SETTLEMENT AGREEMENT

I. PARTIES

This Settlement Agreement ("Agreement") is entered into by and among:

A. 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 and the Centers for Medicare & Medicaid Services of the United States Department of Health and Human Services ("HHS"), (collectively, the "United States"); and,.

B. KPMG LLP, a Delaware limited liability partnership, formerly KPMG Peat Marwick LLP, (these entities will be referred to as "KPMG");

Collectively, all of the above will be referred to hereafter as the "Parties."

II. PREAMBLE

A. This Agreement addresses the United States' civil claims against KPMG under the federal statutes set forth in paragraph 3 below, for the conduct described in Preamble paragraphs C - H, below, and alleged in Relator's qui tam complaint in United States ex rel. John W. Schilling v. KPMG Peat Marwick LLP, Civil Action No. 98-901-CIV-T (M.D. Fl.) (the "Qui Tam Action").

B. The United States intervened in the Qui Tam Action on December 4, 2000.

C. The United States contends that KPMG was retained by Basic American Medical, Inc. ("BAMI") in or about 1990 to provide advice and prepare Medicare and Medicaid hospital cost reports for four hospitals which BAMI owned in Florida (Englewood Community Hospital; Fawcett Memorial Hospital; Kissimmee Memorial Hospital; and Southwest Florida Regional Medical Center) and one hospital in Kentucky (Tri-County Community Hospital), beginning with the hospitals' fiscal year 1990 cost reports and continuing with the cost reports relating to fiscal year 1991. KPMG was later retained to provide advice and prepare the Medicare and Medicaid hospital cost reports for an additional BAMI hospital (Gulf Coast Hospital) for fiscal year 1991.

D. The United States contends that after Columbia Hospital Corporation ("Columbia") purchased BAMI in July 1992, Columbia continued to retain KPMG to prepare cost reports for certain of the former BAMI hospitals for those hospitals' 1992 fiscal year (Englewood Community Hospital, Fawcett Memorial Hospital, Kissimmee Memorial Hospital and Tri-County Community Hospital).

E. The United States contends that KPMG was also retained by BAMI to advise on and prepare and submit home office cost statements for fiscal years 1990 and 1991.

F. The United States contends that in preparing and submitting the cost reports and home office cost statements identified in Preamble paragraphs C, D, and E, KPMG caused to be presented false or fraudulent claims for payment to the Medicare program, 42 U.S.C. §§ 1395-1395ggg, and the Medicaid program, 42 U.S.C. §§ 1396-1396v, both of which are administered by the United States Department of Health and Human Services, and that KPMG made and used false records and statements to get the false or fraudulent claims paid or allowed by the Medicare and Medicaid programs. The conduct alleged in Preamble paragraphs C, D, and E, above, will be referred to hereafter as the "Covered Conduct."

G. The United States contends that the Covered Conduct resulted in the submission of false or fraudulent claims actionable under the False Claims Act, 31 U.S.C. §§ 3729-3733, to the Medicare program and the Medicaid programs of Florida and Kentucky.

H. The United States also contends that it has certain administrative claims against KPMG under the provisions for permissive exclusion from 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 Covered Conduct.

I. KPMG denies each and every contention of the United States in paragraphs C-H. KPMG contends that (i) it was not retained to prepare cost reports or home office cost statements, (ii) it did not cause false or fraudulent claims for payment to be presented to the Medicare or Medicaid programs, (iii) it did not violate the False Claims Act, and (iv) there is no basis for permissive exclusion or civil monetary penalties under any federal health care program.

J. To avoid the delay and uncertainty of litigation of these claims, the Parties desire to enter into an agreement that would settle, compromise, and resolve all issues and disputes between them in the Qui Tam Action and regarding the Covered Conduct pursuant to the Terms and Conditions set forth below:

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. KPMG agrees to pay the United States the sum of nine million dollars ($9,000,000) plus simple interest calculated at the Federal Reserve's prime rate which shall accrue from March 19, 2001 to the date of payment (the "Settlement Amount"). KPMG agrees to pay the Settlement Amount to the United States by electronic funds transfer according to written instructions to be provided by the Department of Justice. KPMG agrees to make the electronic funds transfer within three business days of receiving written notice of the District Court ordering dismissal with prejudice of the Qui Tam Action against KPMG pursuant to the Stipulation of Dismissal described in paragraph 6, below. However, if the Relator withdraws from the Stipulation or amends his claims in the Complaint against KPMG prior to the dismissal

with prejudice, KPMG shall not pay the Settlement Amount until the District Court issues an order dismissing the action against KPMG with prejudice.

2. Subject to the exceptions in paragraph 4 below, in consideration of KPMG's obligations as set forth in this Agreement, conditioned upon KPMG's payment in full of the Settlement Amount, the United States (on behalf of itself, its officers, agents, agencies, and departments) agrees to release KPMG from any civil or administrative monetary claim that the United States has or may have under the False Claims Act, 31 U.S.C. §§ 3729-3733; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; the Civil Monetary Penalties Law, 42 U.S.C. § 1320a-7a; or under any common law theory for the Covered Conduct.

