

SETTLEMENT AGREEMENT AND RELEASE

PARTIES

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

A. The United States of America, acting through its Department of Justice and the United States Attorney's Office for the District of Massachusetts, on behalf of the United States Department of Health and Human Services ("HHS") through its Office of Inspector General ("HHS-OIG");

B. American Medical Response, Inc. ("AMR"), a Delaware corporation and wholly owned subsidiary of Laidlaw, Inc.; and American Medical Response of Massachusetts, Inc. ("AMR-MA"), a Massachusetts corporation and wholly owned subsidiary of AMR; and

C. Robin A. Rau, individually, and Susan Caporaletti, now known as Susan Murray, individually (collectively the "Relators").

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

PREAMBLE

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

A. WHEREAS, the United States, through HHS, administers the Supplementary Medical Insurance Program for the Aged and Disabled established by Part B, Title XVIII, of the Social Security Act under 42 U.S.C. §§ 1395j-1395w (the "Medicare Part B Program"). The Medicare Part B Program is a 100% federally subsidized health insurance system for disabled persons or persons who are 65 or older;

B. WHEREAS, at all times relevant to this Settlement Agreement, HHS delegated the administration of the Medicare Part B Program to its component agency, the Health Care Financing Administration ("HCFA"), now known as the Centers for Medicare and Medicaid

Services. Pursuant to 42 U.S.C. § 1395u, HCFA, in turn, assigned to private insurance carriers the task of processing and paying Part B claims from the Medicare Trust Fund. For purposes of this Settlement Agreement, the private insurance carrier utilized by HCFA to process Part B claims relating to services provided in the Commonwealth of Massachusetts will be referred to as the "Massachusetts carrier";

C. WHEREAS, at all times relevant to this Settlement Agreement, the "medical and other health services" covered by the Medicare Part B Program have included ambulance services in circumstances where the use of other methods of transportation "is contraindicated by the individual's condition, but only to the extent provided in regulations." 42 U.S.C. § 1395x(s)(7);

D. WHEREAS, during the period from January 1, 1993 through December 31, 1998 (hereafter, the "relevant time period"), AMR-MA and certain of its predecessor companies were participants in the Medicare Part B Program and submitted or caused to be submitted to the Massachusetts carrier claims seeking reimbursement from the Medicare Trust Fund for non-emergency ambulance transportation services provided to Medicare beneficiaries in the Commonwealth of Massachusetts;

E. WHEREAS, the Relators filed a civil lawsuit against AMR, AMR-MA and certain other defendants, captioned United States ex rel. Rau, et al. v. American Medical Response, Inc., et al., Civil Action No. 98-12050-RGS (hereafter, the "Civil Action"), in which the Relators alleged, inter alia, that Medicare claims submitted by AMR, AMR-MA and certain of their predecessor companies for non-emergency ambulance transportation services provided in Massachusetts during the period from January 1, 1991 through October 31, 1998 violated the False Claims Act, 31 U.S.C. §§ 3729-3733;

F. WHEREAS, prior to the filing of the Civil Action, the United States had

commenced an investigation of Medicare claims submitted by Chaulk Ambulance for non-emergency ambulance transportation services provided to Medicare beneficiaries with end stage renal disease in Massachusetts during the period 1993 to 1994 that were not medically necessary or lacked valid documentation to support medical necessity;

G. WHEREAS, after the filing of the Civil Action, the United States expanded its investigation to include Medicare claims submitted by AMR-MA and certain of its predecessor companies for non-emergency ambulance transportation services provided in Massachusetts during the period January 1, 1993 to December 31, 1998 that were not medically necessary or lacked valid documentation to support medical necessity. The predecessor companies encompassed by the investigation were Norfolk-Bristol Ambulance ("Norfolk-Bristol"), Chaulk Ambulance ("Chaulk"), Ambulance Systems of America, Inc. ("ASA"), Worcester Himmer Ambulance ("Worcester Himmer"), Charter Ambulance ("Charter"), Brewster Ambulance ("Brewster"), Lifeline Ambulance ("Lifeline"), Frontline Ambulance ("Frontline"), Careline New England, Inc. ("Careline-NE"), MedTrans of New England ("MedTrans-NE"), Commonwealth Ambulance Service, Inc. and West Mountain Management, Inc. AMR, AMR-MA and the above-listed entities are hereafter referred to collectively as the "Ambulance Providers."

H. WHEREAS, the government's investigation focused specifically on allegations that the Ambulance Providers had engaged in the following conduct in connection with Medicare claims submitted to the Massachusetts carrier for non-emergency ambulance transportation services provided in Massachusetts during the relevant time period: (i) billed the Medicare Part B Program for medically unnecessary non-emergency ambulance transports; (ii) falsified documents and made false statements regarding medical necessity in connection with claims submitted to the Medicare Part B Program for non-emergency ambulance transports; (iii) failed

to refund identified overpayments for non-emergency ambulance transports on a timely basis to the Medicare Part B Program; and (iv) offered free goods and services in the form of television sets, free bus transportation for day trips and outings, and free cardiopulmonary resuscitation training classes to dialysis facilities and nursing homes as an inducement for the facilities to refer patients to the Ambulance Providers for non-emergency ambulance transports.

