

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is entered into by and between The City of Philadelphia (the “City”), by and through its Office of Inspector General (“OIG”) and Corizon Health, Inc. f/k/a Prison Health Services, Inc. (“PHS”).¹ The City and PHS are collectively referred to as “the Parties.”

PREAMBLE

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

A. PHS is a leading provider of correctional healthcare services in the United States. PHS is organized under the laws of Delaware, with its headquarters in Brentwood, Tennessee, located at 105 Westpark Drive, Suite 200, and its operations headquarters in St. Louis, Missouri, located at 12647 Olive Boulevard. The City, acting through its Philadelphia Prison System (“PPS”), and PHS entered into agreements beginning September 1, 2004 (the “Prison Healthcare Contracts”) for PHS to provide healthcare services to inmates at correctional facilities throughout the City of Philadelphia.

B. PPS is the City agency responsible for providing and administering correctional facilities for all of the City’s inmates.

C. The OIG is an office that was created by the Mayor of Philadelphia to enhance the public confidence in the integrity of the City government by investigating corruption, fraud, misconduct, waste, and mismanagement of City employees and those doing business with the City or City-related agencies (as defined in Section 17-1401(9) of The Philadelphia Code).

¹ In 2011, PHS changed its legal name to Corizon Health, Inc. (“Corizon”). For the purposes of this Agreement, the Parties will refer to PHS with the understanding that the rights and responsibilities outlined herein apply equally to Corizon.

D. Beginning on or about October 1, 2011, the OIG investigated an allegation that PHS used a pass-through Woman-owned Business Enterprise (“WBE”) in violation of the City’s requirements governing the participation of Minority, Woman, and Disabled Business Enterprises (“M/W/DSBE”) in City contracts. The OIG investigation found that from 2007 through 2011, PHS represented to the City that American Safety and First Aid, d.b.a. JHK (“JHK”), a WBE, was providing pharmaceutical services under the Prison Healthcare Contracts to satisfy a portion of the Prison Healthcare Contracts’ M/W/DSBE requirements. However, while JHK was certified in another healthcare specialty, it was not certified as a WBE in the pharmaceutical arena, and in fact performed no services under the Prison Healthcare Contracts. The OIG investigation found that a non-WBE vendor, was actually providing the pharmaceutical services under the Prison Healthcare Contracts and that PHS was paying JHK simply for the use of its name – and at compensation far less than PHS represented in the Prison Healthcare Contracts that it was paying JHK.

E. Prior to engaging the non-WBE subcontractor to perform work on behalf of the identified WBE, PHS notified and received approval from certain employees at PPS. PHS did not notify or receive approval for this arrangement from the City’s Office of Economic Opportunity (“OEO”) or its predecessor agency, the Minority Business Enterprise Council (“MBEC”).

F. The OIG contends that PHS engaged in the following conduct (“the Covered Conduct”) under the Prison Healthcare Contracts:

During the period September 1, 2007 to August 31, 2011, PHS made incorrect representations to the City about its fulfillment of M/W/DSBE contractual commitments to PPS.

G. Upon learning of the OIG's concerns, PHS replaced JHK with another certified WBE engaged in the provision of pharmaceutical services. That replacement became effective on March 1, 2012.

H. The City believes that it has certain civil and administrative claims against PHS for engaging in the Covered Conduct.

I. PHS expressly denies that it engaged in any wrongful conduct in connection with the Covered Conduct.

J. This Agreement is made in compromise of disputed claims relating to the Covered Conduct. This Agreement is not an admission of facts or liability by PHS. This Agreement is not a concession by the City that its claims are not well founded. Neither this agreement, its execution, nor the performance of any obligation under it, including payment, nor the fact of any settlement, is intended to be, or shall be understood, as an admission of liability or wrongdoing, or other expression reflecting on the merits of the dispute by PHS.

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

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 Agreement, and for good and valuable consideration as stated herein, the Parties, intending to be legally bound, agree as follows:

1. PHS agrees to remit to the City the sum of \$1,850,000 (the "Settlement Amount") by electronic funds transfer no later than fourteen (14) business days after this Agreement is fully executed by the Parties and delivered to counsel for PHS.

