

A. Hospira is a corporation organized under the laws of Delaware, with its principal offices in Lake Forest, IL. It began doing business in May 2004.

B. The Hospira products that are the subject of this Settlement Agreement are collectively referred to hereafter as the Covered Drugs. The Parties intend that the Covered Drugs include all products with the labeler code 00409 (and all products sold or distributed by Hospira under the labeler code 00074) that are or were on the Texas Drug Code Index (“TDCI”), the subject of an application for inclusion on the TDCI, or reimbursed or reimbursable by Texas Medicaid at any time prior to this Agreement’s Effective Date (as defined in paragraph 24, below). The acts and omissions sued upon and which are subject to the release language in this Agreement are set forth in Cause No. D-1-GV-08-000804, *State of Texas, ex. rel. Ven-A-Care of the Florida Keys, Inc., vs. Hospira, Inc.* (the “Lawsuit”), and are alleged in the petitions filed in the Lawsuit, including the EIGHTH AMENDED PETITION filed on or about August 21, 2007, and the proposed NINTH AMENDED PETITION, for which a notice for leave to file was pending at the time of this Agreement. The term “Lawsuit” also includes the alleged acts and omissions set forth in Cause No. D-1-GV-04-01286, to which Hospira was a party prior to being severed from that action.

C. Hospira’s alleged conduct and transactions referenced in paragraph II.B. are hereinafter referred to as the “Covered Conduct.” The Covered Conduct includes and is expressly limited to that which meets both of the following conditions: (i) conduct which has

occurred prior to the date of the execution of this Agreement; and (ii) conduct as alleged, or as could have been alleged, in the proposed NINTH AMENDED PETITION, the EIGHTH AMENDED PETITION and any preceding petition in the Lawsuit, relating to the reporting of prices, directly or through a third party, to the Texas Medicaid Program used to set payment amounts for the Covered Drugs to providers of pharmaceutical products.

D. Hospira denies all of the Plaintiffs' claims and allegations, has asserted various defenses to the Plaintiffs' claims, and denies that it has any liability relating to such claims and allegations. The State and Relator represent that after investigation they have determined that Texas Medicaid did not sustain material damages due to Hospira alleged conduct.

E. In order to avoid the delay, uncertainty, inconvenience, and expense of protracted litigation of these disputed claims, and as a result of a mutual desire to settle their disputes, the Parties have reached a full and final settlement as set forth in this Agreement.

F. This Agreement does not constitute an admission of fault or liability by Hospira or evidence of any liability or unlawful conduct on the part of Hospira, and the Plaintiffs will not urge or seek to admit this Agreement as evidence of any fault or liability of the Hospira Released Parties (as defined below) in any investigation, administrative proceeding, or federal or state court or arbitration proceeding. Notwithstanding the foregoing, this Agreement is admissible in a proceeding to enforce the obligations created under this Agreement.

G. Plaintiffs represent to Hospira that no interest in any claim herein released has been assigned by them to any third party.

H. The STATE has concluded that this settlement is in the public interest.

Part III: Terms and Conditions

NOW, THEREFORE, in consideration of the mutual promises, covenants, and obligations set forth below, and for good and valuable consideration as stated herein, the Parties agree as follows:

Incorporation of Representations

1) The foregoing Preamble is incorporated herein.

Plaintiffs: Release of Hospira

2) Subject to the exceptions in paragraph 6, below, the STATE (on behalf of itself, its officers, agents, agencies and departments) and the Relator (on behalf of itself, its officers, agents, employees, servants, and its attorneys) fully and finally release Hospira and its subsidiaries, successors and assigns as well as its respective current and former directors, officers, employees, agents, shareholders and attorneys (collectively, "Hospira Released Parties") from any civil, administrative, or criminal claim, action, suit or proceeding (including

any claim for restitution, damages, interest, attorneys' fees, penalties, punitive damages, costs, and expenses of every kind and however denominated), that the STATE or the Relator has, may have, has asserted, could have asserted, or could assert in the future under any source of law for the Covered Conduct. The STATE and the Relator covenant not to sue or take any other civil or administrative action against Hospira based on the Covered Conduct.

