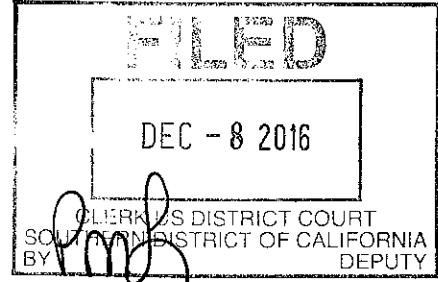


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United States Attorney
2 FRED SHEPPARD
Assistant United States Attorney
3 California Bar No. 250781
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San Diego, California 92101-8893



8 Attorneys for United States of America

9
10 **UNITED STATES DISTRICT COURT**
11 **SOUTHERN DISTRICT OF CALIFORNIA**

12 UNITED STATES OF AMERICA,
13 Plaintiff,
14 v.
15 PRIME HOLDINGS
INTERNATIONAL, INC. (6),
16 Defendant.

Case No. 16CR0131-BAS

DEFERRED PROSECUTION
AGREEMENT AND STIPULATION TO
EXCLUDE TIME

17
18 IT IS HEREBY AGREED between the plaintiff, UNITED STATES OF AMERICA,
19 through its counsel, Laura E. Duffy, United States Attorney, and Fred Sheppard, Valerie H.
20 Chu and Caroline P. Han, Assistant United States Attorneys, and defendant PRIME
21 HOLDINGS INTERNATIONAL, INC. (6), with the advice and consent of Michael
22 Attanasio, counsel for Defendant, as follows:

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I

THE CHARGES

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3 Defendant acknowledges that a grand jury has returned an indictment charging
4 Defendant with conspiracy, in violation of Title 18, United States Code, Section 371;
5 honest services mail fraud, in violation of Title 18, United States Code, Sections 1341 and
6 1346; violations of the Travel Act, Title 18, United States Code, Section 1952; and criminal
7 forfeiture.

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DEFERRAL OF PROSECUTION

It appearing that the interests of the United States, of Defendant, and the interests of justice, will be served by deferring prosecution of the charged offenses to allow Defendant to demonstrate its compliance with all relevant laws and regulations, and otherwise show its good conduct pursuant to Title 18, United States Code, Section 3161(h)(2), the parties agree that the United States will defer prosecution of Defendant for a period of time starting from the date of the filing of this agreement and concluding 18 months after the last of the sentencing hearings of co-defendants FERMIN IGLESIAS (1), MEDEX SOLUTIONS, INC. (5), or MERIDIAN MEDICAL RESOURCES d.b.a. Meridian Rehab Care (7) (the “Deferral Period”), provided Defendant complies with the terms and conditions of this Agreement.

The parties agree to the following terms and conditions:

1. Defendant shall not violate any California Labor Codes, California Penal Codes, federal health care fraud statutes, or any other applicable federal and state criminal statutes, including those prohibiting the payment of fees for the referral of health care services.
2. Defendant shall provide complete, truthful, and accurate information to the United States in connection with the United States’ investigation of unlawful remuneration, health care fraud, mail fraud and wire fraud by Defendant’s agents and representatives, pursuant to the Addendum to

this Agreement, which is incorporated herein.

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3. Defendant agrees that it will be jointly and severally liable with co-defendants MEDEX SOLUTIONS, INC. (5) and MERIDIAN MEDICAL RESOURCES, INC., d.b.a. Meridian Rehab Care (7), for any fine imposed by the Court as a result of those co-defendants' guilty pleas to federal conspiracy charges; Defendant further agrees that it will pay any portion of the fine still unpaid by the end of the Deferral Period.

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If Defendant complies with the terms and conditions of this Agreement, the United States agrees to dismiss the charges in the Indictment with prejudice at the conclusion of the Deferral Period. However, should Defendant fail to comply with the conditions of this Agreement, the United States shall proceed with prosecution as set forth in Section III below.

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Defendant expressly waives all constitutional and statutory defenses to the reinstatement of any charges dismissed or not pursued as a result of this Agreement.

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II

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SPEEDY TRIAL

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Defendant is aware of its right to a speedy trial on the charges. Defendant stipulates that the time period from date of the execution of this agreement until the conclusion of the Deferral Period is excludable time pursuant to 18 U.S.C. § 3161(h)(2).

