

## **SETTLEMENT AGREEMENT**

This Settlement Agreement (“Agreement”) is entered into among the United States of America, acting through the United States Department of Justice and on behalf of the United States Small Business Administration (“SBA”), (collectively, the “United States”), Carson Tahoe Health System, Carson Tahoe Physician Clinics, and Carson Tahoe Continuing Care Hospital, (collectively, “Defendants”), and GNGH2, Inc. (“Relator”), (collectively referred to as “the Parties”) through their authorized representatives.

### **RECITALS**

A. Carson Tahoe Health System is Nevada non-profit corporation and located at 1600 Medical Pkwy, Carson City, Nevada 89703.

B. Carson Tahoe Physician Clinics (doing business as Carson Tahoe Medical Group) is a Nevada corporation located in Carson City, Nevada.

C. Carson Tahoe Continuing Care Hospital is a Delaware non-profit corporation located in Carson City, Nevada.

D. Carson Tahoe Health System currently and wholly owns University of Utah Health Regional Network, LLC; Carson Tahoe Regional Health Care; Carson Tahoe Physician Clinics (which will convert to CTH Physician Clinics, Inc., in January 2025); Carson Tahoe Physician Hospital Organization, LLC; Carson Tahoe Continuing Care Hospital; and Carson Tahoe Radiation Oncology Associates, LLP.

E. On or about April 14, 2020, Carson Tahoe Health System submitted to U.S. Bank three applications for Small Business Administration loans under the Paycheck Protection Program (“PPP”), enacted by Section 1102 of the CARES Act, Pub.

L. No. 116-136 (March 27, 2020). The applications requested “First Draw” PPP loans on behalf of each of the three Defendants: Carson Tahoe Physician Clinics’ application requested \$2,095,980; Carson Tahoe Health System’s application requested \$2,346,499; and Carson Tahoe Continuing Care Hospital’s application requested \$634,533.

F. On or about May 6, 2020, U.S. Bank disbursed PPP loan number 6870807206 to Carson Tahoe Physician Clinics in the amount of \$2,095,980 (the “CTPC First Draw Loan”). The United States paid an estimated \$20,959.80 in lender fees to U.S. Bank in connection with its processing and disbursement of CTPC First Draw Loan.

G. On or about May 6, 2020, U.S. Bank disbursed PPP loan number 7060757207 to Carson Tahoe Health System in the amount of \$2,346,499 (the “Health System Loan”). The United States paid an estimated \$23,464.99 in lender fees to U.S. Bank in connection with its processing and disbursement of the Health System Loan.

H. On or about May 6, 2020, U.S. Bank disbursed PPP loan number 6857007208 to Carson Tahoe Continuing Care Hospital in the amount of \$634,532 (the “Continuing Care Loan”). The United States paid an estimated \$19,035.96 in lender fees to U.S. Bank in connection with its processing and disbursement of the Continuing Care Loan.

I. On or about November 1, 2020, Carson Tahoe Health System submitted loan forgiveness applications for the CTPC First Draw Loan, the Health System Loan, and the Continuing Care Loan.

J. Pursuant to Carson Tahoe Health System’s loan forgiveness application, on or about December 3, 2020, SBA remitted to U.S. Bank the principal loan amount of \$634,532 for the Continuing Care Loan, plus interest in the amount of \$3,701. The

United States therefore paid a total of \$657,268.96 in connection with the Continuing Care Loan, comprised of \$634,532 in loan principal, \$19,035.96 in lenders fees, and \$3,701 in interest.

K. Pursuant to Carson Tahoe Health System's loan forgiveness application, on or about June 8, 2021, SBA remitted to U.S. Bank the principal loan amount of \$2,095,980 for the CTPC First Draw Loan, plus interest in the amount of \$23,172. The United States therefore paid a total of \$2,140,111.80 in connection with the CTPC First Draw Loan, comprised of \$2,095,980 in loan principal, \$20,959.80 in lenders fees, and \$23,172 in interest.

L. Pursuant to Carson Tahoe Health System's loan forgiveness application, on or about June 8, 2021, SBA remitted to U.S. Bank the principal loan amount of \$2,346,499 for the Health System Loan, plus interest in the amount of \$25,942. The United States therefore paid a total of \$2,395,905.99 in connection with the Health System Loan, comprised of \$2,346,499 in loan principal, \$23,464.99 in lenders fees, and \$25,942 in interest.