3) In consideration of the obligations of Hospira set forth in this Agreement, the STATE agrees to release and refrain from instituting, directing or maintaining any action seeking exclusion from the VDP or any other Texas Medicaid program against the Hospira Released Parties for the Covered Conduct as it relates to the Texas Medicaid program, or seeking to impose a Corporate Integrity Agreement on Hospira as a result of the Covered Conduct.

Hospira: Release of the STATE and the Relator

4) Subject to the exceptions in paragraph 6, below, Hospira fully and finally releases the STATE, its agencies, employees, servants, attorneys and agents from any claims based on events occurring prior to the date of this Agreement (including attorneys fees, costs, and expenses of every kind and however denominated) which Hospira has asserted, could have asserted, or may assert in the future against the STATE, its agencies, employees, servants, attorneys and agents, related to the Covered Conduct and the Plaintiffs' investigation and prosecution thereof. This

release shall not release any accounts receivable unrelated to the Covered Conduct due from the STATE, or any agency or instrumentality of the STATE.

5) Subject to the exceptions in paragraph 6, below, Hospira fully and finally releases Ven-A-Care and its subsidiaries, successors and assigns as well as its respective current and former directors, officers, employees, agents, shareholders and attorneys (collectively, “Ven-A-Care Released Parties”) from any civil, administrative, or criminal claim, action, suit or proceeding (including any claim for restitution, damages, interest, attorneys’ fees, penalties, punitive damages, costs, and expenses of every kind and however denominated), that Hospira has, may have, has asserted, could have asserted, or could assert in the future under any source of law for the Covered Conduct. This provision is not intended to release claims unrelated to this Lawsuit.

Limitations on Release

6) Notwithstanding any other terms of this Agreement, including the release provisions in this Agreement, any and all of the following are specifically reserved and excluded from the scope and terms of this Agreement, and from the scope and terms of the releases, as to any entity or person (including the Parties):

(a) Any claims based upon such obligations as are created by this Agreement;

(b) Any express or implied product or service warranty claims or other claims for defective or deficient products or services, including quality of goods and services, provided by Hospira;

(c) The subrogation rights to claims for personal injury or property damage arising from usage by a participant in the Medicaid program of any of the Covered Drugs;

(d) Any claims based on a failure to deliver products or services due;

(e) Any claims arising from reporting and/or payment of rebates to the STATE under any law or contract, including, but not limited to under the provisions of the Omnibus Budget Reconciliation Act of 1990 ("OBRA 90");

(f) Any claims that the Relator may have under any provision of 31 U.S.C.A. §§ 3729-3733 (the federal False Claims Act), except those arising out of or relating to the Covered Conduct, or

(g) Any claims that the Relator may have under the *qui tam* provisions of the laws of any state other than Texas for conduct other than Covered Conduct.

Hospira's Obligation to Report AMP to VDP

7) Hospira shall comply with the following:

(a) Within forty-five (45) days after the last day of each calendar quarter (the "Reporting Quarter"), Hospira shall report to the VDP in electronic form the average manufacturer's price ("AMP"), as defined by 42 U.S.C. § 1396r-8 or by other federal law in the future, of each Hospira drug on the TDCI during that quarter. If not enough time has elapsed for a new NDC to have an AMP during the Reporting Quarter, Hospira will report that NDC's AMP to the VDP in the succeeding Reporting Quarter when that NDC's AMP is first available.

(b) Even if any change in federal law releases Hospira from any other obligation to report AMP to any other governmental agency for any other purpose, Hospira shall continue to report AMP in accordance with this Agreement.

