

SETTLEMENT AGREEMENT

I. PARTIES

This Settlement Agreement (Agreement) is by and among the United States of America, acting through the United States Department of Justice and on behalf of the Office of the Inspector General (OIG-HHS) of the Department of Health and Human Services (HHS), and the TRICARE Management Activity (TMA) (formerly the Office of Civilian Health and Medical Program of the Uniformed Services (OCHAMPUS)), (collectively the United States); Doreen L. Vander Woude, Sharon R. Judson, Shela M. Jackson, and Tammy Lanning (collectively the Relators); Lifeline Health Care of Southwest Florida, Inc. (Lifeline), The Lifeline Health Group, Inc. (The Lifeline Health Group), and James T. Wilson (Mr. Wilson), through their authorized representatives. All of the above will be referred to collectively as the Parties.

II. PREAMBLE

As a preamble to this Agreement, the Parties agree to the following:

- A. Lifeline, a home health agency, is a for-profit corporation organized and existing under the laws of the State of Florida with its principal place of business located in Port Charlotte, Florida. Lifeline is wholly owned by The Lifeline Health Group.
- B. The Lifeline Health Group is a for-profit corporation which is organized and existing under the laws of the State of Kentucky, and which owns several home health agencies that render services to Medicare and TRICARE patients in the States of Florida and Kentucky.
- C. Mr. Wilson is the President and Chief Executive Officer of Lifeline, and President and majority owner of The Lifeline Health Group.

D. The United States contends that Lifeline 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. §§ 1395-1395ddd (1997), and the TRICARE Program (also known as the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS)), 10 U.S.C. §§ 1071-1110.

E. On November 23, 1998, Relators filed a civil action, under seal, in the United States District Court for the Middle District of Florida, under the qui tam provision of the False Claims Act, 31 U.S.C. § 3730. That qui tam lawsuit is captioned United States ex rel. Doreen L. Vander Woude, Sharon R. Judson, Shela M. Jackson, and Tammy Lanning v. Lifeline Home Health Care, Inc., and is docketed as case number 98-2391-CIV-T-23F (the Lawsuit).

F. The United States conducted an investigation into the claims set forth in the Lawsuit and thereafter intervened in the qui tam action. On August 16, 2000, the United States filed its complaint naming Lifeline and Mr. Wilson as defendants.

G. The United States contends that it has certain civil claims against Lifeline and Mr. Wilson under the False Claims Act, 31 U.S.C. §§ 3729-3733, certain other federal statutes and/or common law doctrines, for engaging in the following conduct during the period of October 1, 1994 through September 30, 1997: (1) submitting false or fraudulent claims to Medicare Part A for home health care visits to patients who were not homebound, and home health care visits that were not medically necessary; (2) submitting false or fraudulent claims to Medicare Part A for home health services without adequate or proper physician orders, and without the requisite documentation supporting the performance and medical necessity of the services billed. The United States also contends that it has certain civil claims under the False

Claims Act, 31 U.S.C. §§ 3729-3733, certain other federal statutes and/or common law doctrines against Lifeline for engaging in the following conduct during the period of May 20, 1993 through and including March 24, 1998: submitting false or fraudulent claims to the TRICARE/CHAMPUS Program for home health visits to patients (1) who were not homebound, and did not have the requisite need for skilled medical treatment; and (2) without adequate or proper physician orders, and without the requisite documentation supporting the performance and medical necessity of the services billed. The conduct described above in this Paragraph will hereinafter be referred to as the Covered Conduct.

H. The United States also contends that it has certain administrative claims against Lifeline under the provisions for permissive exclusion from participation in Medicare, Medicaid, and all other federal health care programs, as defined in 42 U.S.C. § 1320a-7b(f), pursuant to 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. Lifeline denies each and every allegation set forth in the Lawsuit, and denies it has any liability relating to the contentions of the United States as set forth in Paragraphs D through H above.

J. Mr. Wilson denies he has any liability relating to the contentions of the United States as set forth in Paragraphs D through H above.

K. In order to avoid the delay, uncertainty, inconvenience and expense of protracted litigation of these claims, the Parties reach a full and final settlement as set forth below.

II. 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. Lifeline and The Lifeline Health Group, Inc., who are jointly and severally liable for the Settlement Amount, agree to pay to the United States the sum of Three Million One Hundred Thousand Dollars (\$3,100,000) plus any interest that has accrued since May 1, 2001 at a rate of 7.5% (the Settlement Amount) as follows:

a. Within 30 calendar days of the effective date of this Agreement, Lifeline and The Lifeline Health Group will pay the total amount of Seven Hundred Fifty Thousand Dollars (\$750,000) to the United States of America. Unless directed otherwise by the United States in writing, Lifeline and The Lifeline Health Group will make all payments required by this Agreement by cashier's check made payable to the "United States Department of Justice." All payments must be mailed to: United States Attorney's Office, Middle District of Florida, Attention: Financial Litigation Unit, 400 North Tampa Street, Tampa, Florida 33602. Payment by electronic transfer ("Fed Wire") may be arranged as an alternative form of payment by coordinating with the Supervisor of the Financial Litigation Unit at the above address or by telephone at (813) 274-6000.

b. Lifeline and The Lifeline Health Group, Inc. agree to pay the remaining principal sum of \$2,350,000 plus any interest that has accrued since May 1, 2001 at the rate of 7.5 % until paid in full. The payment of this sum shall be made in monthly installments over a period of five years pursuant to the terms and conditions contained in a Promissory Note, which is

attached as Exhibit A and incorporated into this Agreement by reference. All payments shall be made to the United States as directed above in subparagraph a.