I. WHEREAS, as a result of its investigation, the United States contends that during the relevant time period the Ambulance Providers submitted to the Massachusetts carrier claims for reimbursement from the Medicare Part B Program for non-emergency ambulance transportation services provided in Massachusetts in which the Ambulance Providers falsely represented that patients being transported by ambulance on routine, scheduled non-emergency calls were bed confined or had other medical conditions that rendered it medically necessary for those patients to be transported by ambulance when, in fact, the Ambulance Providers either had no information to support the representations contained on the claims form or were in possession of information that affirmatively contradicted the representations made on the claims form.

The United States contends that in connection with this submission of the false or fraudulent claims to the Massachusetts carrier specified in this Paragraph I, the Ambulance Providers engaged in the following specific acts:

- i. They submitted or caused to be submitted claim forms stating that patients were bed confined or unable to ambulate when they either had no information to support that statement or the information in their possession affirmatively indicated that the patient was not bed confined and could ambulate;
- ii. They submitted or caused to be submitted claim forms stating "Y" to the question of medical necessity when they either had no information to support that statement or the information in their possession affirmatively contradicted the statement;
- iii. They caused or allowed their employees to falsify Certificates of Medical Necessity ("CMN's") by, for example, forging the signatures of doctors

and nurses;

- iv. They caused or allowed their employees to fill out or add information to Certificates of Medical Necessity, notwithstanding the requirement that CMN's submitted to the Massachusetts carrier be completed and signed only by physicians or nurses;
- v. They programmed their billing software to describe each and every patient as bed confined, by automatically inserting a "Y" in the corresponding data field on the electronic claims form, irrespective of the actual physical condition of the patients and even though information contained on the providers' own run reports frequently indicated that the patient had not been bed confined; and
- vi. They established, implemented and adhered to internal policies whereby they would not disclose or make refunds to the Massachusetts carrier of payments received from Medicare to which they knew they were not entitled because the providers knew or later learned that no medical necessity had existed for the trip.

Hereinafter the conduct described in Preamble Paragraphs F, G, H, and I shall be referred to as the "Covered Conduct."

J. WHEREAS, the United States contends that as a result of the conduct outlined in the Preamble Paragraph I, above, the Ambulance Providers violated the False Claims Act, 31 U.S.C. §§ 3729-3733, and the additional federal statutes and/or common law doctrines specified in Paragraph 7, below, by knowingly and improperly submitting or causing to be submitted false and fraudulent claims to the Medicare Part B program for non-emergency ambulance transportation services provided in the Commonwealth of Massachusetts during the relevant time period that were not medically necessary or lacked valid documentation to support medical necessity;

K. WHEREAS, the Ambulance Providers deny the contentions made by the United States, and further contend that they did not knowingly submit any improper claims for payment to the Medicare Part B Program;

L. WHEREAS, notwithstanding their differing positions, the Parties wish to avoid

the delay, expense, inconvenience and uncertainty of protracted litigation of these claims and mutually desire to reach a full and final compromise pursuant to the Terms and Conditions set forth below.

TERMS AND CONDITIONS

NOW, THEREFORE, in reliance on the representations contained herein and in consideration of the mutual promises, covenants, and obligations in this Agreement, and for good and valuable consideration, receipt of which is hereby acknowledged, the Parties hereby agree as follows:

1. AMR and AMR-MA, collectively, agree to pay to the United States the sum of twenty million dollars (\$20,000,000) (the "Settlement Amount"), and this sum shall constitute a debt immediately due and owing to the United States on the Effective Date of this Agreement. AMR and AMR-MA, collectively, shall discharge this debt according to the schedule and terms for payment of the Settlement Amount set forth in Paragraph 1 of the Promissory Note executed contemporaneously with this Agreement, attached as Exhibit A and incorporated herein by reference.

Insofar as the terms for payment set forth in the Promissory Note specify that portions of the Settlement Amount are to be paid directly to the United States from escrow accounts containing funds that constituted part of the purchase price paid by AMR to ASA (and ASA's stockholders) and to Brewster in connection with AMR's acquisitions of ASA and Brewster, the signatories to this Agreement shall include authorized representatives of ASA and Brewster, who, through their execution of the Agreement, express their assent to be bound by those payment terms. ASA and Brewster, through the execution of this Agreement by their authorized representatives, represent that they have authorized the release to the United States of the escrow funds specified in the Promissory Note in consideration for the release given by the United States

in paragraph 7 of this Agreement to ASA, Brewster and their former shareholders, officers, directors, employees and partners.

