

SETTLEMENT AGREEMENT AND RELEASE

I. PARTIES

This Settlement Agreement and Release (“Settlement Agreement”) is entered into by the State of California, acting through the California Department of Justice (“DOJ”), Office of the Attorney General, Bureau of Medi-Cal Fraud and Elder Abuse (“BMFEA”), and the California Department of Health Care Services (“DHCS”), formerly known as the California Department of Health Services, (collectively, “California”); *Qui Tam* Plaintiffs Hunter Laboratories LLC, Hunter Laboratories, Inc., and Chris Riedel (collectively, “*Qui Tam* Plaintiffs”); and defendants Laboratory Corporation of America and Laboratory Corporation of America Holdings (collectively, “LabCorp” or the “LabCorp Defendants”); through their authorized representatives, collectively referred to as the “Parties.”

II. PREAMBLE

A. On November 7, 2005, *Qui Tam* Plaintiffs filed a *qui tam* action in San Mateo County Superior Court, captioned *State of California ex rel.[Relator] v. Quest Diagnostic Laboratories, Inc., et al.*, court case number CIV 450691 (hereinafter the “Litigation”). In the Litigation, claims were asserted on behalf of California pursuant to the California False Claims Act, California Government Code Section 12650 *et seq.*

B. The DOJ, on behalf of the State of California, filed a Notice of Intervention in the Litigation on October 28, 2008, and the Litigation was unsealed with respect to the general public on or about March 13, 2009. The Litigation was subsequently transferred to the Superior Court for the County of Sacramento, and assigned court case number CIV 34-2009-00048046. On December 2, 2009 the Superior Court for the County of Sacramento sustained LabCorp’s demurrer on the grounds that LabCorp was improperly joined in the same complaint with other defendants accused of similar misconduct. On December 14, 2009, the State of California and the *Qui Tam* Plaintiffs filed a new Complaint against the LabCorp Defendants in case number CIV 34-2009-00066517 (the “Operative Complaint”). The Operative Complaint and all prior complaints filed in the Litigation are referred to collectively herein as the “Complaint.”

C. California and *Qui Tam* Plaintiffs allege that the LabCorp Defendants submitted or caused to be submitted false claims for payment to the California Medical Assistance Program, which is California’s Medicaid program (“Medi-Cal”), by allegedly engaging in the following conduct (hereinafter referred to as the “Covered Conduct”):

1. During the period from November 7, 1995, through the Effective Date of this Settlement Agreement (as defined in Section III.V below), the LabCorp Defendants (including the LabCorp Releasees as defined in Section III.F below) allegedly charged Medi-Cal more for laboratory tests than they charged other purchasers of “comparable services” under “comparable circumstances,” in violation of California Code of Regulations, title 22, Section 51501(a) (“Section 51501(a)”), other regulations governing Medi-Cal, including without

limitation, title 22, Sections 51480 and 51529, and the requirements of their Medi-Cal Provider Agreements.

2. During the period from November 7, 1995, through the Effective Date of this Settlement Agreement, the LabCorp Defendants (including the LabCorp Releasees) allegedly offered and gave low capitated and fee-for-service rates on laboratory tests for non-Medi-Cal services in order to induce purchasers to refer Medi-Cal laboratory test business to the LabCorp Defendants, in violation of 42 U.S.C. § 1320a-7b, Section 650 of the California Business and Professions Code and Section 14107.2 of the California Welfare and Institutions Code, regulations governing Medi-Cal, and the requirements of their Medi-Cal Provider Agreements.

3. During the period from November 7, 1995, through the Effective Date of this Settlement Agreement, the LabCorp Defendants (including the LabCorp Releasees) allegedly engaged in the conduct that is alleged in the Complaint.

D. The LabCorp Defendants specifically deny any and all liability and wrongdoing. The LabCorp Defendants contend: (a) that their billing practices were at all times in material compliance with Section 51501(a), industry practice, and all other applicable laws and regulations, (b) that California has been aware of LabCorp's (including LabCorp Releasees) billing practices with respect to Medi-Cal and other purchases since before November 7, 2002, (c) that DHCS has offered inconsistent interpretations of Section 51501(a) during various public judicial, administrative and legislative proceedings, (d) that LabCorp's application of and interpretation that Section 51501 and similar regulations are not "most favored nations" regulations, was correct, (e) that capitated and negotiated fee-for-service rates are not "discounts" or "rebates" subject to the State or Federal anti-kickback laws, and (f) that LabCorp did not offer or give capitated or fee-for-service rates on laboratory tests for non-Medi-Cal services in order to induce purchasers to refer Medi-Cal laboratory test business to the LabCorp Defendants. It is LabCorp's position that the Settlement Amount described in Section III.A below represents a compromise settlement and is entered into by LabCorp to avoid the expense and risks associated with litigation. The LabCorp Defendants further contend that their conduct was at all times lawful and in compliance with applicable statutory and regulatory requirements, regulatory safe harbors, and the requirements of their Medi-Cal Provider Agreements.

E. The Parties mediated the Litigation on four separate occasions before the Hon. Edward A. Infante (Ret.), on December 30, 2010, February 10, 2011, April 7, 2011, and June 9, 2011.

F. This Settlement Agreement shall constitute neither an admission of liability by the LabCorp Defendants nor a concession by California or the *Qui Tam* Plaintiffs that any part of the Complaint lacks merit, and it does not constitute or contain any statement or interpretation of law. No one other than a Party to this Settlement Agreement is intended to receive any right or benefit under it or to have standing to enforce any of its provisions.

III. TERMS AND CONDITIONS

NOW, THEREFORE, in reliance on the representations contained herein and in consideration of the mutual promises, covenants, and obligations set forth in this Settlement Agreement, and for good and valuable consideration as stated herein, the Parties agree as follows:

A. The LabCorp Defendants agree to pay, within twenty (20) business days after the Effective Date of this Settlement Agreement, a total sum of Forty-Nine Million Five Hundred Thousand Dollars and Zero Cents (\$49,500,000.00) in settlement of all claims to be released by California and the *Qui Tam* Plaintiffs under this Settlement Agreement (the "Settlement Amount"), as follows:

1. The LabCorp Defendants shall pay the Settlement Amount of Forty-Nine Million Five Hundred Thousand Dollars (\$49,500,000.00) to the State of California by electronic funds transfer pursuant to the written instructions provided in Attachment A.

