

SETTLEMENT AGREEMENT

This Settlement Agreement is made and entered into by and between Catalent USA Packaging, LLC f/k/a Cardinal Health 406 LLC, with its facility located at 3001 Red Lion Road, Philadelphia, Pennsylvania 19114 (collectively, the "Company"), on the one hand, and the Department of Justice on behalf of the United States of America and the Drug Enforcement Administration ("DEA") (collectively, the "United States"), on the other hand, to settle civil claims asserted by the United States under 21 U.S.C. § 801 et. seq. ("the statute").

RECITALS

WHEREAS, the United States has conducted an investigation into allegations that during the period September 2002 through December 2004 the Company committed certain violations of 21 U.S.C. § 842(a)(2) and (a)(5) and 21 U.S.C. § 842(b)(1) and (b)(2); and

WHEREAS, the United States alleges that during this period of time the Company was in possession of three falsified procurement quota letters dated December 22, 2003, December 23, 2003 and December 22, 2004. The United States further alleges that these falsified letters allowed the Company to obtain quantities of methylphenidate, amphetamine, fentanyl, hydromorphone, and morphine from manufacturers for packaging without DEA's approval. In addition, the United States alleges that the Company also failed to file quarterly transaction reports ("ARCOS" reports) with the DEA concerning its acquisition and distribution of controlled substances as required by law in September and December 2002, March, June, September and December 2003, and March, June and September 2004; and

WHEREAS, the United States and the Company desire to reach a compromise and settlement of the claims by the United States under 21 U.S.C. § 842(a)(2) and (a)(5) and 21 U.S.C. § 842(b)(1) and (b)(2). Accordingly, in consideration of the mutual promises, covenants and obligations set forth in this Settlement Agreement, and for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged under the terms of this Settlement Agreement, the parties agree as follows:

TERMS OF AGREEMENT

A. Monetary Consideration.

1. **Payments:** The Company will pay a total of \$150,000.00 to resolve all claims of damages and penalties arising from the conduct described in the Recitals section above on or before January 15, 2008.
2. **Form of Payment:** The payment will be made by electronic funds transfer pursuant to instructions provided to the Company's counsel by the U.S. Attorney's Office, 615 Chestnut Street, Suite 1250, Philadelphia, PA 19106.

B. Release.

1. Government's Release: Subject to the terms of this Settlement Agreement, and conditioned upon the Company's completing in full the payment as described in Section A above, the United States (on behalf of itself, its officers, agents, agencies and departments) agrees to release the Company and, subject to the last sentence of this paragraph, its current and former parent from any and all civil administrative monetary claims and causes of action the United States has asserted, could have asserted, or may assert in the future (except as limited by Section B, Paragraph 2) under the statutes for the events and occurrences described in the Recitals section above. No individuals are released by this Settlement Agreement.
2. Revocation: The United States agrees not to initiate administrative proceedings at this time pursuant to 21 U.S.C. §§ 823 and 824, to revoke or suspend the DEA Certificate of Registration issued to the Company, or to deny any pending or future application for registration based on the current investigation. However, the parties acknowledge and agree that in any future administrative proceedings regarding the Company's Certificate of Registration, the United States shall not be precluded from relying on this Settlement Agreement and upon the underlying facts which led to this Agreement, and such evidence shall be admissible at any future proceeding.
3. Company's Release: The Company fully and finally releases the United States, its agencies, employees, servants, and agents (including but not limited to the DEA) from any claims (including attorney's fees, costs, expenses of every kind and however denominated) which the Company has asserted, could have asserted, or may assert in the future against the United States, its agencies, employees, servants, and agents, related to the events and occurrences described in the Recitals section above, and the United States' investigation and prosecution thereof.

C. Contingencies.

This Settlement Agreement is contingent upon the Company's full and timely compliance with the Monetary Consideration terms of agreement as indicated in Paragraph A above.

D. Exclusions.

Notwithstanding any term of this Settlement Agreement, specifically reserved and excluded from the scope and terms of this Settlement

Agreement as to any entity or person are the following:

1. Any civil, criminal, or administrative liability arising under Title 26 of the United States Code (Internal Revenue Code);
2. Any criminal liability;
3. Except as explicitly stated in this Settlement Agreement, any administrative liability;
4. Any liability to the United States (or its agencies) for any conduct other than the conduct described in the Recitals section above;
5. Any liability based upon such obligations as are created by this Agreement;
6. Any liability of individuals, including officers and employees.

E. Complete Agreement.

1. This Settlement Agreement represents and expresses the entire agreement between the parties with respect to the subject matter of this Settlement Agreement, and there are no other agreements, understandings, representations, warranties, inducements, or consideration, except as expressly stated in this Settlement Agreement.
2. The parties also agree that this Settlement Agreement may not be altered, amended or modified or otherwise changed except by a writing duly executed by the parties.

F. Release of Others.

The Terms of this Settlement Agreement are not intended to release or inure to the benefit, or in any way, to create a benefit in favor of any individual, corporation or business not an entity to this Settlement Agreement, unless specifically stated in this Settlement Agreement.

G. Requisite Authority/No Duress.

1. The signatories to this Settlement Agreement warrant that they have authority to bind the parties they represent.
2. Each party to this Settlement Agreement represents that they have entered

into this Settlement Agreement knowingly and voluntarily, and of their own free will, and without any threats, duress or coercion of any kind.

H. Disclosure.

All parties to this Settlement Agreement understand and agree that the United States may disclose to the public the fact that this Settlement Agreement resolves disputed claims, and the contents of the Settlement Agreement.

I. No Admission.

This Settlement Agreement shall not constitute an admission of liability or fault on the part of any party and is entered into by all parties for the purpose of compromising disputed claims and avoiding the expenses and risks of litigation.

J. Binding on Successors.

This Settlement Agreement is binding on each of the Company's successors, transferees, heirs and assigns.

K. Effective Date of Settlement Agreement.

This Settlement Agreement shall become effective upon the later date of its execution by the parties listed below.

IN WITNESS WHEREOF, the parties hereto have affixed their signatures to this Settlement Agreement intending to be legally bound.

Date: Dec. 13, 2007

PATRICK L. MEEHAN
United States Attorney



VIRGINIA A. GIBSON
Assistant United States Attorney
Chief, Civil Division



JACQUELINE C. ROMERO
Assistant United States Attorney

Date: Dec 13, 2007



Edward Thiele
Senior Vice President, Quality & Regulatory Affairs
Catalent USA Packaging, LLC
f/k/a Cardinal Health 406 LLC