2. If Lifeline and/or The Lifeline Health Group fails to pay the Settlement Amount as required, the United States may, at its option, declare this Agreement to be in default, as set forth in Paragraph 28 of this Agreement.

3. The Parties agree that the Relators' share is 17% of the Settlement Amount. The Relators shall be paid their share in accordance with the schedule of payments provided by this Settlement Agreement, and the Promissory Note, which is attached as Exhibit A and incorporated by reference, as follows. Within a reasonable time after receipt of each payment from Lifeline and The Lifeline Health Group provided by this Settlement Agreement and Promissory Note, the United States shall pay 17% of such payment to the Relators jointly. Said payments will be electronically transferred to the Kenneth J. Nolan, P.A. Trust Account as designated in a separate writing by Kenneth J. Nolan to the United States Attorney's Office, Middle District of Florida, Attention: Financial Litigation Unit, 400 North Tampa Street, Florida 33602; the Lifeline Health Group and Lifeline shall have no liability to make such share payments to the Relators. All such payments to the Relators are to be made by the United States from the proceeds of payments made to it by The Lifeline Health Group and Lifeline; the United States shall have no liability to the Relators unless and until it receives the Settlement Amount or any portion thereof, and then only for the Relators' pro rata 17% share of the amount received.

4. The allocation among the four Relators of any and all payments made to them pursuant to this Agreement shall be a matter within Relators' sole discretion. The United States, Lifeline, The Lifeline Health Group, and Mr. Wilson shall not have any further liability to the

Relators, either jointly or severally, beyond the payments described above in Paragraph 3 of this Agreement.

5. Conditioned upon receipt of the payment described in Paragraph 3, the Relators for themselves and their heirs, successors, attorneys, agents, and assigns, agree to release the United States, its officers, agents, and employees, for any claims arising from or relating to 31 U.S.C. § 3730, or arising from the filing of the Lawsuit, including 31 U.S.C. §§ 3730(b), (c), (d), and (d)(1), and for a share of the proceeds of any proceeding involving an "alternate remedy" as that term is used in 31 U.S.C. § 3730(c)(5). The Relators agree and confirm that this Agreement is fair, adequate, and reasonable under all circumstances, pursuant to 31 U.S.C. § 3730(c)(2)(B).

6. In consideration of the mutual promises and obligations of this Agreement, including but not limited to payment in full by Lifeline and The Lifeline Health Group of all their obligations to the United States hereunder, Relators hereby release and discharge Lifeline, The Lifeline Health Group, Mr. Wilson, their subsidiaries and affiliated corporate entities, and their respective past and present officers, directors, employees, principals, partners, agents and counsel, their respective heirs, executors, administrators, predecessors, successors and assigns 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 Relators and/or their heirs, executors, administrators, successors, and assigns ever had, now have or hereafter can, shall or may have against Lifeline, The Lifeline Health Group, and Mr. Wilson 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 Relators' qui tam action, including any retaliatory discharge claims.

In consideration of the mutual promises and obligations of this Agreement, Lifeline, The Lifeline Health Group, and Mr. Wilson hereby release and discharge the Relators, their respective heirs, executors, administrators, and assigns 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 Lifeline, The Lifeline Health Group, Mr. Wilson and/or their heirs, executors, administrators, successors, and assigns ever had, now have or hereafter can, shall or may have against the Relators for, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the date of this Agreement.

7. Within 90 calendar days of the effective date of this Agreement, Lifeline, The Lifeline Health Group, and Mr. Wilson will pay to the Relators' counsel the total amount of \$23,200.00 for Relators' attorneys fees, expenses, and costs by electronic funds transfer to Relators' counsel. Neither Lifeline, The Lifeline Health Group, nor Mr. Wilson shall have any further liability for Relators' attorneys fees, costs, and expenses.

8. Subject to the exceptions in Paragraph 12 this Agreement, and in consideration of the obligations of Lifeline and The Lifeline Health Group set forth in this Agreement, and conditioned upon their payment in full of the Settlement Amount, and subject to Paragraphs 30 and 31 below (concerning bankruptcy proceedings commenced within 91 days of the date of any payment due under this Agreement), the United States (on behalf of itself, its officers, agents, agencies and departments) agrees to release Lifeline from any civil or administrative monetary

claims the United States has or may have 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.

9. In consideration of the obligations of Lifeline and The Lifeline Health Group set forth in this Agreement, conditioned upon The Lifeline Health Group and Lifeline's payment in full of the Settlement Amount, and subject to Paragraphs 30 and 31 below (concerning bankruptcy proceedings commenced within 91 days of the date of any payment due under this Agreement), the 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 Lifeline under 42 U.S.C. § 1320a-7a (Civil Monetary Penalties Law), or 42 U.S.C. § 1320a-7(b)7 (permissive exclusion for fraud, kickbacks and other prohibited activities), for the Covered Conduct, except as reserved in Paragraph 12 below and as reserved in this Paragraph. The OIG-HHS expressly reserves all rights to comply with any statutory obligations to exclude Lifeline, and The Lifeline Health Group from Medicare, Medicaid, or other federal health care programs under 42 U.S.C. § 1320a-7(a) (mandatory exclusion) based on the Covered Conduct. Nothing in this Paragraph precludes the OIG-HHS from taking action against entities or persons for conduct and practices for which civil claims have been reserved in Paragraph 12.