2. AMR and AMR-MA are in default of this Agreement on the date of occurrence of any of the following events ("Events of Default"):

- a. Failure by AMR and AMR-MA to pay any amount provided for in the Promissory Note attached as Exhibit A when such payment is due and payable;
- b. If prior to making the full payment of the amount due under Paragraph 1 above, (i) AMR and/or AMR-MA commences 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 debtors, or seeking to adjudicate AMR and/or AMR-MA as bankrupt or insolvent, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for AMR and/or AMR-MA or for all or any substantial part of AMR and/or AMR-MA's assets; or (ii) there shall be commenced against AMR and/or AMR-MA any such case, proceeding or other action referred to in clause (i) which results in the entry of an order for relief and any such order remains undismissed, or undischarged or unbonded for a period of thirty (30) days; or (iii) AMR and/or AMR-MA takes any action authorizing, or in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth above in this sub-Paragraph 2.b.;
- c. If prior to making the full payment of the amount due under Paragraph 1 above, any judgment or order for the payment of money in excess of five million dollars (\$5,000,000) in any individual case, or ten million dollars (\$10,000,000) in the aggregate at any one time, is rendered against AMR and/or AMR-MA, that is reasonably likely to materially impair (A) the ability of AMR and/or AMR-MA to

perform its obligations under this Agreement, or (B) the rights and remedies of the United States under this Agreement, and (i) such judgment or order is not stayed, vacated, bonded, or dismissed pending appeal within thirty (30) calendar days of its entry, or (ii) any such judgment or order which is stayed, vacated, bonded, or dismissed as set forth in sub-Paragraph 2.c.(i), is then upheld after the exhaustion of all appeals; and/or

- d. Any non-monetary judgment or order against AMR and/or AMR-MA (i) that is rendered prior to the full payment by AMR and AMR-MA to the United States of the amount due under Paragraph 1 above, and (ii) that is reasonably likely to materially impair (A) the ability of AMR and/or AMR-MA to perform its obligations under this Agreement, or (B) the rights and remedies of the United States under this Agreement, and such judgment or order is not stayed, vacated, discharged or bonded pending appeal within thirty (30) calendar days of its entry, and such judgment or order which is stayed, vacated, bonded, or dismissed, is then upheld after the exhaustion of all appeals.

The words "reasonably likely to materially impair" shall have the meaning they have under the securities laws of the United States;

3. On the date of any such Event of Default as defined in Paragraph 2 above, AMR and AMR-MA agree that:

- a. AMR and AMR-MA shall provide the United States and the Relators with written notice of such Event of Default within two (2) business days of such event (unless the Event of Default has been cured) by providing written notice by registered mail or facsimile followed by overnight delivery to:
 - i. The United States Attorney's Office, District of Massachusetts, One

Courthouse Way, Suite 9200, Boston, MA 02210, Attention: Michael J. Pineault, Assistant U.S. Attorney (or to the attention of such other person as may be designated in writing by the United States Attorney's Office);

- ii. Michael G. West, Esq., Law Offices of Michael G. West, 492 Beacon Street, Boston, MA 02115;
- iii. Richard Pichette, Esq., Peabody & Arnold, 50 Rowes Wharf, Boston, MA 02210-3342;
- iv. Kevin J. McAllister, Esq., Brennan, Recupero, Cascione, Scungio & McAllister, 362 Broadway, Providence, RI 02909; or

- b. The United States may, effective upon ten business days notice to AMR and AMR-MA (unless the Event of Default has been cured), in its sole discretion declare that an Event of Default has occurred, by providing written notice by registered mail or facsimile followed by overnight delivery to Jones, Day, Reavis & Pogue, 51 Louisiana Avenue, N.W., Washington, D.C. 20001-2113, Attention: James J. Graham, Esq., (or to such other person as may be designated in writing by AMR and AMR-MA).

4. In an Event of Default, provided that notice has been given to the United States under Paragraph 3.a. above or notice has been given to AMR and AMR-MA under Paragraph 3.b. above:

- a. Unless the Event of Default is under Paragraph 2.b. above, the Settlement Amount referenced in Paragraph 1 above (minus any payments of principal made to date, plus accrued interest from the Effective Date of this Agreement) shall become immediately due and payable, and shall bear an annual interest rate of prime (as published in the Wall Street Journal on the Effective Date of this Agreement as defined in Paragraph 33) plus 5% from the Effective Date of this Agreement, in accordance with the attached Promissory Note;

b. In addition, AMR and AMR-MA will pay the United States all reasonable costs of collection and enforcement of this Agreement, including attorneys' fees and expenses. The United States reserves the option of referring such matters for private collection. (The Settlement Amount plus interest described in Paragraph 4.a. above and the costs of collection and enforcement described in this Paragraph 4.b. will be referred to as the "Default Obligations.").

