

SETTLEMENT AGREEMENT

I. PARTIES

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 Office of Inspector General (OIG-HHS) of the Department of Health and Human Services (HHS) (collectively the "United States"); the State of California Department of the Attorney General, Bureau of Medi-Cal Fraud and the California Department of Health Services (collectively, "California"); the Relators Kim Jenkins and Timothy Mills (collectively, "Relators"); and Health Line Clinical Laboratories, Inc., Aramais Paronyan, M.D., and Natella Lalabekyan (collectively, "Defendants"); acting through their authorized representatives. The United States, California, Relators, and Defendants are hereafter collectively referred to as "the Parties."

II. PREAMBLE

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

A. Health Line Clinical Laboratories, Inc. (HLCL) is a California corporation conducting business in California and elsewhere. HLCL is licensed by the California Department of Health Services to perform diagnostic testing of human blood, urine, and other specimens submitted by referring physicians and clinics. Defendant Natella Lalabekyan (Lalabekyan) is an individual who has identified herself, during the relevant period, as the President and controlling stockholder of HLCL. Defendant Aramais Paronyan (Paronyan), who is licensed in California as an M.D., is an individual who, during the relevant period, was actively involved in the business operations of HLCL and is the husband of Defendant Lalabekyan.

*Final Settlement Agreement Between
United States, California, and Health Line, et al*

B. Kim Jenkins and Timothy Mills (the "Relators") are individuals. Jenkins resides in California, and Mills resides in Idaho. On January 30, 1998, the Relators filed a qui tam action in the United States District Court for the Northern District of California captioned *United States and State of California ex rel. Kim Jenkins and Timothy Mills v. Health Line Clinical Laboratories, Inc., et al.*, Civ. No. C-98-0358 (hereinafter "the Civil Action"). The United States intervened in the Civil Action on October 22, 2001 and filed the United States and State of California's Complaint on December 17, 2001. On March 28, 2002, Defendants answered the Complaint and filed counterclaims against the Relators that remain pending.

C. HLCL submitted or caused to be submitted claims for payment for certain laboratory services to the Medicare Program (Medicare), Title XVIII of the Social Security Act, 42 U.S.C. §§ 1395-1395ggg and the California Medi-Cal Program, under the authority of 42 U.S.C. §§ 1396-1396v, which is administered in the State of California by the California Department of Health Services.

D. The United States and California contend that they have certain civil claims, as set forth in Paragraphs 5(a) and (c) below, against Defendants for the following conduct during the period from January 1, 1996 through September 30, 2003: the addition of (1) apolipoprotein A and B tests; (2) 5' nucleotidase tests; (3) zinc protoporphyrin tests; and (4) extractable nuclear antigen tests – which tests are alleged by the United States and California not to be medically necessary – to comprehensive panels and profiles that were ordered by physicians from HLCL. As a result of this conduct, the United States and California contend that HLCL improperly billed CPT Codes 82172 (apolipoprotein A and B); 83915 (5' nucleotidase); 84202 (zinc protoporphyrin); and 86235 (extractable nuclear antigen tests). The United States and

California also contend that, during the period from September 1, 1997 through September 30, 2003, HLCL improperly used the T. pallidum test – which test the United States and California contend was not medically necessary – as the primary screening test for syphilis and improperly billed CPT Code 86317 for this test. The above claims in this Paragraph D will hereinafter be referred to as the "Covered Conduct." The United States and California also contend that, as a result of the Covered Conduct, Defendants received reimbursement to which they were not entitled under the Medicare and Medi-Cal programs.

E. The United States and California also contend that they have certain administrative claims against defendants, as specified in Paragraph 5(b), (c), and (d) below, for engaging in the Covered Conduct.

F. Defendants deny the contentions of the United States and California in Paragraphs D and E above.

G. This Agreement is neither an admission of liability by the Defendants nor a concession by the United States or California that their claims are not well founded.

H. To avoid the delay, uncertainty, inconvenience, and expense of protracted litigation of the above claims, the Parties reach a full and final settlement pursuant to the Terms and Conditions below.