M. On or about February 16, 2021, Carson Tahoe Health System submitted to U.S. Bank a "Second Draw" PPP loan application for Carson Tahoe Physician Clinics. This application requested a PPP loan for \$2,000,000. On or about March 13, 2021, U.S. Bank disbursed PPP loan number 2078288602 to Carson Tahoe Physician Clinics in the amount of \$2,000,000 ("CTPC Second Draw Loan"). The United States paid an estimated \$60,000 in lenders fees to U.S. Bank in connection with its processing and disbursement of CTPC Second Draw Loan.

N. On or about September 22, 2021, Carson Tahoe Health System submitted a loan forgiveness application for the CTPC Second Draw Loan.

O. Pursuant to Carson Tahoe Health System's loan forgiveness application, on or about November 24, 2021, SBA remitted to U.S. Bank the principal loan amount of \$2,000,000 for the CTPC Second Draw Loan, plus interest in the amount of \$13,722.22. The United States paid a total of \$2,073,722.22 in connection with the CTPC Second Draw Loan, comprised of \$2,000,000 in loan principal, \$60,000 in lenders fees, and \$13,722.22 in interest.

P. On July 11, 2023, Relator filed a *qui tam* action in the United States District Court for the Eastern District of California captioned *United States ex rel. GNGH2, Inc. v. Carson Tahoe Physician Clinics*, Case No. 2:23-cv-1361 KJM CKD (the "Civil Action"), pursuant to the *qui tam* provisions of the False Claims Act, 31 U.S.C. § 3730(b). Relator alleged that Carson Tahoe Physician Clinics unlawfully applied for and received the CTPC First Draw Loan and the CTPC Second Draw Loan and made false certifications in the associated loan applications.

Q. The United States contends that it has certain civil claims against Defendants arising out of the Carson Tahoe Health System applying for and receiving disbursement of, and receiving forgiveness of the CTPC First Draw Loan, the CTPC Second Draw Loan, the Health System Loan, and the Continuing Care Loan. The United States contends that Defendants were not eligible to receive the PPP loans under SBA's affiliation rules, 13 CFR § 121.301(f)(1). The United States contends that Defendants' receipt of the CTPC First Draw Loan, the CTPC Second Draw Loan, the Health System Loan, and the Continuing Care Loan when they were ineligible resulted in a loss to the

United States in the total amount of \$7,267,008.97. That conduct is referred to below as the “Covered Conduct.”

R. This Settlement Agreement is neither an admission of liability by Defendants, nor a concession by the United States that its claims are not well founded.

S. Relator claims entitlement to a share of a portion of the proceeds of this Settlement Agreement under 31 U.S.C. § 3730(d). Relator waives any entitlement to its statutory attorneys’ fees, costs, and expenses pursuant to 31 U.S.C. § 3730(d)(2).

To avoid the delay, uncertainty, inconvenience, and expense of protracted litigation of the above claims, and in consideration of the mutual promises and obligations of this Settlement Agreement, the Parties agree and covenant as follows:

### **TERMS AND CONDITIONS**

1. Carson Tahoe Health System shall pay to the United States a total of \$8,876,475.45 (“Settlement Amount”), of which \$7,267,009 is restitution for the Covered Conduct, by electronic funds transfer pursuant to written instructions provided by the United States Attorney’s Office for the Eastern District of California, by no later than 14 days after execution of this Agreement.

2. The United States agrees to pay Relator \$765,754.61 of the Settlement Amount identified in Paragraph 1 conditioned upon the United States receiving the Settlement Amount and as soon as practicable after receipt. No other relator share payments shall be made by the United States with respect to matter covered by this Agreement.

3. In the event that any of the Defendants fail to satisfy the payment obligations set forth in Paragraph 1, any such party (the “Defaulting Party”) shall be in

Default of its payment obligations (“Default”). Upon Default, the United States will provide the Defaulting Party, through its legal counsel or other representative previously designated by the Defaulting Party, by electronic mail a written Notice of Default, and the Defaulting Party shall have an opportunity to cure such Default within three business days from the date the Notice of Default is sent by counsel for the United States. If the Defaulting Party fails to cure the Default within three business days from the date the Notice of Default is sent by the United States, the settlement amount noted above shall become immediately due and payable, and interest on such amount shall accrue at the rate of 10 percent per annum, compounded daily from the date of Default.