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III

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BREACH OF THE DEFERRED PROSECUTION AGREEMENT

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Defendant acknowledges, understands and agrees that, in the event the United States determines, in its sole discretion, that Defendant (through its agents) has knowingly violated or failed to perform any of Defendant's obligations under this agreement, Defendant shall thereafter be subject to further prosecution of the charges against it.

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Defendant admits, accepts, acknowledges and stipulates that the facts set forth in the Statement of Facts (attached as Exhibit A and incorporated herein), which Defendant signed with the advice and consent of its attorney, are true and accurate. Should the United

1 States pursue the prosecution that is deferred by this Agreement, Defendant agrees that it
2 will neither contest the admissibility of, nor contradict the facts as stated in, the Statement
3 of Facts in any proceeding, including during trial, guilty plea or sentencing.

4 In the event that the United States determines that Defendant has breached this
5 Agreement, the United States agrees to provide Defendant with written notice of such
6 breach prior to instituting any prosecution resulting from such breach. Defendant shall,
7 within thirty (30) days of receipt of such notice, have the opportunity to respond to the
8 United States in writing to explain the nature and circumstances of such breach, as well as
9 the actions Defendant has taken to address and remediate the situation, which explanation
10 the United States shall consider in determining whether to institute a prosecution.

11 If the United States initiates a prosecution of Defendant: (a) all statements made by
12 or on behalf of Defendant to the United States or to the Court, including the statements in
13 the Statement of Facts, and any leads derived from such statements, shall be admissible in
14 evidence in any and all criminal proceedings brought by the United States against
15 Defendant for the conduct described in the Statement of Facts; and (b) Defendant shall not
16 assert any claim under the United States Constitution, Federal Rule of Criminal Procedure
17 11(f), Federal Rule of Evidence 410, or any other federal rule, that statements by or on
18 behalf of Defendant to the United States before, contemporaneous with, or subsequent to
19 this Agreement, and any leads derived therefrom, should be suppressed.

20 Defendant acknowledges that the United States has made no representations,
21 assurances, or promises concerning what sentence may be imposed by the Court if
22 Defendant breaches this Agreement and this matter proceeds to judgment and sentencing.
23 At any such future sentencing hearing, the United States may advocate for any lawful
24 sentence. Defendant acknowledges that any such sentence is solely within the discretion
25 of the Court and that nothing in this Agreement binds or restricts the Court in the exercise
26 of such discretion.

27 Defendant agrees that any statute of limitations relating to the charges is tolled as of
28 the date of this Deferred Prosecution Agreement. Defendant also agrees to waive any

double jeopardy defense to such charges.

IV

**AGREEMENT LIMITED TO U.S. ATTORNEY'S OFFICE
SOUTHERN DISTRICT OF CALIFORNIA**

This agreement is limited to the United States Attorney's Office for the Southern District of California, and cannot bind any other federal, state or local prosecuting, administrative, or regulatory authorities, although the United States will bring this plea agreement to the attention of other authorities if requested by Defendant.

V

ENTIRE AGREEMENT

This agreement embodies the entire agreement between the parties and supersedes any other agreement, written or oral.

VI

MODIFICATION OF AGREEMENT MUST BE IN WRITING

No modification of this agreement shall be effective unless in writing signed by all parties.


LAURA E. DUFFY
United States Attorney


FRED SHEPPARD
Assistant U.S. Attorney


CAROLINE HAN
Assistant U.S. Attorney

VALERIE H. CHU
Assistant U.S. Attorney


MICHAEL ATTANASIO
Defense Counsel


FERMIN IGLESIAS
Chief Executive Officer
PRIME HOLDINGS INT'L INC.

