

## **EMPLOYEE LEASE AGREEMENT**

This **EMPLOYEE LEASE AGREEMENT** (this "**Agreement**") is entered into and effective as of June 1, 2024 (the "**Effective Date**"), by and among Costa Central Medical Group, Inc., a California professional corporation ("**Lessee**"), and The County of Monterey, a political subdivision of the State of California, on behalf of Natividad Medical Center ("**Lessor**"). Lessee and Lessor each may be referred to herein as a "**Party**," and collectively as the "**Parties**."

### **RECITALS**

A. **WHEREAS**, Lessee provides professional medical services to its patients through its practice located in Salinas, California (the "**Practice**");

B. **WHEREAS**, Lessor employs qualified administrative employees that are trained and experienced in providing billing support to physicians, medical groups, and other health care providers; and

C. **WHEREAS**, Lessee desires to lease from Lessor, and Lessor has agreed to provide Lessee with, the services of an individual to provide administrative and billing support services to the Practice, subject to the terms and conditions of this Agreement.

**NOW, THEREFORE**, in consideration of the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

### **AGREEMENT**

**1. Provision of Leased Employee.**

a. **Lease.** During the Term (as defined herein), Lessee shall lease from Lessor, and Lessor shall lease to Lessee, an administrator (the "**Leased Employee**"), to provide billing support services to Lessee, as further described in **Exhibit A** (the "**Administrative Services**"). The Leased Employee shall be leased to Lessee by Lessor on an hourly basis, during standard business hours of the Practice, and for such additional incidental periods as may be necessary for the Leased Employee to complete the Administrative Services performed during such schedule of usage. The Leased Employee shall provide the Administrative Services as of the Effective Date. Lessee acknowledges that in order for Leased Employee to effectively provide the Administrative Services, Lessee shall provide the Leased Employee with access to Lessee's electronic records and billing information, in the same manner and format as Lessor's physician employees.

b. **Performance.** The Leased Employee shall provide the Administrative Services in a competent, efficient, and professional manner, in accordance with

applicable legal requirements and in accordance with Lessee's policies and procedures, to the extent they are made known to the Leased Employee.

c. Change of Assignment. Subject to the terms of this Agreement, Lessee reserves the right, upon reasonable advance notice to Lessor, to request removal or reassignment of the Leased Employee assigned to Lessee (a "Requested Removal"). Such Requested Removal shall be based upon either a reasonable showing that: (i) Leased Employee's performance of the Administrative Services is unsatisfactory and Lessor has been provided prior written notice of such unsatisfactory performance and has failed to cause Leased Employee to satisfactorily modify his/her performance; or (ii) Leased Employee engages in willful misconduct or gross negligence in the performance of the Administrative Services as set forth on Exhibit A attached hereto. Lessee shall provide full and complete documentation to Lessor regarding such Requested Removal. Upon satisfaction of the foregoing requirements of a Requested Removal, Lessor shall remove such Leased Employee and promptly provide a qualified replacement. While Lessee may initiate the ending of work assignments, Lessor shall be solely responsible for terminating or disciplining any of its staff and shall make any such decision in its sole discretion. **Exhibit A** may be amended from time to time to reflect any addition, substitution or removal of, or the change in lease terms with respect to, the Leased Employee thereunder.

## 2. Fees and Invoicing.

a. In consideration of the lease of the Leased Employee, Lessee agrees to remit to Lessor, on a monthly basis, an amount equal to the sum of the actual aggregate costs of compensation (and other costs, such as costs of liability insurance coverage) incurred by the Lessor with respect to the Leased Employee who provide the Administrative Services to Lessee during the applicable invoiced period (hereinafter referred to as the "Fee"). The aggregate costs of compensation shall include all wages, payroll taxes (including but not limited to federal, state and local taxes, social security and all other payroll taxes), workers compensation insurance premiums, all employee benefit costs (such as health insurance, disability insurance, life insurance and retirement plans) as paid on behalf of such Leased Employee as of the Effective Date. The Parties further agree that during the first year term of the Agreement, the Fee for the Administrative Services provided by the Leased Employee shall be Thirty Nine Dollars (\$39.00) per hour. From time to time during the Term, on a prospective basis and in Lessor's sole discretion, the Parties may adjust the Fee to ensure that the Fee reflects the aggregate costs of compensation incurred by the Lessor with respect to the Leased Employee.