2. PHS further agrees that, to the extent not already completed, PHS will implement the following enhancements to its corporate compliance program no later than seventy five (75) calendar days after this Agreement is fully executed by the Parties and delivered to counsel for PHS, and shall maintain this compliance program for as long as it contracts with the City or City-related agencies and such contracts contain requirements relating to M/W/DSBE participation:

(a) PHS agrees to review all of its current M/W/DSBE vendor relationships to ensure compliance with local, state, and federal requirements;

(b) PHS agrees to create a corporate-level vendor diversity program to continue to promote diversity among its vendors nationwide;

(c) PHS agrees to join the National Minority Supplier Development Council and the Women's Business Enterprise National Council as part of its corporate-level vendor diversity program.

(d) PHS shall incorporate into its current compliance program written Policies and Procedures regarding PHS's compliance with all anti-discrimination policies of the City and any City-related agency as contained in or issued in response to City Executive Order 02-05 or any successor program (the "Anti-Discrimination Policies"). All PHS operating locations will follow the following Policies and Procedures when contracting with the City or any City-related agency when M/W/DSBE contracting requirements are required as part of the contract. These Policies and Procedures are as follows:

1. A lead business person on the project will be designated as the M/W/DSBE Compliance Team Member. He or she will review the bid² documents and the contract requirements to ensure M/W/DSBE requirements are fully understood by PHS personnel responsible

² As used in the Agreement, "bid" includes both bid specifications and competitive sealed bids, and requests for proposals and responses thereto.

for the bid, before submitting a binding bid or executing a contract. This includes both participation requirements and reporting requirements, among others.

2. Prior to submitting any bid or executing any contract, PHS must engage in a complete review of the bid and the contract terms and conditions with the M/W/DSBE Compliance Team Member, and M/W/DSBE requirements must be fully understood and discussed with in-house counsel.
3. The M/W/DSBE Compliance Team Member or his/her designee will review the OEO Registry to ensure all committed M/W/DSBEs are properly registered with the OEO.
4. PHS will require all M/W/DSBEs who seek a subcontract with PHS on a contract with the City or any City-related agency to submit their certification forms documenting their M/W/DSBE status to the M/W/DSBE Compliance Team Member responsible for the project. The certification must evidence that the bidder is certified to provide the services that make up the subcontract between PHS and the M/W/DSBE. Copies of the certifications will be kept by the M/W/DSBE Compliance Team Member.
5. Where possible, PHS will solicit a minimum of three competitive bids from M/W/DSBEs for all contracts with the City or a City-related agency.
6. The M/W/DSBE Compliance Team Member will ensure that the M/W/DSBE is aware of PHS's obligations under the Anti-Discrimination Policies. Moreover, the M/W/DSBE Compliance Team Member will ensure that the M/W/DSBE fully understands its responsibilities under the contract.
7. No bid will be submitted to, and no contract will be executed with, the City or any City-related agency without the written approval of the M/W/DSBE portion of the contract by PHS's in-house counsel and M/W/DSBE Compliance Team Member.

(e) PHS shall provide at least one hour of General Training to any or all (1)

General Managers and staff responsible for preparing bids or initiating projects relating to contracts with the City or City-related agencies, (2) M/W/DSBE Compliance Team Member(s), and (3) the In-House Counsel of PHS. This training, at a minimum, shall explain:

1. PHS's Policies and Procedures as it pertains to M/W/DSBE compliance issues; and
2. Executive Order 02-05 or its successor program.

(f) PHS shall review the training annually, and, where appropriate, update the training to reflect changes in the Anti-Discrimination Policies and any other relevant information.

(g) Within one hundred eighty (180) days after this Agreement is fully executed by the Parties and delivered to counsel for PHS, PHS shall submit a written report to the OIG summarizing the status of its implementation of these requirements (the "Implementation Report"). The Implementation Report, shall, at a minimum, include:

1. The name of each M/W/DSBE Compliance Team Member;
2. Whether any additional policies or procedures, other than the Policies and Procedures contained in this Agreement, were established in order to address M/W/DSBE compliance issues, if so attaching a copy of such additional policies or procedures; and
3. A description of the training required by Section 2(e) of this Agreement, including a summary of the topics covered, length of session(s), number of individuals required to be trained, percentage actually trained, and an explanation of any exceptions.

