

STERLING MEDICAL

**Comprehensive Compliance
Plan Pursuant to California Health and
Safety Code Section 119400, et seq.**

Sterling Medical (“Sterling”) is committed to implementing a meaningful Comprehensive Compliance Program in accordance with the Compliance Program Guidance for Pharmaceutical Manufacturers published by the Office of Inspector General (“OIG”), U.S. Department of Health and Human Services. The primary purpose of Sterling’s Compliance Program is to detect and prevent violations of law or company policy. Sterling’s Compliance Program was established by its management as part of its continued commitment to ethical corporate practices.

Sterling will periodically review its Comprehensive Compliance Program in light of industry changes and developments and make necessary changes to ensure it remains effective and that it meets Sterling’s compliance needs. The participation and support of Sterling’s senior management, employees and affiliates is imperative and each such person must understand that they also have the responsibility of complying with the two fundamental tenets of Sterling’s Comprehensive Compliance Program:

- 1) following Sterling’s Standards of Conduct; and
- 2) helping to enforce Sterling’s Standards of Conduct.

FOLLOWING STERLING’S STANDARDS OF CONDUCT

Sterling’s managers, employees and affiliates are responsible for conducting themselves in a manner in conformance with Sterling’s Standards of Conduct and all applicable State and Federal laws. Accordingly, if you ever have a question regarding whether certain behavior or action is in compliance, you should consult your immediate supervisor.

If you do not feel comfortable discussing the matter with your immediate supervisor, you should speak with the Compliance Officer (identified below.) Further, if you do speak to your immediate supervisor and are still uncertain about the proper procedure or action, you should speak with the Compliance Officer. You may contact the Compliance Officer confidentially, if you so desire. The Compliance Officer will investigate all matters and will take any and all corrective action necessary. The Compliance Officer will also answer all questions regarding proper interpretation of Sterling’s Standards of Conduct and will be responsible for resolving all disputes as to interpretation of the Standards of Conduct and any necessary changes thereto.

ENFORCING STERLING’S STANDARDS OF CONDUCT

Any violation of a Standard of Conduct is a serious matter and should be treated as such regardless of the violator’s position with Sterling. If appropriate, and after proper procedures have been followed, managers, employees and affiliates may be subject to discipline, up to and including termination, for violations of Sterling’s Standards of Conduct.

Every manager, employee and affiliate is responsible to report any known or suspected violation of Sterling's Standards of Conduct, any other company policy, or any Federal or State law or regulation. The following mechanisms are available for satisfying the reporting obligation:

- 1) you may contact the Compliance Officer by telephone, anonymously if you desire, to report the known or suspected violation; or
- 2) you may send a letter to the Compliance Officer, anonymously if you desire, to report the known or suspected violation.

You can be assured that retaliation for filing a report of a known or suspected violation in good faith is absolutely prohibited, even if the report is determined to be inaccurate or it is determined that the reported activity is not a violation of the Standards of Conduct or applicable laws.

CERTIFICATION OF UNDERSTANDING OF STERLING'S STANDARDS OF CONDUCT

As a condition of employment, every Sterling director, officer, or employee will be asked to certify that they:

- 1) have received a copy of Sterling's Comprehensive Compliance Program;
- 2) have read Sterling's Compliance Program and the Policies and Procedures; and
- 3) will comply with Sterling's Standards of Conduct.

These certifications will be retained in each individual's personnel file. Provisions requiring review of and adherence to Sterling's Comprehensive Compliance Plan will be included in contracts that Sterling executes with affiliates and vendors.

THE COMPLIANCE OFFICER

Sterling's Compliance Officer is responsible for the implementation, operation, and monitoring of Sterling's Comprehensive Compliance Program. Sterling's Compliance Officer reports directly to Sterling's President and, when necessary, has direct access to Sterling's Board of Directors. Sterling's Compliance Officer is essential for the effective implementation of the Comprehensive Compliance Program. The Compliance Officers duties include:

A. Development and Implementation of an Investigative Protocol

The Compliance Officer is responsible for reviewing, assessing, and, if necessary, investigating reports of possible misconduct from Sterling managers, employees, affiliates, or any one else who contacts the Compliance Officer. The Compliance Officer will keep records of information pertinent to the report in a secure location, and pursuant to Sterling's data retention policy. The Compliance Officer shall determine which

reports should be investigated and shall investigate said reports. All investigation protocols shall be established by the Compliance Officer. These protocols shall ensure the expeditious and fair investigation of any credible report alleging a violation of Sterling's Standards of Conduct or applicable State and Federal law. If necessary, the Compliance Officer may request assistance from Legal Counsel in completing any of these responsibilities.