12/7/16
DATED

12/5/16
DATED

DATED

12/05/16
DATED

12/04/2016
DATED

COMPANY'S CERTIFICATE

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2
3 I certify that I am the Chief Executive Officer of PRIME HOLDINGS
4 INTERNATIONAL, INC. As such, I have been authorized, empowered and directed to
5 enter into the Agreement.
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7 I have read this Agreement and carefully reviewed every part of it with outside
8 counsel for PRIME HOLDINGS INTERNATIONAL, INC. I understand the terms of this
9 Agreement and voluntarily agree, on behalf of PRIME HOLDINGS INTERNATIONAL,
10 INC. to each of the Agreement's terms. Before signing this Agreement, I consulted outside
11 counsel for PRIME HOLDINGS INTERNATIONAL, INC. Counsel fully advised me of
12 the company's rights, of possible defenses, of the Sentencing Guidelines' provisions, and
13 of the consequences of entering into this Agreement.
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16 I have reviewed the terms of this Agreement with the leadership of PRIME
17 HOLDINGS INTERNATIONAL, INC. I have been advised and caused outside counsel to
18 advise PRIME HOLDINGS INTERNATIONAL, INC. of its rights, possible defenses, and
19 the consequences of entering into the Agreement.
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1 No promises or inducements have been made other than those contained in this
2 Agreement. Furthermore, no one has threatened or forced me, or to my knowledge any
3 person authorizing this Agreement on the company's behalf, in any way to enter into this
4 Agreement. I am also satisfied with outside counsel's representation in this matter.
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7 DATE: 12/04/2016

8 By: 
9 FERMIN IGLESIAS
10 Chief Executive Officer
11 PRIME HOLDINGS INTERNATIONAL, INC.
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CERTIFICATE OF COUNSEL

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2 I am counsel for PRIME HOLDINGS INTERNATIONAL, INC. in the matter
3 covered by this Agreement. In connection with such representation, I have examined
4 relevant documents and have discussed the terms of this Agreement with the leadership of
5 PRIME HOLDINGS INTERNATIONAL, INC. Based on our review of the foregoing
6 materials and discussions, I am of the opinion that: Fermin Iglesias, the representative of
7 PRIME HOLDINGS INTERNATIONAL, INC. has been duly authorized to enter into this
8 Agreement on the company's behalf and that this Agreement has been duly and validly
9 authorized, executed, and delivered on the company's behalf and is a valid and binding
10 obligation of PRIME HOLDINGS INTERNATIONAL, INC. Further, I have carefully
11 reviewed the terms of this Agreement with the company's leadership. I have fully advised
12 the leadership of possible defenses and of the consequences of entering into this
13 Agreement. To my knowledge, the decision of PRIME HOLDINGS INTERNATIONAL,
14 INC. to enter into this Agreement is knowing, intelligent, informed and voluntary.
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21 DATE: 12/5/16

By: 
MICHAEL ATTANASIO

CERTIFICATE OF CORPORATE RESOLUTION

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2 WHEREAS PRIME HOLDINGS INTERNATIONAL, INC. has been
3 engaged in discussions with the United States Attorney's Office in the Southern
4 District of California ("USAO") regarding the USAO's investigation into alleged
5 kickbacks paid in exchange for patient referrals by PRIME HOLDINGS
6 INTERNATIONAL, INC.;

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9 WHEREAS, in order to resolve such discussions, it is proposed that PRIME
10 HOLDINGS INTERNATIONAL, INC. enter into a certain agreement with the
11 USAO; and

12
13 PRIME HOLDINGS INTERNATIONAL, INC.'s outside counsel, Michael
14 Attanasio, has advised the Board of Directors of PRIME HOLDINGS
15 INTERNATIONAL, INC. of its rights, possible defenses, and the consequences of
16 entering into such agreement with the USAO.
17

18 Therefore, the Board of Directors of PRIME HOLDINGS
19 INTERNATIONAL, INC. has RESOLVED that:

- 20
21 1. The Chief Executive Officer of PRIME HOLDINGS INTERNATIONAL,
22 INC., FERMIN IGLESIAS, is hereby authorized, empowered and directed,
23 on behalf of PRIME HOLDINGS INTERNATIONAL, INC. to execute the
24 Deferred Prosecution Agreement substantially in such form as reviewed by
25 this Board of Directors at this meeting with such changes as Mr. Iglesias may
26 approve;
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2. Mr. Iglesias is hereby authorized, empowered, and directed to take any and all actions as may be necessary or appropriate and to approve the forms, terms, or provisions or any agreement or other documents as may be necessary or appropriate, to carry out and effectuate the purpose and intent of the foregoing resolutions; and

3. All of the actions of Mr. Iglesias, which actions would have been authorized by the foregoing resolutions except that such actions were taken prior to the adoption of such resolutions, are hereby severally ratified, confirmed, approved, and adopted as actions on behalf of PRIME HOLDINGS INTERNATIONAL, INC.