5. In an Event of Default, provided that notice has been given to the United States under Paragraph 3.a. above or notice has been given to AMR and AMR-MA under Paragraph 3.b. above, the United States may take any of the actions set forth below. These actions are in addition to, and do not replace, the default provisions contained in the Promissory Note attached as Exhibit A:

- a. The United States may satisfy the Default Obligations or any portion thereof by offset of any monies payable to AMR-MA, AMR and/or their subsidiaries, divisions or affiliates by any department, agency, or agent of the United States, and AMR and AMR-MA agree that they will not contest the fact or amount of the judgment except based on payment in accordance with Paragraph 1 above, lack of notice in accordance with Paragraph 3 above, or full satisfaction of the Default Obligations;
 - b. The United States may enforce the Confession of Judgment, attached as Exhibit B, as set forth in the Promissory Note attached as Exhibit A, and AMR and AMR-MA agree that they will not contest the fact or amount of the judgment except based on payment in accordance with Paragraph 1 above, lack of notice in accordance with Paragraph 3 above, or full satisfaction of the Default Obligations;
- and

- c. In addition to the rights enumerated in Paragraphs 5.a. and 5.b., above, in the Event of Default the United States retains any and all other rights and claims it has or may have under law and equity.
6. In the event of an Event of Default under Paragraph 2.b. above (Commencement of Bankruptcy or Reorganization Proceeding):
- a. In accordance with the terms of the attached Promissory Note (including its confession of judgment provision), the United States shall have an allowed claim in the amount of forty million dollars (\$40,000,000), less two times the amount of any payments of principal and interest already made to the United States under Paragraph 1 above, plus an annual interest rate of prime (as published in the Wall Street Journal on the Effective Date of this Agreement as defined in Paragraph 33) plus 5% from the Effective Date of this Agreement, plus other costs and fees as set forth in the Promissory Note and accompanying confession of judgment. AMR and AMR-MA agree not to dispute the validity or amount of this claim subject only to being provided with calculations in support of the amount of the claim. AMR and AMR-MA further agree not to seek subordination of the United States' claim;
- b. AMR and AMR-MA agree not to contest or oppose any motion filed by the United States seeking relief from or modification of the automatic stay of 11 U.S.C. § 362(a) nor to seek relief under 11 U.S.C. § 105 to enjoin or restrain the United States from recovering monies owed by AMR and AMR-MA arising out of this Agreement or the attached Promissory Note, or recovering monies through the offset of monies otherwise due to AMR and/or AMR-MA, and their subsidiaries, from any federally-funded health care program. AMR and AMR-

MA recognize that this express waiver is in consideration for the settlement of claims by the United States relating to the Covered Conduct, under the terms and conditions contained in this Settlement Agreement;

- c. This Agreement shall be voidable at the sole option of the United States with the exception of the releases granted in paragraphs 7, 8 and 11 to ASA and Brewster and to related entities and individuals and the timing of those releases as provided in paragraph 12.
 - d. If any terms of this Agreement are set aside for any reason, including as a result of a preference action brought pursuant to 11 U.S.C. § 547, the United States, at its sole option and in its discretion, may rescind all terms of this Agreement, with the exception of the releases granted in paragraphs 7, 8 and 11 to ASA and Brewster and to related entities and individuals and the timing of those releases as provided in paragraph 12, or in the alternative enforce the remaining terms of this Agreement, or in the alternative enforce the Confession of Judgment. In the event of rescission of this Agreement, all Parties reserve all rights, claims, and defenses that are available to them under law and equity as of the Effective Date of this Agreement except that AMR and AMR-MA agree that they will not plead, argue or otherwise raise any defenses under the theories of statute of limitations, laches, estoppel or similar theories based on the passage of time between the Effective Date of this Agreement and the date of rescission of the Agreement; and
 - e. In addition to the rights enumerated in Paragraph 6.a. through 6.d. above, the United States and all other Parties shall retain all rights and claims they have or may have under law and equity.
7. a. Subject to the exceptions in Paragraph 9, below, in consideration of the

obligations of AMR and AMR-MA set forth in this Agreement, conditioned upon AMR's and AMR-MA's payment in full of the Settlement Amount, and subject to Paragraph 25, below (concerning bankruptcy proceedings commenced within 91 days of the effective date of this Agreement), the United States (on behalf of itself, its officers, agents, agencies and departments) agrees to release the Ambulance Providers, their parent, successor and subsidiary corporations, and their present and former shareholders, officers, directors, employees, partners, predecessors, successors and assigns from any civil or administrative monetary claim 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.

b. In consideration of the obligations of AMR and AMR-MA set forth in this Agreement, conditioned upon AMR's and AMR-MA's payment in full of the Settlement Amount, and subject to Paragraph 25, below (concerning bankruptcy proceedings commenced within 91 days of the effective date of this Agreement), the United States (on behalf of itself, its officers, agents, agencies and departments), and AMR agree to revoke as if never executed the Tolling Agreement (dated November 1, 1999) which the parties entered into for purposes of permitting the government to complete its investigation and discuss settlement.

