

SETTLEMENT AGREEMENT

I. PARTIES

This Settlement Agreement ("Agreement") is entered into by and among the United States of America, acting through the Civil Division of the United States Department of Justice, and on behalf of the Office of Inspector General ("OIG-HHS") of the Department of Health and Human Services ("HHS") (collectively the "United States"); the Relator, Philip Charles Braeuning ("Relator"); and National HealthCare Limited Partnership ("NHC LP"), National Health Corporation ("National"), and NHC LP's successor, National HealthCare Corporation ("NHC Corp"), (collectively "NHC"), W. Andrew Adams, and William Bishop, and National Health Investors, Inc. ("NHI") hereafter referred to as "the Parties", through their authorized representatives.

II. PREAMBLE

A. On or about December 27, 1997, NHC LP, a Delaware limited partnership, consummated a restructure of its business affairs with the result that NHC LP was merged with a new publicly-traded corporation, National HealthCare Corporation, a Delaware corporation (NHC Corp.). As a result of the merger, NHC LP ceased its existence. National Health Corporation ("National") is a Tennessee corporation which is owned by the National Health Corporation Leveraged Employee Stock Ownership Plan and Trust.

National was the administrative general partner of NHC LP and the owner of certain nursing homes managed by NHC Corp. National Health Investors, Inc. ("NHI") is a Maryland real estate investment trust which has ownership leasehold interests or first mortgages in over 200 nursing and healthcare facilities in 23 states; 40 of the 200 facilities are or have been leased to NHC Corp. NHC Corp. owns and/or leases or provides services to nursing facilities in 12 states. NHC LP, National, NHC Corp. and NHI are headquartered in Murfreesboro, Tennessee. NHC LP, NHC Corp., and National will be collectively referred to as NHC.

B. NHC submitted, or caused to be submitted, claims for payment to the Medicare Program ("Medicare"), Title XVIII of the Social Security Act, 42 U.S.C. §§ 1395-1395ggg(1999).

C. Relator filed a qui tam action in the United States District Court for the Northern District of Florida styled United States of America ex rel. Philip Charles Braeuning v. National HealthCare Limited Partnership (L.P.), National Health Investors, Inc., National HealthCare Corporation, W. Andrew Adams, John Doe and Jane Doe, Civ. No. 3:96cv196/LAC (the "Qui Tam Action") alleging that NHC violated the False Claims Act. The conduct alleged in the Qui Tam Action is hereinafter referred to as the "Covered Conduct."

D. The United States intervened in the Qui Tam Action on March 18, 1997.

E. On July 1, 1997, Relator filed an Amended Complaint adding claims and one defendant, William Bishop.

F. On November 1, 1997, the Qui Tam Action was transferred to the United States District Court for the Middle District of Florida. The case is now captioned United States ex rel. Braeuning v. National Healthcare Limited Partnership, et al. Civ. No. 97-2715-CIV-T-24(C) (M.D. Fla.).

G. The United States contends that it has certain administrative claims against NHC under the provisions for permissive exclusion from the Medicare, Medicaid and other federal health care programs, 42 U.S.C. § 1320a-7(b), and the provisions for civil monetary penalties, 42 U.S.C. § 1320a-7a, for the conduct alleged in the Qui Tam Action.

H. The parties desire to enter an agreement that would settle, compromise, and resolve all issues and disputes between them in the Qui Tam Action in order to avoid the uncertainty and expense of litigation. This Agreement does not constitute an admission of wrongdoing or liability for the Covered Conduct on the part of NHC or the parties.

III. TERMS AND CONDITIONS

NOW, THEREFORE, in consideration of the mutual promises, covenants, and obligations set forth below, and for good and valuable consideration as stated herein, the Parties agree as follows:

1. NHC agrees to pay \$27 million plus simple interest of six percent (6%) ("Settlement Amount"), in settlement of the claims of the United States for the Covered Conduct as set forth in paragraph 4 (except as otherwise noted in this agreement) subject to the following terms and to be satisfied as follows:

a. At the time of the execution of this agreement, NHC will pay \$187,695 to the United States Department of the Treasury via wire transfer pursuant to instructions to be provided by the Department of Justice.

b. At the time of the execution of this agreement, NHC will withdraw all pending Routine Cost Limit exception requests ("RCLs") for facilities with provider numbers owned or managed by NHC for the years 1992 through 1996, inclusive, and agrees not to submit revised RCLs for any of those years;

c. The United States will credit toward the Settlement Amount the amount of \$9,376,928, which represents the net settlement value of the withdrawn RCLs, the dismissal of appeals by NHC providers pending before the Provider Reimbursement Review Board listed in paragraph 3 of this agreement, and the submitted costs arising from the Covered Conduct previously deemed unallowable by fiscal intermediaries, leaving an unpaid principal balance (after deducting the cash payment at time of settlement and the credit) of \$17,435,377.

