S. Spring Street, Suite 1700
11		Los Angeles, CA 90013
12		Telephone: (213) 897-2688 Fax: (213) 897-2801 Family Charal Johnson Oldi et anno
13	* *	E-mail: <u>Cheryl.Johnson@doj.ca.gov</u> Attorneys for Plaintiff
14		
15		MEDCO HEALTH SOLUTIONS, INC.
16		
17	•	- Enella
18		By: <u>Crite Crite</u> Enu Mainigi
19		Deneen C. Howell (Cal. Bar. No. 194494) Williams & Connolly LLP
20		725 12th Street, NW
21	· · · · ·	Washington, DC 20005 (202) 434-5420 (tel)
21 22		(202) 434-5029 (fax) dhowell@wc.com
		dhowell(@wc.codi
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		Jt. Mot. for Entry of Judgment

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EXHIBIT A

SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement and Release (this "Agreement"), dated as of March 22, 2012, is made and entered into by and among the People of the State of California and Medco Health Solutions, Inc. ("Medco"), (collectively, "the Parties").

RECITALS

WHEREAS, the State of California in its law enforcement capacity through the Office of the Attorney General has been investigating California Public Employees' Retirement System's (CalPERS) Request for Proposal 2004-3521 regarding the provision of pharmacy benefit management services (the "2005 RFP") and its resulting award to Medco of a pharmacy benefit management services contract pursuant to the 2005 RFP, CalPERS Agreement No. 2005-3789 (as subsequently amended, the "2005 PBM Contract").

WHEREAS, Medco denies any liability or wrongdoing in respect of the 2005 RFP, the 2005 PBM Contract or any other matter arising under such investigation, and this Agreement does not constitute evidence of or any admission by Medco of any liability or wrongdoing.

WHEREAS, the Parties desire to avoid further dedication of resources to this investigation, and the California Attorney General has agreed to conclude the investigation.

WHEREAS, the California Attorney General is concurrently filing a complaint in this matter under the Unfair Competition Law, Cal. Bus. & Prof. Code § 17200, et seq., and the Cartwright Act, Cal. Bus. & Prof. Code § 16720, et seq., alleging that Medco failed to exercise sufficient controls over its consultant.

WHEREAS, the California Attorney General's Office has, for a year and onehalf, conducted a broad-ranging investigation pertaining to Medco (the "Covered Conduct") as follows:

a. all conduct as alleged in the complaint against Medco that the California Attorney General is filing concurrently with this Agreement;

 all aspects of Medco's consulting relationship with Alfred Robles Villalobos, as set forth in the contracts between Medco and ARVCO Capital Research, L.L.C. dated June 8, 2004 and December 16, 2005;

c. all aspects of Medco's retention of Alfred Robles Villalobos, as set forth in the contracts between Medco and ARVCO Capital Research, L.L.C. dated June 8, 2004 and December 16, 2005;

d. all aspects of Medco's conduct, and the conduct of Medco consultants, as it relates to the 2005 RFP;

e. all aspects of Medco's conduct, and the conduct of Medco's consultants, as it relates to CalPERS' award of the 2005 RFP to Medco;

f. all aspects of Medco's negotiation of the 2005 PBM Contract awarded as a result of the 2005 RFP;

g. whether Medco interfered, influenced or tampered with the competitive bid process or contracting process of CalPERS;

h. whether Medco attended meetings of the CalPERS Board held in violation of the Brown Act, Cal. Gov't Code § 54950, et seq., or otherwise improperly held;

i. whether Medco or its consultants had contacts with CalPERS during the period of restricted communications related to the 2005 RFP;

j. whether Medco obtained confidential, non-public, or proprietary CalPERS information;

k. whether Medco failed to exercise sufficient controls to ensure that all compensation to consultants, including compensation for expenses, was for legitimate business purposes and not used to fund improper gifts, payments or campaign contributions to CalPERS staff or Board members;

l. whether Medco, through its consultants or otherwise, indirectly or directly funded improper gifts, payments or campaign contributions to CalPERS staff or Board members;

m. whether the consulting fees paid to Mr. Villalobos were payments to influence, or in exchange for, CalPERS' award of the 2005 PBM contract;

n. any re-pricing in connection with the 2005 PBM Contract;

o. the audit of Medco's provision of pharmacy benefit management services to CalPERS pursuant to the contract ending December 31, 2002, conducted by CalPERS; and

p. Medco's cooperation with the investigation, including but not limited to the completeness of Medco's production of documents.

