SERVICE AGREEMENT

This Service Agreement (**"Agreement"**) is entered into as of the 1st day of July 2010 between Paradigm HealthCare Services, LLC, a California Corporation doing business as Paradigm HealthCare Services (**"Paradigm"**) and Mt. Diablo Unified School District, a Local Education Agency (**"LEA"**).

RECITALS

Paradigm is engaged in the business of providing healthcare billing services to school districts, County offices of education, and local education consortia within the state of California.

LEA is a school district or other association of schools comprising a Local Education Agency. LEA desires to retain Paradigm, and Paradigm desires to be retained by LEA, to provide the services described in greater detail below.

Accordingly, in consideration of the mutual obligations undertaken herein, THE PARTIES AGREE AS FOLLOWS:

TERMS

1. ***Retention.***

LEA hereby retains Paradigm and grants it the exclusive right to perform the services described below subject to the terms and conditions set forth in this Agreement.

2. ***Term.***

This Agreement shall commence on the date first set forth above and shall continue in full force and effect through June 30, 2013 ("Initial Term"). Unless either party sends written notice to the other party at least 30 days prior to the end of the Initial Term or any subsequent term, this agreement shall automatically renew for an additional year on each July 1 following the Initial Term, subject to termination provisions herein. The phrase "Term of the Agreement" shall refer to the Initial Term and any subsequent renewal period. The phrase "Fiscal Year" as used in this Agreement shall refer to the period July 1 though June 30. The Agreement will govern activities required to be performed by either party to complete obligations undertaken under this Agreement, regardless whether those activities are to be performed during or after the Term of the Agreement.

3. ***Paradigm LEA Billing Services.***

a. **Eligibility**. Using its proprietary algorithms and know-how, Paradigm will determine Medi-Cal eligibility and identify Medi-Cal numbers within limits imposed by the DHCS and county governments upon commencement of LEA's Billing Services and quarterly thereafter. Eligibility match information will be retained by Paradigm and will be used solely to provide Services hereunder.

b. **Provider Logs.** If the LEA prefers to document its healthcare services on Paradigm forms, Paradigm will supply LEA with specially designed monthly provider logs for use by the LEA's healthcare providers, at no extra charge to LEA.

c. **Training.** Paradigm will provide initial training of LEA health managers through one (1) day training sessions to help them carry out their responsibilities for submitting information. Training sessions will be offered quarterly, provided that Paradigm determines the demand is sufficient, in different locations throughout the State as necessary. LEA may send personnel to as many of the classes offered as it chooses.

d. **Claims Submittal.** Paradigm will make commercially reasonable efforts to submit each Medi-Cal claim within thirty (30) days of receipt from LEA of all information necessary for processing that claim. Paradigm will also make reasonable efforts to bill retroactive claims existing at the commencement of this Agreement so as to minimize revenue lost due to Medi-Cal's one (1) year billing limit.

e. **Reports.** Paradigm will provide LEA with management reports using provider, procedure, and/or site parameters, the character and frequency of which will be determined by mutual agreement of Paradigm and LEA and will be based on LEA's use of LEA's Billing Services.

4. ***LEA's Billing Service Obligations.***

a. **Provider Logs.** LEA will maintain complete and accurate provider logs of all healthcare services provided by LEA and will return the completed logs to Paradigm at the end of each month.

b. **Student Data.** Upon commencement of the Agreement and quarterly thereafter (October 1st, December 15th, March 15th, and June 15th), LEA will provide Paradigm with a computer file in a format specified by Paradigm of all student data requested by Paradigm from LEA's computer systems or from the computer systems of the individual schools that LEA comprises.

5. ***Paradigm CRCS Services.***

Paradigm will prepare the annual Cost and Reimbursement Comparison Schedule (CRCS) Workbook in accordance with the claim guidelines approved by DHCS, based on information supplied by LEA for each fiscal year, in accordance with the Term of the Agreement. LEA will have final approval over the CRCS Workbook submission prepared by Paradigm.

6. ***LEA's CRCS Obligations.***

LEA will submit to Paradigm all elements needed to complete the CRCS Workbook for each provider for whom reimbursement is sought. Documentation will be submitted to Paradigm no later than sixty (60) days after the end of the Fiscal Year for which the claim is to be submitted.