d. The remaining principal balance of \$17,435,377 plus six percent (6%) simple interest shall be payable in quarterly installments, with the next payment (principal only) being due on February 1, 2001, and continuing thereafter on a quarterly basis for a period not to exceed five (5) years from the date of execution of this Agreement, as set forth in the attached Exhibit A.

e. Said interest shall not begin to accrue on the principal balance or be payable until 180 days from the date of the full execution of this Agreement;

f. NHC has provided the United States Department of Justice and the Health Care Financing Administration ("HCFA") with a list of 1997 RCLs for its owned and managed facilities which it has submitted to its fiscal intermediaries which is attached as Exhibit B hereto. NHC will notify the United States Department of Justice and HCFA when it submits to its fiscal intermediaries the 1998 RCLs for its owned and managed facilities. The parties agree that to the extent that the fiscal intermediaries determine that NHC's owned, leased, and managed facilities are owed money as a result of the 1997 and 1998 RCLs, 100% of the amounts due to said facilities will be credited to reduce the principal of the outstanding Settlement Amount. HCFA will notify the Department of Justice of any amounts owed to NHC facilities for 1997 and 1998 RCLs to be credited to reduce the principal balance. If NHC sells

or leases any of the owned facilities for which 1997 and/or 1998 RCLs have been submitted, it will not convey to the new owner(s) the right to receive payment on the 1997 and 1998 RCLs;

g. Any quarterly payments due for the remainder of the five year term of this Agreement will be recomputed to reflect a reduction in the principal made by any offsets of the 1997 and 1998 RCLs as described in the preceding paragraph or voluntary prepayments.

h. If any 1997 and 1998 RCLs are denied, NHC reserves its right to appeal those denials to the Provider Reimbursement Review Board ("PRRB"). Only to the extent that NHC obtains favorable final rulings on these appealed RCLs within the five year term of the Settlement Agreement, any amounts due to NHC will be applied by NHC as additional offsets to the principal of the outstanding Settlement Amount, and the amounts of the quarterly payments due under Paragraph III.1.d will be recomputed to reflect a reduction in the principal of the outstanding settlement amount.

i. HCFA will not pay interest to NHC on any 1997 and 1998 RCL exception requests that are granted, including any that may be granted after an appeal to the PRRB, unless ordered to do so by a court having jurisdiction over said appeal.

j. The United States agrees that there shall be no prepayment penalty in the event NHC elects to make any prepayment of the Settlement Amount.

k. NHC represents to the United States and Relator that the \$27 million settlement amount is allocated to its facilities as indicated in Exhibit C hereto.

2. NHC agrees that its obligation to the United States to pay the Settlement Amount shall be secured as follows:

a. The unconditional corporate guarantees of NHC Corp. and its subsidiaries NHC Operating Partnership, L.P. ("NHC OP"), and NHC OP's subsidiaries, and National Support Services, L.P. ("NSSLP") , and NSSLP's subsidiaries, attached at Exhibit D.

b. The unconditional personal guarantee of defendant W. Andrew Adams attached at Exhibit E.

c. The unconditional corporate guarantee of defendant National, attached at Exhibit F.

d. A secured interest in favor of the United States on NHC Corp.'s accounts receivable, second in time only to that held by NHC Corp.'s lending group, in the form attached at Exhibit G.

e. The Parties agree that HCFA may collect, upon reasonable notice to NHC, any scheduled payment required by this Agreement that is more than thirty days delinquent, by debiting Medicare receivables owed to the facilities with provider numbers owned or leased by NHC or its successors or assigns. NHC further will waive any administrative rights it may possess to challenge any such offset of Medicare receivables by HCFA, including any

rights of appeal. A list of NHC owned/leased facilities which are subject to this right of set off is attached at Exhibit H.

f. NHC has simultaneously executed all instruments necessary to achieve the terms of this Settlement Agreement, and will obtain the necessary authorization and signatures of officials of NHC Corp. managed facilities (except Florida Convalescent Centers, Inc.), Mr. Adams, and the appropriate representative of National on documents necessary to achieve the terms of this Settlement Agreement, the guaranty agreements, and the security agreement, and NHC will perfect in a timely manner the secured interest of the United States set forth in this Agreement.

