

### SETTLEMENT AGREEMENT

#### I. PARTIES

1. This Agreement is entered into between the United States of America (acting, through the United States Department of Justice), Moore Medical Corp. (Moore), and Jayne Sieg. Sieg) (collectively the Parties).

#### II. RECITALS

2. In mid-1997, Moore disclosed to the United States Department of Veterans Affairs (VA) that Moore had violated the pricing clauses of Federal Supply Schedule (FSS) contract nos. V797P-5576m, V797P-3137k (the Contracts), entered into by and between the VA and Moore, to sell pharmaceutical products and medical/surgical items (disclosure). On or about November 17, and 29, 1997, Moore submitted reports to the VA on these pricing violations (reports).

3. Sieg instituted *United States ex rel. Sieg v. Moore Medical, Inc.*, Civil No. 3:98 CV 954(CFD) (D. CT) [Under Seal] (the suit). The Court has partially lifted the seal on the suit so that the United States and Moore could have settlement discussions.

4. The United States, Moore, and Sieg desire to resolve the matters set forth in the disclosure, reports, and the suit without further litigation. Nothing in this Settlement Agreement shall be construed as an admission of fact, liability, or wrongdoing, or as a waiver of any rights or legal defenses by Moore or its respective current and former directors, officers, employees, agents, businesses, divisions, subsidiaries, affiliates, parents, successors and assigns.

#### III. TERMS

5. Moore shall pay the United States \$5.2 million (settlement amount). The settlement amount shall be paid pursuant to a promissory note in the form of Exhibit A, that Moore agrees to execute contemporaneously with this settlement agreement (Note). Further, the Note shall be partially secured pursuant to a Letter of Credit No. ASL-3005090-110mm, in the form of Exhibit B, that Moore agrees to cause to be issued contemporaneously with this Settlement Agreement. Moore may, with the prior written approval of the United States, cause to be issued a substitute Letter of Credit of like terms and conditions. Interest shall accrue on the unpaid settlement amount as indicated in the Note. Collectively the settlement amount and interest received by the United States shall be referred to as the settlement proceeds. The settlement proceeds shall be payable by electronic funds transfer as instructed by the Office of the United States Attorney for the District of Connecticut (USAO). The USAO will provide to Moore the instructions for electronic funds transfer at least 3 business days prior to the date set forth in the Note for the payment of the down-payment.

6. The United States shall have no further civil monetary claim or administrative monetary claim against Moore, its present or former stockholders, officers, directors, affiliates,

If the Letter of Credit expires before the entire outstanding balance due under the Note is paid, Moore shall cause to be issued a substitute Letter of Credit of like terms and conditions. JMH

21. Moore waives and will not assert any defenses it may have to any criminal prosecution or administrative action relating to the matters covered in this Settlement Agreement, 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 Agreement bars a remedy sought in such criminal prosecution or administrative action. Moore agrees that this Settlement Agreement is not punitive in purpose or effect. Nothing in this paragraph or any other provision of this Settlement 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. Sieg fully releases and discharges Moore and all present and former directors, officers, employees, agents, businesses, divisions, subsidiaries, affiliates, stockholders, successors, and assigns from any and all claims, debts, liabilities, demands, obligations, guarantees, investigative costs, expenses, attorneys' fees, damages, forfeitures, penalties, actions and causes of action, of whatever kind or nature, whether known or unknown, fixed or contingent, that Sieg had, may now have or may in the future have against Moore and any other such persons, in contract or in tort, or under state or federal statute or common law, whether or not as alleged in the suit, for any and all acts, omissions, or events occurring prior to the date of execution of this Settlement Agreement. Sieg recognizes that under paragraph 8 of this Settlement Agreement, Sieg's share of the settlement proceeds shall be paid by the United States. She agrees, therefore, not to seek to recover any of Sieg's share from Moore unless Moore defaults in paying the settlement proceeds to the United States. Nothing in this paragraph shall be construed to give Sieg any right against Moore that Sieg does not otherwise have.

23. Moore expressly warrants that it has reviewed its financial situation and that it currently is solvent within the meaning of 11 U.S.C. Section 547(b)(3), and will remain solvent following its payment to the United States hereunder. Further, the Parties expressly warrant that, in evaluating whether to execute this Settlement 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 Moore, within the meaning of 11 U.S.C. Section 547(c)(1), and (b) have concluded that these mutual promises, covenants and obligations do, in fact, constitute such a contemporaneous exchange.

24. In the event Moore commences, or a thirty party commences, within 91 days of the effective date of this Agreement, any case, proceeding, or other action (1) under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have any order for relief of Moore's debts, or seeking to adjudicate Moore as bankrupt or insolvent, or (2) seeking appointment of a receiver, trustee, custodian or other similar official for Moore or for all or any substantial part of Moore's assets, Moore agrees as follows:

a. The settlement amount set forth in this Settlement Agreement represents a compromise figure predicated on the financial state of Moore at the time of this

Settlement Agreement. In the event that Moore institutes a proceeding or other action described in this Paragraph 24, this settlement amount does not constitute a waiver by the United States of its right to seek the full amount of single damages it deems to be due and owing, which Moore agrees totals at least \$3,000,000 plus civil penalties.

