

COPY

SETTLEMENT AGREEMENT

This Settlement Agreement (Agreement") is entered into between the qui tam Relator Barry Steeley and Community Hospital of Watervliet ("Community") (hereinafter "the Parties") through their authorized representatives in settlement and compromise of the matter United States ex rel. Barry Steeley v. Community Hospital of Watervliet, Michigan, Civ. A. No. 3:97-0893, currently pending in the United States District Court for the Middle District of Tennessee.

WHEREAS Community is a provider of hospital services located at Medical Park Drive, Watervliet, MI 49090.

WHEREAS on or around August 25, 1997, Barry Steeley (hereinafter "Relator") filed a qui tam complaint under seal alleging violations of the False Claims Act by Community in the case styled United States ex rel. Barry Steeley v. Birman Managed Care, Inc., et al., Civil Action No. 3:97-0893 (M.D. Tenn.) (the "Qui Tam Action").

WHEREAS Relator contends that Community submitted or caused to be submitted, false claims for payment to the Medicare Program ("Medicare"), Title XVIII of the Social Security Act, 42 U.S.C. §§ 1395-1395ggg and to the Medicaid program (codified in 42 U.S.C. §§ 1396-1396v, Title XIX of the Social Security Act, as amended) for the inpatient treatment of Medicare beneficiaries.

WHEREAS Relator alleges specifically that beginning on or about January 1, 1996 through December 31, 1997 Community submitted, or caused to be submitted, false claims to Medicare with the principal diagnosis codes for Diagnostic Related Group (DRG) 79 (respiratory infections and inflammations age >17 w/cc) that were not supported by the corresponding medical records (hereinafter "the Covered Conduct").

intermediary or any state payer any previously denied claims related to the Covered Conduct, and agrees not to appeal any such denials of claims.

3. Upon confirmation of payment of the Relator's share by the United States, Relator will cause to be filed in the United States District Court for the Middle District of Tennessee a stipulation dismissing with prejudice as to the Relator all of the claims Relator asserted, or could have asserted against Community.

4. This Agreement is intended to be for the benefit of the Relator and Community, and their successors and assigns, only and by this instrument the Relator and Community do not release any claims against any other person or party. This agreement is not intended to be for the benefit of Birman Managed Care, Inc., Birman & Associates, Inc., and David N. Birman, MD, and by this instrument the Relator does not release any claims against Birman Managed Care, Inc., Birman & Associates, Inc., and David N. Birman, MD.

5. Conditioned on Community's payment in full of the Settlement Amount discussed in Paragraph 1, Relator shall receive from the United States a payment amounting to \$22,950 (27% of the Settlement Amount). The United States shall pay Relator this amount within a reasonable time after Community pays the Settlement Amount. It is expressly understood and agreed that the United States in no way promises, guarantees, nor is it liable to Relator for the collection or payment of any funds pursuant to this Agreement or the payment or any Relator's share payments except as provided herein for funds actually collected and received by the United States.

6. On receipt of the payment described in Paragraph 5 above, Relator shall release and shall be deemed to have released and forever discharged Community and the

United States, its officers, agents, and employees from any liability arising from the filing of the complaint in the Qui Tam Action as against Community, including any claim pursuant to 31 U.S.C. § 3730(d) to a share of any settlement proceeds received from Community, and in full satisfaction and settlement of claims under this Agreement. The Relator agrees and confirms that this Agreement is fair, adequate, and reasonable under all the circumstances, pursuant to 31 U.S.C. § 3730(c)(2)(B).

7. Relator and Community shall bear their own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement. In addition, the Relator and Community, for himself, themselves, and for their heirs, successors, attorneys, agents and assigns, agree to mutually release each other from any liability arising from the filing of the Qui Tam Action, or under 31 U.S.C. § 3730(d), for expenses and attorney's fees and costs.

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

9. 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 shall be in the United States District Court for the Middle District of Tennessee.

10. This Agreement constitutes the complete agreement between the Parties. This Agreement may not be amended except by written consent of the Parties.

11. The United States reserves the right to disclose this Agreement, and information about this Agreement, to the public.

12. The undersigned individuals signing this Agreement on behalf of Community represent and warrant that they are authorized to execute this Agreement on behalf of Community.

13. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same agreement. A facsimile copy is as good as an original.

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

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

COMMUNITY HOSPITAL OF WATERVLIET

DATED: 12/31/03

BY: David McMann
David McMann
Its President

RELATOR BARRY STEELEY

DATED: 01/16/04

Barry Steeley
Barry Steeley