III. TERMS AND CONDITIONS

Settlement Amount And Payment Terms

1. Defendants agree to pay to the United States \$10,000,000 (the "Settlement Amount"). The Settlement Amount is immediately due and owing, to be discharged under the following terms: (1) \$500,000 which sum must be paid no later than ten days after the Effective

Date of this Agreement (the "initial payment"); (2) four quarterly installment payments, the first of which shall be made on or before the first calendar day of the fourth month following the Effective Date of this Agreement, each in the amount of \$167,000; to be followed by four quarterly installment payments each in the amount of \$225,000; to be followed by four quarterly installment payments each in the amount of \$597,000; to be followed by four quarterly installment payments each in the amount of \$537,500; to be followed by four quarterly installment payments each in the amount of \$848,500. The initial payment and each quarterly payment in the amount set forth in this Paragraph shall be paid to the United States by electronic funds transfer pursuant to written instructions to be provided by the Office of the United States Attorney for the Northern District of California. The entire balance of the Settlement Amount or any portion thereof, due to the United States under this Stipulation and order, may be prepaid without penalty.

2. In the event that HLCL is sold or otherwise transferred by Lalabekyan and/or Paronyan, or there is a sale of 50% or more of HLCL stock, at any time before all payments pursuant to this Agreement have been made, Defendants agree that the remaining balance due on the Settlement Amount shall be paid on or before the date of the closing of the sale or transfer.

California Share

3. Of the payments described in Paragraph 1 above, California shall receive \$3,008,700, which is a 50% share of the Medicaid recovery, from the United States. The amounts set forth in this Paragraph 3 shall represent full and complete payment to California for its respective share of the Settlement Amount. California shall be paid its share of each payment the United States receives within a reasonable period of time after the United States receives such

payment from the Defendants. The United States shall have no liability to California and shall have no obligation to pay California unless and until the United States receives the Settlement Amount or any portion thereof, and then only for California's pro rata share of the amount received. Based on the above-described percentage, California shall receive \$150,433 (30.087% of the Defendants' initial payment (California's initial share)).

Relators' Share and Attorneys' Fees

4. The United States and California agree to pay 20% of the Settlement Amount to the Relators. The United States shall pay Relators their share of the federal portion of each payment the United States receives within a reasonable period of time after the United States receives such payment from the Defendants. California shall pay Relators their share of each payment California receives within a reasonable period of time after California receives such payment from the United States. The United States and California shall have no liability to Relators and shall have no obligation to pay Relators unless and until the United States receives the Settlement Amount or any portion thereof, and then only for Relators' pro rata share of the amount received. Defendants further agree to pay Relators \$160,000 for expenses and attorneys' fees and costs. The foregoing payments shall be made as follows:

(a) Contingent upon the United States receiving the Settlement Amount or any portion thereof from Defendants and as soon as feasible after receipt of each such payment, the United States and California agree that the United States shall pay the above-described percentage of each payment received from Defendants to Relators by electronic funds transfer. Based on the above-described percentage, Relators shall receive \$69,913 from the United States (20% of the federal recovery) and \$30,087 from California (20% of the state recovery) of the

Defendants' \$500,000 initial payment (Relators' initial share).

(b) The Defendants shall pay Relators the sum of \$160,000 in three equal installments to occur 30 days, 60 days, and 90 days from the Effective Date of the Settlement Agreement.

United States, California and Relators' Releases of Defendants

5. (a) Subject to the exceptions in Paragraph 9 below, in consideration of the obligations of Defendants in this Agreement, conditioned upon Defendants' full payment of the Settlement Amount, and subject to Paragraph 27 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 Defendants from any civil or administrative monetary claim the United States has or may have for the Covered Conduct 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. No individuals other than defendants Lalabekyan and Paronyan are released from such claims by this Paragraph.

(b) In consideration of the obligations of Defendants in this Agreement and the Corporate Integrity Agreement (CIA) entered into by OIG-HHS and referenced in Paragraph 10 below, conditioned upon Defendants' full payment of the Settlement Amount, and subject to Paragraph 27 below (concerning bankruptcy proceedings commenced within 91 days of the Effective Date of this Agreement), the OIG-HHS 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 HLCL 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 9 below, and as reserved in this Paragraph. The OIG-HHS expressly reserves all rights to comply with any statutory obligations to exclude Defendants from the Medicare, Medicaid, or other Federal health care program under 42 U.S.C. § 1320a-7(a) (mandatory exclusion) based upon the Covered Conduct. The OIG-HHS expressly reserves all rights to institute, direct, or to maintain any administrative action seeking exclusion against Lalabekyan and Paronyan, or any officer, director, or employee of HLCL from the Medicare, Medicaid, or other Federal health care program under 42 U.S.C. § 1320a-7(b) (permissive exclusion). Nothing in this Paragraph precludes the OIG-HHS from taking action against entities or persons, or for conduct and practices, for which civil claims have been reserved in this Paragraph or in Paragraph 9 below.