3. PHS's compliance with the foregoing measures shall be evidence of good-faith effort to comply with the City's policies relating to M/W/DSBE participation; notwithstanding the foregoing, the appropriate City agency shall in all instances determine on a contract-by-contract basis whether PHS has complied with any participation or other economic opportunity requirements applicable to any individual contract.

4. In consideration of the obligations of PHS as outlined herein, and conditioned upon PHS's full and timely payment of the Settlement Amount, the City agrees to fully and finally release PHS and any and all of its subsidiary, affiliate or parent companies, and their directors, officers, and employees from any and all claims (including attorney fees, costs, and expenses of every kind and however denominated) related to the Covered Conduct and the City's investigation and resolution thereof that the City has asserted or could assert now or in the future,

against PHS, any and all of its subsidiary, affiliate or parent companies, and their directors, officers, and employees. Moreover, except as federal or state law may otherwise require, the City will not seek and shall refrain from instituting, directing, or maintaining any civil or administrative action, including any action seeking debarment from entering into contracts with the City, resulting from the Covered Conduct. The OIG agrees that it will confirm that PHS has at all times been fully cooperative with the City's investigation.

5. PHS agrees to fully and finally release the City, PPS, and each of their officials, directors, officers, employees, servants, and agents from any claims (including attorney fees, costs, and expenses of every kind and however denominated) related to the Covered Conduct (including the investigation and resolution thereof), that PHS has asserted or could assert now or in the future against the City, PPS, and each of their officials, directors, officers, employees, servants, and agents.

6. Notwithstanding the mutual releases in Paragraphs 4 and 5 of this Agreement, or any other term of this Agreement, the City specifically reserves and does not release the right to pursue any claim, other than a claim by the City relating in any way to the Covered Conduct, arising under the City of Philadelphia Mayoral Executive Order 02-05 or its successor program or arising under any other provision of law or contract.

7. Nothing in this Agreement shall be deemed to adversely affect, in any manner whatsoever, PHS's good standing to do business with and within the City of Philadelphia or with PPS.

8. PHS and the City each represent that they freely and voluntarily enter into this Agreement without any degree of duress or compulsion whatsoever.

9. The OIG represents and warrants that (1) it is not engaged in any ongoing or pending investigation of PHS related to matters involving contracts with the City or any City agency; and (2) it has not authorized any other City investigation of PHS related to matters involving contracts with the City or any City agency. Nothing herein precludes the OIG from conducting future investigations of past or future conduct of PHS unrelated to the Covered Conduct.

10. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania, without regard to the principles of conflicts of laws. Each Party irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in Philadelphia, Pennsylvania, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein; and irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court.

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

12. This Agreement constitutes the complete agreement among the Parties with respect to the issues that the Agreement covers. This Agreement may not be amended except by express written consent of the Parties. Nothing in this Agreement shall be deemed to conflict with the terms of any other agreement between the City and PHS.

13. Each Party, and each individual executing this Agreement on behalf of a Party, represents and warrants that the individual is authorized by the Party to execute this Agreement in his or her official capacity.

14. If any provision of this Agreement or the application thereof to any person or circumstances shall be invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provision to other person or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

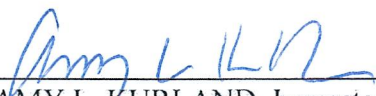
15. This Agreement is binding upon the successors, transferees, heirs, and assigns of PHS.

16. PHS consents to disclosure to the public by the City of the Agreement and of information about this Agreement, after it has been fully executed.

17. This Agreement is effective on the date of signature and delivery of the last signatory to the Agreement. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement, it being understood that the Parties need not sign the same counterpart. Facsimile signature(s) on complete copies of the Agreement shall constitute acceptable, binding signature(s) for purposes, of this Agreement.

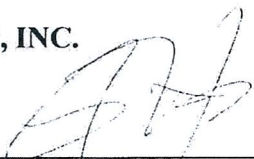
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THE CITY OF PHILADELPHIA

By:  Dated: 7/16/12
AMY L. KURLAND, Inspector General
City of Philadelphia Office of Inspector General

Approved:  Dated: 7/16/12
SHELLEY R. SMITH, City Solicitor
City of Philadelphia Law Department

CORIZON HEALTH, INC.

By:  Dated: 7-12-2012
RICHARD HALLWORTH, Chief Executive Officer

Approved:  Dated: 7/12/2012
SCOTT KING, Chief Legal Officer