



**1**

**PRE-BANKRUPTCY  
STRUCTURING**

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**2**

**LTL'S LACK OF FINANCIAL  
DISTRESS**

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**3**

**YOUR CRITICAL  
GATEKEEPER FUNCTION**

# TALC vs. THE WORLD



**NON-TALC CREDITORS HAVE CLEAR PATH**

**VS**



**TALC CREDITORS HAVE HIGH HURDLES**

# “JJCI Value” For Funding Agreement

## Debtor’s Opening Overview of Case

December 15, 2021

*In re LTL Management LLC, No. 21-30589*

## Funding Agreement

- Between Debtor (Payee) and New JJCI and J&J (Payors)
  - Including J&J as Payor intended to eliminate any concern that New JJCI’s value could be diminished
- Provides for funding up to the fair market value of New JJCI (\$60B) immediately prior to Divisional Merger
- No conditions on Permitted Funding Uses or Funding Obligations
- Payors and Payee submit to jurisdiction of Bankruptcy Court for any proceeding to enforce Funding Obligations
- Not a loan; no obligation to repay

26

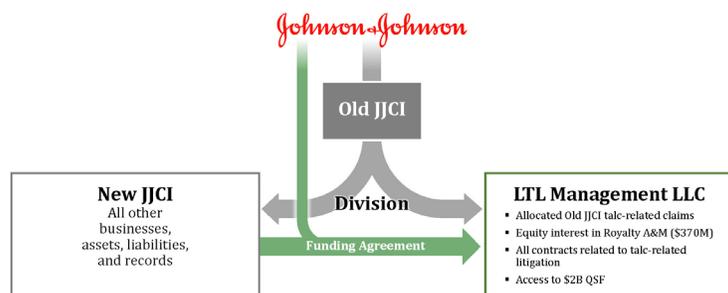
# “JJCI Value” For Funding Agreement

## Debtor’s Opening Overview of Case

December 15, 2021

In re LTL Management LLC, No. 21-30589

## Old JJCI Corporate Restructuring



**MR. GORDON:** ...This is a slide that just attempts to depict graphically how that restructuring worked ... To me, what’s of course very important about this transaction is the funding agreement ... And in here, it’s not only a funding agreement from new JJCI, but you have Johnson and Johnson, the parent itself, who agreed to be jointly and severally liable on that up to the extent of the value of new JJCI. **And the record from the PI**

**proceeding reflects that the fair market value of new JJCI is approximately \$60 billion.**

**THE COURT:** Six-zero?

**MR. GORDON:** Sixty billion dollars.

**THE COURT:** Sixty. Okay.

**MR. GORDON:** That’s in the record. That was elicited from John Kim, our chief legal officer on cross examination by the claimants.

# “JJCI Value” For Funding Agreement



**JOHN KIM**  
Chief Legal Officer, LTL

Q: And you testified on Sunday that you have had discussions with other folks that **the New JJCI is now valued at \$60 billion, correct?**

A: **That would be the fair market value,** is, is around that. We would -

Q: So - and that's currently, the New JJCI, 60 billion, whereas the Old JJCI was 14 billion?

A: No, no, no. That, that would have been just prior to the filing. There - there - **around the time period of the filing it was, again, fair market value was about \$60 billion ... But the fair market value, it would be around 60 billion.**

Q: Sixty - just for the New JJCI, correct?

A: Well, New JJCI, you know, just before and after the, the divisional merger.



**"immediate financial distress"**

*In re SGL Carbon Corp.*

**"mere possibility of future need"  
is not enough**

*In re Liberte Technologies, citing SGL Carbon Corp.*

# LTL Meso Plaintiff Judgments

(\$ in Millions)