10. In consideration of the obligations of Lifeline and The Lifeline Group set forth in this Agreement, conditioned upon Lifeline's and The Lifeline Group's payment in full of the Settlement Amount, and subject to Paragraphs 30 and 31, below (concerning bankruptcy proceedings commenced within 91 days of the effective date of this Agreement), the TMA

agrees to release and refrain from instituting, directing, or maintaining any administrative claim or any action seeking exclusion from the TRICARE Program against Lifeline under 32 C.F.R. § 199.9 for the Covered Conduct, except as reserved in Paragraph 12 below, and as reserved in this Paragraph. The TMA expressly reserves authority to exclude Lifeline from the TRICARE program under 32 C.F.R. §§ 199.9(f)(1)(i)(A), (f)(1)(i)(B), (f)(1)(i)(D), and (f)(1)(iii), based upon the Covered Conduct. Nothing in this Paragraph precludes the TRICARE program from taking action against entities or persons, or for conduct and practices, for which civil claims have been reserved in Paragraph 12, below.

11. Subject to the exceptions in Paragraph 12 of this Agreement, and in consideration of the obligations of Mr. Wilson set forth in this Agreement, and conditioned upon payment in full of the Settlement Amount, and subject to Paragraph 32 below (concerning bankruptcy proceedings commenced within 91 days of the date of any payment due under this Agreement), the United States (on behalf of itself, its officers, agents, agencies and departments) agrees to release Mr. Wilson from any civil or administrative monetary claims the United States has or may have 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. Upon satisfaction of the Promissory Note, which is attached as Exhibit A, Mr. Wilson shall be deemed released from further personal financial obligations relating to this Agreement, without the necessity of pleading or Order.

12. 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, but not limited to Lifeline, The Lifeline Health Group, and Mr. Wilson) 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 express or implied warranty claims or other claims for defective or deficient products or services, provided by Lifeline;
- g. Any claims based on a failure to deliver items or services due;
- h. Any liability against any individuals, except as specifically stated in this Agreement.

13. Lifeline and The Lifeline Health Group have entered into a Corporate Integrity with HHS, which is attached as Exhibit C and incorporated into this Agreement by reference. The Lifeline Health Group and Lifeline will immediately upon execution of this Agreement implement their obligations under the Corporate Integrity Agreement.

14. Lifeline and The Lifeline Health Group have provided sworn financial disclosure statements (Financial Statements) to the United States, and the United States has relied on the accuracy and completeness of those Financial Statements in reaching this Agreement. Lifeline and The Lifeline Health Group warrant that to the best of their knowledge the Financial Statements are thorough, accurate, and complete. Lifeline and The Lifeline Health Group further warrant that they do not own or have an interest in any assets which have not been disclosed in the Financial Statements, and that Lifeline and The Lifeline Health Group have

agrees to release and refrain from instituting, directing, or maintaining any administrative claim or any action seeking exclusion from the TRICARE Program against Lifeline under 32 C.F.R. § 199.9 for the Covered Conduct, except as reserved in Paragraph 12 below, and as reserved in this Paragraph. The TMA expressly reserves authority to exclude Lifeline from the TRICARE program under 32 C.F.R. §§ 199.9(f)(1)(i)(A), (f)(1)(i)(B), (f)(1)(i)(D), and (f)(1)(iii), based upon the Covered Conduct. Nothing in this Paragraph precludes the TRICARE program from taking action against entities or persons, or for conduct and practices, for which civil claims have been reserved in Paragraph 12, below.

11. Subject to the exceptions in Paragraph 12 of this Agreement, and in consideration of the obligations of Mr. Wilson set forth in this Agreement, and conditioned upon payment in full of the Settlement Amount, and subject to Paragraph 32 below (concerning bankruptcy proceedings commenced within 91 days of the date of any payment due under this Agreement), the United States (on behalf of itself, its officers, agents, agencies and departments) agrees to release Mr. Wilson from any civil or administrative monetary claims the United States has or may have 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. Upon satisfaction of the Promissory Note, which is attached as Exhibit A, Mr. Wilson shall be deemed released from further personal financial obligations relating to this Agreement, without the necessity of pleading or Order.

12. 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, but not limited to Lifeline, The Lifeline Health Group, and Mr. Wilson) 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 express or implied warranty claims or other claims for defective or deficient products or services, provided by Lifeline;
- g. Any claims based on a failure to deliver items or services due;
- h. Any liability against any individuals, except as specifically stated in this Agreement.

13. Lifeline and The Lifeline Health Group have entered into a Corporate Integrity with HHS, which is attached as Exhibit C and incorporated into this Agreement by reference. The Lifeline Health Group and Lifeline will immediately upon execution of this Agreement implement their obligations under the Corporate Integrity Agreement.