(c) Subject to the exceptions in Paragraph 9 below, in consideration of the obligations of Defendants in this Agreement, conditioned upon Defendants' full payment of the Settlement Amount, and subject to Paragraph 27 below (concerning bankruptcy proceedings commenced within 91 days of the Effective Date of this Agreement), California (on behalf of itself, its officers, agents, agencies, and departments) agrees to release Defendants from any civil or administrative monetary claim California has or may have for the Covered Conduct under the California False Claims Act, Cal. Gov. Code §§ 12650-12654, or under the common law theories of payment by mistake, unjust enrichment, breach of contract, and fraud. No individuals other than defendants Lalabekyan and Paronyan are released from such claims by this Paragraph.

(d) In consideration of the obligations of Defendants in this Agreement and the Corporate Integrity Agreement (CIA) entered into by OIG-HHS and referenced in Paragraph 10 below, conditioned upon Defendants' full payment of the Settlement Amount, and subject to Paragraph 27 below (concerning bankruptcy proceedings commenced within 91 days of the Effective Date of this Agreement), California agrees to release and refrain from instituting, directing, or maintaining any administrative action seeking exclusion or suspension from the Medicaid or Medi-Cal program under California Welfare and Institutions Code sections 14123 and 14123.25 or any administrative action imposing special claims review under California Welfare and Institutions Code section 14170.5 for the Covered Conduct, except as reserved in Paragraph 9 below, and as reserved in this Paragraph. This release is limited to the Covered Conduct, as defined in Paragraph II.D above. California expressly reserves all rights to comply with any mandatory statutory obligations to exclude or suspend Defendants, or any officer, director, operator, or employee, from the Medicaid or Medi-Cal program, including but not limited to California Welfare and Institutions Code sections 14043.6, 14123, and 14123.25, based upon the Covered Conduct. Nothing in this Paragraph precludes California from taking action against Defendants in the event that Defendants, or any officer, director, operator, or employee, are excluded from the Medicare, Medicaid, or other Federal health care programs by the federal government, or for conduct and practices other than the Covered Conduct, or for conduct and practices, for which civil claims have been reserved in this Paragraph or in Paragraph 9 below.

(e) Conditioned upon Defendants' performance of all material terms of this Agreement, including payment pursuant to Paragraphs 1 and 4, the Relators, for themselves and

for their heirs, successors, attorneys, agents, and assigns, release Defendants, their officers, employees, agents, and attorneys, and each of them, from any and all claims asserted and unasserted, known and unknown, including but not limited to all claims that have been or could have been asserted in the Civil Action or pursuant to the False Claims Act, and all claims arising out of Relators' employment by Defendants. The Relators expressly waive the benefits of any statutory provision or common law rule that provides, in sum or substance, that a release does not extend to claims which the party does not know or suspect to exist in its favor at the time of executing the release, which if known by it, would have materially affected its settlement with the other party. In particular but without limitation, the Relators expressly waive the provisions of California Civil Code Section 1542, which statute reads:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

Relators' Releases of United States and California

6. (a) Conditioned upon receipt, pursuant of Paragraph 4(a), of 20% of all payments received by the United States from Defendants, the Relators, for themselves and for their heirs, successors, attorneys, agents, and assigns, agree to release the United States, its officers, agents, and employees, from any claims arising from or relating to 31 U.S.C. § 3730 in connection with this Civil Action, or arising from the filing of the Civil Action, including 31 U.S.C. §§ 3730(b), (c), (c)(5), (d), and (d)(1) in connection with this Civil Action.