(c) Hospira agrees that the VDP may use Hospira's AMP as a basis or a comparator for calculating wholesaler cost, as described by 1 Tex. Admin. Code §§ 355.8541(2)(E) and (5)(D).

(d) Hospira agrees to submit AMP information to the VDP in accordance with this paragraph for a period of ten years from this Agreement's Effective Date.

Safe Harbor

8) Drug manufacturers are currently required to report certain price information to the VDP. Hospira acknowledges its continuing obligation to report prices in accordance with Texas law. If Hospira meets the requirements set out in paragraphs 7 and 8 of this Agreement, the STATE will consider Hospira to have met any legal requirements in effect at the time of this agreement to report prices to the Texas Medicaid Program.

(a) In addition to reporting AMP in accordance with paragraph 7 above, Hospira shall report to the VDP in electronic form, within forty-five (45) days after the last day of each calendar quarter (the "Reporting Quarter") starting with the first such quarter after this Agreement's Effective Date (but no earlier than sixty days after this Agreement's Effective Date), the price or a range of prices of each Hospira NDC on the TDCI during that Reporting Quarter for each of the categories set forth below. If there are no sales of an NDC for a category during a Reporting Quarter, Hospira will provide the prices for that category for the most recent reporting quarter (starting with the first quarter of 2008) in which a sale was made. Except with respect to AMP, the below prices are U.S. prices and do not include volume or other incentives, rebates, or discounts paid after the transaction.

- (i) Price to wholesaler and/or distributor – Hospira will report the average of invoice prices to its wholesaler and distributor customers, net of accrued chargebacks;
- (ii) Direct price to pharmacy – for sales made during the Reporting Quarter, Hospira will report a range of the high contract price and the low contract price to non-chain, retail pharmacies purchasing directly from Hospira, and that can be reasonably identified by Hospira;
- (iii) Central purchase price to chain – for sales made during the Reporting Quarter, Hospira will report a range of the high contract price and the contract low price to retail chain pharmacies purchasing directly from Hospira and that can be reasonably identified by Hospira; and
- (iv) Institutional or other contract price – for sales made during the Reporting Quarter, Hospira will report a range of the high contract price and the low contract price to nursing homes, home health care facilities, long-term care facilities, hospitals, physicians and physician groups, surgical centers, dialysis centers, staff model/HMOs and mail order pharmacies, but not including 340B or Federal Supply Schedule prices.

(b) Hospira's pricing information reported pursuant to paragraphs 7 and 8 will be held confidential in accordance with 1 Tex. Admin. Code § 354.1921(e). In addition, the Parties understand that Hospira considers this price information to be trade secrets and confidential commercial and financial information, disclosure of which Hospira contends would cause substantial competitive harm to Hospira. The STATE acknowledges that Hospira contends that its reported pricing information falls within the provisions of Gov't Code § 552.110(b) and is protected under the Texas Public Information Act.

(c) To have one of its products added to the TDCI, Hospira shall complete and submit a VDP questionnaire. So long as the completed questionnaire contains the price information described in subsections 8(a)(i)-(iv) hereof, or contains a statement that it will be supplied when available, if not then available, the lack of price information on the VDP questionnaire shall not in itself constitute a sufficient basis for rejecting the questionnaire or refusing to add the product to the TDCI.

(d) The STATE covenants that, provided that Hospira reports to VDP its AMP information in accordance with paragraph 7 of this Agreement, neither the STATE nor the Relator will at any time sue or seek to hold Hospira liable under any Texas law or regulation for false reporting of prices during the time period defined in paragraph 7(d) of this Agreement. This release does not preclude Plaintiffs from suing Hospira for a breach of this Agreement.

(e) The provisions of paragraphs 7 and 8 do not exempt Hospira from actions to compel compliance with substantive changes to the price reporting statutes, regulations, or rules arising after the date of this Agreement.