3. In consideration of KPMG's obligations under this Agreement, the Centers for Medicare & Medicaid Services ("CMS"), after consideration of the factors identified in 48 C.F.R. §§ 9.406-1 and 9.406-2, agrees that it will not recommend debarment or suspension (as set forth in 48 C.F.R. Subparts 9.4 and 309.4) of KPMG, based on the Covered Conduct.

4. 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 KPMG) are any and all of the following:

a. Any criminal, civil 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 potential 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 express or implied warranty claims or other claims for defective or deficient products or services, including the quality of services provided by KPMG;

g. Except as explicitly stated in this agreement, any claims against any individuals, including officers and employees.

5. KPMG fully and finally releases the United States, its agencies, employees, servants, and agents from any claims (including attorney's fees, costs, and expenses of every kind and however denominated) which KPMG has or may have against the United States, its agencies, employees, servants, and agents, related to the Covered Conduct and the United States' investigation and prosecution thereof.

6. After this Agreement is fully executed, the United States, KPMG, and the Relator will file a Stipulation of Dismissal in the United States District Court for the Middle

District of Florida which will stipulate that the Qui Tam Action against KPMG shall be dismissed with prejudice pursuant to and consistent with the terms of this Agreement. The Stipulation of Dismissal shall state that the proposed Agreement is fair, adequate and reasonable under all the circumstances. The Stipulation shall also state that the Court retains jurisdiction to enforce the terms of the Settlement Agreement and to resolve any issue, including jurisdictional issues, relating to the payment by the United States of a share of the proceeds of the Qui Tam Action to Relator and any claim by Relator for attorneys fees and costs pursuant to 31 U.S.C. § 3730(d).

7. KPMG agrees to the following:

(a) Unallowable Costs Defined: that all costs (as defined in the Federal Acquisition Regulations ("FAR"), 48 C.F.R. Part 31, and in Titles XVIII and XIX of the Social Security Act, 42 U.S.C. §§ 1395-1395ggg and 1396-1396v, respectively, and the regulations and official program directives promulgated thereunder) incurred by or on behalf of KPMG, its present or former officers, directors, employees, shareholders, and agents in connection with:

(1) the Covered Conduct and all matters covered by this Agreement,

(2) the United States' audit(s) and civil and any criminal investigations(s) of the Covered Conduct and any related matters,

(3) KPMG's investigation, defense, and any corrective actions undertaken in response to the United States' audit(s) and civil and criminal investigation(s) in connection with the matters covered by this Agreement (including attorney's or consultant's fees),

(4) the negotiation and performance of this Agreement, and

(5) the payment KPMG makes to the United States pursuant to this Agreement and the payment that KPMG makes to Relator's counsel pursuant to this Agreement.

(All costs described or set forth in this Paragraph are hereafter, "unallowable costs").

(b) Future Treatment of Unallowable Costs: These unallowable costs will be separately estimated and accounted for by KPMG, and KPMG 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 KPMG or any of its subsidiaries to the Medicare, Medicaid, TRICARE, or FEHBP Programs, or the governmental authorities that administer such programs.

(c) Treatment of Unallowable Costs Previously Submitted for Payment: KPMG further agrees that within 90 days of the effective date of this Agreement, it will identify to applicable government agencies, departments, or contracting 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 payment requests, invoices, cost reports, cost statements, or information reports already submitted by KPMG or any of its subsidiaries, and will request, and agree, that such payment requests, invoices, cost reports, cost statements, or information reports, even if already settled, be adjusted to account for the effect of the inclusion of the unallowable costs. KPMG agrees that the United States, will be entitled to recoup from KPMG any overpayment, plus applicable simple interest calculated from the date of payment at the rate fixed by the Secretary of the Treasury as provided in the Contract Disputes Act, 41 U.S.C. §§ 601-613, as a result of the inclusion of such unallowable costs on previously-submitted payment requests, invoices, cost reports, information reports, or cost statements. Any payment due after the adjustments have been made 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 KPMG or any of its subsidiaries on the effect of inclusion of unallowable costs (as defined in this Paragraph) on KPMG or any of its subsidiaries' payment requests, invoices, cost reports, cost statements, or information reports. Nothing in this Agreement shall constitute a waiver of the rights of the United States to audit, examine or reexamine the unallowable costs described in this Paragraph.

8. KPMG covenants to cooperate fully and truthfully with the United States in any civil, criminal or administrative proceeding or investigation regarding the Covered Conduct involving any person, entity or party with whom it had or has a business or professional relationship including but not limited to the clients identified in the Preamble of this Agreement. KPMG agrees that its duty of cooperation shall be binding upon itself, and its subsidiaries and successors and will include any investigations conducted by the Department of Justice, the Federal Bureau of Investigation, the Department of Health and Human Services and any State Medicaid Fraud Control Unit.