b. Lessee shall pay the Fee to Lessor within fifteen (15) days after receipt of Lessor's invoice, which shall be sent monthly (the "Invoice"). The Invoice shall include the number of hours the Leased Employee provided Administrative Services to the Lessee during the immediately preceding month, and the hourly rate for such services as described above. The Parties anticipate that the Leased Employee will provide

approximately Ninety (90) hours of Administrative Services during the first year term of the Agreement. Lessor shall maintain complete and accurate records of all amounts billed to and payment made by Lessee pursuant to this Agreement, which records shall be retained by Lessor for such length of time as may be required by any federal, state or local law, ordinance or regulation.

**3. Status of Leased Employee.** During the Term, Lessee shall not act as an employer with respect to the Leased Employee and shall have no responsibility, authority or liability as such. For the avoidance of doubt, Lessor shall retain all liability for payment of the Leased Employee's wages, as well as all federal, state and local taxes, social security and other payroll tax benefits, unemployment compensation, insurance, workers' compensation insurance and similar items. Lessor reserves the right, in its capacity as employer, to direct, supervise and discipline (including hire, fire and terminate) the Leased Employee. Lessee shall have the authority to designate tasks to be performed in accordance with **Exhibit A**, and shall have the authority to instruct and oversee Leased Employee in the manner, means and method of accomplishing the Administrative Services set forth on **Exhibit A**. Lessee shall, at all times, have ultimate responsibility and authority for all medical and health care goods and services provided by Lessee, and Lessee shall be solely responsible for overseeing the Leased Employee as such oversight relates to the provision of medical or health care goods or services by or on behalf of Lessee.

**4. Compliance with Laws.**

a. Lessor and Lessee each covenant and agree to act and perform hereunder in accordance with all applicable standards established by law or ordinance, or established by the rules and regulations of any federal, state, or local agency, department, commission, association, or other pertinent governing, accrediting, or advisory body having the authority to set standards for offices and facilities maintained by health care providers.

b. The Fee has been determined by the Parties to be consistent with the fair market value of the Administrative Services provided hereunder, without taking into account the proximity of the Parties or their affiliates to any source of referrals, or the volume or value of any referrals of business from Lessor (or its affiliates) to Lessee (or its affiliates), or from Lessee (or its affiliates) to Lessor (or its affiliates), that is reimbursed under any governmental or private health care payment or insurance program. The Fee has been determined by the Parties through good faith and arm's length bargaining. In addition, the Fee charged hereunder does not include any discount, rebate, kickback, or other reduction in charge. This Agreement is intended to, and shall be construed to, comply with federal Anti-Kickback Statute (42 U.S.C. § 1320a-7b) and the so-called "Stark Law" (42 U.S.C. § 1395nn).

c. Lessee acknowledges that in carrying out its obligations under this Agreement, Lessor and the Leased Employee may have reason to access medical records and patient information maintained by Lessee and/or the Practice (“Patient Information”). The Parties acknowledge that each Party is a covered entity under HIPAA (as defined herein), and each agree to comply with all federal and state laws governing the privacy, confidentiality and security of Patient Information including, without limitation, the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”), the Health Information Technology for Economic and Clinical Health Act, the regulations promulgated thereunder, and applicable state privacy laws, all as amended from time to time. The Parties further acknowledge that the Leased Employee shall constitute part of Lessee’s “workforce,” as such term is defined by HIPAA and its implementing regulations.

5. **Confidential Information.** Each Party recognizes and acknowledges that all records, files, reports, protocols, policies, manuals, databases, processes, procedures, computer systems, materials and other documents of the other Party, or relating to the operations of the other Party, belong to and shall remain the property of the other Party, and constitute proprietary information and trade secrets that are valuable, special, and unique assets of the other Party’s business (“Confidential Information”). Neither Party shall, during or after the term of this Agreement, disclose any Confidential Information of the other Party, or the terms and conditions of this Agreement, to any other firm, person, corporation, association, or other entity for any reason or purpose whatsoever, without the written consent of the other Party or a valid court order. The Parties hereto acknowledge and agree that the foregoing covenant is perpetual and shall survive the termination of this Agreement. For purposes of this Section 5, Confidential Information shall not include information which is now, or becomes, generally available to the public other than by any disclosure made in violation of this Section 5.