14. Lifeline and The Lifeline Health Group have provided sworn financial disclosure statements (Financial Statements) to the United States, and the United States has relied on the accuracy and completeness of those Financial Statements in reaching this Agreement. Lifeline and The Lifeline Health Group warrant that to the best of their knowledge the Financial Statements are thorough, accurate, and complete. Lifeline and The Lifeline Health Group further warrant that they do not own or have an interest in any assets which have not been disclosed in the Financial Statements, and that Lifeline and The Lifeline Health Group have

made no misrepresentations on, or in connection with, the Financial Statements. In the event the United States learns of asset(s) in which Lifeline or The Lifeline Health Group had an interest at the time of this Agreement and which were not disclosed in the Financial Statements, or in the event the United States learns of a material misrepresentation or nondisclosure by Lifeline or The Lifeline Health Group on, or in connection with, the Financial Statements, and in the event such nondisclosure or misrepresentation changes the estimated net worth of Lifeline or The Lifeline Health Group set forth on the Financial Statement by Two Hundred Thousand dollars (\$200,000) or more, the United States may at its option: (1) rescind this Agreement and file suit or reinstate its suit upon the underlying claims described in Paragraphs D through H; or (2) let the Agreement stand and collect the full Settlement Amount plus one hundred percent (100%) of the value of the previously undisclosed net worth of Lifeline or The Lifeline Health Group.

The Relators jointly shall receive 17% of any money collected by the United States under this Paragraph.

Nothing in this Paragraph shall be construed to limit or restrict Lifeline or The Lifeline Health Group from contesting or defending against the United States' claim of misrepresentation, omission or non-disclosure.

15. In the event that the United States, pursuant to Paragraph 14 above, opts to rescind this Agreement, Lifeline and The Lifeline Health Group expressly agree 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 (1) are filed by the United States within 60 calendar days of written notification by the United States to Lifeline or The Lifeline Health Group that this Agreement has been rescinded, and (2) relate to Covered Conduct, except to the extent these defenses were available on November 23, 1998.

16. Lifeline and The Lifeline Health Group waive and will not assert any defenses they 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 in the Fifth Amendment of the United States Constitution, or under the Excessive Fines Clause in the Eighth Amendment of the United States Constitution, this Settlement bars a remedy sought in such criminal prosecution or administrative action. Lifeline and The Lifeline Health Group agree 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 Laws, Title 26 of the United States Code.

17. Lifeline fully and finally releases the United States, its agencies, employees, servants, and agents from any claims (including attorneys fees, costs, and expenses of every kind and however denominated) which Lifeline has asserted, could have asserted, or may assert in the future against the United States, its agencies, employees, servants, and agents, related to the Covered Conduct and the United States' investigation and prosecution thereof.

18. The Lifeline Health Group fully and finally releases the United States, its agencies, employees, servants, and agents from any claims (including attorneys fees, costs, and expenses of every kind and however denominated) which The Lifeline Health Group has asserted, could have asserted, or may assert in the future against the United States, its agencies, employees, servants, and agents, related to the Covered Conduct and the United States' investigation and prosecution thereof.

19. Mr. Wilson provided sworn financial disclosure statements (Wilson Financial Statements) to the United States and the United States has relied on the accuracy and completeness of those Wilson Financial Statements in reaching this Agreement. Mr. Wilson warrants that the Wilson Financial Statements are believed to be thorough, accurate, and complete. Mr. Wilson further warrants that he does not own or have an interest in any assets which have not been disclosed in the Wilson Financial Statements, and that he has made no misrepresentations on, or in connection with, the Wilson Financial Statements. In the event the United States learns of asset(s) in which Mr. Wilson had an interest at the time of this Agreement but which were not disclosed in the Wilson Financial Statements, or in the event the United States learns of a material misrepresentation or omission by Mr. Wilson on, or in connection with, the Wilson Financial Statements, and in the event such non-disclosure or misrepresentation changes the estimated net worth of Mr. Wilson set forth on the Wilson Financial Statement by Two Hundred Thousand dollars (\$200,000) or more, the United States may at its option: (1) rescind this Agreement and file suit or reinstate its suit upon the underlying claims described in Paragraphs D through H or (2) let the Agreement stand and collect the full Settlement Amount plus one hundred percent (100%) of the value of the previously undisclosed net worth of Mr. Wilson. Mr. Wilson agrees not to contest any collection action undertaken by the United States pursuant to this provision.

The Relators jointly shall receive 17% of any money collected by the United States under this Paragraph.

20. In the event that the United States, pursuant to Paragraph 19 above, opts to rescind this Agreement, Mr. Wilson 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 (1) are filed by the United States within 60 calendar days of written notification by the United States to Mr. Wilson that this Agreement has been rescinded, and (2) relate to Covered Conduct, except to the extent these defenses were available on November 23, 1998.

21. Mr. Wilson waives and will not assert any defenses he 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 in the Fifth Amendment of the United States Constitution, or under the Excessive Fines Clause in the Eighth Amendment of the United States Constitution, this Settlement bars a remedy sought in such criminal prosecution or administrative action. Mr. Wilson 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 Laws, Title 26 of the United States Code.

22. Mr. Wilson fully and finally releases the United States, its agencies, employees, servants, and agents from any claims (including attorneys fees, costs, and expenses of every kind and however denominated) which he has asserted, could have asserted, or may assert in the future against the United States, its agencies, employees, servants, and agents, related to the Covered Conduct and the United States' investigation and prosecution thereof.