WHEREAS, the Parties have agreed to settle and put to rest with finality all claims that have been or could have been asserted by the State of California in its law enforcement capacity against Medco arising out of or in connection with the Covered Conduct, except that nothing herein constitutes any release with respect to any claims of damages, penalties or otherwise of CalPERS, or any other state entity or department or other person.

NOW, THEREFORE, in consideration of the above premises, the mutual covenants and undertakings made herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties do agree as follows:

I. STIPULATED ORDER REGARDING MEDCO'S BUSINESS PRACTICES:

The Parties shall jointly seek entry of an order and final judgment (the "Stipulated Judgment") substantially in accordance with the form of the Stipulated Judgment attached hereto as Exhibit A. In particular, but not in limitation of the prior sentence, the Stipulated Judgment will not provide for any injunctive relief or for the imposition on Medco of any civil or other penalties or fines or other relief other than as provided for in Exhibit A.

Medco's obligations with regard to policies and procedures as set forth in the Stipulated Judgment are limited to Medco's use of consultants and agents engaged by Medco to perform functions or who actually perform any function or have any involvement related to the solicitation, negotiation, and/or securing of PBM contracts from any California governmental or quasi-governmental agency. Any report required by the Stipulated Judgment shall be submitted to the following individual:

Senior Assistant Attorney General Kathleen Foote Office of the California Attorney General 455 Golden Gate Avenue San Francisco, CA 94102-3664 Telephone: 415-703-5555 Email: <u>Kathleen.Foote@doj.ca.gov</u>

II. INDEPENDENT DIRECTORS' REVIEW:

Medco shall request that the independent members of Medco's Board of Directors (a) meet within 15 days of the Attorney General's filing of a complaint in this matter to review and consider the matters alleged in the complaint and any investigative materials of the Attorney General to which they have access, and (b) take any follow-up actions they deem appropriate.

III. SETTLEMENT PAYMENTS:

Upon entry of the Stipulated Judgment in the form provided for in Exhibit A hereto, Medco shall pay to the Office of the Attorney General the amount of \$2,750,000 in immediately available funds as reimbursement of the Attorney General's attorneys' fees and/or investigation, litigation and settlement administration costs.

IV. RELEASE OF CLAIMS:

In consideration of the promises and obligations of Medco contained herein, and the execution and delivery of this Agreement, the State of California, in its sovereign capacity and law enforcement capacity, for itself alone, hereby fully and finally, unconditionally and forever, knowingly and voluntarily, waives, releases, acquits and discharges Medco as well as its current and former parents, subsidiaries, divisions and affiliates; its and their respective current and former partners, shareholders, members, directors, officers, managers, employees, agents, attorneys, representatives and insurers (other than Alfred Robles Villalobos and ARVCO Capital Research); and the heirs, executors, administrators, trustees, beneficiaries, predecessors, successors and assigns (direct or indirect) (the "Released

Parties") of any of the foregoing from any and all claims, complaints, actions, suits, demands, grievances, controversies, allegations, accusations, rights, causes of action, liabilities, judgments, damages or proceedings of any kind or nature, as well as all forms of relief (including all remedies, losses, debts, attorneys' fees, penalties, punitive damages, consequential or special damages, costs and expenses of every kind and however denominated), whether sealed or unsealed, known or unknown, foreseen or unforeseen, that the State of California ever had, has or may have solely in respect of the State of California's law enforcement capacity arising out of or in connection with the Covered Conduct. Said release does not extend to or affect any other claims that CalPERS or any other entity, state agency or person might have with respect to the Covered Conduct.

