

## SETTLEMENT AGREEMENT

This Settlement Agreement (Agreement) is entered into among the United States of America, acting through the United States Department of Justice and on behalf of the United States Department of Energy and CHG Hanford Group, Inc. (CHG) (hereafter collectively referred to as the Parties), through their authorized representatives.

### RECITALS

A. During the relevant time period, CHG was a Delaware corporation with its principal place of business in Richland, Washington. Between October 1999 and September 2008, CHG was the prime contractor on Department of Energy (DOE) Contract No. DE-AC27-99RL-14047, a contract for the management, operation, and cleanup of 177 large underground storage tanks at the DOE's Hanford Nuclear Site in Washington State (hereinafter the Tank Farms Contract). The Tank Farms Contract was a cost-reimbursement contract that required CHG to procure and provide all of the personnel, equipment, material, and supplies necessary to complete the contractual scope of work.

B. On June 1, 2009, Carl Schroeder (the relator) filed a *qui tam* action in the United States District Court for the Eastern District of Washington captioned *United States ex rel. Schroeder v. CH2M Hill Inc. d/b/a CH2M Hill Hanford Group, Inc.*, CV-09-5038, pursuant to the *qui tam* provisions of the False Claims Act, 31 U.S.C. § 3730(b) (the Civil Action). The *qui tam* Complaint alleged that CHG hourly employees regularly and systematically inflated their time cards during performance of the Tank Farms Contract and that consequently CHG submitted false claims to the DOE for work not

performed by CHG hourly employees. The United States intervened in the Civil Action on August 6, 2012.

C. The United States contends that it has certain civil claims against CHG arising from CHG's knowing use and submittal of false and inflated claims under the Tank Farms Contract for overtime hours not worked by CHG hourly employees, during the period from October 2003 through September 2008. Specifically, the United States contends that CHG employees regularly and systematically inflated their time cards on the Tank Farms Contract to include hours they did not work. The United States further contends that CHG managers and supervisors knowingly submitted, approved, and condoned the systematic overstatement of overtime hours, and that CHG knowingly included the inflated amounts in their claims to the DOE. Finally, the United States contends that CHG knew that its processes, procedures, and accountability systems for ensuring accurate time reporting were inadequate and that CHG did not adequately address the inadequacies. This paragraph is referred to below as the Covered Conduct.

D. This Settlement Agreement is neither an admission of liability by CHG nor a concession by the United States that its claims are not well founded, except to the extent admitted and acknowledged in the Non-Prosecution Agreement entered into between CHG and the United States relating to the Covered Conduct (the Non-Prosecution Agreement).

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

## TERMS AND CONDITIONS

1. CHG shall pay to the United States \$16,550,000 (the Settlement Amount) by electronic funds transfer, pursuant to written instructions to be provided by the United States Attorney's Office for the Eastern District of Washington, no later than 3 days after the Effective Date of this Agreement.

2. Subject to the exceptions in Paragraphs 3 through 5 (concerning excluded claims) below, and conditioned upon CHG's full payment of the Settlement Amount, the United States releases CHG, together with its current and former parent corporations, direct and indirect subsidiaries, and related entities, and its officers, directors, stockholders, and agents from any civil or administrative monetary claim the United States has for the Covered Conduct under the False Claims Act, 31 U.S.C. §§ 3729-3733; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; the Contract Disputes Act, 41 U.S.C. §§ 7101 – 7109, or the common law theories of breach of contract, payment by mistake, unjust enrichment, and fraud.

3. Notwithstanding the releases given in paragraph 2 of this Agreement, or any other term of this Agreement, the following claims of the United States are specifically reserved and are not released:

- a. Any liability arising under Title 26, U.S. Code (Internal Revenue Code);
- b. Any criminal liability;
- c. Except as explicitly stated in this Agreement, any administrative liability, including the suspension and debarment rights of any federal agency;

- d. Any liability to the United States (or its agencies) for any conduct other than the Covered Conduct;
- e. Any liability based upon obligations 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;
- h. Any liability for personal injury or property damage or for other consequential damages arising from the Covered Conduct; and
- i. Any liability of individuals (including current or former directors, officers, employees, agents, or shareholders of CHG) who receive written notification that they are the target or subject of a criminal investigation (as defined in the United States Attorneys' Manual), are indicted or charged, or who enter into a plea agreement, related to the Covered Conduct.
- j. Without regard to any other provision of this Settlement Agreement, any liability of the following individuals:
  - 1. Daniel B. Cartmell
  - 2. Ryan A. Dodd
  - 3. Terrence L. Hissong
  - 4. Stephanie H. Livesey
  - 5. Glenda M. Davis
  - 6. Thomas Huebner
  - 7. Patrick B. Brannan
  - 8. Edward Adams

9. Perry M. Howard
10. Daniel Niehburh
11. James Michael Hay
12. Kenneth Baird
13. Mark Johnson
14. Douglas Edwards
15. Lee Walter
16. Vincent Chapman
17. Chrystal Knopick
18. John Miller
19. Vivian Wyant
20. Vincent Chapman
21. Asa Johnson
22. Vincent Shawver
23. Trent Mooney
24. James Mincey

4. 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 CHG and the United States) is any claim of the relator for any attorneys' fees, expenses and costs recoverable under the False Claims Act. CHG reserves all claims and defenses it may have against the Relator regarding any claim by the Relators for attorneys' fees, expenses and costs under the False Claims Act or other relevant authority.