(b) Conditioned upon receipt, pursuant of Paragraph 4(a), of 20% of all payments received by the United States from Defendants, the Relators, for themselves and for their heirs, successors, attorneys, agents, and assigns, agree to release California, its officers, agents, and

employees, from any claims arising from or relating to Cal. Gov. Code § 12652, or arising from the filing of the Civil Action, including Cal. Gov. Code §§ 12652(c), (e), (g), and (g)(2), in connection with this Civil Action.

(c) The Relators 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 Cal. Gov. Code § 12652(e)(2)(B).

Defendants' Releases of United States and California

7. (a) Defendants fully and finally release the United States, its agencies, employees, servants, and agents from any claims (including attorney's fees, costs, and expenses of every kind and however denominated) which Defendants have 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.

(b) Defendants fully and finally release California, its agencies, employees, servants, and agents from any claims (including attorney's fees, costs, and expenses of every kind and however denominated) which Defendants have asserted, could have asserted, or may assert in the future against California, its agencies, employees, servants, and agents, related to the Covered Conduct and California's investigation and prosecution thereof.

Defendants' Release of Relators

8. Defendants, for themselves and for their heirs, successors, attorneys, agents, assigns, officers, employees, and agents, release Relators, their agents and attorneys, and each of them, from any and all claims asserted and unasserted, known and unknown, including but not limited to all claims that have been or could have been asserted in the Civil Action, including

those claims Defendants have asserted by counterclaim, and all claims arising out of Relators' employment by Defendants. The Defendants expressly waive the benefits of any statutory provision or common law rule that provides, in sum or substance, that a release does not extend to claims which the party does not know or suspect to exist in its favor at the time of executing the release, which if known by it, would have materially affected its settlement with the other party. In particular but without limitation, the Defendants expressly waive the provisions of California Civil Code Section 1542, which statute reads:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

Reservations

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 Defendants and Relators) are the following claims of the United States and California:

a. Any civil, criminal, or administrative liability arising under Title 26, U.S. Code (Internal Revenue Code) or under state revenue codes;

b. Any criminal liability;

c. Except as explicitly stated in this Agreement, any administrative liability, including mandatory exclusion or suspension from Federal or State health care programs;

d. Any liability to the United States (or its agencies) or California (or its agencies) for any conduct other than the Covered Conduct;

e. Any liability based upon such obligations as are created by this

Agreement;

f. Any liability for express or implied warranty claims or other claims for defective or deficient products or services, including quality of goods and services;

g. Any liability for failure to deliver goods or services due; and

h. Any liability of individuals, including officers and employees, except, for defendants Lalabekyan and Paronyan and only to the extent that express provisions in this Agreement release Lalabekyan or Paronyan.

The Corporate Integrity Agreement

10. HLCL has entered into a CIA with OIG-HHS, attached as Exhibit A, which is incorporated into this Agreement by reference. HLCL will immediately, upon execution of this Agreement, implement its obligations under the CIA.

Failure to Pay

11. In the event that Defendants fail to pay any or all of the Settlement Amount pursuant to Paragraph 1 above within thirty days of the due date, any dismissals as to the Defendants shall, at the United States and California's option, be null and void, the Settlement Amount referenced in Paragraph 1 above (minus any payments made to date) shall become immediately due and payable, and shall bear interest at the Medicare interest rate (per 42 C.F.R. § 405.378) as of the date of default until payment of the Settlement Amount is made in full, and the United States and/or California may, at their option, 1) rescind their releases, 2) file a Consent Judgment against Defendants, in the amount of \$19 million less the amount of payments made by Defendants under the Settlement Agreement, in the United States District Court for the Northern District of California in the form attached hereto as Exhibit B, 3) offset the remaining

unpaid balance of the Settlement Amount from any amounts due and owing to Defendants by any department, agency, or agent of the United States or California at the time of default, 4) re-institute an action or actions against any or all of the Defendants in this Court, and/or 5) HLCL agrees not to contest any draw, offset, or collection action undertaken by the United States or California pursuant to this Paragraph, either administratively or in any state or federal court. Defendants agree to pay the United States and/or California all reasonable costs of collection and enforcement of this Agreement, including attorneys' fees and expenses. Each Defendant against whom the United States and/or California determines to re-institute an action expressly agrees not to plead, argue, or otherwise raise any defense under the theories of statute of limitations, laches, estoppel, or similar theories, to any civil or administrative claims which (a) are filed by the United States or California within 30 calendar days of written notification to such defendant that this Agreement has been made a nullity, and (b) relates to the Covered Conduct, except to the extent these defenses were available on the Effective Date of this Settlement.