3. NHC agrees to dismiss within ten days of the effective date of this agreement the following PRRB appeals:

Provider

<u>Name and Number</u>	<u>FYE</u>	<u>PRRB Case Number</u>
Anderson 42-5052	12/31/94	97-2168
Greenwood 42-5063	12/31/94	97-2713
Lexington 42-5333	12/31/94	97-2038
Anderson 42-5052	12/31/95	98-2225
Greenville 42-5322	12/31/95	98-2226
Greenwood 42-5063	12/31/95	98-2224
Lexington 42-5333	12/31/95	98-1867
Mattie Hall 42-5145	09/30/95	97-2039
N. Augusta 42-5320	12/31/95	98-1362

N. Augusta	42-5320	12/31/96	99-1373
Greenwood	42-5063	12/31/96	99-3235
Blue Water Bay	10-5784	12/31/96	99-1527
Pensacola	10-5561	12/31/96	99-2528

4. Subject to the exceptions in Paragraphs 6 and 8 below, in consideration of the obligations of NHC set forth in this Agreement, conditioned upon NHC's payment in full of the Settlement Amount, and subject to Paragraph 16 of this Section III below (concerning bankruptcy proceedings commenced within 91 days of the effective date of this Agreement), and subject to approval of this Settlement Agreement by the Court, the United States (on behalf of itself, its officers, agents, fiscal intermediaries, agencies and departments) and the Relator agree that the Qui Tam Action against all named defendants (NHC L.P., National, NHC Corp., NHI, W. Andrew Adams and William Bishop) has been dismissed and will not be reopened by the United States or the Relator except as provided in this Agreement. Furthermore, the United States and the Relator agree that they will not institute or maintain any other civil or administrative monetary claims the United States has or may have against them or against NHC Corp. under the False Claims Act, 31 U.S.C. §§ 3729-3733; the Civil Monetary Penalties Law, 42 U.S.C. § 1320a-7a; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812, or the common law theories of payment by mistake, unjust

enrichment, breach of contract and fraud for the Covered Conduct for the years 1991-1996.

5. In consideration of the obligations set forth in this Agreement, conditioned upon NHC's payment in full of the Settlement Amount, and subject to the provisions of Paragraph 16 (concerning bankruptcy proceedings commenced within 91 days of the effective date of this Agreement), and subject to approval of this Settlement Agreement by the Court, OIG-HHS agrees to release and refrain from instituting, directing or maintaining any administrative claim or any action seeking exclusion from the Medicare, Medicaid or other federal health care programs (as defined in 42 U.S.C. § 1320a-7b(f)) against NHC LP, National, NHC Corp., NHI, W. Andrew Adams and William Bishop under 42 U.S.C. § 1320a-7a (Civil Monetary Penalties Law), or 42 U.S.C. § 1320a-7(b) (permissive exclusion), for the Covered Conduct for the years 1991-1996 except as reserved in Paragraphs 6 and 8 of this Section III, below, and as reserved in this paragraph. The OIG-HHS expressly reserves all rights to comply with any statutory obligations to exclude NHC or others from federal health care programs under 42 U.S.C. § 1320a-7(a) (mandatory exclusion) based upon the Covered Conduct. Nothing in this paragraph precludes the OIG-HHS from taking action against entities or persons, or for conduct and practices, for which civil claims have been reserved in Paragraph 6 of this Section III, below.

6. Notwithstanding any term of this Agreement, specifically reserved and excluded from the scope and terms of this Agreement as to any entity or person (including NHC and the Relator) are any and all of the following:

(a) Any civil, criminal or administrative claims arising under Title 26, U.S. Code (Internal Revenue Code);

(b) Any criminal liability;

(c) Except as explicitly stated in this Agreement, any administrative liability, including mandatory exclusion from Federal health care programs;

(d) Any liability to the United States (or its agencies) for any conduct other than the Covered Conduct;

(e) Any claims based upon such obligations as are created by this Agreement;

(f) Any entity or individual determined by the United States in its sole discretion to be jointly and severally liable with NHC including, but not limited to, the owners of the nursing facilities managed by NHC, for the Covered Conduct except as provided in paragraphs 4 and 5 herein;

(g) Any express or implied warranty claims or other claims for defective or deficient products or services, including quality of goods and services, provided by NHC; and

(h) Any claims based on a failure to deliver items or services due.

7. NHC has entered into a Corporate Integrity Agreement ("CIA") with OIG-HHS, attached as Exhibit I, which is incorporated into this Agreement by reference. NHC will implement its obligations under the CIA immediately upon execution of this Agreement.