No Waiver or Release of Claims Against Other Persons

9) This Agreement is intended to be solely for the benefit of the Parties and persons and entities released and except as stated herein, the Parties do not by this instrument release any claims against any other person or entity, including any individual or entity that purchased drugs or pharmaceutical products from Hospira. No word, term, phrase, or definition in this Agreement is or may be used for the benefit of any person, entity or litigant who is not a signatory to, or released by, this Agreement.

Dismissal of Action

10) Simultaneously with the execution of this Agreement, the STATE and the Relator will execute agreed motion(s) to dismiss and agreed order(s) (in the forms collectively attached hereto as **Exhibit A**) dismissing with prejudice any lawsuit (including the Lawsuit) against Hospira based on the Covered Conduct, but only as to Hospira. The dismissal order in the Lawsuit shall provide that the Amended Protective Order entered in the Lawsuit shall remain enforceable in accordance with its terms.

Existing Protective Orders

11) The Parties shall continue to abide by the provisions of the First Amended Protective Order with respect to documents, data and other information produced (the “Produced Material”) by the Parties; however, the Parties agree to return to the producing party or destroy (and certify the destruction of) the Confidential Produced Material produced by Hospira and labeled with the “TXHOSPIRA” or “TXHOSPIRA-E” legend in the control number within ninety (90) days of the Effective Date of this Agreement.

No Waiver of Sovereign Immunity

12) Nothing in this Agreement shall be construed to create a waiver of the STATE’s Sovereign Immunity.

Exclusive Venue for Enforcement of Agreement

13) Any party shall be entitled to enforce the terms of this Agreement in the District Courts of Travis County, Texas, which shall have exclusive jurisdiction and venue over any such action.

Complete Agreement

14) This Agreement, including all exhibits, constitutes the complete agreement among the Parties hereto and may not be amended except by written consent of the Parties.

Costs

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

Choice of Law

16) This Agreement is governed by the laws of the State of Texas, except to the extent otherwise governed by federal law.

Notification

17) In the event of an alleged breach of the Agreement or a dispute between or among the Parties in connection with the performance of the Agreement, the Parties shall be required first to provide notice and an opportunity to cure. The Parties shall provide notice to persons identified below. The responding party shall be given ten (10) business days to respond to the notice, including curing any alleged breach. Unless otherwise stated in writing subsequent to the Effective Date of this Agreement, and except for reporting AMP and prices pursuant to paragraphs 7 and 8 which should be pursuant to the normal course of business between Hospira and the VDP, all notifications and communications made pursuant to this Agreement shall be submitted to the entities listed below:

(a) STATE for all purposes:

OFFICE OF THE ATTORNEY GENERAL
Civil Medicaid Fraud Division
P O Box 12548
Austin, Texas 78711-2548

(b) RELATOR for all purposes:

James J. Breen, Esq.
The Breen Law Firm, P.A.
5755 North Point Parkway, Suite 39
Alpharetta, GA 30022

(c) Hospira Inc., for all purposes:

General Counsel
Hospira, Inc.
275 N. Field Drive
Lake Forest, Illinois 60045

and

Paul F. Strain
Venable LLP
750 East Pratt Street, Suite 900
Baltimore, MD 21202

Hospira: No Duress

18) Hospira represents that this Agreement is freely and voluntarily entered into without any degree of duress or compulsion whatsoever.

Relator: Agreement Reasonable

19) The Relator agrees that this Agreement is fair, adequate, and reasonable.

Authorization

20) The Parties have read the foregoing Agreement and accept and agree to the provisions contained herein and hereby have caused this Agreement to be signed as of the day and date adjacent to their respective signatures. The undersigned individuals signing this Agreement on behalf of Hospira represent and warrant that they are authorized by Hospira to execute this Agreement. The undersigned STATE signatories represent that they are signing this Agreement in their official capacities. The Attorney General's representative represents that he is authorized to execute this Agreement and to compromise the claims of the STATE. The HHSC Executive Commissioner represents that he accepts and concurs with the aspects of this Agreement that govern Hospira's price reporting obligations upon the execution of this Agreement. The Relator's attorney, James J. Breen, and its president, T. Mark Jones represent that they are duly authorized to sign this Agreement on behalf of the Relator.

