

EXHIBIT O

Adoption of a State-Subdivision Agreement

A State-Subdivision Agreement shall be applied if it meets the requirements of Section V and is approved by the State and by the State's Subdivisions as follows:

1. *Requirements for Approval.* A State-Subdivision Agreement shall be agreed when it has been approved by the State and either (a) Subdivisions whose aggregate "*Population Percentages*," determined as set forth below, total more than sixty percent (60%), or (b) Subdivisions whose aggregate Population Percentages total more than fifty percent (50%) provided that these Subdivisions also represent fifteen percent (15%) or more of the State's counties or parishes (or, in the case of Settling States whose counties and parishes that do not function as local governments, fifteen percent (15%) of or more of the Settling State's General Purpose Governments that qualify as Subdivisions), by number.

2. *Approval Authority.* Approval by the State shall be by the Attorney General. Approval by a Subdivision shall be by the appropriate official or legislative body pursuant to the required procedures for that Subdivision to agree to a legally binding settlement.

3. *Population Percentage Calculation.* For purposes of this Exhibit O only, Population Percentages shall be determined as follows: For States with functional counties or parishes¹⁷, the Population Percentage of each county or parish shall be deemed to be equal to (a) (1) two hundred percent (200%) of the population of such county or parish, minus (2) the aggregate population of all Primary Incorporated Municipalities located in such county or parish, divided by (b) two hundred percent (200%) of the State's population. A "*Primary Incorporated Municipality*" means a city, town, village or other municipality incorporated under applicable state law with a population of at least 25,000 that is not located within another incorporated municipality. The Population Percentage of each Primary Incorporated Municipality shall be equal to its population (including the population of any incorporated or unincorporated municipality located therein) divided by two hundred percent (200%) of the State's population; *provided* that the Population Percentage of a Primary Incorporated Municipality that is not located within a county shall be equal to two hundred percent (200%) of its population (including the population of any incorporated or unincorporated municipality located therein) divided by two hundred percent (200%) of the State's population. For all States that do not have functional counties or parishes, the Population Percentage of each General Purpose Government (including any incorporated or unincorporated municipality located therein), shall be equal to its population divided by the State's population.

4. *Preexisting Agreements and Statutory Provisions.* A State may include with the notice to its Subdivisions an existing agreement, a proposed agreement, or statutory provisions regarding the distribution and use of settlement funds and have the acceptance of such an agreement or statutory provision be part of the requirements to be an Initial Participating Subdivision.

¹⁷ Certain states do not have counties or parishes that have functional governments, including: Alaska, Connecticut, Massachusetts, Rhode Island, and Vermont.

5. *Revised Agreements.* A State-Subdivision Agreement that has been revised, supplemented, or refined shall be applied if it meets the requirements of Section V and is approved by the State and by the State's Subdivisions pursuant to the terms above.