The releases contained in this Section IV are general releases with respect to claims asserted in or relating to the Covered Conduct, and the Parties intend and agree that each shall be interpreted, construed and enforced as such. Without limiting the foregoing, the Parties, having been fully advised by counsel of the contents of Section 1542 of the Civil Code of the State of California, expressly waive and relinquish all rights and benefits afforded by Section 1542, and do so understanding and acknowledging the significance of such specific waiver of Section 1542. Section 1542 of the Civil Code of the State of California states as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

Thus, notwithstanding the provisions of Section 1542, and for the purpose of implementing a full and complete release of claims asserted in or relating to the Covered Conduct, each Party expressly acknowledges that this Agreement is intended to include in its effect, without limitation, all claims relating to the Conduct that such Party does not know of or suspect to exist in such Party's favor at the time of signing this Agreement.

For the avoidance of doubt, nothing contained in this Section IV shall operate to discharge the obligations of the Parties set forth in this Agreement.

V. NO ADMISSION:

The execution and delivery of, and performance of the duties, obligations and undertakings under this Agreement by Medco is in full accord and satisfaction of all claims released herein; provided, however, that none of such execution, delivery and performance, nor the promises and obligations contained herein, is an admission or determination of any liability in respect of any such released claim.

VI. GOVERNING LAW/ENFORCEMENT:

This Agreement shall be governed by and construed in accordance with the internal laws of the State of California applicable to contracts entered into within that state, without regard to any otherwise applicable principles of conflicts of laws. The Parties agree to submit to the non-exclusive jurisdiction of the Superior Court of the State of California in San Francisco or Los Angeles for the purpose of enforcement of the covenants within and waive any objections to venue in that Court. The People of the State of California shall not seek or accept as part of any judgment in respect of the above-captioned action any injunctive relief, civil or other fines or penalties or any other relief other than as provided for in the Stipulated Judgment attached as Exhibit A.

VII. MISCELLANEOUS:

1. <u>Entire Agreement</u>. This Agreement contains the entire understanding between the Parties with respect to its subject matter and supersedes all other prior and contemporaneous oral or written communications, representations, or agreements.

2. <u>Interpretation of Terms</u>. This Agreement was prepared by the combined efforts of all of the Parties and their respective attorneys. The language of this Agreement shall be construed as a whole, according to its fair meaning, and not strictly for or against any Party on the basis that any Party or any Party's attorney drafted any of its provisions.

3. <u>Partial Invalidity</u>. If any provision of this Agreement is determined to be invalid or unenforceable, the remainder shall be construed and enforced so as to best effectuate the intention of the Parties at the time this Agreement was entered into.

4. <u>Waiver of Rights</u>. No waiver of any provision of this Agreement or consent to any action under this Agreement shall constitute a waiver of any other provision or consent to any other action, whether or not similar. No waiver or consent shall constitute a continuing waiver or consent or commit a Party to provide a waiver or consent in the future.

5. <u>Modification</u>. No modification, amendment, or change of any of the terms of this Agreement shall be binding upon any Party hereto unless it is in writing and signed by the Party, or by a duly authorized officer, representative, or agent of the Party, against whom enforcement of the modification, amendment, or change is sought.

6. <u>Parties Benefitted and Burdened</u>: No Third Party Beneficiaries. Except as otherwise provided in Section IV: (a) this Agreement shall burden and inure to the benefit of only the Parties hereto and their respective successors and assigns, and (b) there are no thirdparty beneficiaries of this Agreement. No Party may assign any rights or obligations hereunder to any other person without the prior written consent of the other Party hereto, provided, however, that Medco may assign the benefits hereof to any person acquiring all or substantially all of its assets in one or a series of related transactions, and provided that the Office of the Attorney General may reimburse any California state agency for its expenses or contributions associated with the Attorney General's investigation.