2. After California receives the full Settlement Amount, it shall pay twenty nine percent (29%) of that Settlement Amount, consisting of Fourteen Million Three Hundred Fifty-Five Thousand Dollars (\$14,355,000.00), representing *Qui Tam* Plaintiffs' full share of California's recovery pursuant to Government Code Section 12652(g)(2), to Cotchett, Pitre & McCarthy, LLP (*Qui Tam* Plaintiffs' counsel) pursuant to the written instructions provided in Attachment B.

B. In addition to paying the Settlement Amount of Forty-Nine Million Five Hundred Thousand Dollars (\$49,500,000), the LabCorp Defendants agree to pay the *Qui Tam* Plaintiffs' counsel reasonable attorneys' fees and costs in connection with the Litigation under California Government Code Section 12652(g)(1)(C)(8), but the reasonable amount of fees and costs is in dispute. The Parties agree that the dispute concerning the amount of *Qui Tam* Plaintiffs' statutory attorneys' fees and costs will be resolved separately. The Parties agree to appear before Judge Edward Infante (ret.) for mediation of that dispute. If that mediation is unsuccessful, the parties agree to arbitration of that dispute before a JAMS Neutral. The determination and payment of attorneys' fees and costs in connection with the Litigation under California Government Code Section 12652(g)(1)(C)(8), or the failure to determine and pay those fees and costs, shall not delay or prevent the effectiveness or enforcement of the balance of this Settlement Agreement.

C. The LabCorp Defendants further agree to undertake the following actions, which are in addition to any other duties they may have under law or contract:

1. Within sixty (60) days after November 1, 2011, and within thirty (30) days after each February 1, May 1, August 1, and November 1 thereafter through February 1, 2014, except to the extent that the LabCorp Defendants shall be excused by giving DHCS a Transitional Rate (as defined in Section III.C.6 below), the LabCorp Defendants shall send written reports ("**Exception Reports**") to a settlement compliance contact or unit designated by DHCS ("**Settlement Compliance Contact**"). The Exception Reports shall each cover the three

completed monthly billing cycles immediately prior to the dates set forth above (the “**Reporting Period**”). A “monthly billing cycle” is the monthly billing period used by LabCorp in the ordinary course and conduct of its business. The monthly billing cycle may or may not end on the last day of the month. For example, if LabCorp uses the 25th of each month as the end of the billing cycle, the August 1 Exception Reports will cover the period from April 26 through July 25, the November 1 Exception Reports will cover the period from July 26 through October 25, etc., up until the last required Exception Reports, which will cover the three completed monthly billing cycles immediately before February 1, 2014, in this example, the period from October 26 through January 25, 2014.

2. For purposes of this Settlement Agreement:

a. A “**Potentially Reportable Test**” means a test that was ordered by a practitioner in California, for a patient located in California.

b. A “**Potentially Reportable Test**” does **not** include the following:

i. Tests for which, during the applicable Reporting Period, the aggregate sum of all charges by LabCorp to the purchaser, together with all charges for tests referred by that purchaser, was less than \$5,000 (a “*de minimis*” exception).

ii. Tests for which the charges were intercompany charges between or among the LabCorp Defendants and their affiliates or subsidiaries.

iii. Tests provided to employees of a LabCorp Defendant or of its affiliate or subsidiary.

iv. Tests referred by LabCorp to a non-LabCorp Reference Laboratory, when the amount which LabCorp may charge for such referred test is limited pursuant to the Section 655.5(c) of the California Business and Professions Code.

v. Tests performed for classes of purchasers or under payment methodologies that California, through statute, regulation, or agreement with any other Medi-Cal provider of laboratory services, excludes from consideration for purposes of determining compliance with Section 51501(a), except that financial compromises of claims made in connection with administrative audits shall not create exceptions to the definition of Potentially Reportable Tests under this Section III.C.2.b.

c. “**Client-Billed Purchasers**” means all entities that purchase testing directly from LabCorp for a patient located in California.

d. The “**Snapshot Date**” means a specified date during the Reporting Period that is selected by DHCS and communicated in writing to LabCorp within ten (10) days of the end of the Reporting Period (or, in the absence of such a communicated selection by DHCS, at the midpoint of the Reporting Period).

e. “**Fee-for-Service**” is a price charged per test performed. Fee-for-Service prices offered in conjunction with a capitated per-patient charge shall not be considered, for purposes of this Agreement, to be Fee-for-Service, provided that the number of such tests for a given purchaser do not exceed fifty percent (50%) of the total number of tests billed to the purchaser for the Reporting Period at issue.

f. “**Lower Price Purchasers**” means Client-Billed Purchasers who were charged, on a Fee-for-Service basis by LabCorp, on a Reporting Period’s specified Snapshot Date, for one or more Potentially Reportable Tests at *less than* the amount LabCorp charged Medi-Cal during the same Reporting Period for the same laboratory test.

g. “**Lower Price Tests**” means Potentially Reportable Tests for which Client-Billed Purchasers were charged, on a Fee-for-Service basis by LabCorp, on a Reporting Period’s specified Snapshot Date, at *less than* the amount LabCorp charged Medi-Cal during the same Reporting Period for the same laboratory test.

h. The amount a purchaser is “**charged**” means any amount that LabCorp charges a particular Client-Billed Purchaser, whether pursuant to a contract, price list, custom, practice, or otherwise, after giving effect to all discounts, rebates, adjustments, or write-offs that are applied on a regular basis to that purchaser. For the purpose of the Exception Reports, write-offs resulting from bona fide disputes or bona fide attempts at collection that have failed or from the termination of a Client-Billed Purchaser shall not be included in calculating the amount a Client-Billed Purchaser is charged. Tests performed for indigent patients for which there was no charge or a nominal charge, and as to which LabCorp has a reasonable, good faith basis to conclude that the testing was performed for a patient who was unable to pay for such testing, shall not be included in calculating the amount “charged” for the purpose of the Exception Reports, provided that such patients meet the patient criteria set forth in Section 657(c) of the California Business and Professions Code.