4. At its sole option, in the event of uncured Default as defined above, the United States alternatively may rescind this Agreement as to the defaulting Defendant and bring any civil and/or administrative claim, action, or proceeding against the defaulting Defendant for the claims that would otherwise be covered by the releases provided herein. If the United States opts to rescind this Agreement in the event of uncured Default as defined above, Defendants agree not to plead, argue, or otherwise raise any defenses of statute of limitations, laches, estoppel or similar theories, to any civil or administrative claims that are (a) filed by the United States against Defendants within 180 days of written notification that this Agreement has been rescinded, and (b) relate to the Covered Conduct.

5. Subject to the exceptions in Paragraph 9 (concerning reserved claims) below, and upon the United States’ receipt of the Settlement Amount outlined above, the United States releases Defendants from any civil or administrative monetary claim the

United States has for the Covered Conduct under the common law theories of mistaken payment and unjust enrichment.

6. Subject to the exceptions in Paragraph 9 (concerning reserved claims), and upon the United States' receipt of the Settlement Amount, Relator, for itself and its heirs, successors, attorneys, agents, and assigns, releases Defendants from any civil monetary claim that Relator has on behalf of the United States for the Covered Conduct under the False Claims Act, 31 U.S.C. §§ 3729-3733. Relator also releases any claims to statutory attorneys' fees, costs, and expenses pursuant to 31 U.S.C. § 3730(d)(2).

7. Conditioned upon the United States' payment of the Relator's share set forth in Paragraph 2 above, Relator, for itself individually and its heirs, successors, agents, and assigns, fully and finally releases, waives and forever discharges the United States, its officers, agents, and employees, from any claims arising from or relating to 31 U.S.C. § 3730, from any claims arising from the filing of the Civil Action, and from any claims to a share of the proceeds of this Agreement, in full settlement of any claims the Relator may have under this Agreement.

8. The Parties agree that if this Agreement is held by a court not to be "fair, adequate, and reasonable," as required by 31 U.S.C. § 3730(c)(2)(B), or if the Complaint is not dismissed with prejudice, this Agreement is null and void.

9. Notwithstanding the releases given in Paragraph 5 of this Agreement, or any other term of this Agreement, the following claims and rights of the United States are specifically reserved and are not released:

- a. Any liability arising under the False Claims Act, 31 U.S.C. §§ 3729-3733;

- b. Any liability arising under Title 26, U.S. Code (Internal Revenue Code);
- c. Any criminal liability;
- d. Except as explicitly stated in this Agreement, any administrative liability or enforcement right, including the suspension and debarment rights of any federal agency;
- e. Any liability to the United States (or its agencies) for any conduct other than the Covered Conduct;
- f. Any liability based upon obligations created by this Agreement; and
- g. Any liability of individuals.

10. Relator and its heirs, successors, attorneys, agents, and assigns shall not object to this Agreement but agree and confirm that this Agreement is fair, adequate, and reasonable under all the circumstances, pursuant to 31 U.S.C. § 3730(c)(2)(B), and expressly waives the opportunity for a hearing on any such objection, pursuant to 31 U.S.C. § 3730(c)(2)(B).

11. Defendants waive and shall not assert any defenses they may have to any criminal prosecution or administrative action relating to the Covered Conduct that 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 Agreement bars a remedy sought in such criminal prosecution or administrative action.

12. Defendants fully and finally release the United States, its agencies, officers, agents, employees, and servants, from any claims (including attorneys' fees, costs, and expenses of every kind and however denominated) that they have asserted, could have asserted, or may assert in the future against the United States, its agencies, officers, agents, employees, and servants, related to the Covered Conduct or the United States' investigation or prosecution thereof. Defendants hereby expressly waive all rights they may have by virtue of Section 1542 of the California Civil Code, which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

13. a. Unallowable Costs Defined: All costs (as defined in the Federal Acquisition Regulation, 48 C.F.R. § 31.205-47) incurred by or on behalf of Defendants, and its present or former officers, directors, employees, shareholders, and agents in connection with:

- (1) the matters covered by this Agreement;
- (2) the United States' audit(s) and civil investigation(s) of the matters covered by this Agreement;
- (3) Defendants' investigation, defense, and corrective actions undertaken in response to the United States' audit(s) and civil investigation(s) in connection with the matters covered by this Agreement (including attorneys' fees);
- (4) the negotiation and performance of this Agreement; and