| LTL - Plaintiff Judgments |              |            |                  |            |          |       |                      |                 |     |          |               |            |                 |     |          |       |       |
|---------------------------|--------------|------------|------------------|------------|----------|-------|----------------------|-----------------|-----|----------|---------------|------------|-----------------|-----|----------|-------|-------|
| Judgment                  | Date Entered | On Appeal? | Punitive Damages |            |          |       | Compensatory Damages |                 |     |          | Total Damages |            |                 |     |          |       |       |
|                           |              |            | \$ Amount        | Allocation |          |       | \$ Amount            | Allocation      |     |          | \$ Amount     | Allocation |                 |     |          |       |       |
|                           |              |            |                  | J&J        | Old JJCI | Joint |                      | Other           | J&J | Old JJCI |               | Joint      | Other           | J&J | Old JJCI | Joint | Other |
| <b>Meso Plaintiff:</b>    |              |            |                  |            |          |       |                      |                 |     |          |               |            |                 |     |          |       |       |
| Anderson                  | 6/15/2018    | N          | \$ 4.0           | -          | -        | 100%  | -                    | \$ 14.9         | -   | -        | 100%          | -          | \$ 18.9         | -   | -        | 100%  | -     |
| Schmitz                   | 9/24/2019    | Y          | -                | -          | -        | -     | -                    | 11.5            | -   | -        | 100%          | 100%       | 11.5            | -   | -        | 100%  | 100%  |
| Leavitt                   | 11/1/2019    | N          | -                | -          | -        | -     | -                    | 29.6            | 76% | 24%      | -             | -          | 29.6            | 76% | 24%      | -     | -     |
| Cabibi                    | 1/21/2020    | N          | -                | -          | -        | -     | -                    | 12.1            | -   | -        | 100%          | -          | 12.1            | -   | -        | 100%  | -     |
| Barden                    | 7/24/2020    | Y          | 36.3             | 80%        | 20%      | -     | -                    | 7.3             | 80% | 20%      | -             | -          | 43.5            | 80% | 20%      | -     | -     |
| Etheridge                 | 7/24/2020    | Y          | 47.3             | 80%        | 20%      | -     | -                    | 9.5             | 80% | 20%      | -             | -          | 56.7            | 80% | 20%      | -     | -     |
| McNeill                   | 7/24/2020    | Y          | 73.5             | 20%        | 80%      | -     | -                    | 14.7            | 20% | 80%      | -             | -          | 88.2            | 20% | 80%      | -     | -     |
| Ronning                   | 7/24/2020    | Y          | 29.5             | 50%        | 50%      | -     | -                    | 5.9             | 50% | 50%      | -             | -          | 35.4            | 50% | 50%      | -     | -     |
| Moure-Cabrera             | 8/13/2020    | N          | -                | -          | -        | -     | -                    | 6.2             | -   | -        | 100%          | -          | 6.2             | -   | -        | 100%  | -     |
| Olson                     | 11/30/2020   | Y          | 105.0            | 67%        | 33%      | -     | -                    | 15.0            | -   | -        | 100%          | -          | 120.0           | 58% | 29%      | 13%   | -     |
| Prudencio                 | 8/26/2021    | Y          | 0.1              | 85%        | 15%      | -     | -                    | 26.2            | 65% | 11%      | 24%           | -          | 26.3            | 65% | 11%      | 24%   | -     |
| Johnson                   | 10/15/2021   | Y          | 25.0             | -          | -        | 100%  | -                    | 2.5             | -   | -        | 100%          | -          | 27.5            | -   | -        | 100%  | -     |
| <b>Total Meso</b>         |              |            | <b>\$ 320.6</b>  |            |          |       |                      | <b>\$ 155.2</b> |     |          |               |            | <b>\$ 475.8</b> |     |          |       |       |

**Remaining Exposure = \$409M**



**\$250M/YR ≠  
SIGNIFICANT**

**MICHELLE RYAN**  
Treasurer, J&J (retired)

# Previous Talc Settlements

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Subject to Protective Order

**EXHIBIT**  
Exhibit 161

In re LTL Management, Case No. 21-30589 (MBK)

**Debtor's Supplemental Schedule A**

Subject to and without prejudice to the right to amend this Schedule A, the Debtor has the following claims in lieu of production.

Before the filing of the Debtor's chapter 11 case, the Debtor had the following claims:

- 5,738 talc-related claims for payments totaling \$526,632,000.00
- 1,098 talc-related claims for payments totaling \$439,730,000.00

The table below shows the Debtor's talc-related claims and talc-related ovarian cancer claims.

| Year         | Talc-Related Claims     | Ovarian Cancer Claims   |
|--------------|-------------------------|-------------------------|
| 2017         | \$950,000.00            | \$0                     |
| 2018         | \$750,000.00            | \$0                     |
| 2019         | \$15,600,000.00         | \$0                     |
| 2020         | \$300,390,000.00        | \$265,000,000.00        |
| 2021         | \$122,040,000.00        | \$261,632,000.00        |
| <b>Total</b> | <b>\$439,730,000.00</b> | <b>\$526,632,000.00</b> |

At the time of the filing of the petition in Debtor's chapter 11 case, the Debtor owed:

- \$144,000.00 in connection with the resolution of 24 talc-related ovarian cancer claims; and
- \$325,000.00 in connection with the resolution of 1 talc-related mesothelioma claim.