Subordination

12. "Senior Indebtedness" of HLCL means any and all debt owing or arising under the Business Loan Agreement dated June 12, 2001, the Promissory Note dated June 12, 2001 (Line of Credit Note), the Term Loan Agreement dated March 17, 2003, and the Term Note dated March 17, 2003, between HLCL, as borrower, and U.S. Bank National Association, as lender, as amended, and any and all extensions, renewals, and refinancings thereof; provided, however, that to the extent that the amount of such debt exceeds \$5,972,000, then such excess shall not constitute "Senior Indebtedness" for the purposes of this Settlement Agreement.

13. Defendants' payment of principal and interest under this Settlement Agreement

shall be subordinate and junior in right of payment to the Senior Indebtedness. The provisions of this Paragraph shall constitute a continuing offer to all persons and entities which become holders of or continue to hold the Senior Indebtedness; and the provisions of this Paragraph are made for the benefit of the holders of Senior Indebtedness.

Security

14. “Collateral” means all of HLCL's accounts receivable and the real property owned by 1903 Empire Avenue, LLC, a California Corporation.

15. Defendants hereby grant to the United States and California a lien on, and a security interest in, all the Collateral, as security for the prompt and complete payment when due of all amounts due under this Settlement Agreement. This security interest shall be subordinate only to the security interest on the Collateral held by U.S. Bank National Association.

16. Within 20 days of the Effective Date of this agreement, Defendants shall give, execute, deliver, and file or record in the proper governmental offices, any instrument, paper, or document, including but not limited to one or more financing statements under the Uniform Commercial Code, satisfactory to the United States and California, and Defendants will send proof of filing of such documents, including the financing statements, to the United States and California within 10 days of filing. Defendants shall pay the costs of, or incidental to, any recording or filing of such financing statements or other documents and shall do and cause to be done all things reasonably necessary to perfect and keep in full force the security interest granted in favor of the United States and California, including, but not limited to, the prompt payment of all reasonable fees and expenses incurred in connection with any filings made to perfect the security interest in the Collateral in favor of the United States and California, so long as this

Settlement Agreement remains in effect.

17. Defendants agree to keep and maintain the Collateral in good condition and repair. Defendants also agree to maintain insurance on all of the Collateral of an insurable nature with reputable and financially sound insurance companies in coverage and amounts as is customary among businesses of a similar nature with similar assets, as will be sufficient to fully protect the United States' and California's security interest in the Collateral. As additional security for the payment of all amounts due under this Settlement Agreement, Defendants hereby assign to the United States and California any proceeds of any and all insurance on any of the Collateral.

18. Upon the failure of Defendants to meet any of their payment obligations under this Settlement Agreement, the United States and/or California may take whatever steps are warranted, upon thirty days written notice to Defendants, to use the Collateral to satisfy Defendants' outstanding obligations under the Settlement Agreement.

Reliance on Financial Disclosures

19. Each of the Defendants has 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. Defendants warrant that the Financial Statements are complete, accurate, and current. If the United States learns of asset(s) in which any or all Defendants had an interest at the time of this Agreement that were not disclosed in the Financial Statements, or if the United States learns of any misrepresentation by any or all Defendants on, or in connection with, the Financial Statements, and if such non-disclosure or misrepresentation changes the estimated net worth set forth in the Financial Statements by \$250,000 or more, the United States may at its option: (a) rescind this Agreement

and reinstate this suit based on the Covered Conduct or (b) let the Agreement stand and collect the full Settlement Amount plus one hundred percent (100%) of the value of the net worth of each Defendant's previously undisclosed assets. Each Defendant agrees not to contest any collection action undertaken by the United States pursuant to this provision except that each Defendant may dispute its alleged ownership or other interest allegedly held in any such asset identified by the United States and may dispute the value of any such asset. If the United States invokes option (b) in this Paragraph and collects the value of the net worth of any such undisclosed assets, California, and Relators will receive the same share percentage of any additional monies recovered in connection with the undisclosed assets as they would receive in connection with the Settlement Amount.

