

**PRESS NOTICE
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FOR IMMEDIATE RELEASE

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GUILTY PLEA

COLUMBIA, South Carolina ---- United States Attorney J. STROM THURMOND, JR., stated today that, TRAVERS W. PAINE, III, age 55, of Augusta, Georgia, pled guilty yesterday in federal court in Greenville, South Carolina, to Obstruction of a Federal Audit, a violation of Title 18, United States Code, Section 1516. United States District Judge Henry M. Herlong, Jr., of Greenville accepted the plea and will impose sentence after he has reviewed the presentence report which will be prepared by the U.S. Probation Office.

Evidence presented at the change of plea hearing established that Paine, through a closely held corporation, was 40% owner of Aegis Management, which managed certain "Grace" community mental health centers ("CMHCs") and the CMHCs' parent corporation, HC of America, and that Paine was the attorney for Aegis, HC of America, and the Grace CMHCs. Medicare representatives were auditing the companies to determine in part whether Aegis was a "related party" to the CMHCs. Related parties are those which own or control the actions of a Medicare provider, such as a CMHC. If a company is a related party, Medicare generally will not reimburse any profits derived from

services supplied by the related party.

In response to a Medicare audit request, a representative of Aegis, James Koch, of Maumelle, Arkansas, who was the president of Aegis (and who previously pled guilty to the same offense), submitted to Medicare documents that falsely reflected that Aegis had certain clients other than the Grace CMHCs, in an effort to make it appear to Medicare that Aegis was not a related party to the CMHCs. Koch sent copies of the documents to Paine and another individual, Frank M. Butts, of Little Rock, Arkansas (who previously pled guilty to 2 conspiracy charges of Medicare fraud). Thereafter, no actions were taken by Paine or others to correct the misstatements in the documents submitted to Medicare. Paine acknowledged to the Court that he failed to intervene to correct the misstatements contained in the documents.

Mr. Thurmond stated the maximum penalty Paine can receive is a fine of \$250,000 and/or imprisonment for 5 years, plus a special assessment of \$100.

The case was investigated by agents of the FBI and Health and Human Services Office of Inspector General. Assistant United States Attorneys Stan Ragsdale, Jennifer Aldrich, and Mark Moore of the Columbia office prosecuted the case.

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