Promptly at the conclusion of any investigation, the Compliance Officer will draft a report of findings and recommendations. The report will contain a summary of the initial report, the steps taken to investigate the report, the investigative findings, and the recommendations, if any, for corrective action. This report will be forwarded for review by Sterling's Senior Management, or if Senior Management is implicated in any wrongdoing, to Sterling's Board of Directors.

B. Development of Audit Protocols

The Compliance Officer will institute a plan for periodic audits and reviews of certain facets of Sterling's operations, including its sales and marketing practices. The nature of these reviews as well as the extent and frequency of our monitoring and auditing activities will vary depending upon perceived regulatory risk, new regulatory requirements, changes in business practices, and other considerations. Some audits and reviews will be conducted using internal resources. Others may involve the retention of outside consultants or attorneys. Sterling expects the routine evaluation of enforcement developments coupled with our periodic assessments of our operations to result in the identification of new and emerging risk areas that will be address through enhancements to the Compliance Program.

C. Design and Coordination of Compliance Training

The Compliance Officer is responsible for the development and coordination of new hire compliance training, annual compliance training and periodic refresher training for Sterling's managers, employees, and affiliates. Participation in annual compliance training will be mandatory. The Compliance Officer will create or identify appropriate programs for new and existing personnel. The focus of the initial compliance training will be the Comprehensive Compliance Program in general as well as the applicable Federal and State laws and regulations that apply to Sterling's operations. When an area of perceived compliance risk involves specialized issues not of general concern to the entire employee population, the Compliance Officer may direct certain employees or affiliates to attend appropriate continuing education courses offered by commercial conference organizers or government agencies. All participants will be required to sign an attendance sheet at each internal training session that is conducted or certify attendance at external training sessions. Training may be presented in a variety of ways. In-person meetings, video presentations, web-based training programs, and outside seminars are all acceptable training approaches. For certain situations, the Compliance Officer may also elect to require self-training through the review of documents and the completion of a certification that the materials have been read. Regardless of the medium used for

training, the Compliance Officer will maintain an open-door policy and routinely will be available to answer questions and clarify instructions. Sterling will regularly review and update its training programs and materials to ensure that they reflect changes to Sterling's operations, its Comprehensive Compliance Program, the OIG Compliance Program Guidance for Pharmaceutical Manufacturers, the PhRMA Code, and applicable law. Sterling may also identify additional areas of training on an as-needed basis.

D. Establishment of Internal Lines of Communication

The Compliance Officer shall maintain contact with Legal Counsel and other sources in order to keep Sterling aware of new regulatory and legal developments affecting its operations, particularly those relating to sales and marketing, and various required reporting obligations. It is also the duty of the Compliance Officer to disseminate to the appropriate Sterling personnel information concerning regulatory and legal developments. Normally this will be accomplished through memoranda or circulated copies of the pertinent regulations, laws, or other documents. The Compliance Officer, however, should be prepared to conduct or arrange for compliance workshops if extensive and complicated changes must be implemented and new procedures developed as a consequence of any statutory or regulatory development.

Just as importantly, the Compliance Office also must foster dialogue between management and employees. The Compliance Officer must ensure that all employees and contractors know who to turn to for a meaningful response to a compliance question and how to report suspected violations of the Sterling's Standards of Conduct. The Compliance Office also must ensure that Sterling's employees and affiliates feel free to ask questions or report concerns, knowing that they may do so without fear of retribution. Sterling operates under an open-door policy and follows confidentiality and no retaliation policies as well.

E. Due Diligence Oversight of Employee and Contractor Selection

Sterling will not employ or contract with any individual or entity that:

- 1) has been convicted of a criminal offense related to health care, or
- 2) is debarred, excluded, or otherwise ineligible for participation in federal health care programs.