8. NHC has provided financial information ("Financial Information") to the United States and the United States has relied on the accuracy and completeness of this Financial Information in reaching this Agreement. NHC warrants that to the best of NHC's information the historical Financial Information it has provided is thorough, accurate, and complete and in accord with generally accepted accounting principles. The forward-looking Financial Information consists of, as of the date of this Agreement, NHC's best confidential internal financial projections, which projections are subject to various risk factors and uncertainties. NHC further warrants that it does not own or have an interest in any assets that have not been disclosed in the Financial Information, and that NHC has made no misrepresentations on, or in connection with, the Financial Information or its financial condition. In the event the United States learns of asset(s) in which NHC had an interest at the time of this Agreement that were not disclosed in the Financial Information, or in the event the United States learns of a misrepresentation by NHC on, or in connection with, the Financial Information or NHC's financial condition, and in the event such

non-disclosure or misrepresentation changes the estimated net worth of NHC set forth on the Financial Information by Two Million Seven Hundred Thousand Dollars (\$2,700,000) or more, the United States may at its option: (a) rescind this Agreement and reinstitute the dismissed Qui Tam Action, or (b) let the Agreement stand and collect the full Settlement Amount plus one hundred percent (100%) of the value of such increased net worth of NHC that was previously undisclosed or misrepresented at the time of this Agreement. NHC agrees not to contest any collection action undertaken by the United States pursuant to this provision.

9. In the event that the United States, pursuant to Paragraph 8 above, opts to rescind this Agreement, NHC expressly agrees not to plead, argue or otherwise raise any defenses under the theories of statute of limitations, laches, estoppel or similar theories, to any civil or administrative claims which (a) are filed by the United States within 180 calendar days of written notification to NHC that this Agreement has been rescinded, and (b) relate to the Covered Conduct, except to the extent these defenses were available on April 10, 1996, the date the Qui Tam Action was filed. In the event that the United States exercises option (a) from Paragraph 8 above, then the Relator also shall be entitled to rescind that portion of this Agreement that relates to his individual claims in the Qui Tam Action under 31 U.S.C. §§ 3730(d) and (h) and common law. NHC expressly agrees not to plead, argue

or otherwise raise any defenses under the theories of statute of limitations, laches, estoppel or similar theories to individual claims of the Relator which are filed within 180 calendar days of written notification to NHC that Relator has rescinded that portion of this Agreement that relates to his individual claims in the Qui Tam Action, except to the extent these defenses were available on April 10, 1996, the date the Qui Tam Action was filed.

10. NHC waives and will not assert any defenses it may have to any criminal prosecution or administrative action relating to the Covered Conduct, which defenses may be based in whole or in part on the Double Jeopardy Clause of the Fifth Amendment of the Constitution, or under the Excessive Fines Clause of the Eighth Amendment of the Constitution. NHC agrees that this settlement is not punitive in purpose or effect. Nothing in this paragraph or any other provision of this Agreement constitutes an agreement by the United States concerning the characterization of the Settlement Amount for purposes of the Internal Revenue Code, Title 26 of the United States Code.

11. NHC agrees that all costs (as defined in the Federal Acquisition Regulations ("FAR") § 31.205-47 and in Titles XVIII and XIX of the Social Security Act, 42 U.S.C. §§ 1395-1395ggg (1999) and 1396-1396v (1997), and the regulations promulgated thereunder) incurred by or on behalf of NHC, in connection with: (a) the matters covered by this Agreement, (b) the Government's audits and

civil investigation of the matters covered by this Agreement, (c) NHC's investigation, defense, audits, and corrective actions undertaken in response to the Government's audit(s) and civil investigation in connection with the matters covered by this Agreement (including attorneys' fees), (d) the negotiation of this Agreement and the CIA, (e) the payments made pursuant to this Agreement, and (f) the obligations under the CIA to: (i) perform Review Procedures as described in section III.D of the CIA (except to the extent that such Review Procedures are performed by NHC); and (ii) prepare and submit reports to the OIG-HHS, are unallowable costs on Government contracts and under the Medicare Program, Medicaid Program, Tricare/CHAMPUS Program, Veterans Affairs Program ("VA") and Federal Employee Health Benefits Program ("FEHBP") (hereafter, "unallowable costs"). NHC agrees that it will separately determine and account for these unallowable costs in a nonreimbursable cost center, and it will not charge such unallowable costs directly or indirectly to any contracts with the United States or any state Medicaid program, or seek payment for such unallowable costs through any cost report, cost statement, information statement or payment request submitted by NHC or any of its subsidiaries to the Medicare, Medicaid, Tricare/CHAMPUS, VA or FEHBP programs. NHC further agrees that within sixty (60) days of the effective date of this Agreement it will identify to applicable Medicare and TRICARE fiscal intermediaries, carriers and/or