8. In consideration of the obligations of AMR and AMR-MA set forth in this Agreement, conditioned upon AMR's and AMR-MA's payment in full of the Settlement Amount, and subject to Paragraph 25, below (concerning bankruptcy proceedings commenced within 91 days of the effective date of this Agreement), the HHS-OIG agrees to release and refrain from instituting, directing or maintaining any administrative action seeking exclusion from the Medicare, Medicaid or other Federal health care programs (as defined in 42 U.S.C. §

1320a-7b(f) against the Ambulance Providers, their parent, successor or subsidiary corporations, or their present or former shareholders, officers, directors, partners, successors or assigns 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, except as reserved in Paragraph 9, below, and as reserved in this Paragraph. The HHS-OIG expressly reserves all rights to comply with any statutory obligations to exclude the Ambulance Providers, their parent, successor or subsidiary corporations, or their present or former shareholders, officers, directors, partners, predecessors, successors or assigns from the Medicare, Medicaid or other Federal health care program under 42 U.S.C. Section 1320a-7(a)(mandatory exclusion) based upon the Covered Conduct. Nothing in this Paragraph precludes the HHS-OIG from taking action against entities or persons, or for conduct and practices, for which civil claims have been reserved in Paragraph 9, below.

9. 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 AMR and AMR-MA) 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, including those obligations created by the Corporate Integrity Agreement attached as Exhibit C;

- f. Any express or implied warranty claims or other claims for defective or deficient products or services, including quality of goods and services, provided by the Ambulance Providers excluding claims based on the Covered Conduct; and
- g. Any claims based on a failure to deliver items or services due, excluding claims based on the Covered Conduct.

10. AMR and AMR-MA have entered into a Corporate Integrity Agreement with HHS, attached at Exhibit C, and incorporated herein by reference. AMR and AMR-MA will immediately upon the Effective Date of this Agreement begin implementing their obligations under the Corporate Integrity Agreement.

11. Relators each agree that the settlement of the Civil Action is fair, adequate and reasonable under all the circumstances, pursuant to 31 U.S.C. § 3730(c)(2)(B). On the United States' receipt of payment made pursuant to Paragraph 1, or in the Event of Default followed by payment under Paragraphs 4, 5 and/or 6 hereunder, Relators, for themselves, their heirs, successors and assigns, will release and will be deemed to have released the Ambulance Providers, their parent, successor, subsidiary, and affiliate corporations, and their present and former shareholders, officers, directors, employees, partners, subsidiaries, predecessors, successors and assigns from any and all causes of action, known or unknown, including, but not limited to, any and all causes of action related to:

- a. any civil claims that Relators asserted or could have asserted under the False Claims Act, common law, the Program Fraud Civil Remedies Act or any other statute creating causes of action for civil relief for the conduct alleged in the Civil Action; and
- b. any liability or claim for relief arising from the claims that Relators asserted or

could have asserted in the Massachusetts Superior Court case styled American Medical Response of Massachusetts, Inc. v. Susan Caporaletti, et al. (Civil No. 98-2357); and

- c. any other causes of action Relators have or may assert against the Ambulance Providers, whether known or unknown, as of the Effective Date of this Agreement.

12. In consideration of the agreement by ASA and Brewster, pursuant to Paragraph 1, above, to authorize the immediate payment of a portion of the Settlement Amount directly to the United States from the escrow accounts specified in the attached Promissory Note; the United States, HHS-OIG and the Relators agree that their respective releases of ASA, Brewster their predecessors and former subsidiaries and affiliates, and their respective former shareholders, officers, directors, employees and partners, as set forth in Paragraphs 7, 8 and 11 and related provisions of this Agreement, shall take effect upon receipt by the United States of said escrow funds and may not subsequently be rescinded, voided or otherwise modified. Notwithstanding the foregoing, to the extent that AMR, AMR-MA or their parent, successor or subsidiary corporations would be liable, as successors or otherwise, for conduct committed by ASA, Brewster, their predecessor or subsidiary companies or their present or former shareholders, officers, directors, employees or partners, said liability shall not be extinguished by virtue of this paragraph but rather shall be governed by the remaining provisions of this Agreement.

13. The United States agrees to pay Relators, collectively, 18.875% of the Settlement Amount in a total principal amount of three million, seven hundred seventy-five thousand dollars (\$3,775,000). The United States will pay the Relators 18.875% of the payments made by AMR and AMR-MA toward the Settlement Amount as those payments are received by the United States, plus 18.875% of the interest paid by AMR and AMR-MA for any payments made over

time in accordance with the terms of the attached Promissory Note. The United States will make these payments to Relators from the amounts paid by AMR and AMR-MA, and will make the first payment to Relators within a reasonable time after the first payment is received from AMR and AMR-MA, and subsequent payments to the Relators within a reasonable time after each additional payment is received by the United States, by wire transfer to each of the Relators in accordance with instructions to be provided by Relators' counsel as directed by the United States Department of Justice. Relators, for themselves individually, and for their respective heirs, successors, and assigns, will release and will be deemed to have released and forever discharged the United States from any claims pursuant to 31 U.S.C. § 3730, including 31 U.S.C. §§ 3730(b), (c), (d) and (d)(1), for a share of the proceeds of the Civil Action, from any claims for a share of the Settlement Amount, and from any claims arising from the filing of their Civil Action, and in full settlement of claims under this Agreement. This Agreement does not resolve or in any manner affect any claims the United States has or may have against the Relators arising under Title 26, U.S. Code (Internal Revenue Code), or any claims arising under this Agreement.