7. <u>Counterparts</u>. This Agreement shall become effective upon its execution and delivery by or on behalf of all Parties. This Agreement may be executed in counterparts, and faxed copies, photocopies and portable format copies (i.e., pdf) of the Parties' signatures shall be effective. When each Party has signed and delivered at least one counterpart, each counterpart shall be deemed an original, and when taken together with other signed counterparts shall constitute one Agreement, which shall be binding on all Parties. Agreed:

The People of the State of California

KAMALA D. Harris Attorney General of California By: Vat

Kathleen E. Foote Senior Assistant Attorney General 455 Golden Gate Avenue, Suite 11000 San Francisco, CA 94102-7004 Telephone: (415) 703-555 Email: Kathleen.Foote@doj.ca.gov

Cheryl L. Johnson Deputy Attorney General

Telephone: (213) 897-2688 Fax: (213) 897-2801 Email: Cheryl.Johnson@doj.ca.gov Attorneys for Plaintiffs Medco Health Solutions, Inc.

By:

Enu Mainigi Deneen C. Howell (Bar. No. 194494) Williams & Connolly LLP 725 12th Street, NW Washington, DC 20005 (202) 434-5420 (tel) (202) 434-5029 (fax) emainigi@wc.com dhowell@wc.com

The People of the State of California

KAMALA D. Harris

Attorney General of California ·+-{) By:

Kathleen E. Foote Senior Assistant Attorney General 455 Golden Gate Avenue, Suite 11000 San Francisco, CA 94102-7004 Telephone: (415) 703-555 Email: Kathleen.Foote@doj.ca.gov

Cheryl L. Johnson Deputy Attorney General

Telephone: (213) 897-2688 Fax: (213) 897-2801 Email: Cheryl.Johnson@doj.ca.gov Attorneys for Plaintiffs Medco Health Solutions, Inc.

W By:

Enu Mainigi Deneen C. Howell (Bar. No. 194494) Williams & Connolly LLP 725 12th Street, NW Washington, DC 20005 (202) 434-5420 (tel) (202) 434-5029 (fax) emainigi@wc.com dhowell@wc.com

Settlement Agreement And Reléase

EXHIBIT A TO "EXHIBIT A

1	Kamala D. Harris	
2	Attorney General of California KATHLEEN E. FOOTE SR#65819	
3	KATHLEEN E. FOOTE SB#65819 Senior Assistant Attorney General 455 Golden Gate Avenue, Suite 11000	
4	San Francisco, CA 94102-7004	
5	CHERYL L. JOHNSON Deputy Attorney General	
6	Deputy Attorney General State Bar No. 66321	
7	300 S. Spring Street, Suite 1700 Los Angeles, California 90013	
	Telephone: (213) 897-2688 Fax: (213) 897-2801	
8	E-mail: <u>Cheryl.Johnson@doj.ca.gov</u>	
9	Attorneys for Plaintiff, The People of the State of California	
10		
11	SUPERIOR COURT OF THE STATE OF CALIFORNIA	
12	COUNTY OF SAN FRANCISCO	
13		
14		
15	THE PEOPLE OF THE STATE OF CALIFORNIA,	Case No.
16	Plaintiff,	STIPULATED FINAL JUDGMENT
17	v.	
18	MEDCO HEALTH SOLUTIONS, INC.,	
19	Defendant.	
20		
21		
22		
23	Plaintiff, the People of the State of California, appearing through its attorney, Kamala D.	
24	Harris, Attorney General of the State of California, and Defendant Medco Health Solutions, Inc.,	
25	a Delaware corporation, appearing through its attorneys, Williams & Connolly LLP, have	
26	consented to the entry of this Final Judgment.	
27		
28		
20		

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This Judgment is entered without taking any proof and without trial or adjudication of any
issue of law or fact. This Judgment does not constitute evidence of or an admission by the
Defendant regarding any issue of law or fact alleged in the Complaint entitled The People of the
State of California v. Medco Health Solutions, Inc. filed in this Court.