b. Moore's obligations under this Settlement Agreement may not be avoided pursuant to 11 U.S.C. Section 547, and Moore will not argue or otherwise take the position in any such case, proceeding or action that: (i) Moore's obligations under this Settlement Agreement may be avoided under 11 U.S.C. Section 547; (ii) Moore was insolvent at the time this Settlement 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 Settlement Agreement do not constitute a contemporaneous exchange for new value given to Moore.

c. In the event that Moore's obligations hereunder are avoided for any reason, including, but not limited to, through the exercise of a trustee's avoidance powers under the Bankruptcy Code, the United States, at its sole option, may rescind the releases in this Settlement Agreement, and bring any civil and/or administrative claim, action or proceeding against Moore for the claims that would otherwise be covered by the releases provided herein. If the United States chooses to do so, Moore agrees that (i) any such claims, actions or proceedings brought by the United States (including any proceedings to exclude Moore from participation in federal programs or contracts) 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 Moore will not argue or otherwise contend that the United States' claims, actions or proceedings are subject to an automatic stay; (ii) Moore will not plead, argue or otherwise raise any defenses under the theories of statute of limitations, laches, estoppel or similar theories, to any such civil or administrative claims, actions or proceeding which are brought by the United States within one hundred eighty (180) calendar days of written notification to Moore that the releases herein have been rescinded pursuant to this Paragraph, except to the extent such defenses were available on November 8, 1999, the date Moore executed a Statute of Limitations Tolling Agreement, or the date the suit was filed under seal as the case may be; and (iii) the United States may pursue its claim, inter alia, in the cases, actions or proceedings referenced in subparagraph a of this Paragraph, as well as in any other case, action, or proceeding.

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

25. Each party reserves the right to enforce any claim[s] or cause of action[s] that is/are created by this Settlement Agreement.

26. The parties shall bear their own respective costs and fees related to the matters covered by this Settlement Agreement.

27. This Settlement Agreement may not be changed, altered, or modified, except in writing signed by all parties hereto. This Settlement Agreement may not be discharged except by performance in accordance with its terms or by a writing signed by all Parties.

28. Each person who signs this Settlement Agreement in a representative capacity warrants that he/she is duly authorized to do so.

29. This Settlement Agreement is effective on the date it has been executed by all the Parties.

30. This Settlement Agreement supercedes any prior and contemporaneous understandings and agreements and contains the entire agreement of the Parties with respect to the subject matter herein.

31. This Settlement Agreement may be executed in counterparts, and all counterparts together shall be construed as one Settlement Agreement.

MOORE MEDICAL CORP.

UNITED STATES OF AMERICA

by:



LINDA M. AUTORE  
President and CEO

January 1, 2001

February  
2001

by:

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RICHARD G. VARTAIN  
Trial Attorney  
Commercial Litigation Branch  
Civil Division  
January \_\_, 2001

HOGAN & HARTSON, L.L.P.

STEPHEN C. ROBINSON  
United States Attorney for the  
District of Connecticut

by:

by

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ROBERT J. KENNEY, JR., Esquire  
Attorney for Moore Medical, Corp.  
January \_\_, 2001

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JAMES K. FILAN  
Assistant United States Attorney  
January \_\_, 2001

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JAYNE SIEG  
January \_\_, 2001

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DAVID BEIZER, Esquire  
Beizer and Weintraub  
345 North Main Street  
West Hartford, CT 06117  
Sieg's counsel  
January \_\_, 2001

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UNITED STATES OF AMERICA

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LINDA M. AUTORE  
President and CEO  
January \_\_, 2001

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RICHARD G. VARTAIN  
Trial Attorney  
Commercial Litigation Branch  
Civil Division  
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HOGAN & HARTSON, L.L.P.

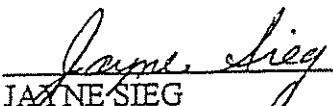
STEPHEN C. ROBINSON  
United States Attorney for the  
District of Connecticut


by:

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ROBERT J. KENNEY, JR., Esquire  
Attorney for Moore Medical, Corp.  
January \_\_, 2001

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JAMES K. FILAN  
Assistant United States Attorney  
January \_\_, 2001

  
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JAYNE SIEG  
January 7, 2001  
Feb 7

  
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Sieg's counsel  
January 7, 2001  
Feb 7

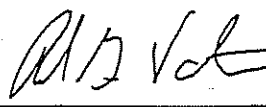
MOORE MEDICAL CORP.

UNITED STATES OF AMERICA

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LINDA M. AUTORE  
President and CEO  
January \_\_, 2001

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\_\_\_\_\_  
RICHARD G. VARTAIN  
Trial Attorney  
Commercial Litigation Branch  
Civil Division

*R.V.* January 1, 2001 *R.V.*  
*February*

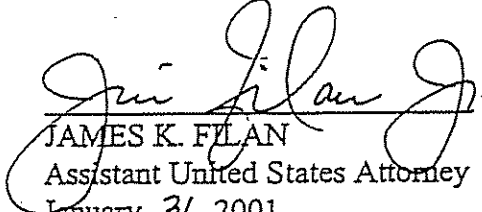
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STEPHEN C. ROBINSON  
United States Attorney for the  
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by:

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ROBERT J. KENNEY, JR., Esquire  
Attorney for Moore Medical, Corp.  
January \_\_, 2001

by

  
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JAMES K. FILAN  
Assistant United States Attorney  
January 31, 2001

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JAYNE SIEG  
January \_\_, 2001

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January \_\_, 2001