14. After this Agreement is fully executed, the United States and the Relators will notify the Court that all pertinent Parties have stipulated that, to the extent alleged in Preamble Paragraphs F, G, H and I only, the Civil Action shall be dismissed with prejudice effective upon receipt by the United States of the payments described in Paragraph 1 above, pursuant to and consistent with the terms of this Agreement. The United States and the Relators also will notify the Court that all pertinent Parties have stipulated that the remaining claims by the Relators in the Civil Action, to the extent not alleged in Preamble Paragraphs F, G, H and I, shall be dismissed with prejudice as to the Relators and without prejudice as to the United States. The Parties agree that the United States District Court for the District of Massachusetts shall maintain jurisdiction

of the Civil Action in the event of any Events of Default, as defined in Paragraph 2, and in the event of any other disputes under this Agreement.

15. Effective upon the filing of the notice of dismissal described in Paragraph 14, AMR and AMR-MA, on behalf of themselves and their parent, predecessor, successor, subsidiary, and affiliate corporations, hereby release the Relators, their agents, attorneys, predecessors, successors and assigns, as well as the remaining defendants in the Massachusetts Superior Court case identified in paragraph (b.) below, i.e., Metro Credit & Collections, Thomas Fyffe, Susan Fyffe, and Shirley Brooks, their agents, attorneys, predecessors, successors and assigns, from any and all causes of action, known or unknown, including, but not limited to:

- a. any civil claims that these corporations have or may have related to or arising from any of the allegations in the Civil Action; and
- b. any liability or claim for relief arising from the claims that were asserted or that could have been asserted in the Massachusetts Superior Court (Middlesex, ss.) case styled American Medical Response of Massachusetts, Inc. v. Susan Caporaletti, et al. (Civil No. 98-2357), including but not limited to claims arising out of Relators' and other named defendants' employment with these corporations; and
- c. any other causes of action that these corporations have or may assert against the Relators, whether known or unknown, as of the Effective Date of this Agreement.

16. AMR and AMR-MA have provided financial disclosure materials ("Financial Materials") to the United States and the United States has relied on the accuracy and completeness of those Financial Materials in reaching this Agreement. AMR and AMR-MA warrant that the Financial Materials are thorough, accurate, and complete. AMR and AMR-MA further warrant that they made no misrepresentations on, or in connection with, the Financial

Materials. In the event the United States learns of material misrepresentations by AMR and/or AMR-MA on, or in connection with, the Financial Materials,, the United States may at its option treat such material misrepresentations as an Event of Default under Paragraph 2 of this Agreement and will have available all procedures and remedies provided by this Agreement in the case of Events of Default, including the procedures and remedies specified in Paragraphs 3, 4 and 5.

17. AMR and AMR-MA waive and will not assert any defenses that 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 Constitution, or under the Excessive Fines Clause in the Eighth Amendment of the Constitution, this Settlement bars a remedy sought in such criminal prosecution or administrative action. AMR and AMR-MA agree that this settlement is not punitive in purpose or effect. Nothing in this paragraph or in 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.

18. AMR and AMR-MA, on behalf of themselves and their parent, predecessor, successor, subsidiary, and affiliate corporations, hereby fully and finally release, waive and forego any and all claims or causes of action that they have or may have against the Relators, their agents, attorneys, predecessors, successors and assigns, and the United States and its agencies, agents and/or employees related to or arising from the settlement of this matter, including, without limitation, any claims for damages, costs, expenses or attorneys' fees for the United States' investigation of the allegations made by the Relators in the Civil Action, the pursuit of criminal and civil actions pertaining to those allegations, and any claims under the

Privacy Act, 5 U.S.C. § 552a.

19. The Settlement Amount that AMR and AMR-MA must pay pursuant to this Agreement by electronic wire transfer 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 any State payer, and AMR and AMR-MA agree not to resubmit to any Medicare carrier or intermediary or any State payer any previously denied claims related to the Covered Conduct, and agree not to appeal any such denials of claims.

20. The Ambulance Providers 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. §§ 1395-1395ggg and 1396-1396v, and the regulations promulgated thereunder) incurred by or on behalf of Ambulance Providers, and their parents, subsidiaries, affiliates and divisions, and their present and former officers, directors, employees, shareholders and agents in connection with: (1) the matters covered by this Agreement; (2) the Government's audit(s) and civil and criminal investigations of the matters covered by this Agreement; (3) the Ambulance Providers' investigation, defense, and corrective actions undertaken in response to the Government's audit(s) and civil and criminal investigations in connection with the matters covered by this Agreement (including attorney's fees), including the obligations undertaken pursuant to the Corporate Integrity Agreement incorporated in this Agreement; (4) the negotiation of this Agreement; (5) the payments made pursuant to this Agreement; and (6) the negotiation of and obligations undertaken pursuant to the Corporate Integrity Agreement to retain a review organization to perform annual reviews as described in Section III of the Corporate Integrity Agreement and prepare and submit reports to HHS-OIG, 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)

(hereafter, "unallowable costs"). These unallowable costs will be separately estimated and accounted for by the Ambulance Providers, and the Ambulance providers 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 AMR or AMR-MA to the Medicare, Medicaid, TRICARE, VA or FEHBP programs.