DATED: 12/4/16 by:  Corporate Secretary
PRIME HOLDINGS INTERNATIONAL, INC.

EXHIBIT A

STATEMENT OF FACTS

The following Statement of Facts is incorporated by reference as part of the Deferred Prosecution Agreement between the United States and Defendant.

Defendant admits, accepts, and acknowledges that the following information is true and accurate:

1. Defendant acknowledges and admits that a corporation is responsible for the acts of its agents or employees, done within the scope of their authority. Additionally, the acts of a corporation's agent or employee are within the scope of his or her authority if those acts are done on the corporation's behalf or for its benefit in the performance of the agent's general duties.
2. Carlos Arguello and co-defendant Fermin Iglesias ("Iglesias") recruited and/or facilitated the recruitment of Workers' Compensation applicants ("applicants") for legal and medical services in the Southern District of California and elsewhere.
3. The California Workers' Compensation System ("CWCS") required that employers in California provide workers' compensation benefits to their employees for qualifying injuries sustained in the course of their employment. The CWCS required claims administrators to authorize and pay for medical care which was "reasonably required to cure or relieve the injured worker from the effects of his or her injury," and included medical, surgical, chiropractic, and pharmaceuticals. CWCS insurers were private plans, affecting commerce, under which medical benefits, items and services were provided to individuals, and therefore were "health care benefit programs" under 18 U.S.C. § 24(b).

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4. From at least 2013 through at least May 2015, within the Southern District of California and elsewhere, Defendants Iglesias, MedEx, Prime Holdings International, Inc., Meridian, Carlos Arguello, Miguel Morales, and Providence Scheduling, Inc., did knowingly and intentionally conspire with and others to: commit Honest Services Mail Fraud, in violation of 18 U.S.C. § 1341 and 1346, and Health Care Fraud, in violation of 18 U.S.C. § 1347.
5. A purpose of the conspiracy was to fraudulently obtain money from CWCS insurers by submitting claims for medical goods and services that were secured through an unlawful cross-referral scheme in which defendants supplied patients to doctors and required the doctors to refer those patients to certain providers of ancillary medical goods and services, and the defendants received money from the providers or from healthcare insurers as part of the scheme, in violation of the doctors' fiduciary duty to their patients, and concealing from insurers and patients the bribes and kickbacks that rendered the claims unpayable under California law.
6. It was a part of the conspiracy that Iglesias, MedEx, Prime Holdings International, Inc., Meridian, Carlos Arguello, Miguel Morales, and Providence Scheduling, knowing that the payment of bribes and kickbacks in the form of a cross-referral scheme was unlawful, offered to refer applicants wanting medical care to certain doctors, in exchange for agreement by those doctors to refer such applicants for goods and services to certain co-conspirators.
7. It was a part of the conspiracy that Iglesias, Carlos Arguello, Miguel Morales, and Providence Scheduling, knowing that the

1 payment of bribes and kickbacks in the form of a cross-referral
2 scheme was unlawful, assigned a "value" to certain ancillary
3 procedures, such as \$30-50 per MRI referral, and informed the
4 doctors of those values.

5 8. It was a part of the conspiracy that Iglesias, Carlos Arguello, and
6 Miguel Morales set a quota for the "value" of services the doctors
7 were expected to prescribe for each applicant sent to them by
8 Providence Scheduling.

9 9. If a doctor fell behind in meeting the quota, it was a part of the
10 conspiracy that Iglesias, Carlos Arguello, Miguel Morales and
11 Providence Scheduling ceased to assign applicants to those
12 doctors until they agreed to make up for the shortfall in some
13 manner.

14 10. It was a part of the conspiracy that Iglesias, Carlos Arguello,
15 Miguel Morales, and Providence Scheduling only gave doctors
16 "credit" towards meeting their quotas if the doctors used MedEx
17 or other entities under the control of the defendants to schedule
18 MRIs and other ancillary services.

19 11. It was a part of the conspiracy that Defendants Iglesias, MedEx,
20 Prime Holdings International, Inc., as well as Carlos Arguello and
21 Miguel Morales, received kickbacks and bribes from providers of
22 diagnostic imaging services, including Dr. Ronald Grusd
23 (charged elsewhere) and others.