contractors, and Medicaid, VA and FEHBP fiscal agents, any unallowable costs (as defined in this paragraph) included in payments previously sought from the United States, or any State Medicaid Program, including, but not limited to, payments sought in any cost reports, cost statements, information reports, or payment requests already submitted by NHC or any of its subsidiaries, and will request, and agree, that such cost reports, cost statements, information reports or payment requests, even if already settled, be adjusted to account for the effect of the inclusion of the unallowable costs. NHC agrees that the United States will be entitled to recoup from NHC any overpayment as a result of the inclusion of such unallowable costs on previously-submitted cost reports, information reports, cost statements or requests for payment. Any payments due after the adjustments have been made and otherwise not recouped shall be paid to the United States pursuant to the direction of the Department of Justice, and/or the affected agencies. The United States reserves its rights to disagree with any calculations submitted by NHC or any of its subsidiaries on the effect of inclusion of unallowable costs (as defined in this paragraph) on NHC or any of its subsidiaries' cost reports, cost statements or information reports. Nothing in this Agreement shall constitute a waiver of the rights of the United States to examine or reexamine the unallowable costs described in this Paragraph.

12. NHC covenants to cooperate fully and truthfully with any future investigation that may be initiated by the United States of individuals and entities not specifically released in this Agreement, for the Covered Conduct. Upon reasonable notice, NHC will make reasonable efforts to facilitate access to, and encourage the cooperation of, its directors, officers, and employees for interviews and testimony, consistent with the rights and privileges of such individuals, and will furnish to the United States, upon reasonable request, all non-privileged documents and records in its possession, custody or control relating to the Covered Conduct which have not previously been produced by NHC.

13. This Agreement is intended to be for the benefit of the Parties, only, and by this instrument the Parties do not release any claims against any other person or entity, except as expressly set forth herein.

14. NHC agrees that it will not seek payment for any of the health care billings covered by this Agreement from any health care beneficiaries or their legal representatives. NHC waives any causes of action against these beneficiaries and their legal representatives based upon the claims for payment covered by this Agreement.

15. NHC expressly warrants that it has reviewed its financial situation and that it currently is solvent within the meaning of 11 U.S.C. § 547(b)(3), and currently knows of no reason why it will

not remain solvent following its payment to the United States hereunder. Further, the Parties expressly warrant that, in evaluating whether to execute this Agreement, the Parties (a) have intended that the mutual promises, covenants and obligations set forth herein constitute a contemporaneous exchange for new value given to NHC, within the meaning of 11 U.S.C. § 547(c)(1), and (b) have concluded that these mutual promises, covenants and obligations do, in fact, constitute such a contemporaneous exchange.

16. In the event NHC commences, or a third-party commences, within 91 days of the effective date of this Agreement, any case, proceeding, or other action (a) under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have any order for relief of NHC's debts, or seeking to adjudicate NHC as bankrupt or insolvent, or (b) seeking appointment of a receiver, trustee, custodian or other similar official for NHC for all or any substantial part of NHC's assets, NHC agrees as follows:

a. The Settlement Amount set forth in this Agreement represents a compromise figure predicated in part on the financial state of NHC at the time of this Agreement. In the event that NHC institutes a proceeding or other action described in this Paragraph 16, this Settlement Amount does not constitute a waiver by the

United States of its right to seek any appropriate remedy for the Covered Conduct.

b. NHC's obligations under this Agreement may not be avoided pursuant to 11 U.S.C. Section 547, and NHC will not argue or otherwise take the position in any such case, proceeding or action that: (i) NHC's obligations under this Agreement may be avoided under 11 U.S.C. Section 547; (ii) NHC was insolvent at the time this Agreement was entered into, or became insolvent as a result of the payment made to the United States hereunder; or (iii) the mutual promises, covenants and obligations set forth in this Agreement do not constitute a contemporaneous exchange for new value given to NHC.