- (5) any payments Defendants make to the United States pursuant to this Agreement and any payments that Defendants may make to Relator, including costs and attorney's fees,

are unallowable costs for government contracting purposes (hereinafter referred to as "Unallowable Costs").

b. Future Treatment of Unallowable Costs: Unallowable Costs will be separately determined and accounted for by Defendants, and Defendants shall not charge such Unallowable Costs directly or indirectly to any contract with the United States.

c. Treatment of Unallowable Costs Previously Submitted for Payment: Within 90 days of the Effective Date of this Agreement, Defendants shall identify and repay by adjustment to future claims for payment or otherwise any Unallowable Costs included in payments previously sought by Defendants or any of its subsidiaries or affiliates from the United States. Defendants agree that the United States, at a minimum, shall be entitled to recoup from Defendants any overpayment plus applicable interest and penalties as a result of the inclusion of such Unallowable Costs on previously submitted requests for payment. The United States, including the Department of Justice and/or the affected agencies, reserves its rights to audit, examine, or re-examine Defendants' books and records and to disagree with any calculations submitted by Defendants or any of its subsidiaries or affiliates regarding any Unallowable Costs included in payments previously sought by Defendants, or the effect of any such Unallowable Costs on the amount of such payments.

14. This Agreement is intended to be for the benefit of the Parties only.
15. Upon receipt of the Settlement Amount described in Paragraph 1, the Parties shall promptly sign and file in the Civil Action a Joint Stipulation of Dismissal of all claims against Defendants pursuant to Federal Rule of Civil Procedure 41(a)(1).
16. Each Party shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.
17. Each Party and signatory to this Agreement represents that it freely and voluntarily enters into this Agreement without any degree of duress or compulsion.
18. This Agreement is governed by the laws of the United States. The exclusive jurisdiction and venue for any dispute relating to this Agreement is the United States District Court for the Eastern District of California. For purposes of construing this Agreement, this Agreement shall be deemed to have been drafted by all Parties to this Agreement and shall not, therefore, be construed against any Party for that reason in any subsequent dispute.
19. This Agreement constitutes the complete agreement between the Parties. This Agreement may not be amended except by written consent of the Parties.
20. The undersigned counsel represent and warrant that they are fully authorized to execute this Agreement on behalf of the persons and entities indicated below.
21. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same Agreement.
22. This Agreement is binding on Defendants' successors, transferees, heirs, and assigns.

23. This Agreement is binding on Relator's successors, transferees, heirs, and assigns.

24. All Parties consent to the United States' disclosure of this Agreement, and information about this Agreement, to the public.


25. This Agreement is effective on the date of signature of the last signatory to the Agreement (Effective Date of this Agreement). Facsimiles of signatures shall constitute acceptable, binding signatures for purposes of this Agreement.

[SIGNATURE PAGES FOLLOW]

**THE UNITED STATES OF AMERICA**

MICHELE BECKWITH  
Acting United States Attorney

DATED: January 22, 2025

By:   
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TARA A. AMIN  
Assistant United States Attorney  
Eastern District of California

**CARSON TAHOE HEALTH SYSTEM; CARSON TAHOE PHYSICIAN  
CLINICS, CARSON TAHOE CONTINUING CARE HOSPITAL**

DATED: 1/23/25

BY: Katie Kucera

KATIE KUCERA, Chief Financial Officer  
Carson Tahoe Health System, Carson Tahoe  
Physician Clinics, and Carson Tahoe  
Continuing Care Hospital

APPROVED AS TO FORM:


DATED: 1/23/25

By: [Signature]

Ryan Russell  
Allison MacKenzie, Ltd.  
Counsel for Carson Tahoe Health System, Carson  
Tahoe Physician Clinics, and Carson Tahoe  
Continuing Care Hospital

**RELATOR – GNGH2, Inc.**

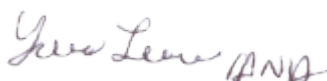
DATED: 1/23/25

BY: 

David Abrams  
Principal of GNGH2, Inc.

APPROVED AS TO FORM:

DATED: 1/23/25

By:   
Yael Lerman (California Bar # 281311)  
Counsel for GNGH2, Inc.