3. For all Potentially Reportable Tests purchased by Client-Billed Purchasers, LabCorp will list in each of its Exception Reports all Lower Price Purchasers and all Lower Price Tests. For Client-Billed Purchasers, each Exception Report shall include, for each Lower Price Purchaser and for each Lower Price Test, all of the following:

a. The identity of the purchaser, which shall include the type of purchaser (e.g., a hospital).

b. LabCorp’s Test Bill Code (which is used to identify each unique test provided by LabCorp) for the Lower Price Test and the corresponding CPT code or codes for the Lower Price Test.

c. The amount charged to the Lower Price Purchaser for the Lower Price Test.

d. Where tests (such as certain panels) that are ordered by a single Test Bill Code are billed to Medi-Cal under more than one CPT code, LabCorp will also report an allocation of the total applicable Test Bill Code price to each included CPT code in proportion to Medi-Cal's then applicable maximum reimbursement rates, resulting in multiple "**Allocated CPT Code Prices**" for that Test Bill Code price. Provided that all of the requirements in this Section III.C.3.d are met, and subject to the exceptions in Section III.J of this Settlement Agreement, California will not make any claim against or seek withholding from a LabCorp Releasee under Section 51501(a), or seek any discretionary suspension or exclusion of a LabCorp Releasee under Section 51501(a), on the ground that an Allocated CPT Code Price that was charged before February 1, 2014 for a test performed on or before that date was lower than a price that was charged to Medi-Cal, unless the price charged to Medi-Cal was for a test ordered under the same Test Bill Code. The requirements are that:

(i) The same Test Bill Codes are offered to the ordering provider regardless of whether or not payment is sought from Medi-Cal, and no attempt is made to influence the ordering of a test in order to avoid comparing charges to Medi-Cal with charges to other purchasers; and

(ii) LabCorp has otherwise complied with the reporting requirements set forth in this Settlement Agreement.

e. The name, address, telephone number, and e-mail address of a contact at LabCorp with knowledge of the Exception Reports.

f. The facts, if any, upon which LabCorp contends that it was not required to charge Medi-Cal at least as low a price as the Lower Price Purchaser to the extent LabCorp believes the identity of the purchaser alone does not reveal such facts ("Justifications"). California agrees that if LabCorp fails to include a particular Justification, LabCorp does not waive its right to assert that Justification at a later point.

4. For insurance companies and other similar commercial third-party payors whose reimbursement rates are determined in accordance with a contract with LabCorp ("Commercial Third Party Payors"), LabCorp shall list, in each Exception Report, the top ten (10) such Commercial Third Party Payors (determined by California revenue to LabCorp during the Reporting Period) that have reimbursed on a Fee-for-Service basis for Potentially Reportable Tests for patients in California. For each such Commercial Third Party Payor, LabCorp shall provide, in each Exception Report, the contracted rates in effect for the Reporting Period by CPT code which LabCorp has in its possession or can obtain from the Commercial Third Party Payor after a good faith effort.

5. Each Exception Report shall also include, in a separate section, a listing by customer of all capitated contracts covering services to patients in California between LabCorp and any entity with which it has such a capitated contract, together with a description of the essential pricing terms of the contract.

6. Notwithstanding the other reporting provisions of this Section III.C, the LabCorp Defendants may elect, instead of submitting Exception Reports for the first four Reporting Periods as would otherwise be required under this Settlement Agreement, to submit Medi-Cal claims to DHCS at no more than eighty-five percent (85%) of Medi-Cal's then otherwise applicable published maximum reimbursement schedule for all otherwise eligible and proper Medi-Cal claims for tests or services with dates of service from November 1, 2011 through October 31, 2012 (the "Transitional Rate"). If there is no otherwise applicable rate for a laboratory test on Medi-Cal's published maximum reimbursement schedule, the Transitional Rate claimed for that test shall be no more than eighty-five percent (85%) of Medi-Cal's manually priced rate. If, however, Medi-Cal's then otherwise applicable published maximum reimbursement schedule for some or all tests or services is reduced at any point from November 1, 2011 through October 31, 2012, then the Transitional Rate shall be increased in order to fully offset any such reduction(s) with respect to all otherwise proper Medi-Cal claims for tests or services affected by any such reduction(s) that are performed after that point, except that in no event shall the Transitional Rate exceed 100% of Medi-Cal's then otherwise applicable maximum reimbursement rate for any test or service. In addition:

a. If LabCorp makes the election to bill Medi-Cal at the Transitional Rate for the period November 1, 2011 through October 31, 2012, then (i) California agrees that it will not make any further reduction to the LabCorp Releasees' reimbursements for this period pursuant to Section 51501(a), or make any claim against or seek withholding from a LabCorp Releasee under Section 51501(a) for Medi-Cal claims with dates of service during the first four Reporting Periods, or seek any discretionary suspension or exclusion of a LabCorp Releasee based on an alleged failure to comply with Section 51501(a) during the first four Reporting Periods, and (ii) the Parties agree that LabCorp's first Exception Reports will not be due until thirty (30) days after February 1, 2013 (and that these initial Exception Reports will cover the three (3) monthly billing cycles immediately prior to that date).

b. If California agrees to a Transitional Rate (or its substantive equivalent) in a settlement with any other laboratory that is a more favorable percentage for the laboratory than the Transitional Rate specified herein, then California agrees that the Transitional Rate, if any, applicable to LabCorp during the same period will change to the same percentage.

c. The LabCorp Defendants may, at their option, elect to charge Medi-Cal at the Transitional Rate for fewer than all of the first four Reporting Periods and to submit instead to the reporting requirements otherwise specified in this Settlement Agreement, subject to the provisions of Section III.C.12 of this Settlement Agreement.