Therefore, the parties having waived their rights of appeal and having approved this Final
Judgment as to form and content:

8

IT IS HEREBY ORDERED THAT:

9 1. This Court has jurisdiction over the parties to and the subject matter of this action,
10 and venue is proper in this Court.

Medco shall not unlawfully interfere or tamper with the competitive bidding or
 contracting process of any California governmental or quasi-governmental agency (together,
 "Covered State Plans"), directly or indirectly through the use of any consultant or agent of Medco.
 Within fifteen (15) days of entry of this Judgment, Medco shall review its policies
 and procedures regarding the use and management of consultants in competitive bid situations,
 and, if necessary, revise such policies or implement additional policies such that the policies:

(a) forbid any unlawful interference or tampering with the competitive bid process or
contracting process of any Covered State Plan, directly or indirectly through the use of any
consultant or agent of Medco;

(b) require Medco to comply with the periods of restricted communications set forth in
the applicable Requests for Proposals, the California Government Code or Public Contract Code,
or in the regulations and rules of the Covered State Plan;

(c) require Medco to comply with any restrictions on gifts or other consideration set forth
in the applicable Requests for Proposals, the California Government Code, or in the regulations
and rules of the Covered State Plan;

26 (d) require Medco to follow all California election laws with respect to any contribution
27 and/or gift to any elected official or candidate for elected office and to track any such political
28 contributions according to law;

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(e) bar Medco employees, officers, consultants and agents from attending any meeting
with officers or members of the board of directors (or equivalent governing body) of any Covered
State Plans that the Medco employee, officer, consultant or agent knows is not a public meeting
and is being held in violation of the Brown Act (California Government Code Section 54950 et
seq.);

(f) require Medco, at any Covered State Plan's request, to disclose in writing to the
Covered State Plan any arrangement by Medco with any consultant or agent under which such
person or entity is to receive compensation, commission or other payment having a value in
excess of \$20,000 in connection with the prospective granting, extension or renewal of a contract
for the provision of pharmaceutical benefits management services for the benefit of Medco from
the Covered State Plan;

13 (g) require Medco to conduct due diligence regarding potential consultants or agents
14 before retaining such consultant or agent;

15

(h) require Medco to maintain all consulting agreements in a database;

16

(i)

require Medco to maintain records of all broker-of-record designations;

(j) require Medco to maintain reasonable documentation of the specific nature and
business purpose of expenses for which any consultant or agent seeks reimbursement (for the
period of time such records would normally be maintained under Medco's document retention
policies); and

(k) require Medco to obtain certification from all consultants and agents that they have
complied with the Medco Code of Conduct and applicable law.

4. Medco shall pay to Plaintiff, upon entry of this Judgment, the sum of \$2,750,000 as
reimbursement of the Attorney General's attorneys' fees and/or investigation, litigation and
settlement administration costs.

5. The Office of the Attorney General may reimburse any California state agency for its
expenses or contributions associated with the Attorney General's investigation.

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This Judgment resolves the above-captioned action. This Judgment is also a 6. 1 complete resolution of any and all claims of any nature that the Attorney General ever had, has or 2 may have against Medco, each of its subsidiaries, any predecessors or successors thereof and each 3 of the past and present owners, officers, directors, employees, attorneys, insurers, agents and 4 assigns of any of them (other than Alfred Robles Villalobos and ARVCO Capital Research 5 L.L.C.), in each case arising out of or in connection with CalPERS' Request for Proposal 2004-6 7 3521 and CalPERS' resulting purchase of pharmacy benefits services in 2005, as set forth in CalPERS Agreement No. 2005-3789 and amendments thereto, and the Attorney General's 8 9 investigation thereof, including without limitation the above-captioned action.

7. Jurisdiction is retained by the Court for the purpose of enabling any party to the
Judgment to apply to the Court at any time for such further orders and directions as may be
necessary or appropriate for the construction or the carrying out of this Judgment, for the
modification of any of the provisions hereof, for enforcement of compliance herewith, and for the
punishment of violations hereof, if any. Any party making any such application shall bear its
own costs and fees.