23. The amount that Lifeline and The Lifeline Health Group must pay pursuant to Paragraph 1 above, will not be decreased as a result of the denial of claims for payment now being withheld from payment by any Medicare carrier or intermediary, or by any TRICARE carrier or payer, related to the Covered Conduct; and Lifeline and The Lifeline Health Group

agree not to resubmit to any Medicare carrier or intermediary or any TRICARE carrier or payer any previously denied claims related to the Covered Conduct, and agrees not to appeal any such denial of claims.

24. Lifeline and The Lifeline Health Group agree 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. §§ 1395-1395ddd (1997) and 1396-1396v(1997), and the regulations promulgated thereunder) incurred by or on behalf of The Lifeline Health Group or Lifeline or Mr. Wilson in connection with: (1) the matters covered by this Agreement, (2) the Government's audit(s) and any investigation(s) of the matters covered by this Agreement, (3) any of The Lifeline Health Group's or Lifeline's or Mr. Wilson's investigation, defense, and corrective actions undertaken in response to the Government's audit(s) and civil and any criminal investigation(s) in connection with the matters covered by this Agreement (including attorney's fees and consulting fees); (4) the obligations under the Corporate Integrity Agreement incorporated into this Settlement Agreement to: (i) perform Review Procedures as described in section III.D of the Corporate Integrity Agreement (except to the extent that such Review Procedures are performed by Lifeline); and (ii) prepare and submit reports to the HHS-OIG; (5) the negotiation of this Agreement, and the Corporate Integrity Agreement; (6) the payments made to the United States pursuant to this Agreement; and (7) any payments made to the Relators, are unallowable costs on Government contracts and under the Medicare Program, Medicaid Program, TRICARE Program, Veterans Affairs Program (VA) and Federal Employee Health Benefits Program (FEHBP) (hereinafter, unallowable costs).

Lifeline and The Lifeline Health Group further agree that within 90 calendar days of the effective date of this Agreement they 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 24) 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 Lifeline, or The Lifeline Health Group 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. Lifeline and The Lifeline Health Group agree that the United States will be entitled to recoup from The Lifeline Health Group, any of its subsidiaries, or Lifeline 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 shall be paid to the United States pursuant to the direction of the Department of Justice, and/or the affected agencies (including the Medicare fiscal intermediary). The United States reserves its rights to disagree with any calculations submitted by The Lifeline Health Group, any of its subsidiaries, or Lifeline on the effect of inclusion of unallowable costs (as defined in this Paragraph) on The Lifeline Health Group, any of its subsidiaries', or Lifeline's 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.

25. 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.

26. Lifeline and The Lifeline Health Group agree that they will not seek payment for for any of the health care billings covered by this Agreement from any health care beneficiaries or their parents or sponsors. Lifeline and The Lifeline Health Group waive any causes of action against these beneficiaries or their parents or sponsors based upon the claims for payment covered by this Agreement.

27. Lifeline and The Lifeline Health Group expressly warrant that they have reviewed their financial situation and that they currently are solvent within the meaning of 11 U.S.C. § 547(b)(3), and will remain solvent following their payment to the United States hereunder. Further, the Parties expressly warrant that, in evaluating whether to execute this Agreement, the Parties (i) have intended that the mutual promises, covenants and obligations set forth herein constitute a contemporaneous exchange for new value given to Lifeline and The Lifeline Health Group, within the meaning of 11 U.S.C. Section 547(c)(1), and (2) have concluded that these mutual promises, covenants and obligations do, in fact, constitute such a contemporaneous exchange.

28. If any payment due hereunder is not received within 15 calendar days of the date due, the payment shall be late, and Lifeline and The Lifeline Health Group shall be in breach of the Promissory Note, which is attached hereto as Exhibit A, and this Agreement. The United States shall in writing notify Lifeline and The Lifeline Health Group that they are in breach, and allow them five business in which to cure said breach. If Lifeline and The Lifeline Health Group do not cure the breach within that period, the United States may, at its option, declare the Promissory Note and this Agreement to be in default and declare the unpaid Settlement Amount (including any unpaid interest, and principal) due and payable. Upon a declaration of default, interest shall accrue at 18% per annum compounded daily. All late payments are also subject to

an interest rate of 18% per annum compounded daily commencing on the date payment is due, whether or not the United States declares the Promissory Note and this Agreement to be in default.

In the event of default, the United States may at its option (1) rescind this Agreement and file suit or reinstate its suit upon the underlying claims described in Paragraphs D through H of this Agreement, or (2) require that Lifeline and The Lifeline Health Group immediately pay the full remaining unpaid balance (including all unpaid interest and unpaid principal). If Lifeline and/or The Lifeline Health Group fail to pay immediately the unpaid settlement balance, Mr. Wilson shall then be obligated to pay the full remaining unpaid balance, as required by the Guaranty Agreement that is attached as Exhibit B and incorporated into this Agreement by reference.

In the event of default, and as a mutually agreed upon contractual remedy for default, the OIG-HHS may at any time and at its option exclude Lifeline from participation in Medicare, Medicaid and other Federal health care programs (as defined in 42 U.S.C. § 1320a-7b(f)), until such time as Lifeline or The Lifeline Health Group has fully cured the default to the satisfaction of the OIG-HHS. This provision does not affect the rights, obligations or causes of action which the United States may have under any authority other than as specifically referred to in this Paragraph.