7. ***Termination of CRCS Services.***

Either party may terminate Paradigm's performance of CRCS services upon written notice sent no later than 60 days prior to the end of a Fiscal Year for which the CRCS services apply. Absent termination in accordance with the requirements of this Section, LEA will be obligated to pay the full annual CRCS fee. Any termination otherwise shall be in accordance with the termination provisions of the Agreement and shall not extinguish the parties' other rights or obligations hereunder.

8. ***Additional LEA Obligations.***

In addition to the specific obligations set forth above, LEA will take such other reasonable actions as Paradigm may request to facilitate Paradigm's provision of services under this Agreement.

9. ***Fees and Payment Terms.***

a. **Fees for LEA Services.** The LEA Billing Services fee for claims submitted by Paradigm or originating during the Term of the Agreement will be equal to a sliding scale percentage of the gross amount paid to LEA by DHCS (without including DHCS administrative deductions or holdbacks) ("DHCS Reimbursement") in each Fiscal Year or part of a Fiscal Year in which payment for such claims is paid to LEA according to the following schedule:

11% of gross amounts paid to LEA, up to $400,000

10% of gross amounts paid to LEA, from $400,001 to $1 million

9% of gross amounts paid to LEA, above $1 million

For purposes of computing the DHCS Reimbursement for any Fiscal Year, all payments will be deemed to fall within the Fiscal Year in which payment is received by LEA, regardless when the claim originates or is submitted to DHCS for payment. Nothing in this Section shall constitute a limitation or waiver of Paradigm's entitlement to receive fees based on the foregoing schedule even after termination of the Agreement. Paradigm will invoice LEA monthly based on payment received by LEA from DHCS.

b. **Fees for CRCS Services.** The fee for each Fiscal Year for which CRCS services are rendered will be equal to the lesser of: (i) $10,000 or (ii) 2% of the "Medi-Cal Maximum Reimbursable" amount for all LEA services as set forth on Worksheet A to the CRCS Workbook for that Fiscal Year. Paradigm will invoice LEA for CRCS services on an annual basis.

c. **Late Fees.** LEA will incur a late fee of two percent (2%) per month or any part thereof, or the maximum fee allowed by law, whichever is less, on any invoiced amount unpaid after sixty (60) days. The fees specified herein do not include taxes or similar surcharges, which are the sole responsibility of LEA (excluding taxes on Paradigm's gross income).

d. **Substitution of Alternative Fee Terms.** In the event that the foregoing fee arrangements or any part thereof is or becomes inconsistent with applicable state or federal law, regulation, or court order, Paradigm may, in its sole discretion, and on thirty (30) days written notice, substitute a new fee arrangement. Provided however, such substitute fee arrangements shall not increase the total amount LEA would otherwise have been required to pay Paradigm for services under this Agreement.

10. ***Protection of Confidential Information.***

a. **Definition. "Confidential Information"** shall mean all information disclosed by either party to the other that, at the time of first disclosure: (i) is clearly marked "confidential" or "proprietary;" (ii) is otherwise disclosed under circumstances of confidence; or (iii) reasonably should be understood by the receiving party to be confidential. LEA Confidential information shall include without limitation all LEA student healthcare data and shall exclude any information that is or becomes publicly known through no fault of Paradigm, is already known by Paradigm at the time of disclosure, or is rightfully received or independently developed by Paradigm after disclosure. Paradigm's Confidential Information shall include without limitation all business, marketing, technical, financial, customer, supplier, or other information, data entry means, processed claiming data, instructions, management reports, data file specifications, instructional materials, algorithms, software, forms, boilerplate plans, technologies, and know-how related to making eligibility determinations, and data and results derived from the foregoing.

b. **Protection of Confidential Information.** Each party shall use reasonable and appropriate measures to safeguard and keep confidential all Confidential Information of the other party and shall not disclose, use, or copy any Confidential Information except as necessary to perform its obligations hereunder. Such reasonable and appropriate measures shall be no less than the measures taken by each to protect its own confidential information of a similar nature. Each party may disclose Confidential Information of the other party to its responsible employees and independent contractors providing such employees and independent contractors have a need to know such Confidential Information for purposes of fulfilling the party's obligations hereunder, have been informed of the confidentiality provisions of this Agreement, and have agreed in writing to be bound by such provisions to the same extent as the parties. Each party shall be responsible for any breach of the confidentiality provisions of this Agreement by its employees and independent contractors.