7. The Parties reserve all rights and legal positions with respect to the applicability of Section 51501(a) to claims for services provided under the Family PACT program ("Family Pact Claims"), including whether the Transitional Rate, if elected, should apply to claims for services provided under the Family PACT program, with the understanding that the provisions of Sections III.C.13 through 16 of this Settlement Agreement shall govern

Family PACT Claims, if any, made by a LabCorp Releasee to DHCS prior to February 1, 2014 for tests performed on or before that date.

8. Each Exception Report shall be provided as electronically stored information in a format designated by this Settlement Agreement, unless DOJ, DHCS and LabCorp mutually agree to a different format at a later date. Initially, except as otherwise specified elsewhere in this Settlement Agreement, the format shall be either a Microsoft Excel file, a Microsoft Access file, or a character delimited electronic text format approved by DOJ or DHCS, together with such column headings, data dictionaries, and definitions as will make the data in the Exception Reports readily importable into and usable in DOJ's and DHCS's data systems. Exception Reports mailed to the Settlement Compliance Contact shall be on standard computer media and in the electronic format described above. The Parties agree that Exception Reports are protected as confidential records and shall not be disclosed by California to any third party, including but not limited to the *Qui Tam* Plaintiffs, except as required by law or court order, or as permitted by the prior written consent of LabCorp. California agrees to provide the LabCorp Defendants with at least fifteen (15) days notice, if reasonably practicable, before any proposed disclosure of Exception Reports or information from any Exception Report in order to allow the LabCorp Defendants a reasonable opportunity to contest the proposed disclosure in appropriate court or other forum. If fifteen days (15) prior notice is not reasonably practicable under the circumstances, California agrees to provide notice as soon as reasonably practicable.

9. No later than ten (10) days after the Effective Date of this Settlement Agreement, the LabCorp Defendants shall appoint and identify to the Settlement Compliance Contact an individual ("Compliance Officer") with the duty and authority to supervise and reasonably ensure compliance with all of the terms of this Settlement Agreement and to communicate with the Settlement Compliance Contact as required by this Settlement Agreement, and any persons designated by the Settlement Compliance Contact, concerning such compliance. If for any reason that person leaves the position, the LabCorp Defendants shall ensure that the office of the Compliance Officer is occupied and that the duties of the Compliance Officer are performed until at least the latter of six (6) months after the last Exception Report under this Settlement Agreement is due and six (6) months after the last Exception Report required under this Settlement Agreement is submitted, and shall identify for the Settlement Compliance Contact the identity of the new Compliance Officer within thirty (30) days from the date the previous Compliance Officer vacated the position.

10. The LabCorp Defendants will reasonably cooperate with the Settlement Compliance Contact and other agents designated by the Settlement Compliance Contact with all of the following:

- a. Reviewing and exchanging information related to the Exception Reports.
- b. Providing any information to which DHCS is entitled by law or contract.

c. Providing any information reasonably requested by DHCS relating to the Exception Reports or compliance with this Settlement Agreement.

11. The LabCorp Defendants will retain, for three (3) years from the delivery to the Settlement Compliance Contact of each Exception Report, in a usable and accessible format, the documents, records, and data relating to pricing and payment for laboratory testing services that are relevant to the information set forth in the Exception Reports required by this Settlement Agreement, and will within a reasonable time period provide to DHCS and to DOJ such of those documents, records, and data as one or both of them may from time to time request.

12. The reporting obligations of this Section III.C, and the Transitional Rate provisions of Section III.C.6, shall terminate in the event of a statutory change, a regulatory change, or a change in interpretation by DHCS, an administrative tribunal, or a court, that materially alters the language or effect of Section 51501(a) (a "51501 Alteration"). In the event of a 51501 Alteration, the forbearances by California described in Sections III.C.13 and III.C.14 shall remain in effect with respect to tests or services with dates of service prior to the date of a 51501 Alteration, to the extent all conditions underlying the forbearances are otherwise met, but shall terminate with respect to tests or services with dates of service after the date of a 51501 Alteration.

13. Subject to the exceptions in Section III.J of this Settlement Agreement, California and the *Qui Tam* Plaintiffs agree that they will not bring (1) any action against the LabCorp Releasees under (a) the California False Claims Act, which is found at Section 12650 *et seq.* of the California Government Code, or (b) the federal False Claims Act, which is found at 31 U.S.C. §§ 3729 *et seq.* (to the extent, if any, that California or the *Qui Tam* Plaintiffs can assert such a federal claim), either of which is based on an alleged violation of Section 51501(a), 51480(a), 51529(a)(2), or 51529(a)(4)(E) of Title 22 of the California Code of Regulations, or (2) any action under the California or federal False Claims Act (to the extent, if any, that California or the *Qui Tam* Plaintiffs can assert such a federal claim) that is based on an alleged violation of California Business and Professions Code Section 650, California Welfare and Institutions Code Section 14107.2, or other comparable anti-kickback provisions under law, based on the price levels charged by a LabCorp Releasee, or on a breach of a Medi-Cal Provider Agreement based on the price levels charged, with respect to:

a. any charges to Client-Billed Purchasers for tests billed on a Fee-for-Service basis during a Reporting Period, provided that the information required by this Settlement Agreement for Client-Billed Purchasers has, in all material ways, been fully, accurately, and timely disclosed in an Exception Report required by and in accordance with this Settlement Agreement, but only on the additional conditions that:

i. LabCorp does not time, apportion, or attempt to time or apportion the performance or billing of tests, the submission of claims, or any other event, so as to materially affect the disclosure in the Exception Reports, and

ii. LabCorp does not in any way attempt to frustrate or subvert the intent of this Settlement Agreement that the use of a Snapshot Date rather than the entire Reporting Period will not materially affect the disclosure in the Exception Reports,

b. any charges to Commercial Third Party Payors for tests billed during a Reporting Period, provided that the information required by this Settlement Agreement for Commercial Third Party Payors has, in all material ways, been fully, accurately, and timely disclosed in an Exception Report required by and in accordance with this Settlement Agreement,

c. any charges under a capitated contract for tests that are billed under that contract during a Reporting Period, provided that the information required by this Settlement Agreement with regard to capitated contracts has, in all material ways, been fully, accurately, and timely disclosed in an Exception Report required by and in accordance with this Settlement Agreement,

d. any charges as to which Medi-Cal was given a Transitional Rate in accordance with Section III.C.6, or

e. any charges on or before February 1, 2014 for tests performed on or before that date that are excluded from the definition of Potentially Reportable Tests as defined in Section III.C.2.a-b. above.