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**EXHIBIT**

- 5,738 talc-related ovarian cancer claims were resolved for payments totaling \$526,632,000.00; and
- 1,098 talc-related mesothelioma claims were resolved for payments totaling \$439,730,000.00.

**6,836 Cases**  
**\$966.36M**

# J&J SAYS:

***This math overvalues the claims***

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$$\frac{38,000 \text{ total cases}}{6,836 \text{ prior settlements}} = \mathbf{5.56}$$

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$$\mathbf{\$1B} \times 5.56 = \mathbf{\$5.56B}$$

# J&J Auditor Letter, October 29, 2021



October 29, 2021  
PricewaterhouseCoopers LLP  
400 Campus Drive  
Florham Park, NJ 07932

our internal control environment due to the impact of COVID-19 and determined that there were

13. We reviewed product liability reserves and believe that they are adequate in light of all currently available information and the Company's self-insurance program. With respect to the talc (Baby Powder) litigation, **the total liability of \$2.4 billion** of which \$2 billion is reserved for a qualified settlement fund on behalf of LTL Management LLC represents the Company's best estimate of the **probable and reasonably estimable loss under ASC 450** **for the remaining product liability cases brought against the Company and its subsidiaries.** The Company determined that a loss related to the Imerys bankruptcy matter is not probable or reasonably estimable. For the talc litigation and all other product liability matters, the Company cannot further estimate the range of reasonably possible loss in excess of the amounts recorded at this time.

c. All minutes of the meeting and summaries of actions significant board and committee meetings held were: Exec Board of Directors, October Corporate Governance, September 13, 2021; and 5

15. We provided you with all information related to significant income tax positions and uncertainties of which we are aware. We also provided you with access to all opinions and analyses that relate to positions we have taken regarding significant income tax matters.

16. There are no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

17. The consolidated financial statements include costs associated with the Global Supply Chain restructuring activity and involuntary termination benefits, which is classified and disclosed in the consolidated financial statements in accordance with ASC 420, Exit or Disposal Cost Obligations, SAB 100, Restructuring and Impairment Charges (SAB 100) and ASC 712, Compensation - Nonretirement Postemployment Benefits. Further, we have determined that existing severance reserves are sufficient to cover the announced Global Supply Chain actions.

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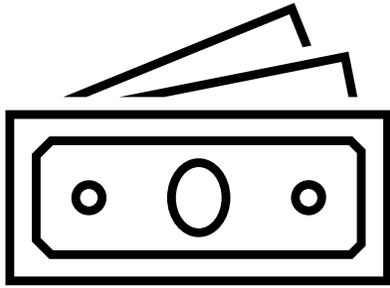
3

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LTL 0042871

# Johnson & Johnson

MARKET CAP  $\approx$  \$450 BILLION



**\$31**  
BILLION

Cash and marketable securities  
as of Oct 3, 2021 (10Q)