Working with representatives of Sterling's Human Resources Department, the Compliance Officer will assure that every new director, officer, manager, employee and affiliate is screened through the OIG and GSA listings of excluded individuals and that no one appearing on the list is hired. Sterling also will conduct appropriate additional background checks on all such individuals. Periodically, and as necessary, Sterling will rerun the names of directors, managers and current staff involved in sales and marketing or other government reporting activities through the OIG and GSA exclusion listings. Furthermore, all individuals or entities employed by, under contract with or otherwise affiliated with Sterling must notify Human Resources or the Compliance Office

immediately if they are charged with a criminal offense related to health care or become subject to a debarment or exclusion proceeding. Failure to provide such notice could result in termination.

F. Oversight of Disciplinary Actions

The Compliance Officer will be responsible for ensuring that any officer, employee, or affiliate of Sterling who is found to have violated the Standards of Conduct is disciplined in an appropriate, measured, and consistent fashion. The Board of Directors shall review all significant decisions on an annual basis to ensure that this standard has been met. All managers and supervisors should take appropriate action to identify any misconduct committed by employees or others whom they supervise. Managers may be subject to discipline for failure to detect compliance violations that occur to the extent that the manager is negligent in this duty. If a manager or supervisor, through negligence, carelessness, or inattention, facilitates or prolongs misconduct, then an appropriate penalty based on the seriousness of the offense will be imposed.

Sterling acknowledges that different categories of conduct may exist (i.e., simple negligence, gross negligence, or willful misconduct) and this will be taken into consideration when determining the appropriate discipline. Certain offenses may justify immediate termination of employment:

- (1) Violation of any Federal or State criminal statute;
- (2) Failure to report conduct by an employee, contractor, officer, or director that a reasonable person under the circumstances should have known was a violation of law;
- (3) Failure to report a violation of the Standards of Conduct by any employee, contractor, officer, or director that a reasonable person under the circumstances should have known violated the Standards; and
- (4) Knowingly or willfully obstructing any government investigation or audit.

It shall be the Compliance Officer's responsibility working in cooperation with Human Resources to establish an appropriate schedule of penalties, including possible termination, which shall be applicable to violations of this Comprehensive Compliance Program. The Compliance Officer also will take steps to ensure that the applicable disciplinary guidelines are well publicized throughout the organization.

An employee or affiliate whose conduct would otherwise justify termination may have a lesser discipline imposed depending upon (a) whether the employee or independent contractor reported his or her own violation; (b) whether the report constitutes Sterling's first notice of the violation and the employee's or contractor's involvement; and (c) whether the employee or independent contractor has provided full and complete cooperation during the Compliance Officer's investigation of the violation.

G. Conducting Exit Interviews

It shall be the responsibility of a designee of the Compliance Officer to conduct an exit interview with each employee and independent contractor terminating his or her relationship with Sterling. The purpose of this interview shall be to solicit information about the level of Sterling's compliance with the Compliance Program and the Standards of Conduct.

H. Establishment of an Ongoing Program of Compliance Monitoring

This Comprehensive Compliance Program is intended to adapt to changes in the law and to Sterling's operation and experiences. The Program itself will be reviewed regularly to assess how it is working. As part of this process, the Compliance Officer will prepare an annual report for the Board of Directors that describes the general compliance efforts that Sterling has undertaken. This report also will describe any changes that are needed in the implementation or operation of the Program to ensure Program efficiency or effectiveness. The annual report will incorporate substantive learning about risk areas and risk management learned from periodic audits and reviews, complaint-driven investigations, employee and contractor questions, exit interviews and the like.

If anything in the report identifies areas of possible non-compliance, the Compliance Officer will report that fact to Senior Management and the Sterling Board of Directors. Operation of Sterling's Comprehensive Compliance Program increases the likelihood of preventing unlawful and unethical behavior. However, even an effective Compliance Program may not prevent all violations of applicable laws. As such, Sterling's Compliance Program requires it to respond promptly to potential violations of the Standards of Conduct or of applicable law, take appropriate disciplinary action, assess whether the violation is in part due to gaps in our policies, practices, or internal controls, and take action to prevent future violations.

In addition to assessing the Compliance Program annually and making recommendations to the Board for needed responses to concerns, the Compliance Officer coordinates these tasks in an ongoing manner throughout the year and ensures that Sterling's Compliance Program is promptly revised to reflect changes in the law or industry standards.