20. In the event that the United States, pursuant to Paragraph 19 above, opts to rescind this Agreement, each Defendant 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 (a) are filed by the United States within 120 calendar days of written notification to Defendants that this Agreement has been rescinded, and (b) relate to the Covered Conduct, except to the extent these defenses were available on the Effective Date of this settlement.

Double Jeopardy, Excessive Fines And Characterization of Settlement Amount

21. Defendants waive and will not assert any defenses defendants 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 Agreement bars a remedy sought in such criminal prosecution or administrative action. Defendants agree that this Agreement 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 or California concerning the characterization of the Settlement Amount for purposes of the Internal Revenue laws, Title 26 of the United States Code.

Denial By Medicare Carrier or Intermediary or State Payer

22. The Settlement Amount 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, related to the Covered Conduct; and Defendants shall not resubmit to any Medicare carrier or intermediary or any State payer any previously denied claims related to the Covered Conduct, and shall not appeal any such denials of claims.

Unallowable Costs

23. Defendants agree to the following:

(a) Unallowable Costs Defined: 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 and official program directives promulgated thereunder) incurred by or on behalf of HLCL, its present or former officers, directors, employees, shareholders, and agents in connection with the following shall be "unallowable costs":

(1) the matters covered by this Agreement,

(2) the United States' audit(s) and civil and any criminal 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 and any criminal investigation(s) in connection with the matters covered by this Agreement (including attorney's fees),

(4) the negotiation and performance of this Agreement,

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

(6) the negotiation of, and obligations undertaken pursuant to the CIA to:

(i) retain an independent review organization to perform annual reviews as described in Section III of the CIA; and

(ii) prepare and submit reports to the OIG-HHS, are unallowable costs on Government contracts and under the Medicare Program, Medicaid Program, TRICARE Program, and Federal Employees Health Benefits Program (FEHBP).

(All costs described or set forth in this Paragraph are hereafter, "unallowable costs").

(b) Future Treatment of Unallowable Costs: These unallowable costs will be separately determined and accounted for by Defendants, and Defendants 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 HLCL or any of its affiliates or subsidiaries to the Medicare, Medicaid, TRICARE, or FEHBP Programs.

(c) Treatment of Unallowable Costs Previously Submitted for Payment:
HLCL further agrees that within 90 days of the Effective Date of this Agreement it 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) 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 HLCL or any of its subsidiaries or affiliates, 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. 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 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 Defendants or any of HLCL's subsidiaries on the effect of inclusion of unallowable costs (as defined in this Paragraph) on HLCL's or any of its subsidiaries' cost reports, cost statements, or information reports.

(d) Nothing in this Agreement shall constitute a waiver of the rights of the United States to audit, examine or re-examine HLCL's books and records to determine that no unallowable costs have been claimed in accordance with the provisions of this Paragraph.

Benefit of the Parties

24. This Agreement is intended to be for the benefit of the Parties only. The Parties

do not release any claims against any other person or entity, except to the extent expressly provided for in this Agreement.

Waiver of Payment From Beneficiaries

25. Defendants waive and shall not seek payment for any of the health care billings covered by this Agreement from any health care beneficiaries or their parents, sponsors, legally responsible individuals, or third party payors based upon the claims defined as Covered Conduct

Solvency

26. Each Defendant warrants that he, she, or it has reviewed its financial situation and that he, she, or it currently is solvent within the meaning of 11 U.S.C. §§ 547(b)(3) and 548(a)(1)(B)(ii)(I), and will remain solvent following payment to the United States of the Settlement Amount. Further, the Parties warrant that, in evaluating whether to execute this Agreement, they (a) have intended that the mutual promises, covenants, and obligations set forth constitute a contemporaneous exchange for new value given to each of Defendants within the meaning of 11 U.S.C. § 547(c)(1); and (b) conclude that these mutual promises, covenants, and obligations do, in fact, constitute such a contemporaneous exchange. Further, the Parties warrant that the mutual promises, covenants, and obligations set forth herein are intended and do, in fact, represent a reasonably equivalent exchange of value which is not intended to hinder, delay, or defraud any entity to which any defendant was or became indebted to on or after the date of this transfer, within the meaning of 11 U.S.C. § 548(a)(1).