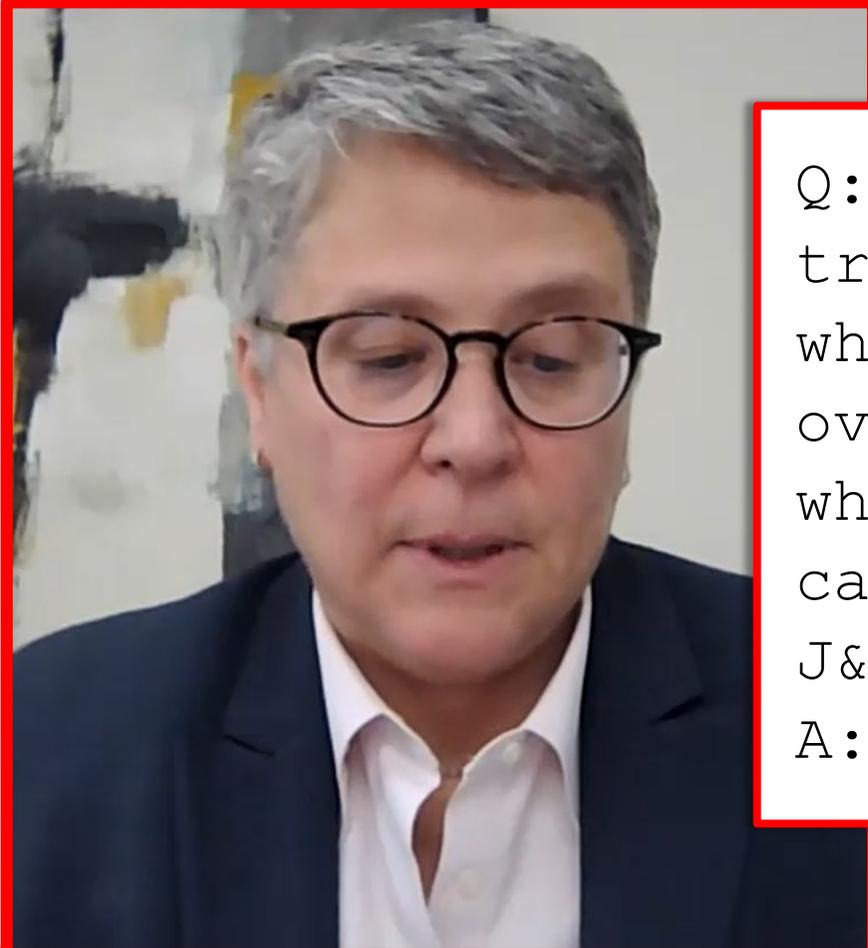
Credit rating  
higher than the  
United States of America



**\$10**  
BILLION

Available  
Line of Credit

# Ever see an estimate of future talc liability, Ms. Ryan?



**MICHELLE RYAN**  
Treasurer, J&J (retired)

Q: Have you ever in your last six years as treasurer at any time seen any estimate of what the future talc liability, future total overall fair value analysis or whatever of what the sum and substance of the existing cases could yield in terms of liability for J&J?

A: **No, I never did.**



**RYAN to S&P GLOBAL:**

**WORST CASE  
SCENARIO = \$7.5B**

October 2020 Estimate

Testimony from the Deposition of David Kaplan,  
Director, Corporate Ratings at S&P Global



**RYAN to S&P GLOBAL:**

**NEW SCENARIO =**

**\$2B - \$5B**

October 2021 Estimate

Testimony from the Deposition of David Kaplan,  
Director, Corporate Ratings at S&P Global