In the event of default, as a mutually agreed upon contractual remedy for default, the United States may at any time and at its option satisfy any part of the remaining unpaid balance by offset of monies payable to Lifeline, The Lifeline Health Group, or any of The Lifeline Health Group's subsidiaries – including but not limited to Lifeline Health Care of Kentucky, Inc. (Provider Number 18-780); Lifeline Health Care of Kentucky #2 Inc. (Provider Number 18-

7300); Lifeline Health Care of Kentucky #3 Inc. (Provider Number 18-7128); Lifeline Health Care, Inc. DBA Lifeline Home Health (Provider Number 18-7099); Lifeline Health Care of Southwest Florida, Inc. (Provider Number 10-7252); Lifeline Health Care of South Florida, Inc. (Provider Number 10-3100); Lifeline Health Care of North Florida, Inc. (Provider Number 10-7471); Lifeline Management Inc. (Provider Number 18-H002); Lifeline Health Care of Central Kentucky, Inc. (Provider Number 18-7018); Lifeline Health Care of Central Florida, Inc. (Provider Number 10-7176); Lifeline Health Care of Northeast Florida, Inc. (St. Petersburg) (Provider Number 10-7613); Lifeline Medical, Inc. (Provider Number 1044680001); and Lifeline Medical, Inc. (Pharmacy Division) (Provider Number 1044680002) – by any Department, Agency or agent of the United States.

29. In the event that the United States, pursuant to Paragraph 28 above, opts to rescind this Agreement, Lifeline, The Lifeline Health Group, and Mr. Wilson expressly agree 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 (1) are filed by the United States within 60 calendar days of written notification to Lifeline, The Lifeline Health Group, and Mr. Wilson that this Agreement has been rescinded, and (2) relate to Covered Conduct, except to the extent these defenses were available on November 23, 1998.

30. In the event Lifeline 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 Lifeline's debts, or seeking to adjudicate Lifeline as bankrupt or insolvent, or (b) seeking appointment of a receiver, trustee, custodian or other similar official for Lifeline, or for all or any substantial part of Lifeline's assets, Lifeline agrees as follows:

a. Lifeline's obligations under this Agreement may not be avoided pursuant to 11 U.S.C. § 547, and Lifeline will not argue or otherwise take the position in any such case, proceeding or action that: (i) Lifeline's obligations under this Agreement may be avoided under 11 U.S.C. § 547; (ii) Lifeline 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 Lifeline.

b. In the event that Lifeline's obligations hereunder are avoided pursuant to 11 U.S.C. § 547, 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 Lifeline for the claims that would otherwise be covered by the release provided herein. If the United States chooses to do so under the provisions of this subparagraph, but in no other event, Lifeline agrees that: (i) any such claims, actions or proceedings brought by the United States (including any proceedings to exclude Lifeline 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 Lifeline will not argue or otherwise contend that the United States' claims, actions or proceedings are subject to an automatic stay; (ii) Lifeline 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 proceedings which are brought by the United States within 120 calendar days of written notification to Lifeline that the releases herein have been rescinded pursuant to this Paragraph, except to the extent such defenses were available on November 23, 1998; and (iii) the United States has a valid claim against Lifeline in the amount

of \$16,500,000 plus penalties as authorized by the False Claims Act, and the United States may pursue its claim, inter alia, in the case, action or proceeding referenced in the first clause of this Paragraph, as well as in any other case, action, or proceeding.

c. Lifeline acknowledges that its agreements in Paragraph 30 are provided in exchange for valuable consideration provided in this Agreement. Nothing in Paragraph 30 shall be construed as an admission of liability, except as stated in that Paragraph.

31. In the event The Lifeline Health Group 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 The Lifeline Health Group's debts, or seeking to adjudicate The Lifeline Health Group as bankrupt or insolvent, or (b) seeking appointment of a receiver, trustee, custodian or other similar official for The Lifeline Health Group, or for all or any substantial part of The Lifeline Health Group's assets, The Lifeline Health Group agrees as follows:

a. The Lifeline Health Group's obligations under this Agreement may not be avoided pursuant to 11 U.S.C. § 547, and the Lifeline Health Group will not argue or otherwise take the position in any such case, proceeding or action that: (i) The Lifeline Health Group's obligations under this Agreement may be avoided under 11 U.S. C. § 547; (ii) The Lifeline Health Group 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 The Lifeline Health Group.

b. In the event that The Lifeline Health Group's obligations hereunder are avoided

pursuant to 11 U.S.C. § 547, 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 The Lifeline Health Group for the claims that would otherwise be covered by the release provided herein. If the United States chooses to do so under the provisions of this subparagraph, but in no other event, The Lifeline Health Group agrees that: (i) any such claims, actions or proceedings brought by the United States (including any proceedings to exclude The Lifeline Health Group 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 The Lifeline Health Group will not argue or otherwise contend that the United States' claims, actions or proceedings are subject to an automatic stay; (ii) that The Lifeline Health Group 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 proceedings which are brought by the United States within 120 calendar days of written notification to The Lifeline Health Group that the releases herein have been rescinded pursuant to this Paragraph, except to the extent such defenses were available on November 23, 1998; and (iii) the United States has a valid claim against The Lifeline Health Group in the amount of \$16,500,000, and the United States may pursue its claim, inter alia, in the case, action or proceeding referenced in the first clause of this Paragraph, as well as in any other case, action, or proceeding.

c. The Lifeline Health Group acknowledges that its agreements in Paragraph 31 are provided in exchange for valuable consideration provided in this Agreement. Nothing in Paragraph 31 shall be construed as an admission of liability for any purpose, except as stated in that Paragraph.