Counterparts

21) This Agreement may be executed in counterparts, each of which shall constitute an original and all of which shall be deemed to constitute one and the same Agreement.

Acts Necessary to Effectuate Agreement

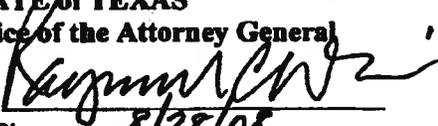
22) Each Party agrees to perform such further acts and to execute and to deliver such further documents as may reasonably be necessary to carry out this Agreement.

Captions Are for Convenience Only

23) The bold-face paragraph captions in this Agreement are for convenience only and do not add to, detract from, or change the substantive language or terms of this Agreement.

Effective Date

24) The Effective Date of this Agreement shall be the date upon which all of the Parties below have executed this Agreement.

STATE of TEXAS
Office of the Attorney General
By: 
Date: 8/28/08
Raymond C. Winter, Esq.
Assistant Attorney General
Chief, Civil Medicaid Fraud Division
Office of the Attorney General of Texas
P.O. Box 12548
Austin, Texas 78711-2548

**Texas Health & Human Services
Commission**

By: _____
Date: _____
Printed Name: _____
Title: _____

**Relator, Ven-A-Care of the Florida Keys,
Inc.**

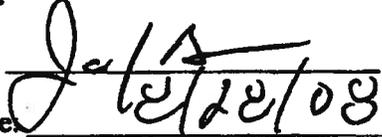
By: 
Date: 8/28/08

T. Mark Jones
Title: President

Defendant Hospira, Inc.

By: 
Date: 8/28/08
Printed Name: Royce R. Bedward
Title: Vice President & Asst. Sec.

**Relator, Ven-A-Care of the Florida Keys,
Inc.**

By: 
Date: 8/28/08

James J. Breen, Esq.
The Breen Law Firm, P.A.
5755 North Point Parkway, Suite 39
Alpharetta, GA 30022

**STATE of TEXAS
Office of the Attorney General**

By: _____
Date: _____
Raymond C. Winter, Esq.
Assistant Attorney General
Chief, Civil Medicaid Fraud Division
Office of the Attorney General of Texas
P.O. Box 12548
Austin, Texas 78711-2548

**Texas Health & Human Services
Commission**

By: *[Signature]*
Date: 8-28-08
Printed Name: Conroy E. Smith
Title: General Counsel

**Relator, Ven-A-Care of the Florida Keys,
Inc.**

By: _____
Date: _____

T. Mark Jones
Title: President

Defendant Hospira, Inc.

By: _____
Date: _____
Printed Name: _____
Title: _____

**Relator, Ven-A-Care of the Florida Keys,
Inc.**

By: _____
Date: _____

James J. Breen, Esq.
The Breen Law Firm, P.A.
5755 North Point Parkway, Suite 39
Alpharetta, GA 30022

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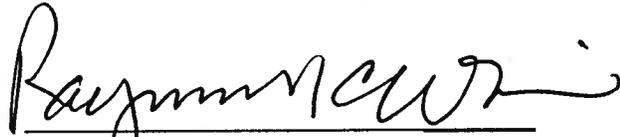
EXHIBIT A

Respectfully submitted,

GREG ABBOTT
Attorney General of Texas

KENT C. SULLIVAN
First Assistant Attorney General

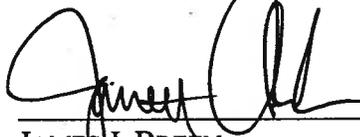
JEFF L. ROSE
Deputy First Assistant Attorney General