6. **Indemnification.** Lessee shall indemnify, defend, and hold harmless Lessee, its officers, agents, and employees, from and against any and all claims, liabilities, and losses whatsoever (including damages to property and injuries to or death of persons, court costs, and reasonable attorneys’ fees) occurring or resulting to any and all persons, firms, or corporations furnishing or supplying work, services, materials, or supplies in connection with the performance of this Agreement, and from any and all claims, liabilities, and losses occurring or resulting to any person, firm, or corporation for damage, injury, or death arising out of or connected with Lessee’s performance of this Agreement, unless such claims, liabilities, or losses arise out of the sole negligence or willful misconduct of Lessor. “Lessee’s performance” includes Lessee’s action or inaction and the action or inaction of Lessee’s officers, employees, agents or subcontractors.

Lessor  
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7. **Term.** The initial term of this Agreement (“Initial Term”) shall commence as of the Effective Date and continue until the first (1<sup>st</sup>) anniversary of the Effective Date. At

the end of the Initial Term and each Renewal Term (as hereinafter defined), if any, this Agreement shall automatically renew for additional consecutive terms of one (1) year each (each a "Renewal Term"). As used herein, the "Term" of this Agreement shall mean the Initial Term and all Renewal Terms.

**8. Termination.** Anything herein to the contrary notwithstanding, this Agreement shall terminate: (a) at the end of the Term if either Party gives written notice to the other Party at least thirty (30) days prior to the end of the then-current term of its intention to terminate this Agreement at the end of such term; (b) upon the mutual written agreement of the Parties; (c) thirty (30) days' after either Party gives written notice of its intention to terminate this Agreement without cause to the other Party; or (d) thirty (30) days after either Party gives written notice of its intention to terminate this Agreement to the other Party if the other Party has breached its performance of any obligation under this Agreement; *provided, however*, that the non-breaching Party shall not be entitled to terminate this Agreement if such breach is cured within the thirty (30) day cure period. In the event that this Agreement terminates during the initial contract year, the Parties shall not enter into a new agreement that contains substantially the same terms as those set forth in this Agreement for a period of at least one (1) year from the Effective Date. In the event of any termination of this Agreement, Lessee shall pay to Lessor all accrued but unpaid amounts due to Lessor under this Agreement that are due and owing as of the date of termination. This Agreement shall terminate automatically in the event that the Leased Employee providing services hereunder is no longer employed by Lessor, and Lessor does not replace such Leased Employee with another qualified individual, approved by Lessee, to provide the services described herein within thirty (30) days.

**9. Insurance.** During the term of this Agreement, each Party shall, at its sole expense, maintain the following insurance coverages, covering any acts or omissions by such Party, its agents, and employees: (a) Commercial and comprehensive general liability insurance in amounts not less than One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) annual aggregate for all covered claims; and (b) Workers' compensation insurance with minimum limits in accordance to the limits required by law.

**10. Relationship of Parties.** In the performance of services under this Agreement, it is mutually understood and agreed that: (a) Lessor is at all times acting and performing as an independent contractor and not as an employee, agent, partner, or joint venturer of Lessee; (b) Lessor shall neither have nor exercise any control or direction over the methods by which Lessee operates its business; and (c) the Leased Employee shall be and remain at all times an employee of Lessor and not of Lessee. Neither Party shall incur any financial obligation on behalf of the other Party hereto.

**11. Non Solicitation.** At all times during the term of this Agreement, and for a period of two (2) years after the termination or expiration of this Agreement, Lessee shall not

solicit Leased Employee of Lessor or urge or encourage Leased Employee to seek employment elsewhere or employee any such person.