**INFORMATIONAL BRIEF SAYS**  
**CLAIMS ARE WORTHLESS**

# How much is appropriate, Mr. Kim?

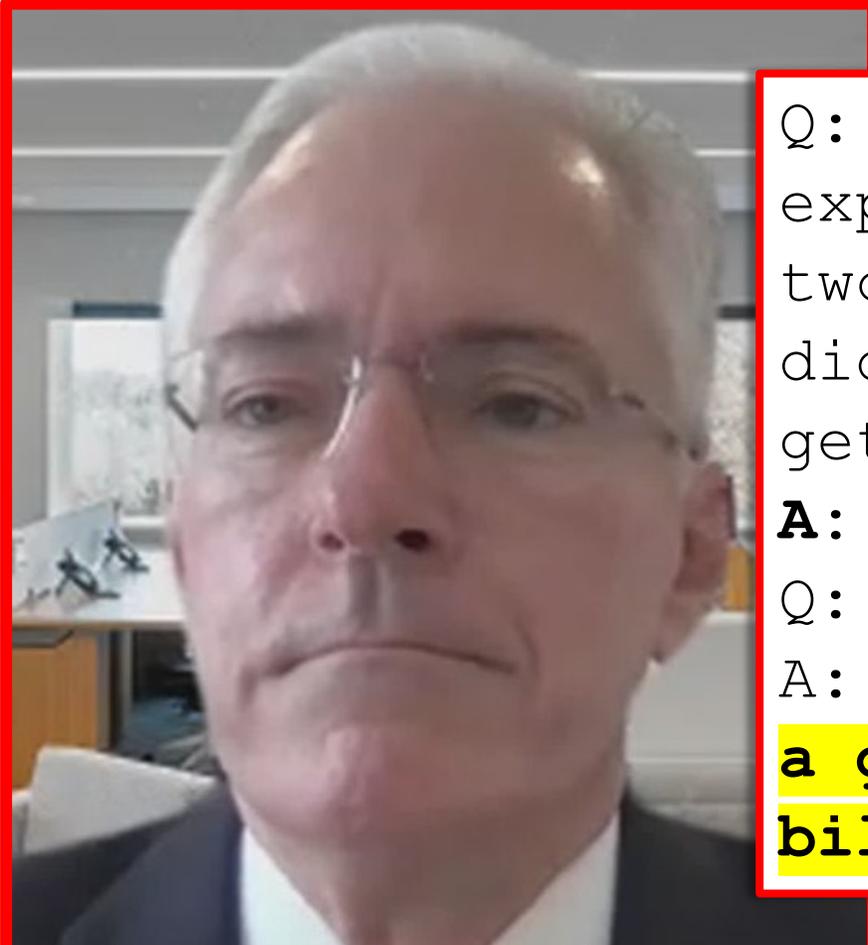


**JOHN KIM**  
Chief Legal Officer, LTL

Q: . . . As chief legal officer of LTL ... does LTL believe that a \$2 billion QSF is appropriate?

A: **Yes ... So \$2 billion, I think, is more than appropriate ...**

# How much is needed, Mr. Wuesthoff?



**ROBERT WUESTHOFF**  
President, LTL

Q: Well, when someone said to you or explained to you that we're going to put up two billion dollars to fund LTL's liability, did you say, well, how about some more? Can I get more?

**A: No. I did not.**

Q: Why not?

A: **Frankly, I thought the two billion was a great start, and hopefully, not even two billion is needed ...**

# “How much is enough?” J&J and its financial analysts say:

From: Romano, Lisa [JUC] <LJUC@Exchange.Administrative.GROUP (F7D5BC4F2526D73)@Perseus.com> [mailto:LJUC@Exchange.Administrative.GROUP]  
To: White, Andrew [JUC] <AWhite@JNJ.com>  
Cc: Lerner, Adam [JUC] <ALerner@JNJ.com>  
Subject: Re: Attorney Privileged

Yes, that makes more sense

From: White, Andrew [JUC] <AWhite@JNJ.com>  
Sent: Thursday, October 14, 2021 7:42 PM  
To: Romano, Lisa [JUC] <LJUC@Exchange.Administrative.GROUP>  
Cc: Lerner, Adam [JUC] <ALerner@JNJ.com>  
Subject: Re: Attorney Privileged

Ok, I would say "current and future liabilities" is the other way.

On Oct 14, 2021, at 7:35 PM, Romano, Lisa [JUC] <LJUC@Exchange.Administrative.GROUP> wrote:

per our discussion, revised language below:

From: Romano, Lisa [JUC] <LJUC@Exchange.Administrative.GROUP>  
Sent: Thursday, October 14, 2021 6:24 PM  
To: Romano, Lisa [JUC] <LJUC@Exchange.Administrative.GROUP>  
Cc: Marcus, Robbie <rob@LJUC@Exchange.Administrative.GROUP>  
Subject: EXTERNAL RE: Johnson & Johnson Takes Steps to Equitably Resolve All Current and Future Talc Claims

The List  
A few questions on my end - What are the next steps from here? As part of the Chapter 11 process, LTL will seek to confirm, as quickly as possible, a Plan of Reorganization that would address all current talc claims in a manner that is equitable to all parties, including any current and future claimants. The way this will be done is through a dedicated trust that would administer the process and pay alleged claims. This dedicated process will allow for a more efficient and consistent resolution for all parties.

How do you settle on the \$2B number? JNJ stands behind the safety of talc and that it does not cause ovarian cancer or mesothelioma. While we believe these cases lack merit, we believe the \$2B is enough to satisfy current and future liabilities.

And by filing Ch 11 on the side, are plaintiffs still able to pursue claims against JNJ or does everything now need to go through LTL?  
With this filing LTL will seek an automatic stay against LTL and all to affiliated entities, including JNJ.

From: Romano, Lisa [JUC] <LJUC@Exchange.Administrative.GROUP>  
Date: Thursday, Oct 14, 2021, 6:19 PM  
Re: John, Christopher [JUC] <CJohn@Exchange.Administrative.GROUP>  
Cc: Marcus, Robbie <rob@LJUC@Exchange.Administrative.GROUP>  
Subject: Johnson & Johnson Takes Steps to Equitably Resolve All Current and Future Talc Claims

H Chrs.