9. KPMG's agreement to cooperate with respect to proceedings or investigations relating the Covered Conduct includes, but is not limited to, the following:

a. Upon reasonable notice, KPMG will make reasonable efforts to facilitate access to, and encourage the cooperation of, its current partners, principals, 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, records, and data related to the Covered Conduct in its possession, custody, or control. Whenever such data or records are retained in computerized format, KPMG shall provide access to such data or records and assistance in operating the computers or data processing and storage equipment as is necessary to produce the data or records requested.

b. KPMG will provide testimony and other information necessary by the United States or a court to identify or establish the original location, authenticity, or other evidentiary foundation for any documents and to authenticate such documents in any criminal, civil, and administrative investigations and proceedings in which the United States is involved. In the event that the testimony or information covered by this subparagraph is required of former partners, principals, and/or employees, KPMG will make reasonable efforts to facilitate access to, and encourage the cooperation of, its former partners, principals, and/or employees.

c. KPMG will not assert any claim of privilege, including attorney-client privilege or attorney-work product privilege, with respect to any documents or testimony requested by the United States to establish the original location, authenticity or evidentiary foundation for documents referred to in subparagraph (a), above, provided that the United States will not assert that the provision of such documents or testimony constitutes a waiver of applicable privileges beyond the limits set forth in this paragraph.

d. KPMG will provide testimony and/or other information orally by competent corporate representatives as requested by the

United States, to include sworn testimony in depositions or federal trials, as well as oral briefings to federal and state law enforcement authorities. In the event that the testimony or information covered by this subparagraph is required of former partners, principals, and/or employees, KPMG will make reasonable efforts to facilitate access to, and encourage the cooperation of, its former partners, principals, and/or employees.

e. KPMG will take reasonable steps to facilitate access to, and encourage the cooperation of, individual current and former partners, principals, and/or employees from whom testimony or information is sought in their individual capacities. KPMG agrees to advise any individual current and former partners, principals, and/or employees who inform KPMG that they have been contacted by the United States that KPMG encourages the individual's cooperation with the government and that KPMG will neither punish or take any adverse action against any partner, principal, and/or employee for cooperating with the government. When requested to do so by attorneys for the government, KPMG will provide such advice in writing to specific current or former employees. Cooperation provided pursuant to this subparagraph will include identification of witnesses who, to KPMG's knowledge, may have material information related to matters under investigation.

f. When requested to do so, KPMG will provide oral briefings for the purposes described in paragraph 12 to federal and state law enforcement authorities regarding the non-privileged results of internal investigations, if any were conducted, relating to the subject matter of this Agreement.

g. KPMG will retain all material records in their original form for five years from the execution of this agreement. Before the expiration of the five-year period described above and before disposing of any records covered by this subparagraph, KPMG will consult with the United States Department of Justice concerning the continued need for preserving such records.

10. KPMG 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 a contention that, under the Double Jeopardy Clause of the Fifth Amendment in the Constitution, or under the Excessive Fines Clause of the Eighth Amendment in the Constitution, this Settlement bars a remedy sought in such criminal prosecution or administrative action.

11. KPMG agrees that this settlement is not punitive in purpose or effect. Nothing in this Agreement constitutes an agreement by the United States concerning the characterization of the Settlement Amounts for purposes of the Internal Revenue Laws, Title 26 of the United States Code.

12. 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 specifically identified herein.

13. The Parties agree that this Settlement Agreement and all related correspondence shall not be offered by any party to this Agreement in any action or proceeding as an admission of liability by KPMG, its current or former partners, principals, employees, affiliates, successors or assigns, related to the Covered Conduct with the exception of any action or proceeding arising from or relating to a breach or enforcement of this Agreement.

14. KPMG expressly warrants that it has reviewed its financial condition and that it currently is solvent within the meaning of 11 U.S.C. § 547(b)(3) and expects to remain solvent following 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 KPMG 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.

15. KPMG represents that this Agreement is freely and voluntarily entered into without any degree of duress or compulsion whatsoever.

23. KPMG hereby consents to the United States' disclosure of this Settlement Agreement, and information about this Settlement Agreement, to the public.

UNITED STATES OF AMERICA

By: ______________________________ Dated: 10/19/01
MARIE V. O'CONNELL
JUSTIN DRAYCOTT
Civil Division
United States Department of Justice

By: ______________________________ Dated: ________
LEWIS MORRIS
Assistant Inspector General
Office of Inspector General
U.S. Department of Health and Human Services

By: ______________________________ Dated: 10/15/01
MICHELLE SNYDER
Chief Financial Officer
Centers for Medicare & Medicaid Services
U.S. Department of Health and Human Services

By: ______________________________ Dated: 10/17/01
RODNEY BENSON
Director
Acquisition and Grants Group
Office of Internal Customer Support
Centers for Medicare & Medicaid Services
U.S. Department of Health and Human Services

UNITED STATES OF AMERICA

By: ______________________________ Dated: _______

MARIE V. O'CONNELL
JUSTIN DRAYCOTT
Civil Division
United States Department of Justice

By: ______________________________ Dated: 10/1/01

LEWIS MORRIS
Assistant Inspector General
Office of Inspector General
U.S. Department of Health and Human Services

By: ______________________________ Dated: _______

MICHELLE SNYDER
Chief Financial Officer
Centers for Medicare & Medicaid Services
U.S. Department of Health and Human Services

By: ______________________________ Dated: _______

RODNEY BENSON
Director
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