32. In the event Mr. Wilson 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 Mr. Wilson's debts, or seeking to adjudicate Mr. Wilson as bankrupt or insolvent, or (b) seeking appointment of a receiver, trustee, custodian or other similar official for Mr. Wilson, or for all or any substantial part of Mr. Wilson's assets, Mr. Wilson agrees as follows:

a. Mr. Wilson's obligations under this Agreement may not be avoided pursuant to 11 U.S.C. § 547, and Mr. Wilson will not argue or otherwise take the position in any such case, proceeding or action that: (i) Mr. Wilson's obligations under this Agreement may be avoided under 11 U.S.C. § 547; (ii) Mr. Wilson 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 Mr. Wilson.

b. In the event that Mr. Wilson's obligations hereunder are avoided pursuant to 11 U.S.C. § 547, 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 Mr. Wilson for the claims that would otherwise be covered by the release provided herein. If the United States chooses to do so under the provisions of this subparagraph, but in no other event, Mr. Wilson agrees that: (i) any such claims, actions or proceedings brought by the United States (including any proceedings to exclude Mr. Wilson 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 Mr. Wilson will not argue or otherwise contend that the United States' claims, actions or

proceedings are subject to an automatic stay; (ii) that Mr. Wilson 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 proceedings which are brought by the United States within 120 calendar days of written notification to Mr. Wilson that the releases herein have been rescinded pursuant to this Paragraph, except to the extent such defenses were available on November 23, 1998; and (iii) the United States has a valid claim against Mr. Wilson individually in the amount of the unpaid Settlement Amount (including any unpaid interest) that Lifeline and/or The Lifeline Health Group fail to pay as required by the Promissory Note, and the United States may pursue its claim, inter alia, in the case, action or proceeding referenced in the first clause of this Paragraph, as well as in any other case, action, or proceeding.

c. Mr. Wilson acknowledges that his agreements in this Paragraph are provided in exchange for valuable consideration provided in this Agreement.

33. Each party to this Agreement will bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement, except that Lifeline, The Lifeline Health Group, and Mr. Wilson will pay the Relators' attorneys' fees, expenses, and costs in accordance with Paragraph 7 of this Agreement.

34. The Lifeline Health Group and Lifeline represent that this Agreement is freely and voluntarily entered into without any degree of duress or compulsion whatsoever and in consultation with legal counsel.

35. Mr. Wilson represents that this Agreement is freely and voluntarily entered into without any degree of duress or compulsion whatsoever and in consultation with legal counsel.

36. This Agreement is governed by the federal common law. The Parties agree

that the exclusive jurisdiction and venue for any dispute arising between and among the Parties under this Agreement will be the United States District Court for the Middle District of Florida, except that disputes arising under the Corporate Integrity Agreement, which is attached as Exhibit C, shall be resolved exclusively under the dispute resolution provisions set forth in the Corporate Integrity Agreement.

37. The fact, nature, and information about this Agreement may be disclosed to the public.

38. This Agreement, Promissory Note, Guaranty Agreement, Security Agreement (which is Exhibit D of this Agreement and incorporated by reference) and Corporate Integrity Agreement constitute the complete agreement between the Parties. This Agreement may not be amended except by written consent of the Parties. The Corporate Integrity Agreement may not be amended except to the extent that The Lifeline Health Group and OIG-HHS agree in writing to modification of the Corporate Integrity Agreement pursuant to procedures set forth in the Corporate Integrity Agreement.

39. The undersigned individuals signing this Agreement on behalf of Lifeline and The Lifeline Health Group represent and warrant that they are authorized by Lifeline and The Lifeline Health Group to execute this Agreement. The undersigned United States signatories represent that they are signing this Agreement in their official capacities and that they are authorized to execute this Agreement.

40. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same agreement.

41. Any notices that must be sent to Lifeline or The Lifeline Health Group as

required by this Agreement shall be sent by facsimile or express mail addressed to the following:

James M. Frazer
Vice President Legal Affairs
The Lifeline Group
600 Clifty Street
P.O. Box 938
Somerset, KY 42502-0938
Fax: (606) 679-7831.

With a copy to:

Walfrido J. Martinez
Hunton & Williams
Barclays Financial Center
1111 Brickell Avenue, Suite 2500
Miami, FL 33131
Fax: (305) 810-2460

James T. Wilson
600 Clifty Street
Somerset, KY 42503
Fax: (606) 679-7831

42. Any notices that must be sent to Mr. Wilson as required by this Agreement shall be sent by first class mail or express mail addressed to the following:

James T. Wilson
600 Clifty Street
Somerset, KY 42503

43. This Agreement is effective on the date of signature of the last signatory to the Agreement and shall become final and binding only upon signing by each party hereto, and the execution of the Corporate Integrity Agreement, Guaranty Agreement, Promissory Note, and Security Agreement.