c. In the event that NHC's obligations hereunder are avoided for any reason, including, but not limited to, through the exercise of a trustee's avoidance powers under the Bankruptcy Code, the United States, at its sole option, may rescind the releases in this Agreement, and bring any civil and/or administrative claim, action or proceeding against NHC for the claims that would otherwise be covered by the releases provided herein. If the United States chooses to do so, NHC agrees that (i) any such claims, actions or proceedings brought by the United States (including any proceedings to exclude NHC from participation in Medicare, Medicaid, or other federal health care programs) are not subject to an "automatic stay" pursuant to 11 U.S.C. § 362(a) as a result of

the action, case or proceeding described in the first clause of this Paragraph, and that NHC will not argue or otherwise contend that the United States' claims, actions or proceedings are subject to an automatic stay; (ii) NHC will not plead, argue or otherwise raise any defenses under the theories of statute of limitations, laches, estoppel or similar theories, to any such civil or administrative claims, actions or proceeding which are brought by the United States within one hundred eighty (180) calendar days of written notification to NHC that the releases herein have been rescinded pursuant to this Paragraph, except to the extent such defenses were available on April 10, 1996, the date the Qui Tam Action was filed under seal; and (iii) the United States has a valid, allowed, liquidated, noncontingent, and undisputed claim in the amount of \$54 million against NHC (representing single damages plus a False Claims Act multiplier) and the United States may pursue its claim in the case, action or proceeding referenced in subparagraph a of this Paragraph, as well as in any other case, action, or proceeding.

d. NHC acknowledges that its agreements in this Paragraph are provided in exchange for valuable consideration provided in this Agreement.

17. In consideration of the mutual promises and obligations of this Agreement, including but not limited to payment in full by NHC of all its obligations to the United States hereunder and

subject to Paragraph 19 below, Relator hereby releases and discharges NHC and its subsidiaries and affiliated corporate entities, and their respective past and present officers, directors, employees, principals, partners, agents and counsel, including but not limited to W. Andrew Adams and William Bishop and their respective heirs, executors, administrators, predecessors, successors and assigns (collectively, the "NHC Releasees"), from all actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims and demands whatsoever, in law, admiralty or equity, whether known or unknown, which Relator and/or his heirs, executors, administrators, successors, and assigns ever had, now have or hereafter can, shall or may have against the NHC Releasees for, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the date of this Agreement, including but not limited to, any claims asserted or which could have been asserted in connection with Relator's Qui Tam Action, including any retaliatory discharge claims.

18. Relator and Relator's counsel, by signing this Agreement, hereby waive any and all claims they may have against NHC for professional fees, costs, and expenses arising out of their representation of the Relator in the Qui Tam Action including, but

not limited to those awardable under 31 U.S.C. §3730(d)(1). The waiver by Relator and Relator's counsel will become effective only upon payment in full by NHC of all its obligations to the United States hereunder.

19. Relator's Release and the Relator's counsel's waiver provided for in paragraph 18 above shall be effective upon payment in full to the United States of the full and total Settlement Amount under this Agreement.

20. NHC, and its subsidiaries and affiliated corporate entities, and their respective past and present officers, directors, employees, principals, partners, agents and counsel, and their respective heirs, executors, administrators, predecessors, successors and assigns, on their own behalf and on behalf of their agents, attorneys, predecessors, successors, and assigns releases Relator and his attorneys from all actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims and demands whatsoever, in law, admiralty or equity, whether known or unknown, which NHC and/or its heirs, executors, administrators, successors, and assigns ever had, now have or hereafter can, shall or may have against the Relator for, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the date of this Agreement,

including but not limited to, any claims asserted or which could have been asserted in connection with Relator's Qui Tam Action.

21. Relator agrees that this settlement between the United States and NHC in connection with the Qui Tam Action is fair, adequate, and reasonable under 31 U.S.C. § 3730(c)(2)(B).

22. Pursuant to 31 U.S.C. § 3730, the United States will pay Relator a share of the Settlement Amount in the amount of twenty percent (20%) of the actual amount received by the government pursuant to the terms of this Agreement (including all interest, RCL credits and other set offs exercised by the United States and any other sums paid to the United States by NHC pursuant to this Agreement) and as such payments are received by the United States. The United States shall not be obligated to pay Relator unless and until the United States receives payments of the Settlement Amount from NHC. For purposes of the Relator's entitlement to receive his share of the Settlement Amount, the RCL credit of \$9,376,928 referred to in paragraph 1.b. above, shall be considered a payment received by the United States from NHC at the time this Agreement is fully executed and to the extent that other RCL credits are given to NHC by the United States pursuant to this Agreement, or set offs made by the United States against Medicare payments due NHC, the Relator's entitlement to receive payments based on those credits or set offs shall arise at the time that the RCL credit is issued to NHC by the United States or at the time that the set off

is made. The United States shall pay Relator his share of the Settlement Amount within a reasonable time after receipt by the United States from NHC, and it is expressly understood and agreed that the United States in no way promises or guarantees nor is liable to Relator for the collection or payment of any funds pursuant to this Agreement or the payment of any Relator's share except as provided herein for funds actually collected and received by the United States and RCL credits and set offs to Medicare payments due to NHC that are actually made. Relator further agrees that his share of the proceeds from this Settlement Amount shall be paid to Relator consistent with Section III, Paragraph 1, of this Settlement Agreement and the schedule attached as Exhibit A. Relator further agrees that his share of the proceeds from this Settlement Amount shall be paid to him and to The Pennington Law Firm Trust Account as co-payees.