STANDARDS OF CONDUCT

A. Employment at or Affiliation with Sterling

Sterling will take reasonable steps to avoid employing or contracting with any individual or entity who:

- 1) has been convicted of a criminal offense related to health care; or
- 2) is debarred, excluded or is otherwise ineligible for participation in Federal or State health care programs.

Sterling will make every reasonable and lawful effort to obtain this information when it screens employment or independent contractor applications. For each new officer, employee or affiliate Sterling will require:

- (1) A reference check;
- (2) A review of (a) the Cumulative Sanctions Report maintained by the Office of the Inspector General of the Department of Health and Human Services (“OIG”) (<http://exclusions.oig.hhs.gov/search.html>) and (b) the List of Persons Excluded from Federal Procurement and Non-Procurement Programs maintained by the General Services Administration (“GSA”) (<http://www.epls.gov>).

The performance of these background investigations shall be documented and maintained in the appropriate personnel or contract files. Exclusion list reviews will be repeated periodically and as needed for individuals and entities with responsibilities for sales and marketing and records of these periodic reviews also will be maintained in the appropriate personnel or contract files.

B. Conduct of Sterling’s Business in a Legal and Ethical Manner

Sterling expects that all officers, employees, agents, and independent contractors will:

- (1) Understand applicable laws, rules, and Sterling’s Standards of Conduct and policies to the degree needed for them to carry out their responsibilities in accordance with those laws, Standards of Conduct, and policies;
- (2) Understand applicable laws, rules, and Sterling’s Standards of Conduct and policies to the degree needed to identify situations where other individuals may put Sterling at risk of violating those laws, rules, Standards, or policies;
- (3) Promptly contact Sterling’s Compliance Officer whenever there is a question as to whether or not particular conduct violates the law or a Sterling Standard of Conduct or policy;
- (4) Attend any Sterling-sponsored compliance training, as it relates to job functions;
- (5) Report to the Compliance Officer any pending criminal investigations involving health care fraud or any pending proceeding that could result in them being excluded or debarred; and
- (6) Not commit or tolerate any conduct that may put Sterling at risk of violating the law or the company’s ethical principles and Standards of Conduct.

C. Compliance with the Law

Sterling will operate all aspects of its business in compliance with all applicable Federal, State and Local laws and regulations.

(1) Healthcare Fraud and Abuse Laws

Sterling will comply with all applicable Federal and State fraud and abuse or “anti-kickback” laws and regulations, including the federal Anti-Kickback Statute (42 U.S.C. §1320a-7b(b)) and the Public Contract Anti-Kickback Act ((41 U.S.C. §§ 51-58), as well as with all applicable provisions of the Federal False Claims Act. (31U.S.C. §3729 *et seq.*). The fraud and abuse laws prohibit, among other things, payment or receipt of kickbacks and other forms of improper “remuneration” in return for purchasing, leasing, ordering or recommending the purchase, lease or ordering of any goods, facilities, services or items covered under the benefits of Federal or State healthcare programs.

Common business practices such as providing discounts, rebates, or services to customers may have potential fraud and abuse law implications if Sterling does not document and structure these practices properly. Inappropriate clinical research grants or consulting arrangements also may have potential fraud and abuse law implications.

The Federal False Claims Act prohibits submission or causing the submission of fraudulent claims to Medicare and other Federal and State programs. Only true and accurate reimbursement information may be provided to customers. Because there are also laws prohibiting to making of false statements to government agencies at all levels of government, standards of accuracy and completeness apply to all government filings.

(2) Anti-Trust Law

Sterling will comply with all applicable antitrust and competition laws.

D. Compliance with Industry Standards

Sterling will comply with recommendations included in the OIG’s Compliance Guidance for Pharmaceutical Manufacturers and the PhRMA Code on Interactions with Health Professionals. Employees must follow the PhRMA Code’s requirements whenever they interact with customers, potential customers or their representatives who are licensed health professionals (including, but not limited to, dentists, nurses, physicians and pharmacists), medical and dental students, or members of drug formulary committees. A copy of the Code may be viewed and downloaded at www.phrma.org/publications/policy//2004-01-19.391.pdf. Copies of the Code and OIG Compliance Program Guidance are appended to Sterling’s Compliance Policies and Procedures.