14. Subject to the exceptions in Section III.J of this Settlement Agreement, California agrees that it will not seek or impose discretionary temporary or discretionary permanent suspension, exclusion, debarment, or deactivation of any LabCorp Releasee's Medi-Cal provider numbers that is (1) based on an alleged violation of Section 51501(a), 51480(a), 51529(a)(2), or 51529(a)(4)(E) of Title 22 of the California Code of Regulations, or (2) is based on an alleged violation of California Business and Professions Code Section 650, California Welfare and Institutions Code Section 14107.2, or other comparable anti-kickback provisions of law, based on the price levels charged by a LabCorp Releasee, or on a breach of a Medi-Cal Provider Agreement based on the price levels charged, with respect to:

a. any charges to Client-Billed Purchasers for tests billed on a Fee-for-Service basis during a Reporting Period, provided that the information required by this Settlement Agreement for Client-Billed Purchasers has, in all material ways, been fully, accurately, and timely disclosed in an Exception Report required by and in accordance with this Settlement Agreement, but only on the additional conditions that

i. LabCorp does not time, apportion, or attempt to time or apportion the performance or billing of tests, the submission of claims, or any other event, so as to materially affect the disclosure in the Exception Reports, and

ii. LabCorp does not in any way attempt to frustrate or subvert the intent of this Settlement Agreement that the use of a Snapshot Date rather than the entire Reporting Period will not materially affect the disclosure in the Exception Reports,

b. any charges to Commercial Third Party Payors for tests billed during a Reporting Period, provided that the information required by this Settlement Agreement for Commercial Third-Party Payors has, in all material ways, been fully, accurately, and timely disclosed in an Exception Report required by and in accordance with this Settlement Agreement,

c. any charges under a capitated contract for tests that are billed under that contract during a Reporting Period, provided that the information required by this Settlement Agreement with regard to capitated contracts has, in all material ways, been fully, accurately, and timely disclosed in an Exception Report required by and in accordance with this Settlement Agreement,

d. any charges as to which Medi-Cal was given a Transitional Rate in accordance with Section III.C.6, or

e. any charges on or before February 1, 2014 for tests performed on or before that date that are excluded from the definition of Potentially Reportable Tests as defined in Section III.C.2.a-b above.

15. Nothing in this Settlement Agreement has any effect or impact on California's ability to pursue actions, claims, or remedies that are not explicitly renounced by Sections III.C.13, III.C.14 and III.C.17 of this Settlement Agreement. Without limitation, nothing in this Settlement Agreement shall preclude California from (a) initiating a proceeding to recover alleged Medi-Cal overpayments for an asserted violation of Section 51501(a) based on pricing disclosed in an Exception Report, or that is not required to be disclosed in an Exception Report (hereinafter a "Recoupment Action"), (b) withholding payments to a LabCorp Releasee, or (c) seeking or imposing temporary or permanent suspension, exclusion, debarment or deactivation of a LabCorp Releasee's Medi-Cal provider numbers on any grounds that may be authorized by law other than those explicitly renounced by Sections III.C.13, III.C.14 and III.C.17 of this Settlement Agreement. The Parties agree that a Recoupment Action based on any information that is disclosed in an Exception Report must be filed within one year from the submission of the Exception Report or else it will be deemed untimely and therefore barred. Without limitation, nothing in this Settlement Agreement shall preclude California from seeking or imposing temporary or permanent suspension, exclusion, debarment, or deactivation of a LabCorp Releasee's Medi-Cal provider numbers for failure to pay or comply with a final order, judgment, or assessment that is made or affirmed by court or administrative tribunal of competent jurisdiction at the conclusion of the action or proceeding, including any appeals of the judgment, order, or assessment obtained.

16. Nothing in this Settlement Agreement shall preclude a LabCorp Defendant from initiating any proceeding that may be authorized by law that seeks a declaratory judgment or damages sustained due to the withholding by California (including by DHCS) of any portion of a Medi-Cal reimbursement payment based on California's or DHCS's contention that Section 51501(a), Section 51529(a) or Section 51480(a) of Title 22 of the California Code of Regulations precludes payment, in whole or in part, due to information disclosed in an Exception

Report (hereinafter a “LabCorp 51501(a) Action”). The Parties agree that such a LabCorp Section 51501(a) Action shall be deemed untimely and therefore barred unless it is commenced within one year from such a withholding by California. To the extent permitted by law, the Parties further agree that following such a withholding, LabCorp may commence such a LabCorp Section 51501(a) Action in court without first having to exhaust any otherwise applicable administrative remedies and that California will, to the extent permitted by law, expressly waive any defense of failure to exhaust administrative remedies with respect to such an action so that the Parties may obtain an expeditious judicial decision. LabCorp agrees that if it brings more than one LabCorp 51501(a) Action, it will stipulate to such total or partial coordination, designation as related cases, or consolidation of those Actions as DOJ or DHCS may request. LabCorp further agrees that if it chooses to commence a LabCorp Section 51501(a) Action in court without first having to exhaust any otherwise applicable administrative remedies, it will commence all such LabCorp Section 51501(a) Actions exclusively in Sacramento County Superior Court. The Parties further agree that DHCS will not temporarily or permanently suspend, exclude, debar or deactivate any LabCorp Releasee (or its Medi-Cal provider number) due to the mere filing or pursuit of a LabCorp Section 51501(a) Action.