24 12. It was a part of the conspiracy that Iglesias, Prime Holdings
25 International, Inc., Meridian, Carlos Arguello and Miguel
26 Morales only gave doctors "credit" towards meeting their quotas
27 for Durable Medical Equipment ("DME") referrals if those
28 referrals were made to and filled by Meridian.

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13. It was a part of the conspiracy that Iglesias, MedEx, Prime Holdings International, Inc., Meridian, Carlos Arguello, Miguel Morales, Providence Scheduling, and others obscured the true nature of their financial relationships in order to conceal their corrupt cross-referral scheme.

14. It was a part of the conspiracy that Iglesias, MedEx, Prime Holdings International, Inc., Meridian, Carlos Arguello, Miguel Morales, and Providence Scheduling discussed via telephone calls, text messages, emails, and in-person meetings the applicants who had been corruptly assigned to doctors to meet quotas for referrals to specific providers.

15. It was a part of the conspiracy that Iglesias, MedEx, Prime Holdings International, Inc., Meridian, Carlos Arguello, Miguel Morales, and Providence Scheduling utilized interstate facilities, including cellular telephones and email, in order to coordinate and promote the corrupt cross-referral scheme.

16. It was a part of the conspiracy that Iglesias, MedEx, Prime Holdings International, Inc., Meridian, Carlos Arguello, Miguel Morales, and Providence Scheduling used or caused to be used the mails and wires to send bills to insurers for DME provided to applicants procured via their corrupt cross-referral scheme.

17. It was a part of the conspiracy that Iglesias, MedEx, Prime Holdings International, Inc., Meridian, Carlos Arguello, Miguel Morales, and Providence Scheduling intended other providers, including Dr. Grusd and others, to use the mails and wires to bill insurers for procedures provided to applicants procured via their corrupt cross-referral scheme.

1 18. It was a part of the conspiracy that Iglesias, MedEx, Prime
2 Holdings International, Inc., Meridian, Carlos Arguello, Miguel
3 Morales, and Providence Scheduling, co-conspirator Dr. Grusd
4 and others, concealed from insurers and patients the material fact
5 that referrals were made because of bribes and kickbacks
6 specifically prohibited by California law.

7 19. Iglesias, MedEx, Prime Holdings International, Inc., and
8 Meridian further admit the truth of each paragraph in the
9 introductory allegations, overt acts and manner and means
10 sections of the indictment in this matter, filed January 21, 2016,
11 or that the Government can prove each paragraph in that
12 indictment beyond a reasonable doubt.

13 20. Iglesias, MedEx, Prime Holdings International, Inc., and
14 Meridian further admit that Iglesias was acting in his role as an
15 officer and executive of MedEx, Meridian and Prime Holdings
16 International, Inc. when he directed that action be taken by one of
17 those entities related to the corrupt cross-referral scheme related
18 herein.

19 21. MedEx, Meridian and Prime Holdings International, Inc.,
20 acknowledge that a corporation is responsible for the acts of its
21 agents or employees, done within the scope of their authority.
22 MedEx, Meridian and Prime Holdings International, Inc., further
23 acknowledge that the acts of a corporation's agent or employee
24 are within the scope of his or her authority if those acts are done
25 on the corporation's behalf or for its benefit in the performance of
26 the agent's general duties. As to the scheme outlined in this
27 factual basis and set forth in the indictment filed January 21, 2016,
28 MedEx, Meridian and Prime Holdings International, Inc., admit

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that Iglesias was acting within the scope of his employment and for the benefit of MedEx, Meridian and Prime Holdings International, Inc.

22. Iglesias, MedEx, Prime Holdings International, Inc., and Meridian further admit that their scheme involved multiple doctors, including but not limited to Dr. Steven Rigler, Dr. D.K. and Dr. J.C.

23. In addition, Iglesias, MedEx, Prime Holdings International, Inc., and Meridian agree and admit that the intended loss encompassed by them and their conspirators' total criminal conduct exceeded \$9.5 million in claims to healthcare insurance providers. Iglesias, MedEx, Prime Holdings International, Inc., and Meridian further agree that the gross income derived from this corrupt cross-referral scheme exceeded \$5 million.

24. Over the course of the scheme, Iglesias received approximately \$1,005,000 from Medex Solutions, Medex Funding Solutions, and Prime Holdings International, Inc., and Defendant agrees that this amount is forfeitable as proceeds of Iglesias's unlawful conduct.