c. **Retention of Confidential Information.** LEA authorizes Paradigm in its discretion to dispose of service documentation (including but not limited to paper-based documentation such as provider logs) in a manner that preserves the confidentiality of such documentation provided that no documentation of Medi-Cal eligible services shall be discarded earlier than three years after the service date and no documentation of services that are not Medi-Cal eligible shall be discarded earlier than one (1) year after the service date.

d. **Direct Control By LEA.** The parties acknowledge that, notwithstanding any other provision of this Agreement, LEA has taken reasonable and appropriate steps to ensure that Paradigm's practices with respect to confidential student information comply with FERPA requirements and LEA remains legally responsible for any FERPA violations that may occur in the course of Paradigm's performance of services under this Agreement.

e. **Lawful Disclosure.** This Section shall not be construed as prohibiting either party from disclosing information to the extent required by law, regulation, or court order, provided such party notifies the other party promptly after becoming aware of such obligations and permits the other party to seek a protective order or otherwise to challenge or limit such required disclosure.

f. **Continuing Obligations.** The obligations contained in this Section shall survive for a period of twenty (20) years after the expiration or termination of this Agreement.

11. ***Accuracy of Information.***

a. **LEA Efforts.** LEA shall use its best efforts to insure that the information supplied to Paradigm hereunder shall be true, complete, and accurate in all respects. LEA assumes sole responsibility, and Paradigm shall have no liability, for the truth, completeness and accuracy of all information supplied to Paradigm.

b. **Paradigm Efforts.**

(1) Paradigm shall make reasonable efforts to verify the completeness and accuracy of information underlying the claims it submits on LEA's behalf. Due to the volume of data being processed from manual data entry forms and the necessity of correlating student records from several databases maintained by Paradigm, it is inevitable that some requests for reimbursement (or categories of requests or patients) will be denied due to incorrect or incomplete supporting data or healthcare insurance information. Paradigm will make reasonable efforts to minimize such denials. LEA acknowledges that such denials are normal, and will not constitute a breach of Paradigm's obligations under this Agreement. LEA's sole and exclusive remedy for any such reimbursement denial is to request that Paradigm re-bill any denied claims. Paradigm will determine in its sole and absolute discretion if such rebilling is reasonable and cost effective. Except as set forth in this paragraph, Paradigm shall not be liable, and LEA shall have no remedy, for any reimbursement denial for healthcare or administrative services that are not reimbursable under state or federal law.

(2) Paradigm shall make reasonable efforts to submit all operational plans and claims made thereunder in a timely manner. However, Paradigm shall not be responsible in any way in the event that any operational plan or any claim made thereunder is submitted late or incomplete directly or indirectly because of the failure or delay by LEA or its employees, students, agents or independent contractors in making all necessary information available to Paradigm, or any third party's failure or delay in submitting documentation to the DHCS.

(3) LEA acknowledges that Paradigm is not providing LEA with legal, medical or healthcare information or services and that any forms, software, and other materials supplied to LEA hereunder are not intended to provide legal, medical, or healthcare advice.

12. ***Limitation of Liability.***

In the event LEA elects not to utilize Paradigm's services to prepare its annual CRCS Workbook, or fails to make available information necessary to timely complete the Workbook, Paradigm will not be liable in any manner for resulting termination of LEA from participation in the LEA Billing Option or for any resulting disallowance of LEA claims. Except in the case of gross negligence on behalf of Paradigm, in no event shall Paradigm's total liability for damages to LEA arising out of or related to this Agreement exceed the net fees paid to Paradigm hereunder during the six (6) month period preceding the date on which the first claim alleged to give rise to damages occurs, regardless of the number of claims, causes of action or amount of the alleged losses. .

13. ***Licenses and Permits.***

LEA represents and warrants that: (a) it has all licenses and permits necessary or appropriate to render the medical services it currently provides to its students, and to be eligible for reimbursement from Medi-Cal; (b) LEA will maintain such licenses in full force and effect during the term and all renewal terms of this Agreement; and (c) LEA has all necessary authority, including approval by the Board of Education if necessary, to enter into this Agreement and to perform all of its obligations hereunder.

