

NEWS RELEASE

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SOUTHERN DISTRICT OF ILLINOIS

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For Immediate Release

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Ronald J. Tenpas, United States Attorney for the Southern District of Illinois, announced today that on June 25, 2004, **PHILLIP C. ZARLENGO**, age 56, who did business under the name “**STRATEGIC REIMBURSEMENT**” out of Denver Colorado, and who served as a Medicare reimbursement consultant to Augustine Medical, Inc., (AMI) a medical device manufacturer located in Eden Prairie, Minnesota pled guilty in the United States District Court, for the District of Minnesota, to the felony crime of healthcare fraud, as charged in Count 2 of the Indictment.

Upon the Court’s acceptance of Defendant Zarlengo’s guilty plea, nearly eight weeks of jury trial in the District of Minnesota came to an end. Yesterday, four other defendants standing trial: **Dr. Scott D. Augustine**, former CEO and Chairman of the Board for AMI; **James Randall Benham**, former General Counsel for AMI; **Paul S. Johnson**, former Director of Reimbursement for AMI; and **Timothy W. Hensley**, former National Sales Manager for the Wound Care Division of AMI; each pled guilty to misdemeanor information which charged that defendants knowingly and wilfully withheld material facts for use in determining rights to benefits or payments under the Medicare program.

At the outset of the trial on May 10, 2004, defendant Augustine Medical, Inc. pled guilty to conspiracy to defraud the United States , as charged in Count 1 of the Superseding Indictment.

All sentencings will be held on September 8, 2004, in the District of Minnesota.

Pursuant to the plea agreements, Zarlengo faces 10 to 16 months’ imprisonment and will pay \$515,000.00 fine. Augustine, Benham, Johnson and Hensley face 0 to 6 months imprisonment. The Government will recommend 3 years’ probation. Augustine will pay a fine of \$2,000,000.00. Benham, Johnson and Hensley will each pay a fine of \$100,000.00. Augustine Medical, Inc. will pay a criminal fine of \$5,200,000.00. Augustine Medical, Inc. also will pay a civil penalty in the amount of \$7,500,000.00.