17. The Parties agree that:

a. No later than thirty (30) days after the reporting obligations under this Settlement Agreement end, the LabCorp Defendants may, at their option, request an in-person meeting with DOJ and DHCS to discuss any of the issues set forth in Section III.C.17.b below, which request shall specify the issues LabCorp wishes to discuss (“**Specified Issues**”) and shall be made by sending notice in accordance with Section III.K. of this Settlement Agreement. While DOJ and DHCS may choose to meet with the LabCorp Defendants, DOJ and DHCS have no obligation to respond to or grant, in part or in whole, any request for a meeting or to respond to, discuss, or act on, in part or in whole, any matter in the Specified Issues under this Section III.C.17.

b. The Specified Issues may include:

i. how, after the reporting obligations under this Settlement Agreement end, Allocated CPT Code Prices should be treated under Section 51501(a) (*see* Section III.C.3.d above), and

ii. any other pricing issue concerning Section 51501(a), 51480(a), 51529(a)(2), or 51529(a)(4)(E) of Title 22 of the California Code of Regulations.

c. A "**LabCorp Section 17 Action**" means either (1) an administrative proceeding with respect to one or more of the Specified Issues brought within ninety (90) days after the reporting obligations under this Settlement Agreement end or (2) an action filed by LabCorp in Sacramento County Superior Court within ninety (90) days after the reporting obligations under this Settlement Agreement end, either of which seeks a ruling with respect to one or more of the Specified Issues. Nothing in this

Agreement constitutes an agreement or admission by California that any such LabCorp Section 17 Action would have merit.

d. Provided that the LabCorp Releasee brings a timely LabCorp Section 17 Action, and until the termination of such timely LabCorp Section 17 Action, including appeals, that has been served as to any Specified Issue, DHCS will not impose or seek to impose any discretionary suspension, discretionary exclusion, discretionary debarment, or discretionary deactivation of any LabCorp Releasee (or its Medi-Cal provider number) based upon the filing of a LabCorp Section 17 Action, or based on a Specified Issue whose determination is being sought in such a LabCorp Section 17 Action (hereinafter a "**Section 17 Suspension Action**"), nor will California or the *Qui Tam* Plaintiffs bring any action against the LabCorp Releasees under the California False Claims Act or the federal False Claims Act (to the extent, if any, that California or the *Qui Tam* Plaintiffs can assert such a federal claim) that is based on a Specified Issue whose determination is being sought in such a pending LabCorp Section 17 Action (hereinafter a "**Section 17 FCA Action**"). To the extent permitted by law, the Parties further agree that the LabCorp Releasees, at their option, may commence a LabCorp Section 17 Action in court without first having to exhaust any otherwise applicable administrative remedies, and that California will, to the extent permitted by law, expressly waive any defense of failure to exhaust administrative remedies with respect to such a LabCorp Section 17 Action so that the Parties may obtain an expeditious judicial decision. The LabCorp Releasees' sole remedy for any alleged breach of this Section III.C.17.d. by California or *Qui Tam* Plaintiffs is to seek a stay, dismissal, and/or injunctive relief (including any appeals) with respect to the Section 17 Suspension Action or the Section 17 FCA Action. Nothing in this Section shall be construed to limit the LabCorp Releasees' substantive rights with respect to a Section 17 Suspension Action or a Section 17 FCA Action.

D. The LabCorp Defendants fully and finally release the State of California, its agencies, offices, departments (including but not limited to DOJ, the Office of the Attorney General, BMFEA, and DHCS), employees, servants, agents, and political subdivisions from any claims (including but not limited to attorney's fees, costs, and expenses of every kind and however denominated) that the LabCorp Defendants have asserted, could have asserted, or may assert in the future against the State of California, or its agencies, offices, departments, employees, servants, agents, and political subdivisions related to California's investigation and prosecution of the Covered Conduct, except to the extent that payments may not have been made for any laboratory tests or other services rendered by any of the LabCorp Defendants. Nothing in this Settlement Agreement precludes the LabCorp Defendants from taking action against the State of California, its agencies, offices, departments (including but not limited to DOJ, the Office of the Attorney General, BMFEA, and DHCS), employees, servants, agents, and political subdivisions for conduct or practices other than California's investigation and prosecution of the Covered Conduct, for any breach of this Settlement Agreement, for any fraud in its inducement, or for any conduct which occurs after the Effective Date of this Agreement.

E. The LabCorp Defendants fully and finally release the *Qui Tam* Plaintiffs, including specifically, Hunter Laboratories, Inc., Hunter Laboratories, LLC and Chris Riedel,

and their individual directors, officers, employees, shareholders, partners, agents, and attorneys from any claims (including but not limited to attorneys' fees, costs, and expenses of every kind and however denominated) that the LabCorp Defendants have asserted, could have asserted, or may assert in the future against the *Qui Tam* Plaintiffs, related to the Covered Conduct. Nothing in this Settlement Agreement precludes the LabCorp Defendants from taking action against the *Qui Tam* Plaintiffs and their individual directors, officers, employees, shareholders, partners, agents, or attorneys for conduct or practices other than *Qui Tam* Plaintiffs' investigation and prosecution of the Covered Conduct, for any breach of this Settlement Agreement, for any fraud in its inducement, or for any conduct which occurs after the Effective Date of this Agreement.