Bankruptcy Protections

27. If within 91 days of the Effective Date of this Agreement or of any payment made hereunder, any or all Defendants commence, or a third party commences, any case, proceeding,

or other action under any law relating to bankruptcy, insolvency, reorganization, or relief of debtors, (a) seeking to have any order for relief of any or all of Defendants' debts, or seeking to adjudicate any or all of Defendants as bankrupt or insolvent; or (b) seeking appointment of a receiver, trustee, custodian, or other similar official for any or all of Defendants or for all or any substantial part of any or all of the Defendants' assets, Defendants agree as follows:

a. Defendants' obligations under this Agreement may not be avoided pursuant to 11 U.S.C. § 547, and no Defendant will argue or otherwise take the position in any such case, proceeding, or action that: (i) Defendants' obligations under this Agreement may be avoided under 11 U.S.C. § 547; (ii) any or all Defendants were insolvent at the time this Agreement was entered into, or became insolvent as a result of the payment made to the United States; or (iii) the mutual promises, covenants, and obligations set forth in this Agreement do not constitute a contemporaneous exchange for new value given to any or all Defendants.

b. If Defendants' obligations under this Agreement 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 and/or California, at their option, may rescind the releases in this Agreement, and bring any civil and/or administrative claim, action, or proceeding against any or all Defendants for the claims that would otherwise be covered by the releases provided in Paragraphs 5(a) and (b) above. Defendants agree that (i) any such claims, actions, or proceedings brought by the United States (including any proceedings to exclude any of the Defendants from participation in Medicare, Medicaid, or other Federal health care programs) and/or California 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 no Defendant will argue or

otherwise contend that the United States' and/or California's claims, actions, or proceedings are subject to an automatic stay; (ii) no Defendant will 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 and/or California within 120 calendar days of written notification to Defendants that the releases have been rescinded pursuant to this Paragraph, except to the extent such defenses were available on the Effective Date of this Agreement; and (iii) the United States and/or California have a valid claim against Defendants, joint and severally, in the amount of \$19 million, and the United States and California may pursue such claim 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. Defendants acknowledge that their agreements in this Paragraph are provided in exchange for valuable consideration provided in this Agreement.

Other

28. Except as expressly provided to the contrary in this Agreement, each Party will bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

29. Defendants and Relators represent that this Agreement is freely and voluntarily entered into without any degree of duress or compulsion whatsoever.

30. 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 Northern District of California except that disputes arising under the CIA shall be resolved exclusively under the

dispute resolution provisions in the CIA.

31. This Agreement, the Consent Judgment, and the CIA constitute the complete agreement between the Parties. This Agreement may not be amended except by written consent of the Parties except that only HLCL and OIG-HHS must agree in writing to modification of the CIA.

32. Upon receipt of the initial payment described in Paragraph 1 above and following the initial share payments made by the United States to California, and by the United States and California to Relators, described in Paragraphs 3 and 4(a) above and the payment described in Paragraph 4(b), the United States, California, and Relators shall promptly sign and file in the Civil Action a Joint Stipulation of Dismissal with prejudice of the United States' and California's Complaint filed on December 17, 2001 pursuant to the terms of this Agreement. In addition, Defendants agree that the Joint Stipulation shall include a dismissal with prejudice of the counterclaims brought by Defendants against the Relators, and Defendants shall sign the Joint Stipulation to signify their agreement. Defendants accept as final and waive all appellate review of the Court's order, signed June 24, 2002 (filed June 25, 2002), dismissing with prejudice the defendants' counterclaims against the State of California. The Joint Stipulation of Dismissal shall provide that (1) the Court shall retain jurisdiction to enforce the terms of this Agreement, and (2) the dismissal shall be subject to the right of the United States and California to rescind their releases, to rescind their stipulation of dismissal, to file a Consent Judgment, and/or to reinstate the Civil Action as described in Paragraph 11 above.

33. The individuals signing this Agreement on behalf of Defendants represent and warrant that they are authorized by Defendants to execute this Agreement. The individual(s)

signing this Agreement on behalf of the Relators represent and warrant that they are authorized by Relators to execute this Agreement. The United States' and California's signatories represent that they are signing this Agreement in their official capacities and that they are authorized to execute this Agreement.