23. In exchange for the United States' promise to pay Relator the above-noted share of the Settlement Amount, and subject to the provisions of Paragraph 22 of this Agreement the Relator agrees to relinquish any and all claims he has or may have against the United States arising out of or relating to the Covered Conduct or the filing of the Qui Tam Action, including any claim under 31 U.S.C. § 3730, including 31 U.S.C. §3730(b), (c) and (d).

24. Each party to this Agreement will bear his or its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

25. NHC represents that it is entering into this Agreement freely and voluntarily.

26. This Agreement is governed by the laws of the United States. The Parties agree that the exclusive jurisdiction and venue for any dispute arising between and among the Parties to this Agreement will be the United States District Court for the Middle District of Florida. Disputes arising under the Corporate Integrity Agreement shall be resolved exclusively under the dispute resolution provisions of the Corporate Integrity Agreement.

27. This Agreement and all exhibits, as well as the Corporate Integrity Agreement, constitute the complete agreement between the Parties. This Agreement may not be amended except by signed written consent of the Parties, except that only NHC and OIG-HHS need to agree in a signed writing to any modification of the Corporate Integrity Agreement.

28. Each of the individuals signing this Agreement on behalf of NHC L.P., National, NHC Corp., and NHI represent and warrant that (s)he is authorized by the companies that they represent to execute this Agreement. The United States signatories represent that they are signing this Agreement in their official capacities and that they are authorized to execute this Agreement.

29. This Agreement may be executed in counterparts and/or facsimile form with the same effect as if the parties had executed a single original Settlement Agreement. Facsimile signatures shall have the same effect as original signatures in binding the parties hereto.

30. This Agreement is binding on the successors, transferees and assigns of the Parties.

31. This Agreement is effective on the date of signature of the last signatory to the Agreement.

THE UNITED STATES OF AMERICA

DATED: December 6, 2000 BY: Marie V. O'Connell

MARIE V. O'CONNELL
Senior Trial Counsel
Commercial Litigation Branch
Civil Division
United States Department
of Justice

DATED: _____

BY: _____

LEWIS MORRIS
Assistant Inspector General
Office of Counsel to the
Inspector General
Office of Inspector General
United States Department of
Health and Human Services

THE UNITED STATES OF AMERICA

DATED: _____

BY: _____

MARIE V. O'CONNELL
Senior Trial Counsel
Commercial Litigation Branch
Civil Division
United States Department
of Justice

DATED: 11/14 03

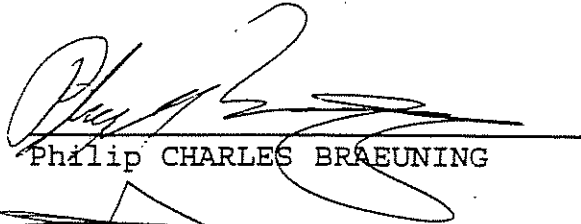
BY: _____

LEWIS MORRIS
Assistant Inspector General
Office of Counsel to the
Inspector General
Office of Inspector General
United States Department of
Health and Human Services

Relator

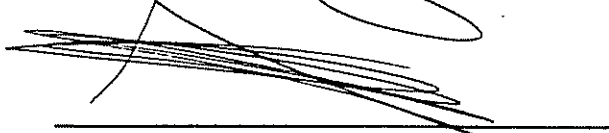
DATED: 11/14/00

By:


Philip CHARLES BRAEUNING

Approved as to
Form and Content:

DATED: 11/14/00


BEN H. WILKINSON, SR.
Florida Bar No. 0125388
ROBERT CINTRON, JR.
Florida Bar No. 0325031
Pennington, Moore,
Wilkinson & Dunbar, P.A.
215 S. Monroe Street, 2nd Floor
P.O. Box 10095
Tallahassee, Fl. 32302-2095
Telephone (850) 222-3533
Fax No. (850) 222-2126

R. STUART HUFF
Florida Bar No. 0151551
Law Offices of R. Stuart Huff
330 Alhambra Circle
Coral Gables, Florida 33134
Telephone (305) 448-8000
Fax No. (305) 448-8494

Counsel for Relator

NATIONAL HEALTHCARE, LIMITED PARTNERSHIP

DATED: 11-15-00

BY: W. Andrew Adams
W. ANDREW ADAMS
President
for National HealthCare
Limited Partnership