CONFIDENTIAL LTL 0043818

From: Lerner, Adam [JUC] <ALerner@Exchange.Administrative.GROUP (F7D5BC4F2526D73)@Perseus.com> [mailto:ALerner@Exchange.Administrative.GROUP]  
To: White, Andrew [JUC] <AWhite@JNJ.com>  
Cc: Romano, Lisa [JUC] <LJUC@Exchange.Administrative.GROUP>  
Subject: Attorney Privileged

Agreed - I'm not sure how we could answer the yellow question on the different matter besides we will work appropriately to ensure a fair and speedy resolution and can't speculate about potential future outcomes or changes, etc.

Adam Lerner  
973 615 0642  
alerner@jnj.com

From: Romano, Lisa [JUC] <LJUC@Exchange.Administrative.GROUP>  
Sent: Thursday, October 14, 2021 7:05 PM  
To: White, Andrew [JUC] <AWhite@JNJ.com>  
Cc: Lerner, Adam [JUC] <ALerner@JNJ.com>  
Subject: Attorney Privileged

Here are the Law emails. Responses in red for discussion and then another question came in highlighted in yellow. I think you may need to answer the other MDL question that was in blue if you are aligned.

H Lisa.

Here is what I can provide below in red. Some of the other questions are premature for us to provide a response and/or we would not speculate.

From: Hambright, Lee <Lee.Hambright@Hamstein.com>  
Sent: Thursday, October 14, 2021 7:05 PM  
To: Romano, Lisa [JUC] <LJUC@Exchange.Administrative.GROUP>  
Subject: EXTERNAL RE: Johnson & Johnson Takes Steps to Equitably Resolve All Current and Future Talc Claims

Sorry I guess I forgot the biggest one. How does the bankruptcy court figure out how much LTL owes, and what happens if the MDL and the bankruptcy court come up with different numbers?

On Oct 14, 2021, at 6:44 PM, Hambright, Lee <Lee.Hambright@Hamstein.com> wrote:

Ch Hrs.

1. What's the impact on the MDL process/settling. If any? All cases in the cosmetic talc litigation, including the multi-district litigation, will be stayed pending the outcome of the Chapter 11 proceedings.

2. How do you settle on the \$2B number? JNJ stands behind the safety of talc and that it does not cause ovarian cancer or mesothelioma. While we believe these cases lack merit, we believe the \$2B is enough to satisfy current and future liabilities.

3. Under what circumstances could JNJ be liable beyond the \$2B plus the royalty amount? There are two different terms. Regarding the trust, we believe the \$2 billion is equitable for all stakeholders and satisfies any obligations of the Company regarding its talc claims. The \$200 million royalty stream is distinct from the trust and represents the fair value of orphaned income over a six period of time.