14. ***Indemnification.***

a. District shall defend, indemnify and hold harmless Paradigm, its officers, directors, employees, agents and shareholders against and from any and all claims, demands, losses, obligations, proceedings, debts, damages, causes of action, liability, costs and expenses (including reasonable attorney's fees and costs), arising from District's actions relating to this Services Agreement or any request for reimbursement submitted by Paradigm on behalf of District under this Services Agreement including without limitation: (i) breach of any provisions of this Services Agreement by District; (ii) failure of District or its health care providers, to provide any service for which reimbursement is sought; (iii) failure of District or its health care providers to perform health care or related services in accordance with any professional standards applicable thereto; (iv) failure of the District to provide accurate Confidential Information; or (v) failure of District or its health care providers to obtain or maintain in good standing any licenses, permits or registrations required to render the healthcare and related services for which reimbursement is sought. Notwithstanding the foregoing, District shall not be required to indemnify Paradigm hereunder to the extent that Paradigm is obligated to indemnify District pursuant to the following paragraph.

b. Paradigm shall defend, indemnify and hold harmless District, its school board, officers, directors, employees, and agents against and from any and all claims, demands, losses, obligations, proceedings, debts, damages, causes of action, liability, costs and expenses (including reasonable attorney's fees and costs), to the extent such claims arise from Paradigm's gross negligence or intentional misconduct in the course of performing the Services.

c. The indemnity rights set forth in this paragraph are conditional on the following: (i) the party seeking indemnity (each an "**Indemnified Party**") shall provide prompt written notice of any claim as to which indemnity is sought to the party from whom indemnity is sought (the **Indemnifying Party**"), provided, however, that failure to give such notice shall not relieve the Indemnifying Party of its obligations hereunder except to the extent that it is materially prejudiced thereby; (ii) all Indemnified Parties shall reasonably cooperate with the Indemnifying Party in the defense and settlement of the underlying claim at no cost to the Indemnified Party; and (iii) the Indemnifying Party shall have full and exclusive authority to defend or settle the underlying claim, provided that the Indemnifying Party shall not enter into any settlement that includes an admission of liability by or injunction against any Indemnified Party without the consent of such Indemnified Party, such consent not to be unreasonably withheld or delayed, and provided further that each Indemnified Party shall have the right to participate in such claim with counsel of its own selection at its own expense.

d. The obligations of this Section shall survive expiration or termination of this Services Agreement for any reason.

15. ***Termination.***

a. **For Cause.** Either party may terminate this Agreement upon written notice to the other party if the other party is in material breach of its obligations under this Agreement and such breach is not cured within thirty (30) days after receipt of written notice of the specific nature of such breach (or, in the case of nonpayment of fees within fifteen (15) days after receipt of written notice). The non-breaching party shall give its reasonable cooperation and assistance to the breaching party in any efforts made to cure such breach.

b. **Without Cause.** The parties may terminate this Agreement at any time by written agreement of both parties, effective as of the date specified in such agreement.

c. **Effect of Termination.** Upon the expiration or termination of this Agreement for any reason: (1) Paradigm shall submit for reimbursement and shall be entitled to receive payment pursuant to this Agreement for all claims arising from healthcare services provided by LEA during the Term of this Agreement, provided that such claims are documented and submitted to Paradigm for reimbursement within six (6) months after the earlier of expiration or termination of this Agreement; (2) all fees LEA owes to Paradigm shall immediately become due and payable; (3) LEA shall, upon request, return or destroy, at Paradigm's option, all Confidential Information received from Paradigm and shall certify to Paradigm its compliance with this provision; and (4) except as otherwise set forth herein, all definitions, the parties' rights and obligations with respect to this Agreement (other than the "Payments" and "Parties' Efforts" Sections) and all other provisions that by their nature should survive, shall survive.

16. ***Paradigm Proprietary Rights.***

LEA acknowledges and agrees that Paradigm retains all right, title, and interest, including without limitation all intellectual property rights, in and to Paradigm's Confidential Information (as defined above) and all forms, materials, submissions, and software prepared or supplied by Paradigm. Except as and to the extent otherwise provided in this Agreement, neither this Agreement nor Paradigm's performance of the Services shall give LEA any ownership interest in or license to any of Paradigm's intellectual or other property.