F. Subject to the exceptions in Section III.J below, in consideration of the obligations of the LabCorp Defendants in this Settlement Agreement, conditioned and effective upon the LabCorp Defendants' full payment of the Settlement Amount, California (on behalf of itself, its officers, agents, agencies, departments, and political subdivisions) hereby releases the LabCorp Defendants and their respective individual directors, officers, employees, shareholders, partners, agents, attorneys, transferees, predecessors in interest, successors in interest, subsidiaries, affiliates and assigns (collectively, the "**LabCorp Releasees**") from any claim California has or may have for the Covered Conduct under any law or legal or equitable theory, including but not limited to the California False Claims Act (Cal. Gov. Code § 12650 *et seq.*), Section 650 of the California Business and Professions Code, Section 14107.2 of the California Welfare and Institutions Code, or any other statute, and including but not limited to the common law theories of payment by mistake, mistaken receipt, common count, money owed, unjust enrichment, negligent misrepresentation, intentional misrepresentation, breach of contract, or fraud. DHCS agrees to release and refrain from instituting, recommending, directing, or maintaining any administrative claim or action, including, but not limited to, an action seeking a discretionary suspension or discretionary exclusion from the Medi-Cal program or discretionary temporary or discretionary permanent deactivation of Medi-Cal provider numbers, against any of the LabCorp Releasees under any federal or state law, including without limitation, Sections 14043.36 and 14123 of the California Welfare and Institutions Code, based on the Covered Conduct provided, however, that nothing in this Settlement Agreement precludes California, or any of its officers, agencies, or subdivisions, including but not limited to DOJ, the Office of the Attorney General, BMFEA, and DHCS, from taking action against the LabCorp Defendants for any of the items set forth in Section III.J below.

G. In consideration of the obligations of the LabCorp Defendants in this Settlement Agreement, conditioned and effective upon the LabCorp Defendants' full payment of the Settlement Amount:

1. The *Qui Tam* Plaintiffs (on behalf of their individual directors, officers, employees, shareholders, partners, agents, and attorneys) hereby covenant not to sue and release the LabCorp Releasees from any and all claims, rights, demands, suits, matters, issues, actions or causes of action, liabilities, damages, losses, obligations, and judgments of any kind or nature whatsoever, from the beginning of time through the Effective Date of this Settlement Agreement, whether known or unknown, contingent or absolute, suspected or unsuspected, disclosed or undisclosed, matured or unmatured, for damages, injunctive relief, or any other remedy against any and all of the LabCorp Releasees, except as excluded in this

Section III.G. Notwithstanding any term of this Settlement Agreement, *Qui Tam* Plaintiffs do not release the LabCorp Defendants for any breach of this Settlement Agreement, or for any fraud in its inducement. This release shall not become effective with respect to the *Qui Tam* Plaintiffs' Fees and Cost Recovery claims pursuant to Government Code Section 12652(g)(1)(C)(8) until the receipt of payment of those fees and costs, by counsel for the *Qui Tam* Plaintiffs, pursuant to the procedures described in Section III.B above.

2. The release by the *Qui Tam* Plaintiffs specifically excludes any action that may previously have been brought by *Qui Tam* Plaintiffs regarding the practices of the LabCorp Defendants in Florida, Georgia, Massachusetts, Michigan, Nevada, or Virginia, and nothing in this Settlement Agreement shall be deemed to release, bar, or dismiss any such action. The release also specifically excludes any governmental amendments to any actions that may previously have been brought in Florida, Georgia, Massachusetts, Michigan, Nevada, or Virginia or amendments by *Qui Tam* Plaintiffs which do not assert new causes of action.

H. The *Qui Tam* Plaintiffs understand and for valuable consideration hereby expressly waive all rights and benefits of Section 1542 of the California Civil Code (or any analogous state law or federal law or regulation), which section reads as follows:

“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.”

I. California and the *Qui Tam* Plaintiffs shall, promptly following receipt of payment of the Settlement Amount set forth in Section III.A above, dismiss the Litigation with prejudice, with the exception of the *Qui Tam* Plaintiffs' claim for attorneys' fees and costs under Government Code Section 12652(g)(1)(C)(8). Promptly upon resolution and receipt of payment of *Qui Tam* Plaintiffs' claim for fees and costs pursuant to Section III.B above, *Qui Tam* Plaintiffs shall dismiss the remainder of the Litigation with prejudice. Nothing in this Settlement Agreement shall require the dismissal of any pending California action against defendants, other than the LabCorp Defendants, who were named at any time in the Litigation.

J. Notwithstanding any term of this Settlement Agreement, California specifically does not release any person or entity from, or renounce any action or remedy for, any of the following claims or liabilities:

1. Any civil, criminal, or administrative liability arising under Title 26, U.S. Code (Internal Revenue Code), or California's Taxation and Revenue Code.

2. Any criminal liability.

3. Any administrative liability for mandatory suspension or mandatory exclusion from State of California or United States health care programs.

4. Any liability to the State of California (or their agencies) for any conduct other than the Covered Conduct.

5. Any liability for express or implied warranty claims or other claims for defective or deficient products or services, including, but not limited to, quality of goods and services.

6. Any liability for failure to deliver goods or services due or to pay for goods or services.

7. Any liability for breach of this Settlement Agreement or fraud in its inducement.

K. All notices required by or relating to this Settlement Agreement shall be sent by first class mail to the following physical addresses and by e-mail to the following email addresses, or such other addresses as may be designated in writing by the party to receive the notice:

1. To the State of California or DOJ:

California Department of Justice
Bureau of Medi-Cal Fraud and Elder Abuse
1425 River Park Drive, Suite 300
Sacramento, CA 95815
Attention: Vincent DiCarlo, Deputy Attorney General
Mark.Geiger@doj.ca.gov
Mark.Zahner@doj.ca.gov
Claude.Vanderwold@doj.ca.gov
Vincent.DiCarlo@doj.ca.gov
Brian.Keats@doj.ca.gov
Jennifer.Gregory@doj.ca.gov

2. To the California Department of Health Care Services:

Department of Health Care Services
Office of Legal Services
1501 Capitol Avenue
P.O. Box 997413
Sacramento, CA 95899-7413
Attention: Steven A. Picco, Senior Counsel
Steven.Picco@dhcs.ca.gov

3. To the DHCS Settlement Compliance Contact

California Department of Health Care Services
Medical Review Branch
1500 Capitol Avenue, 4th Floor, MS-2303
Sacramento, CA 95899-7413
Attention: Medical Consultant

4. To the LabCorp Defendants:

Kathryn Kyle
Laboratory Corporation of America
531 S. Spring Street
Burlington, NC 27215

5. To *Qui Tam* Plaintiffs:

Niall P. McCarthy
Cotchett, Pitre & McCarthy, LLP
San Francisco Airport Office Center
840 Malcolm Road, Suite 200
Burlingame, CA 94010-1413
nmccarthy@cpmlegal.com

L. Except as expressly provided to the contrary in this Settlement Agreement, each Party shall bear its own legal and other costs and expenses incurred in connection with this matter, including the preparation and performance of this Settlement Agreement. Without limitation, the LabCorp Defendants will not attempt to recoup any such costs or expenses from Medi-Cal, Medicaid, or any other governmental program.