21. The Ambulance Providers further agree that within 60 days of the effective date of this Agreement they will identify to any and all applicable Medicare and TRICARE fiscal intermediaries, carriers and/or contractors, and Medicaid, VA and FEHBP fiscal agents, any unallowable costs (as defined in the preceding 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 the Ambulance Providers, 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. The Ambulance Providers agree that the United States will be entitled to recoup from them 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. The United States reserves its rights to disagree with any calculations submitted by the Ambulance Providers on the effect of inclusion of unallowable costs (as defined in the preceding paragraph) on the Ambulance Providers' 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 and the preceding Paragraph.

22. This Agreement is intended to be for the benefit of the Parties, the Ambulance Providers, their parent, successor and subsidiary corporations, and their present and former shareholders, officers, directors, employees, partners, successors and assigns only, and by this instrument the Parties do not release any claims against any other person or entity.

23. AMR and AMR-MA agree that they will not seek payment for any of the health care billings covered by this Agreement from any health care beneficiaries or their parents, sponsors, estates, heirs, successors, assigns or representatives. AMR and AMR-MA waive any causes of action against these beneficiaries or their parents, sponsors, estates, heirs, successors, assigns or representatives based upon the claims for payment covered by this Agreement.

24. AMR and AMR-MA 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 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 AMR and AMR-MA, 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.

25. In the event AMR or AMR-MA commences, or a third party commences, within 91 days of the effective date of this Agreement, any case, proceeding, or other action: under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have any order for relief of AMR's or AMR-MA's debts, or seeking to adjudicate AMR or AMR-MA as bankrupt or insolvent; or seeking appointment of a receiver, trustee, custodian or other similar

official for AMR or AMR-MA or for all or any substantial part of AMR's or AMR-MA's assets, AMR and AMR-MA agree as follows:

- a. AMR's and AMR-MA's obligations under this Agreement may not be avoided pursuant to 11 U.S.C. § 547, and AMR and AMR-MA will not argue or otherwise take the position in any such case, proceeding or action that: (i) their obligations under this Agreement may be avoided under 11 U.S.C. § 547; (ii) they were 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 AMR and AMR-MA.
- b. In the event that AMR's and AMR-MA'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 AMR and AMR-MA for the claims that would otherwise be covered by the releases provided in Paragraphs 7 and 8, above; provided, however, that nothing herein shall permit the United States to rescind the releases granted in paragraphs 7, 8 and 11 to ASA and Brewster and to related entities and individuals and the timing of those releases as provided in paragraph 12. If the United States chooses to do so, AMR and AMR-MA agree that (i) any such claims, actions or proceedings brought by the United States (including any proceedings to exclude AMR and/or AMR-MA 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 AMR and AMR-MA will

not argue or otherwise contend that the United States' claims, actions or proceedings are subject to an automatic stay; (ii) that AMR and AMR-MA 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 21 calendar days of written notification to AMR and AMR-MA that the releases herein have been rescinded pursuant to this Paragraph; and (iii) the United States has a valid claim against AMR and AMR-MA in the amount of \$40,000,000, less two times the amount of any payments of principal and interest already made to the United States under Paragraph 1 above, plus an annual interest rate of prime (as published in the Wall Street Journal on the Effective Date of this Agreement as defined in Paragraph 33) plus 5% from the Effective Date of this Agreement, plus other costs and fees as set forth in the attached Promissory Note (and accompanying confession of judgment), 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. AMR and AMR-MA acknowledge that their agreements in this Paragraph are provided in exchange for valuable consideration provided in this Agreement.

26. Except as otherwise specified, 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.

27. AMR and AMR-MA represent that this Agreement is freely and voluntarily entered into without any degree of duress or compulsion whatsoever.

28. The Relators represent that they are of sound mind, and are entering into this

agreement knowingly and voluntarily, and not under conditions of coercion or duress, and after obtaining advice of counsel.

29. 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 under this Agreement will be the United States District Court for the District of Massachusetts (Eastern Section), except that disputes arising under the Corporate Integrity Agreement shall be resolved pursuant to the dispute resolution procedure set forth in the Corporate Integrity Agreement.

30. This Agreement and the Corporate Integrity Agreement that is incorporated herein by reference constitute the complete agreement between the Parties. This Agreement may not be amended except by written consent of the Parties except that only AMR, AMR-MA and HHS-OIG must agree in writing to modification of the Corporate Integrity Agreement.