17. ***Miscellaneous.***

a. **Notice.** Any notice required or permitted to be given under this Agreement shall be in writing and may be delivered in person, by overnight courier, or by facsimile if confirmed by first class mail, or sent by certified or registered mail, addressed to the other party at the addresses set forth on the signature page of this Agreement. Notice will be effective as of the date personally delivered, or if by

facsimile, when confirmed electronically by the sending facsimile machine, or otherwise when actually received.

b. **Relationship.** It is intended that the relationship of Paradigm to LEA shall at all times be that of an independent contractor. Nothing contained in this Agreement is intended or to be construed so as to create any partnership, joint venture, employment, agency, franchise or other representative relationship between the parties. No party hereto, or their respective officers, directors, employees, or agents shall have any express or implied right or authority to assume or create any obligations on behalf of or in the name of the other party, or to bind the other party to any contract, agreement, or undertaking with any third party.

c. **Governing Law.** This Agreement and the rights and obligations of the parties under it shall be subject to, governed by, construed, and enforced pursuant to the laws of the State of California without giving effect to any choice of law principles. Headings are for convenience only.

d. **Severability.** If any provision of this Agreement is held by a court or arbitrator to be invalid or unenforceable, the remaining portions of this Agreement shall remain in full force and effect, and such court or arbitrator shall be empowered to substitute provisions similar to said provision, or other provisions, so as to provide the parties the benefits intended by said provision, to the fullest extent permitted by applicable law.

e. **Arbitration.** Any dispute arising in connection with the interpretation or enforcement of this Agreement shall be resolved by compulsory binding arbitration under the auspices of and in accordance with the commercial arbitration rules of the American Arbitration Association in San Francisco, California before a single arbitrator to be selected by mutual agreement of the parties or, failing such agreement, by AAA from a list of three arbitrators proposed by each side. The decision of the arbitrator will be final and not appealable. The arbitrator shall interpret and enforce this Agreement in accordance with the laws of the State of California. The arbitrator shall be empowered to award the prevailing party any remedy available in law or equity not specifically precluded by this Agreement, including without limitation injunctive or declaratory relief, and attorneys fees and costs.

f. **Other Remedies.** The parties acknowledge and agree that any actual or threatened misappropriation or infringement of intellectual property or breach of the confidentiality provisions of this Agreement will cause irreparable harm for which there is no adequate remedy at law, and accordingly, in addition to any other available remedies, a party may seek to enforce its rights with respect to the protection of confidential information or intellectual property hereunder through injunctive relief in any court of competent jurisdiction. In the event that any party is required to commence an action or arbitration to interpret or enforce any of the terms of this Agreement, the prevailing party shall be entitled to an award of reasonable attorneys' fees and costs.

g. **Force Majeure.** Neither party shall be liable for any delay or failure to perform its obligations hereunder (except for any obligation to pay fees) resulting from any cause beyond its reasonable control, including but not limited to acts of God, terrorism, weather, fire, explosions, floods, strikes, work stoppages, slowdowns, industrial disputes, accidents, riots, civil disturbances, or acts of government.

h. **Entire Agreement; Amendment.** This Agreement contains the entire understanding and agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations, and discussions of the parties, whether oral or written, relating to its contents. There are no agreements, understandings, restrictions, representations or warranties other than those set forth in this Agreement. This Agreement may be amended only by an instrument in writing signed by all parties.

i. **Assignment.** LEA shall not assign or transfer this Agreement without the consent of Paradigm, which shall not be unreasonably withheld or delayed. Any assignment or transfer in violation hereof shall be null and void.

j. **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their successors, assignees and legal representatives. It creates no rights in any third parties including any individual in connection with which reimbursement is sought by LEA.

k. **Counterparts.** This Agreement may be executed in any number of faxed or original counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be executed by duly authorized persons to be effective as set forth herein.

PARADIGM:
PARADIGM HEALTHCARE SERVICES, LLC

By: Constance Laflamme

Print Name: Constance Laflamme

Title: Executive Director

Date: 10/14/10

Address:

Attn: Constance Laflamme

311 California Street, Suite 200

San Francisco, California 94104

Phone: (415) 616-0920
Fax: (415) 616-0910

LEA:
MT DIABLO UNIFIED SCHOOL DISTRICT

By: JSSmith

Print Name: Felicia Stuckey-Smith

Title: Director, Student Services

Date: October 14, 2010

Address:

1936 Carlotta Drive

Concord, CA 94519-1397

Phone: (925) 682-8000 ext 4069
Fax: (925) 250-3093