16 || IT IS SO ORDERED:

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Dated: March ____, 2012

JUDGE OF THE SUPERIOR COURT

Exhibit B

1 2 3	KAMALA D. HARRIS Attorney General of California KATHLEEN E. FOOTE $_{1}$ S.B. $\#$ 65819 Senior Assistant Attorney General 455 Golden Gate Avenue, Suite 11000	•
4	San Francisco, CA 94102-7004	
5	CHERYL L. JOHNSON Deputy Attorney General State Bar No. 66321	
6	300 S. Spring Street, Suite 1700 Los Angeles,	· · ·
7	California 90013 Telephone: (213) 897-2688	
8	Fax: (213) 897-2801 E-mail: <u>Cheryl.Johnson@doj.ca.gov</u>	
9	Attorneys for Plaintiff,	
10	The People of the State of California	
11	SUPERIOR COURT OF THE STATE OF CALIFORNIA	
12	COUNTY OF SAN FRANCISCO	
13		
14		
15	THE PEOPLE OF THE STATE OF CALIFORNIA,	Case No.
16	Plaintiff,	STIPULATED FINAL JUDGMENT
17	V.	
18	MEDCO HEALTH SOLUTIONS, INC.,	
19	Defendant.	
20	Derendant.	
21		
22		
23	Plaintiff the People of the State of Califor	nia annearing through its attorney. Kamala D
24	Plaintiff, the People of the State of California, appearing through its attorney, Kamala D. Harris, Attorney General of the State of California, and Defendant Medco Health Solutions, Inc.,	
25		
26	a Delaware corporation, appearing through its attorneys, Williams & Connolly LLP, have	
27	consented to the entry of this Final Judgment.	
28		·
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1 ///

This Judgment is entered without taking any proof and without trial or adjudication of any
issue of law or fact. This Judgment does not constitute evidence of or an admission by the
Defendant regarding any issue of law or fact alleged in the Complaint entitled The People of the
State of California v. Medco Health Solutions, Inc. filed in this Court.

Therefore, the parties having waived their rights of appeal and having approved this Final
Judgment as to form and content:

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IT IS HEREBY ORDERED THAT:

9 1. This Court has jurisdiction over the parties to and the subject matter of this action,
10 and venue is proper in this Court.

Medco shall not unlawfully interfere or tamper with the competitive bidding or
 contracting process of any California governmental or quasi-governmental agency (together,
 "Covered State Plans"), directly or indirectly through the use of any consultant or agent of Medco.

Within fifteen (15) days of entry of this Judgment, Medco shall review its policies
 and procedures regarding the use and management of consultants in competitive bid situations,
 and, if necessary, revise such policies or implement additional policies such that the policies:

(a) forbid any unlawful interference or tampering with the competitive bid process or
contracting process of any Covered State Plan, directly or indirectly through the use of any
consultant or agent of Medco;

(b) require Medco to comply with the periods of restricted communications set forth in
the applicable Requests for Proposals, the California Government Code or Public Contract Code,
or in the regulations and rules of the Covered State Plan;

23

24

25

 (c) require Medco to comply with any restrictions on gifts or other consideration set forth in the applicable Requests for Proposals, the California Government Code, or in the regulations and rules of the Covered State Plan;

26 (d) require Medco to follow all California election laws with respect to any contribution
27 and/or gift to any elected official or candidate for elected office and to track any such political
28 contributions according to law;

1 ///

(e) bar Medco employees, officers, consultants and agents from attending any meeting
with officers or members of the board of directors (or equivalent governing body) of any Covered
State Plans that the Medco employee, officer, consultant or agent knows is not a public meeting
and is being held in violation of the Brown Act (California Government Code Section 54950 et
seq.);