Approved as to
Form and Content:

DATED: November 15, 2000

BY: Douglas Titus, Jr.
for PETER E. GEORGE, ESQUIRE
Florida Bar No. 0571938
George & Titus, P.A.
100 South Ashley Drive, Suite 1290
Post Office Box 3240
Tampa, Florida 33601-3240
Tel: (813) 273-0355
Fax: (813) 276-1515

Approved as to
Form and Content:

DATED: November 15, 2000

BY: Richard F. LaRoche, Jr.
RICHARD F. LaROCHE, JR., ESQUIRE
Senior Vice President and
General Counsel
National HealthCare, L.P.
City Center
100 Vine Street
Murfreesboro, Tennessee 37130

RFJ

NATIONAL HEALTH CORPORATION
a Tennessee Corporation

DATED: 11-15-00

BY: W. Andrew Adams
W. ANDREW ADAMS
President
for National Health Corporation

Approved as to
Form and Content:

DATED: November 15, 2000

BY: Peter E. George, Esquire
for PETER E. GEORGE, ESQUIRE
Florida Bar No. 0571938
George & Titus, P.A.
100 South Ashley Drive, Suite 1290
Post Office Box 3240
Tampa, Florida 33601-3240
Tel: (813) 273-0355
Fax: (813) 276-1515

Approved as to
Form and Content:

DATED: November 15, 2000

BY: Richard F. LaRoche, Jr.
RICHARD F. LaROCHE, JR., ESQUIRE
Senior Vice President and
General Counsel
National HealthCare, L.P.
City Center
100 Vine Street
Murfreesboro, Tennessee 37130

RFJ

NATIONAL HEALTHCARE CORPORATION
a Delaware Corporation

DATED: November 15, 2000

By: *Richard F. LaRoche Jr*
RICHARD F. LaROCHE, JR., ESQUIRE
Senior Vice President and
General Counsel
for National HealthCare Corporation

Approved as to
Form and Content:

DATED November 15, 2000

By: *Peter E. George*
PETER E. GEORGE, ESQUIRE
Florida Bar No. 0571938
George & Titus, P.A.
100 South Ashley Drive, Suite 1290
Post Office Box 3240
Tampa, Florida 33601-3240
Tel: (813) 273-0355
Fax: (813) 276-1515

RFJ

NATIONAL HEALTH INVESTORS, INC.

DATED: 11.15.00 By: Richard F. LaRoche Jr
RICHARD F. LaROCHE, JR., ESQUIRE
Senior Vice President and
General Counsel
for National Health Investors, Inc.

Approved as to
Form and Content:

DATED: November 16, 2000 By: Douglas Titus
for PETER D. GEORGE, ESQUIRE
Florida Bar No. 0571938
George & Titus, P.A.
100 South Ashley Drive, Suite 1290
Post Office Box 3240
Tampa, Florida 33601-3240
Tel: (813) 273-0355
Fax: (813) 276-1515

RFJ

W. ANDREW ADAMS

DATED: 11-15-00

BY: W. Andrew Adams
W. ANDREW ADAMS

Approved as to
Form and Content:

DATED: November 15, 2000

BY: Peter E. George
PETER E. GEORGE, Esq.
Florida Bar No. 0571938
George & Titus, P.A.
100 South Ashley Drive, Suite 1290
Post Office Box 3240
Tampa, Florida 33601-3240
Tel: (813) 273-0355
Fax: (813) 276-1515

Approved as to
Form and Content:

DATED: November 15, 2000

BY: Richard F. LaRoche, Jr.
RICHARD F. LaROCHE, JR., ESQUIRE
Senior Vice President and
General Counsel
National HealthCare Corporation
City Center
100 Vine Street
Murfreesboro, Tennessee 37130

RFL

WILLIAM BISHOP

DATED: 11/15/00

BY: *William Bishop*
WILLIAM BISHOP

Approved as to
Form and Content:

DATED: November 15, 2000

BY: *Douglas Titus*
PETER T. GEORGE, Esq.
Florida Bar No. 0571938
George & Titus, P.A.
100 South Ashley Drive, Suite 1290
Post Office Box 3240
Tampa, Florida 33601-3240
Tel: (813) 273-0355
Fax: (813) 276-1515

Approved as to
Form and Content:

DATED: Nov. 15th, 2000

BY: *Richard F. LaRoche, Jr.*
RICHARD F. LaROCHE, JR., ESQUIRE
Senior Vice President and
General Counsel
National HealthCare Corporation
City Center
100 Vine Street
Murfreesboro, Tennessee 37130

RFL