RAYMOND C. WINTER
Assistant Attorney General
Chief, Civil Medicaid Fraud Division
State Bar No. 21791950
MARGARET M. MOORE
Assistant Attorney General
State Bar No. 14360050

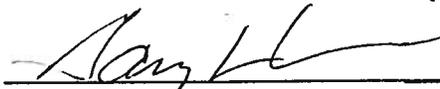
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Austin, Texas 78711-2548
(512) 936-1709
(512) 499-0712 [Fax]

ATTORNEYS FOR THE STATE OF TEXAS

 TX 00796124 for

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Florida Bar No. 297178
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(512) 499-0094 [fax]

Paul F. Strain
John A. McCauley
Venable LLP
750 E. Pratt Street, Suite 900
Baltimore, MD 21202

ATTORNEYS FOR HOSPIRA, INC.

SERVICE LIST

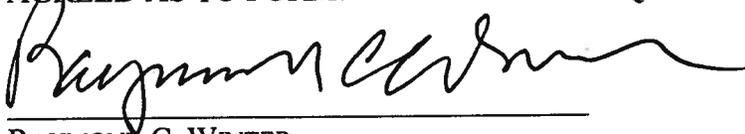
I certify that the foregoing instrument was served on all counsel of record in accordance with the Texas Rules of Civil Procedure on this 8th day of September, 2008.

<p>Mr. Daniel E. Reidy Mr. James R. Daly Mr. Eric P. Berlin Ms. Tara A. Fumerton Jones Day 77 West Wacker Drive Chicago, IL 60601-1692 COUNSEL FOR HOSPIRA <i>Fax No. 312-782-8585</i></p>	<p>Mr. D. Douglas Brothers Mr. Gary L. Lewis George & Brothers 114 W. 7th Street Suite 1100 Austin, Texas 78701 COUNSEL FOR HOSPIRA <i>Fax No. 499-0094</i></p>
<p>Mr. James J. Breen The Breen Law Firm P.O. Box 297470 Pembroke Pines, Florida 33029-7470 COUNSEL FOR RELATOR <i>Fax No. 954-874-1705</i></p>	<p>Mr. John E. Clark Mr. Rand J. Riklin Goode Casseb Jones Riklin Choate & Watson 2122 North Main Avenue P.O. Box 120480 San Antonio, Texas 78212-9680 COUNSEL FOR RELATOR <i>Fax No. 210-733-0330</i></p>
<p>Mr. C. Jarrett Anderson Anderson LLC 1300 Guadalupe, Suite 103 Austin, Texas 78701 COUNSEL FOR RELATOR <i>Fax No. 512-532-0585</i></p>	<p>Mr. Paul F. Strain Mr. John A. McCauley Venable LLP 750 E. Pratt Street Baltimore, MD 21202 COUNSEL FOR HOSPIRA <i>Fax No. 410-244-7742</i></p>



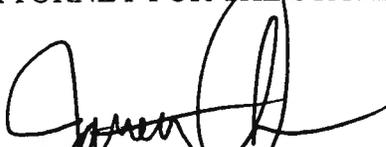
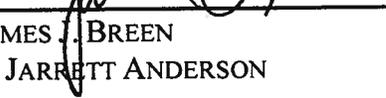
Raymond C. Winter

AGREED AS TO FORM:



RAYMOND C. WINTER

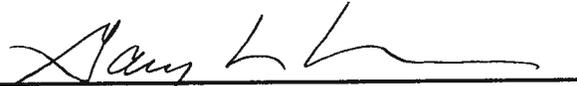
ATTORNEY FOR THE STATE OF TEXAS

JAMES J. BREEN

C. JARRETT ANDERSON

ATTORNEYS FOR VEN-A-CARE OF THE
FLORIDA KEYS, INC.



GARY L. LEWIS

PAUL F. STRAIN

JOHN A. MCCAULEY

ATTORNEYS FOR HOSPIRA, INC.