5. Also reserved and excluded from the scope and terms of this agreement is any claim of the relator to a share of the proceeds under 31 U.S.C. § 3730(d).

6. CHG waives and shall not assert any defenses CHG may have to any criminal prosecution or administrative action relating to the Covered Conduct that may be based in whole or in part on a contention that, under the Double Jeopardy Clause in the Fifth Amendment of the Constitution, or under the Excessive Fines Clause in the Eighth Amendment of the Constitution, this Agreement bars a remedy sought in such criminal prosecution or administrative action. Nothing in this paragraph or any other provision of this Agreement constitutes an agreement by the United States concerning the characterization of the Settlement Amount for purposes of the Internal Revenue laws, Title 26 of the United States Code.

7. CHG fully and finally releases the United States, its agencies, officers, agents, employees, and servants, from any claims (including attorney's fees, costs, and expenses of every kind and however denominated) that CHG has asserted, could have asserted, or may assert in the future against the United States, its agencies, officers, agents, employees, and servants, related to the Covered Conduct and the United States' investigation and prosecution thereof.

8. CHG agrees to the following:

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

- (1) the matters covered by this Agreement and the related Non-Prosecution Agreement;
- (2) the United States' audits and civil and criminal investigations of the matters covered by this Agreement;
- (3) CHG's investigation, defense, and corrective actions undertaken in response to the United States' audits and civil and criminal investigations in connection with the matters covered by this Agreement (including attorney's fees) and including and all actions of CHG set forth in Non-Prosecution Agreement);
- (4) the negotiation and performance of this Agreement and the related Non-Prosecution Agreement;
- (5) the payment CHG makes to the United States pursuant to this Agreement and the related Non-Prosecution Agreement, and any payments that CHG may make to Relator, including costs and attorneys fees, are unallowable costs for government contracting purposes (hereinafter referred to as Unallowable Costs).

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

c. Treatment of Unallowable Costs Previously Submitted for Payment: Within 90 days of the Effective Date of this Agreement, CHG shall identify

and repay by adjustment to future claims for payment or otherwise any Unallowable Costs included in payments previously sought by CHG or any of its subsidiaries or affiliates from the United States. CHG agrees that the United States, at a minimum, shall be entitled to recoup from CHG any overpayment plus applicable interest and penalties as a result of the inclusion of such Unallowable Costs on previously-submitted requests for payment. The United States, including the Department of Justice and/or the affected agencies, reserves its rights to audit, examine, or re-examine CHG's books and records and to disagree with any calculations submitted by CHG or any of its subsidiaries or affiliates regarding any Unallowable Costs included in payments previously sought by CHG, or the effect of any such Unallowable Costs on the amount of such payments.

9. CHG agrees to cooperate fully and truthfully with the United States' investigation of individuals and entities not released in this Agreement. Upon reasonable notice, CHG shall encourage, and agrees not to impair, the cooperation of its directors, officers, and employees, and shall use its best efforts to make available, and encourage, the cooperation of former directors, officers, and employees for interviews and testimony, consistent with the rights and privileges of such individuals. CHG further agrees to furnish to the United States, upon request, complete and unredacted copies of all non-privileged documents, reports, memoranda of interviews, and records in its possession, custody, or control concerning any investigation of the Covered Conduct that it has undertaken, or that has been performed by another on its behalf.

10. 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 including, without

limitation, any of the CHG officers or employees who knowingly participated in the Covered Conduct.

11. Upon receipt of the payment described in Paragraph 1, above, the Parties shall promptly sign and file in the Civil Action a Joint Stipulation of Dismissal of CHG from the civil action pursuant to Rule 41(a)(1).

12. Each Party shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

13. Each party and signatory to this Agreement represents that it freely and voluntarily enters in to this Agreement without any degree of duress or compulsion.

14. This Agreement is governed by the laws of the United States. The exclusive jurisdiction and venue for any dispute relating to this Agreement is the United States District Court for the Eastern District of Washington. For purposes of construing this Agreement, this Agreement shall be deemed to have been drafted by all Parties to this Agreement and shall not, therefore, be construed against any Party for that reason in any subsequent dispute.

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

16. The undersigned counsel represent and warrant that they are fully authorized to execute this Agreement on behalf of the persons and entities indicated below.

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


18. This Agreement is binding on CHG's successors, transferees, heirs, and assigns.

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

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

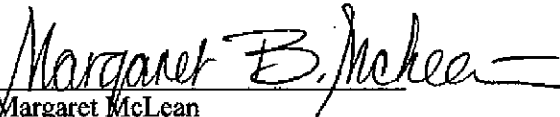
THE UNITED STATES OF AMERICA

DATED: 3/6/2013

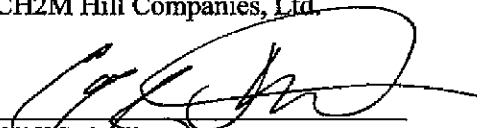
BY:   
Daniel Hugo Fruchter  
Trial Attorney  
Commercial Litigation Branch  
Civil Division  
United States Department of Justice

CHG - DEFENDANT

DATED: \_\_\_\_\_

BY:   
Margaret McLean  
Senior Vice President and Chief Legal Officer  
CH2M Hill Companies, Ltd.

DATED: 3-1-13

BY:   
Cliff Stricklin  
BRYAN CAVE HRO  
Counsel for CHG