*employ?*

12. **Access to Books and Records.** Upon the written request of the Secretary of Health and Human Services or the Comptroller General or any of their duly authorized representatives, Lessor and any of its affiliates providing services with a value or cost of \$10,000 or more over a twelve (12)-month period shall make available thereto the contracts, books, documents and records that are necessary to verify the nature and extent of the cost of providing such services. Such inspection shall be available up to four (4) years after the rendering of such services. The Parties agree that any applicable attorneyclient, accountantclient or other legal privilege shall not be deemed waived by virtue of this Agreement. The provisions of this Section shall survive expiration or other termination of this Agreement, regardless of the cause of such termination.

*attorney-client*

*accountant-client*

*cto*

13. **Entire Agreement; Modification.** This Agreement contains the entire understanding of the Parties with respect to the subject matter hereof and supersedes all prior agreements, oral or written, and all other communications between the Parties relating to such subject matter. This Agreement may not be amended or modified except by mutual written agreement. Any reference to this Agreement shall include each and every exhibit, each of which is fully incorporated into this Agreement where referenced.

14. **Dispute Resolution.**

a. Except as otherwise expressly set forth hereinbelow, any controversy, dispute or claim arising out of, in connection with, or related to the interpretation, performance or breach of this Agreement shall be resolved by final and binding arbitration before a single arbitrator (the "Arbitration"). The Arbitration shall be initiated and administered by and in accordance with the then existing Comprehensive Arbitration Rules and Procedures of JAMS. The Arbitration shall be held in or in close proximity to Salinas, California, unless the Parties mutually agree to have such proceeding in some other locale; the exact time and location shall be decided by the arbitrator selected in accordance with the then existing Comprehensive Arbitration Rules and Procedures of JAMS. The arbitrator shall apply California substantive law, or federal substantive law where state law is preempted. Civil discovery for use in such Arbitration may be conducted in accordance with the provisions of California law that would apply if the matter were being litigated in a Superior Court in the State of California. The arbitrator selected shall have the power to enforce the rights, remedies, duties, liabilities and obligations of discovery by the imposition of the same terms, conditions and penalties as can be imposed in like circumstances in a civil action by a court of competent jurisdiction of the State of California. The arbitrator shall have the power to grant all legal and equitable remedies provided by California law and award compensatory damages provided by California law, except that punitive damages shall not be awarded. The arbitrator shall prepare in writing and provide to the Parties an award including factual findings and the legal reasons on which the award is based. The arbitrator shall not have

the power to commit errors of law or legal reasoning. Any judicial review of the arbitrator(s)' decision shall be governed by Sections 1285 et seq. of the California Code of Civil Procedure, except that the Parties hereto expressly grant the Superior Court the authority to correct errors of law and modify the arbitrator's ruling to avoid errors of law. The prevailing Party or Parties in any Arbitration hereunder shall be awarded reasonable attorneys' fees, expert and nonexpert witness costs and expenses incurred directly or indirectly with said Arbitration, including without limitation the fees and expenses of the arbitrator and any other expenses of the Arbitration.

b. Notwithstanding the foregoing provisions of Section 14(a), in the event that any Party hereto wishes to obtain injunctive relief or a temporary restraining order, such Party may initiate an action for such relief in a court of general jurisdiction in the State of California. The decision of the court with respect to the requested injunctive relief or temporary restraining order shall be subject to appeal only as allowed under California law. Such courts shall not, however, have the authority to review or grant any request or demand for damages.

**15. Governing Law.** This Agreement shall be construed in accordance with the laws of the State of California, without regard to provisions regarding conflicts of laws.

**16. Counterparts.** This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. Counterpart signature pages to this Agreement transmitted by facsimile, by electronic mail in portable document format (.pdf), or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing an original signature.

**17. Severability.** If any term or provision of this Agreement is held to be invalid, void or illegal by a court of competent jurisdiction, the validity and enforceability of the remaining terms and provisions shall not be affected thereby, and such remaining terms and provisions shall continue to be in full force and effect.