Although the PhRMA Code does not, by its terms, apply to direct sales and marketing interactions with health care institutions and businesses (e.g. dental schools, wholesalers

and distributors) or with indirect customers (e.g., health plans and their pharmacy benefits managers), Sterling, to the extent practicable, also will model its interactions with these customers on the Code's requirements.

E. Conflicts of Interest

Employees and affiliates must avoid any investment, interest, activity or association that interferes, or might interfere with, their obligation to perform responsibilities in the best interests of Sterling.

F. Protection of Confidential Information

The disclosure of confidential information regarding Sterling's business or operations, whether intentional or accidental, may adversely affect the financial stability and competitive position of Sterling as well as the job security of employees. Employees and affiliates shall not, without the written consent of Senior Management, during the term of employment or thereafter, use, directly or indirectly, for the personal benefit of themselves or others, or disclose to others, any confidential information of Sterling or of other entities obtained during the course of employment at Sterling. Employees and affiliates shall not seek or accept confidential information of a competitor in an illegal or unethical manner, and if information is offered or given that is reasonably viewed as having been obtained through illegal or unethical means, or even accidentally, the employee shall immediately report the matter to the Compliance Officer.

G. Gifts and Entertainment

Employees and affiliates shall not seek, accept, offer, promise or give any payment, fees, loans, services or gifts from or to any person or firm as a condition or result of doing business with Sterling. Businesses courtesies, gifts and entertainment must comply with the requirements of the PhRMA Code.

Sterling has established and will enforce an annual limit on the value of gifts, promotional materials, and items or activities – each of which must individually comply with the requirements of the PhRMA Code – that may be given to a licensed health care professional, medical or dental students or other individual. This limit is \$1,000.

H. Maintenance of the Accuracy and Integrity of Books and Records

Sterling's books, records and accounts must accurately reflect the nature of the transactions recorded. This includes, but is not limited to, financial transactions, expense reports, activity reports and other documents used in the normal course of business.

I. Dealings with Government Agencies

Any communication with a government agency must be responsive, accurate, and complete. Any data or other information provided to a government agency must be accurate, complete, and include an explanation of any omission or inability to respond. All government agents will be treated with respect. Any inquiry from a government agent outside the normal course of ministerial interactions for purposes of compliance with mandatory reporting requirements will be referred to the Compliance Officer and to Sterling's president. In no event will any employee be prohibited from speaking voluntarily with a government agent engaged in an investigation or an enforcement action, although they may be advised that they are not obligated to speak with an agent.

J. Compliance with Employment Laws

It is the policy of Sterling to provide employment opportunities without regard to race, religion, color, national origin, sex, age, ancestry, citizenship, veteran status, marital status, sexual orientation or disability, or any other reason prohibited by law. Decisions as to hiring, promotion and other aspects of the employment relationship are based solely upon job-related qualifications.

Sterling also prohibits sexual harassment, as well as harassment based on any of the other characteristics listed above, and will take appropriate action to eliminate prohibited harassment and remedy the effects of such harassment.

K. Appropriate Use of Electronic Media

Sterling provides access to and use of electronic mail, voicemail, the Internet and other electronic media for business purposes. Sterling's electronic media shall not be used for any purposes that violate federal, state or local laws.

L. Policies Relating to Document Retention and Destruction

Sterling will retain those documents that it is required to retain in order to comply with pertinent laws and regulations and that are needed for its daily operations. Documents will be retained long enough to satisfy specific legal requirements. Where documents are no longer required to be maintained by law or by legitimate business needs, they may be destroyed.

The basic rule allowing destruction of certain documents shall not apply in the following circumstances:

- (1) Service of legal process;
- (2) Inquiries indicating the commencement of litigation; or
- (3) Notice from the Compliance Officer.

Under these circumstances, no documents should be destroyed until written approval has been received from Sterling's Compliance Officer. Contact the Compliance Officer if you are uncomfortable with or have questions about the appropriateness of destroying certain documents. Documents developed in connection with Sterling's Compliance Program, such as employee complaints, annual reports, and investigative files, will be maintained for four years from the date of creation.