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

35. This Agreement is binding on Defendants' successors, transferees, heirs, and assigns.

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

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

THE UNITED STATES OF AMERICA

By: Joann M. Swanson Dated: 3-29-04
JOANN M. SWANSON
Assistant U.S. Attorney
Northern District of California

By: Robert McAuliffe Dated: 4-6-04
ROBERT J. MCAULIFFE
Trial Attorney
Commercial Litigation Branch
Civil Division
U.S. Department of Justice

By: _____ Dated: _____
LARRY J. GOLDBERG
Assistant Inspector General for
Legal Affairs
Office of Counsel to the Inspector
General
United States Department of Health
and Human Services

THE UNITED STATES OF AMERICA

By: _____
JOANN M. SWANSON
Assistant U.S. Attorney
Northern District of California

Dated: _____

By: _____
ROBERT J. MCAULIFFE
Trial Attorney
Commercial Litigation Branch
Civil Division
U.S. Department of Justice

Dated: _____

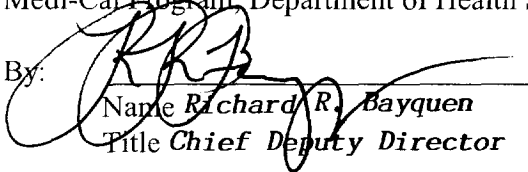
By: Larry J. Goldberg
LARRY J. GOLDBERG
Assistant Inspector General for
Legal Affairs
Office of Counsel to the Inspector
General
United States Department of Health
and Human Services

Dated: March 26, 2009

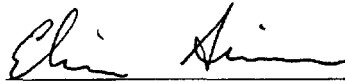
CALIFORNIA

By: _____ Dated: _____
ELISEO SISNEROS
Deputy Attorney General for the State of California

For the State of California, State Medicaid Program and
Medi-Cal Program, Department of Health Services

By:  _____ Dated: 4/8/4
Name *Richard R. Bayquen*
Title *Chief Deputy Director*

CALIFORNIA

By:  Dated: 3/30/04
ELISEO SISNEROS
Deputy Attorney General for the State of California

For the State of California, State Medicaid Program and
Medi-Cal Program, Department of Health Services

By: _____ Dated: _____
Name
Title

DEFENDANTS

By: *Natella Lalabekyan* Dated: 3.26.04
NATELLA LALABEKYAN
President,
Health Line Clinical Laboratories, Inc.

By: *Natella Lalabekyan* Dated: 3.26.04
NATELLA LALABEKYAN

By: *A Paronyan* Dated: 3.26.04
ARAMAIS PARONYAN, M.D.

By: *[Signature]* Dated: 3.29.04
PATRIC HOOVER, Esq.
Hooper Lundy Bookman, Inc.
Counsel for Health Line Clinical Laboratories, Inc.
Natella Lalabekyan, and Aramais Paronyan, M.D.

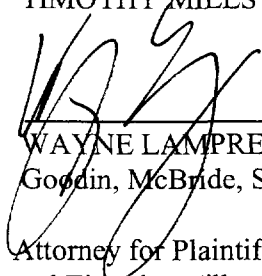
RELATORS

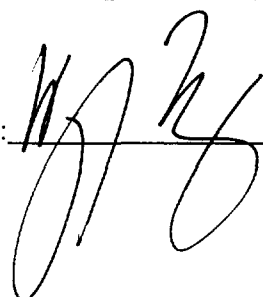
By: 
KIM JENKINS

Dated: 3/31/04

By: _____
TIMOTHY MILLS

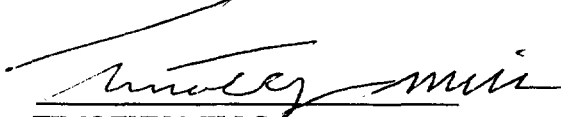
Dated: _____

By: 
WAYNE LAMPREY, Esq.
Goodin, McBride, Squeri, Ritchie & Day
Attorney for Plaintiffs Kim Jenkins
and Timothy Mills

Dated:  4/1/04

RELATORS

By: _____ Dated: _____
KIM JENKINS

By:  _____ Dated: 3/29/04
TIMOTHY MILLS

By: _____ Dated: _____
WAYNE LAMPREY, Esq.
Goodin, McBride, Squeri, Ritchie & Day

Attorney for Plaintiffs Kim Jenkins
and Timothy Mills