M. The LabCorp Defendants represent that this Settlement Agreement is freely and voluntarily entered into without any degree of duress or compulsion whatsoever.

N. California and *Qui Tam* Plaintiffs represent that this Settlement Agreement is freely and voluntarily entered into without any degree of duress or compulsion whatsoever.

O. This Settlement Agreement is governed by the laws of the State of California.

P. For purposes of construction, this Settlement Agreement shall be deemed to have been drafted by all Parties to this Settlement Agreement and shall not, therefore, be construed against any Party for that reason in any subsequent dispute.

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

R. The individuals signing this Settlement Agreement on behalf of the LabCorp Defendants represent and warrant that they are authorized by the LabCorp Defendants to execute this Settlement Agreement. The individual signing this Settlement Agreement on behalf of *Qui Tam* Plaintiffs represents and warrants that he is authorized to execute this Settlement Agreement on behalf of all of the *Qui Tam* Plaintiffs. The California signatories represent that they are signing this Settlement Agreement in their official capacities and that they are authorized to execute this Settlement Agreement.

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

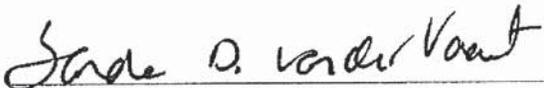
T. This Settlement Agreement is binding on the LabCorp Defendants' successors, transferees, heirs, and assigns.

U. This Settlement Agreement is binding on *Qui Tam* Plaintiffs' successors, transferees, heirs, and assigns.

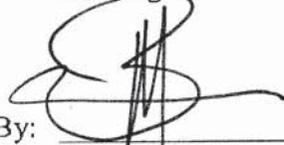
V. This Settlement Agreement is effective on the date of signature of the last signatory to this Settlement Agreement (the "Effective Date"). Facsimiles and other images of signatures, including electronically transmitted signatures, shall constitute acceptable, binding signatures for purposes of this Settlement Agreement.

THE LABCORP DEFENDANTS

Dated: 08/18/11, 2011

By: 
Sandra D. van der Vaart, Senior Vice
President & General Counsel
For Laboratory Corporation of America and
Laboratory Corporation of America
Holdings

Dated: 8/18/11, 2011

By: 
Martha Boersch
Jones Day
555 California Street, 26th Floor
San Francisco, CA 94104

Dated: 8/30, 2011

By: 
Shawn Hanson
Akin Gump
580 California Street
Suite 1500
San Francisco, CA 94104-1036
Counsel to the LabCorp Defendants

THE STATE OF CALIFORNIA

Kamala D. Harris
Attorney General of the State of California

Dated: _____, 2011

By: _____
Vincent DiCarlo,
Deputy Attorney General
Bureau of Medi-Cal Fraud and Elder Abuse
Office of the Attorney General
California Department of Justice

Dated: _____, 2011

By: _____
Karen T. Johnson,
Chief Deputy Director
Medi-Cal Program
California Department of Health Care Services

QUI TAM PLAINTIFFS

Dated: _____, 2011

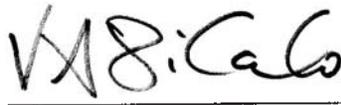
By: _____
Chris Riedel,
For Hunter Laboratories, LLC and
Hunter Laboratories, Inc.

Dated: _____, 2011

By: _____

Shawn Hanson
Akin Gump
580 California Street
Suite 1500
San Francisco, CA 94104-1036
Counsel to the LabCorp Defendants

Dated: August 30, 2011

By: 

Vincent DiCarlo,
Deputy Attorney General
Bureau of Medi-Cal Fraud and Elder Abuse
Office of the Attorney General
California Department of Justice

Dated: August 14, 2011

By: 

Karen T. Johnson,
Chief Deputy Director
Medi-Cal Program
California Department of Health Care Services

OUI TAM PLAINTIFFS

Dated: _____, 2011

By: _____

Chris Riedel,
For Hunter Laboratories, LLC and
Hunter Laboratories, Inc.

Dated: _____, 2011

By: _____

Shawn Hanson
Akin Gump
580 California Street
Suite 1500
San Francisco, CA 94104-1036
Counsel to the LabCorp Defendants

THE STATE OF CALIFORNIA

Kamala D. Harris
Attorney General of the State of California

Dated: _____, 2011

By: _____

Vincent DiCarlo,
Deputy Attorney General
Bureau of Medi-Cal Fraud and Elder Abuse
Office of the Attorney General
California Department of Justice

Dated: _____, 2011

By: _____

Karen T. Johnson,
Chief Deputy Director
Medi-Cal Program
California Department of Health Care Services

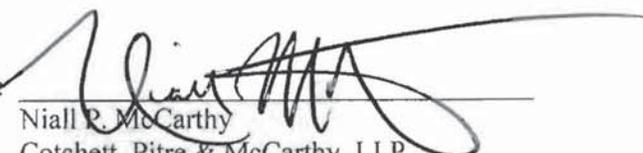
QUI TAM PLAINTIFFS

Dated: 8/10/11, 2011

By: C. Riedel

Chris Riedel,
For Hunter Laboratories, LLC and
Hunter Laboratories, Inc.

Dated: 8/11, 2011

By: 
Niall R. McCarthy
Cotchett, Pitre & McCarthy, LLP
Counsel for *Qui Tam* Plaintiffs