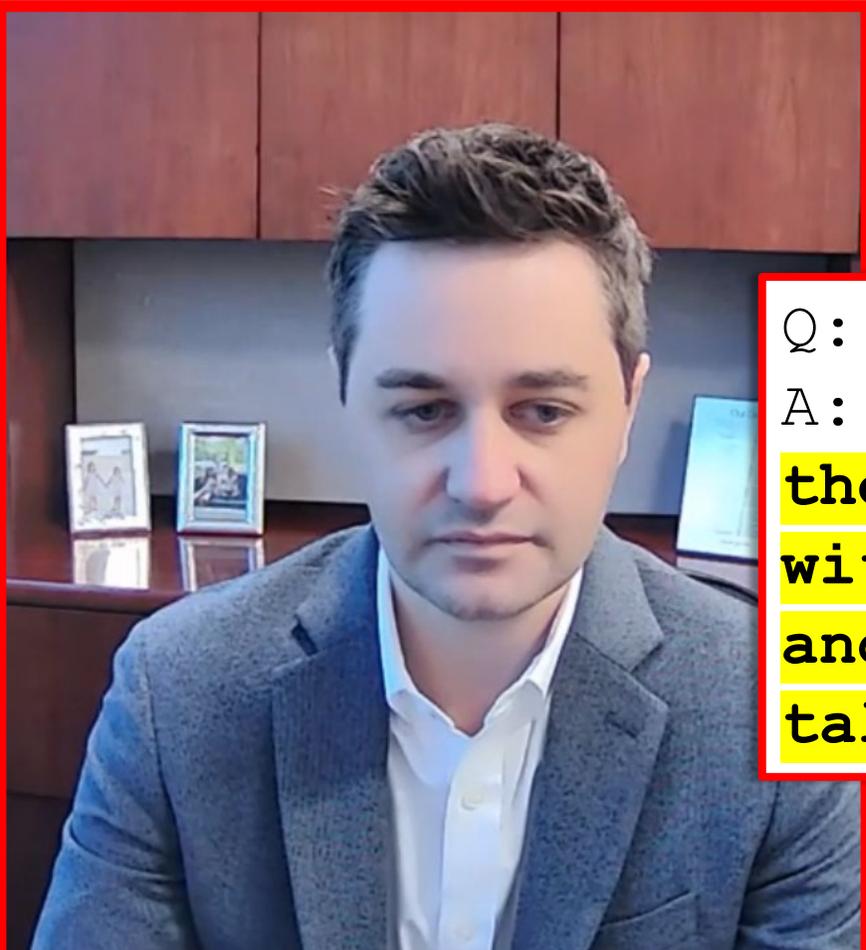
CONFIDENTIAL LTL 0043885

Was the \$2bn number determined based on discussions with plaintiff attorneys or is that a number JNJ determined should be sufficient to cover liabilities? JNJ stands behind the safety of talc and that it does not cause ovarian cancer or mesothelioma. While we believe these cases lack merit, **we believe the \$2B is enough to satisfy future and current liabilities.**

2. How did you settle on the \$2bn number? JNJ stands behind the safety of talc and that it does not cause ovarian cancer or mesothelioma. While we believe these cases lack merit, **we believe the \$2B is enough to satisfy future and current liabilities.**

Source: J&J internal emails w/ outside financial analysts, October 14, 2021

# What is the plan, Mr. Lisman?



**ADAM LISMAN**

Assistant Corp Controller, J&J

Q: And what is the plan?

A: **We were setting out a course to prepare the consumer health financial statements without including the historical liability and expenses and reserves associated with talc.**

Deposition of Adam Lisman, February 8, 2022, pgs. 152-153



(\$ in Millions)

### J&J - Historical Dividends and Share Repurchase Programs

|                            | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>1-3Q2021</u> | <u>Total</u> |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------------|--------------|
| Repurchase of Common Stock | \$2,525     | \$12,919    | \$3,538     | \$7,124     | \$5,290     | \$8,979     | \$6,358     | \$5,868     | \$6,746     | \$3,221     | \$2,460         | \$65,028     |
| Dividends to Shareholders  | \$6,156     | \$6,614     | \$7,286     | \$7,768     | \$8,173     | \$8,621     | \$8,943     | \$9,494     | \$9,917     | \$10,481    | \$8,241         | \$91,694     |

**DISTRIBUTIONS TO EQUITY: \$156.72 Billion**

DISTRIBUTIONS TO EQUITY: \$129.25 Billion

**DINOSAUR**



**DODO**



**EXTINCT**

**OLD JJCI**



524(g)

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF NEW JERSEY  
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Paul R. DeFilippo, Esq.  
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JONES DAY  
Gregory M. Gordon, Esq.  
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gmgordon@jonesday.com  
bberens@jonesday.com  
dbprieto@jonesday.com  
asrush@jonesday.com  
(Admitted *pro hac vice*)  
PROPOSED ATTORNEYS FOR DEBTOR

In re:  
LTL MANAGEMENT LLC,  
Debtor.<sup>1</sup>

DEBTOR'S RESPONSES AND OBJECTIONS TO FIRST SET OF REQUESTS FOR ADMISSION BY THE OFFICIAL COMMITTEE OF TALC CLAIMANTS IN CONNECTION WITH MOTION TO DISMISS  
Pursuant to the Federal Rules of Civil Procedure  
Procedure, Debtor LTL Management LLC ("LTL Management LLC")  
and objects to the Requests for Admission by the Official Committee of Talc Claimants

## DEBTOR'S RESPONSES AND OBJECTIONS TO FIRST SET OF REQUESTS FOR ADMISSION BY THE OFFICIAL COMMITTEE OF TALC CLAIMANTS IN CONNECTION WITH MOTION TO DISMISS

## REQUESTS FOR ADMISSION

**REQUEST NO. 1:** Admit that Old JJCI's talcum powder products contained asbestos.  
**RESPONSE TO REQUEST NO. 1:** Denied.

**REQUEST NO. 2:** Admit that Old JJCI's talcum powder products never contained asbestos.  
**RESPONSE TO REQUEST NO. 2:** Admitted.

<sup>1</sup> The last four digits of the Debtor's taxpayer identification number are 6622. The Debtor's address is 501 George Street, New Brunswick, New Jersey 08933.