(f) require Medco, at any Covered State Plan's request, to disclose in writing to the
Covered State Plan any arrangement by Medco with any consultant or agent under which such
person or entity is to receive compensation, commission or other payment having a value in
excess of \$20,000 in connection with the prospective granting, extension or renewal of a contract
for the provision of pharmaceutical benefits management services for the benefit of Medco from
the Covered State Plan;

13 (g) require Medco to conduct due diligence regarding potential consultants or agents
14 before retaining such consultant or agent;

15

(h)

16

(i) require Medco to maintain records of all broker-of-record designations;

require Medco to maintain all consulting agreements in a database;

(j) require Medco to maintain reasonable documentation of the specific nature and
business purpose of expenses for which any consultant or agent seeks reimbursement (for the
period of time such records would normally be maintained under Medco's document retention
policies); and

(k) require Medco to obtain certification from all consultants and agents that they have
complied with the Medco Code of Conduct and applicable law.

4. Medco shall pay to Plaintiff, upon entry of this Judgment, the sum of \$2,750,000 as
reimbursement of the Attorney General's attorneys' fees and/or investigation, litigation and
settlement administration costs.

5. The Office of the Attorney General may reimburse any California state agency for its
expenses or contributions associated with the Attorney General's investigation.

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1 б. This Judgment resolves the above-captioned action. This Judgment is also a 2 complete resolution of any and all claims of any nature that the Attorney General ever had, has or 3 may have against Medco, each of its subsidiaries, any predecessors or successors thereof and each 4 of the past and present owners, officers, directors, employees, attorneys, insurers, agents and assigns of any of them (other than Alfred Robles Villalobos and ARVCO Capital Research 5 6 L.L.C.), in each case arising out of or in connection with CalPERS' Request for Proposal 2004-7 3521 and CalPERS' resulting purchase of pharmacy benefits services in 2005, as set forth in 8 CalPERS Agreement No. 2005-3789 and amendments thereto, and the Attorney General's 9 investigation thereof, including without limitation the above-captioned action.

7. Jurisdiction is retained by the Court for the purpose of enabling any party to the
Judgment to apply to the Court at any time for such further orders and directions as may be
necessary or appropriate for the construction or the carrying out of this Judgment, for the
modification of any of the provisions hereof, for enforcement of compliance herewith, and for the
punishment of violations hereof, if any. Any party making any such application shall bear its
own costs and fees.

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16 | IT IS SO ORDERED:

Dated: March , 2012

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JUDGE OF THE SUPERIOR COURT

Stipulated Final Judgment

DECLARATION OF SERVICE BY U.S. MAIL

Case Name: In the Matter of the Investigation of the Solicitation and Purchase of Pharmaceutical Benefits Management Services by CalPERS

No.:

I declare:

I am employed in the Office of the Attorney General, which is the office of a member of the California State Bar, at which member's direction this service is made. I am 18 years of age or older and not a party to this matter. I am familiar with the business practice at the Office of the Attorney General for collection and processing of correspondence for mailing with the United States Postal Service. In accordance with that practice, correspondence placed in the internal mail collection system at the Office of the Attorney General is deposited with the United States Postal Service with postage thereon fully prepaid that same day in the ordinary course of business.

On <u>March 23, 2012</u>, I served the attached **JOINT MOTION FOR ENTRY OF JUDGMENT** (and Exhibit A and B) by placing a true copy thereof enclosed in a sealed envelope in the internal mail collection system at the Office of the Attorney General at 455 Golden Gate Avenue, Suite 11000, San Francisco, CA 94102-7004, addressed as follows:

Enu A. Mainigi, Partner Williams & Connolly LLP 725 Twelfth Street, N.W. Washington, D.C. 20005-5901 Telephone: (202) 434-5420 Fax #: (202) 434-5029 Email: emainigi@wc.com

I declare under penalty of perjury under the laws of the State of California the foregoing is true and correct and that this declaration was executed on March 23, 2012, at San Francisco, California.

Danielle Boully-Chinn Declarant

Signature

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