**18. Changes in Law.** This Agreement shall be construed to be in accordance with applicable federal, state and local laws, statutes, rules, regulations or ordinances, including judicial or administrative interpretations of these laws, statutes, rules regulations or ordinances. In the event there is a change in applicable federal, state and local law, statute, rule, regulation or ordinance, including judicial or administrative interpretations of these laws, statutes, rules, regulations or ordinances, that would lead a Party to this Agreement or a Party's counsel to reasonably believe that this Agreement is in violation of an applicable federal, state and local law, statute, rule, regulation or ordinance, either Party may give notice to the other Party of its intent to renegotiate this Agreement so that the Agreement is in compliance with the applicable federal, state and local laws, statutes, rules, regulations and ordinances. After receiving notice pursuant to

this section, both Parties agree to use their best efforts to renegotiate this Agreement as necessary to bring it into compliance with applicable laws and carry out the original intention of the Parties to the extent possible. If the Parties are unable to do so, then either Party may terminate this Agreement immediately, upon providing notice to the other Party.

**19. Notices.** All documents, notices, requests, demands and other communications that are required or permitted to be delivered or given under this Agreement shall be in writing and shall be deemed to have been duly delivered or given when: (a) delivered to the appropriate address by hand or by nationally recognized overnight courier service; or (b) received or rejected by the addressee, if sent by certified mail, return receipt requested, postage prepaid in each case to the following addresses or facsimile number and marked to the attention of the person (by name or title) designated below:

If to Lessor:           Natividad Medical Center  
Administration  
1441 Constitution Blvd.  
Salinas, CA 93906  
Attention: Daniel Leon

If to Lessee:           Costa Central Medical Group, Inc.  
323 North Sanborn Road, Suite E  
Salinas, CA 93905  
Attention: Jose Mario Pauda, M.D.

or to such other persons or addresses as the Parties shall specify by giving the other Party written notice of the new person or address in the manner set forth above.

**20. Waiver.** Any waiver of any provision of this Agreement shall not be effective unless expressly made in writing executed by the Party to be charged. The failure of any Party to insist on performance of any of the covenants, conditions or other terms of this Agreement shall not be construed as a waiver or relinquishment of any rights granted hereunder or of the future performance of any such covenant, condition or term, and the obligations of the Parties with respect thereto shall continue in full force and effect.

**21. Captions.** The captions contained herein are used solely for convenience and shall not be deemed to define or limit the provisions of this Agreement.

**22. Assignment: Binding Effect.** Lessor shall not assign this Agreement, or any rights or duties hereunder, without the prior written consent of Lessee. Any attempted assignment in contravention of this Section shall be null and void and with no force or effect. This Agreement shall inure to the benefit of and be binding upon the Parties hereto and their respective heirs, representatives, successors and permitted assigns.




*[Signature page follows]*

**IN WITNESS WHEREOF**, the Parties have executed this Agreement as of the Effective Date.


**LESSEE:**

Costa Central Medical Group, Inc.


By:   
Name: Jose Mario Pauda, M.D.  
President  
Pauda@mac.com

**LESSOR:**

The County of Monterey on behalf of Natividad Medical Center

By:   
Name: Charles R. Harris, M.D.  
Title: CEO

Approved as to form (County Counsel)

Stacy Saetta  3/27/2024 | 12:01 P  
By: \_\_\_\_\_  
Name: Stacy Saetta, Esq.  
Title: Chief Deputy County Counsel  
Office of the County Counsel  
County of Monterey

## EXHIBIT A

### Leased Employee Duties

The Leased Employee shall assist the Practice ~~will~~ <sup>with</sup> the Administrative Services set forth herein, which shall include the following:

- i. Processing of the accounts receivable for services provided by the Practice;
- ii. Assist in identifying all necessary documentation to process claims and bill third party payors;
- iii. Preparing and submitting to third party payors all initial claims and bills for the services provided by the Practice, after receipt of accurate and complete billing and coding data from the Practice;
- iv. Communicating with third party payors on behalf of the Practice;
- v. Provide a monthly report to the Practice on claim submission, outstanding accounts, and aging of claims submitted by the Practice;
- vi. Communicate with the Practice on enrollment, billing, and collection efforts; and
- vii. Perform follow-up efforts on submitted claims to reasonably attempt to secure payments for the Practice.