This SETTLEMENT AGREEMENT agreed and executed by the Parties hereto:

THE UNITED STATES OF AMERICA

DATE

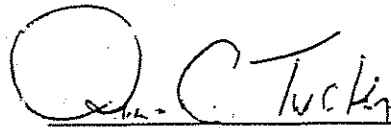
By: _____

MARK STEINBECK
Assistant United States Attorney
Middle District of Florida

October 17, 2001

DATE

By: _____



RINA C. TUCKER
Trial Attorney
Commercial Litigation Branch
Civil Division
U.S. Department of Justice

10/26/01
DATE

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

Oct 10 2001
DATE


By: _____

Robert L. Shepherd acting Deputy General Counsel
ROBERT L. SHEPHERD
for Deputy General Counsel
TRICARE Management Activity
United States Department of Defense

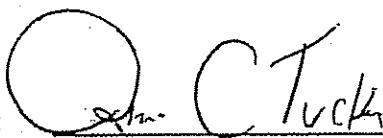
Lifeline Health Care of Southwest Florida - Civil Settlement

THE UNITED STATES OF AMERICA

October 25, 2001
DATE

By: 
MARK STEINBECK
Assistant United States Attorney
Middle District of Florida

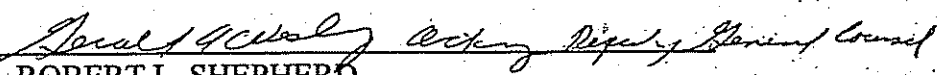
October 17, 2001
DATE

By: 
RINA C. TUCKER
Trial Attorney
Commercial Litigation Branch
Civil Division
U.S. Department of Justice

DATE

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

Oct 10, 2001
DATE

By: 
ROBERT L. SHEPHERD
Deputy General Counsel
TRICARE Management Activity
United States Department of Defense

Lifeline Health Care of Southwest Florida - Civil Settlement

LIFELINE HEALTH CARE OF SOUTHWEST FLORIDA, INC.

10-15-01
DATE

By: James T. Wilson
James T. Wilson
President & Chief Executive Officer

ATTEST:
[Signature]
Secretary
{CORPORATE SEAL}

THE LIFELINE HEALTH GROUP

10-15-01
DATE

By: James T. Wilson
James T. Wilson
President & Chief Executive Officer

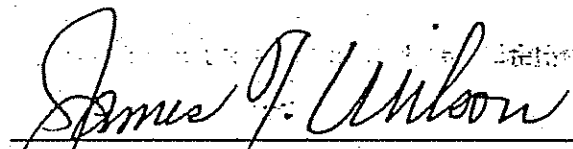
ATTEST:
[Signature]
Secretary
{CORPORATE SEAL}

October 12, 2001
DATE

By: [Signature]
WALFRIDO MARTINEZ
Counsel for Lifeline Healthcare of Southwest Florida, Inc.
and The Lifeline Health Group, Inc.

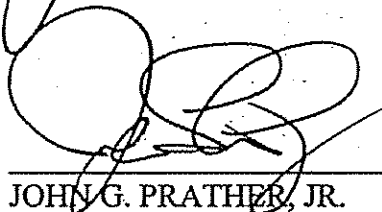
DEFENDANT - MR. WILSON

10-15-01
DATE

By: 

JAMES TERILL WILSON

10-15-01
DATE

By: 

JOHN G. PRATHER, JR.
Prather Law Offices
Counsel for James T. Wilson

RELATORS

DATE

By:

DORREN L. VANDER WOUDE

10-4-01
DATE

By:

Sharon R. Judson
SHARON R. JUDSON

DATE

By:

SHELA M. JACKSON

DATE

By:

TAMMY LANNING

DATE

By:

KENNETH NOLAN
Attorney for the Relators

RELATORS

10-4-01
DATE

By: *Dorren L. Vander Woude*
DORREN L. VANDER WOUDE

DATE

By: _____
SHARON R. JUDSON

DATE

By: _____
SHELA M. JACKSON

DATE

By: _____
TAMMY LANNING

10-10-01
DATE

By: *Kenneth J. Nolan*
KENNETH NOLAN
Attorney for the Relators

RELATORS

DATE

By: _____
DORREN L. VANDER WOUDE

DATE

By: _____
SHARON R. JUDSON

10-6-01
DATE

By: Sheila M Jackson
SHEILA M. JACKSON

DATE

By: _____
TAMMY LANNING

DATE

By: _____
KENNETH NOLAN
Attorney for the Relators

RELATORS

DATE

By: _____
DORREN L. VANDER WOUDE

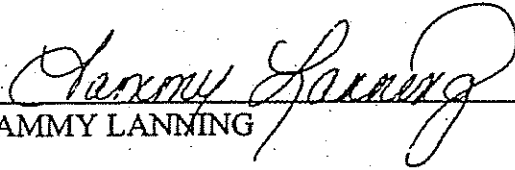
DATE

By: _____
SHARON R. JUDSON

DATE

By: _____
SHELA M. JACKSON

10-4-01
DATE

By: 
TAMMY LANMING

DATE

By: _____
KENNETH NOLAN
Attorney for the Relators