31. The undersigned AMR and AMR-MA signatories represent and warrant that they are authorized by their respective Board of Directors 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.

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

33. This Agreement is effective on the date of signature of the last signatory to the Agreement (the "Effective Date").

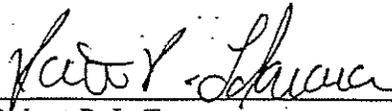
34. This Agreement shall be binding upon the Parties, their successors, assigns, and heirs.

35. AMR, AMR-MA and the Relators hereby consent to the United States' disclosure of this Agreement, and information about this Agreement, to the public.

AMERICAN MEDICAL RESPONSE, INC.

By: _____ Dated: _____
ANTHONY O. BOSWELL, ESQ.
Compliance Officer and Corporate Counsel

AMERICAN MEDICAL RESPONSE OF MASSACHUSETTS, INC.

By:  Dated: 6/3/02
Robert P. LaTorraca
President and Chief Executive Officer

Acknowledged:

By: _____ Dated: _____
As counsel to AMR and AMR-MA
James J. Graham, Esq.
James D. Wareham, Esq.
Jones, Day, Reavis & Pogue

of this Agreement, and information about this Agreement, to the public.

AMERICAN MEDICAL RESPONSE, INC.

By: Anthony O Boswell Dated: 5/31/02
ANTHONY O. BOSWELL, ESQ.
Compliance Officer and Corporate Counsel

AMERICAN MEDICAL RESPONSE OF MASSACHUSETTS, INC.

By: _____ Dated: _____
Robert P. LaTorraca
President and Chief Executive Officer

Acknowledged:

By: James J. Graham Dated: 6-4-02
As counsel to AMR and AMR-MA
James J. Graham, Esq.
James D. Wareham, Esq.
Jones, Day, Reavis & Pogue

AMBULANCE SYSTEMS OF AMERICA, INC. (and its shareholders)

By: Mark Robinson
MARK ROBINSON, ESQ.
Bingham, Dana & Gould

Dated: 6-4-02

By: Robert Sherman
ROBERT SHERMAN, ESQ.
Hutchins, Wheeler & Dittmar

Dated: 6/3/02

Counsel for ASA and its shareholders

BREWSTER AMBULANCE SERVICES, INC.

By: _____
ROBERT LAUNIE, ESQ.
Lauhie & Marino
Counsel for Brewster Ambulance Services, Inc.

Dated: _____

AMBULANCE SYSTEMS OF AMERICA, INC. (and its shareholders)

By: _____
MARK ROBINSON, ESQ.
Bingham, Dana & Gould

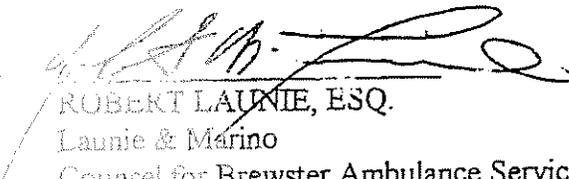
Dated: _____

By: _____
ROBERT SHERMAN, ESQ.
Hutchins, Wheeler & Dittmar

Dated: _____

Counsel for ASA and its shareholders

BREWSTER AMBULANCE SERVICES, INC.

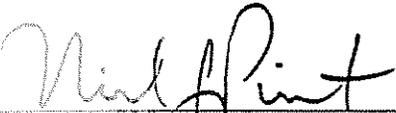
By: 
ROBERT LAUNIE, ESQ.
Launie & Marino
Counsel for Brewster Ambulance Services, Inc.

Dated: 6/4/02

By: 
GEORGE W. BREWSTER
Authorized Signature

Dated: 6-4-02

UNITED STATES OF AMERICA

By: 
MICHAEL J. PINEAULT
Assistant United States Attorney
District of Massachusetts

Dated: 6/4/02

By: 
JAMIE YAVELBERG
Civil Division
United States Department of Justice

Dated: 5/31/02

By: _____
LEWIS MORRIS
Assistant Inspector General
Office of Counsel to the Inspector General
Office of Inspector General
U.S. Department of Health and Human Services

Dated: _____

UNITED STATES OF AMERICA

By: _____
MICHAEL J. PINEAULT
Assistant United States Attorney
District of Massachusetts

Dated: _____

By: _____
JAMIE YAVELBERG
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
U.S. Department of Health and Human Services

Dated: 5/29/02

RELATORS ROBIN A. RAU AND SUSAN (CAPORALETTI) MURRAY

By: Robin Rau
ROBIN A. RAU

Dated: 5/31/02

By: Susan (Caporaletti) Murray
SUSAN (CAPORALETTI) MURRAY

Dated: 6/3/02

Acknowledged:

By: Richard G. Pichette
RICHARD G. PICHETTE, ESQ.

Dated: 6/4/02

By: Michael G. West
MICHAEL G. WEST, ESQ.

Dated: 6/3/02

By: Kevin J. McAllister
KEVIN J. MCALLISTER, ESQ.

Dated: 6/3/02

Counsel to the Relators