

Tony Novak

Small Business Payroll Service Agreement

I am pleased to offer my services for payroll tax accounting services including the preparation of quarterly and year-end tax payroll tax returns for (business name)_____. This letter will confirm our understanding of the terms and objectives of this engagement and the nature and limitation of the services I will provide. This letter covers: 1) weekly, bi-weekly or monthly payroll tax services and 2) year-end payroll tax filings.

This engagement presumes that there is/are (number of employees on payroll now) ____ employee(s) paid _____(weekly, bi-weekly, monthly, on another schedule) through electronic transactions without the need for paper checks or paper filings.

Payroll Tax Services

I will endorse, engage, contract with and set up services with an independent payroll company to process your weekly payroll accounting including:

- 1) Setup and processing of weekly, bi-weekly, monthly, or on-demand payroll. (The choice is yours, your selection may be changed at any time, and your choice of payroll cycle does not affect any other provision of this agreement).
- 2) Electronic fund transfer/deposit of employee bank accounts and payroll tax accounts
- 3) Quarterly payroll tax reports
- 4) Year-end tax reporting

I will depend on you to provide the information I need to prepare complete and accurate returns. I may ask you to clarify some items but will not audit or otherwise verify the data you submit.

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I will perform accounting services only as needed to prepare your payroll tax returns. My work will not include procedures to find defalcations or other irregularities. Accordingly, my engagement should not be relied upon to disclose errors, fraud, or other illegal acts, though it may be necessary for you to clarify some of the information you submit. We will, of course, inform you of any material errors, fraud, or other illegal acts I discover.

The law imposes penalties when taxpayers underestimate their tax liability. Please call me if you have concerns about such penalties.

Should I encounter instances of unclear tax law, or of potential conflicts in the interpretation of the law, I will outline the reasonable courses of action and the risks and consequences of each. I will ultimately adopt, on your behalf, the alternative you select.

Prior period tax penalties

I will investigate any prior period payroll tax problems and attempt to alleviate tax penalties. There is no assurance that I will be successful in either effort.

Voluntary employee benefits

This proposal does not include services for voluntary employee benefits that may be included as part of elective programs offered by the employer. These services are available on request. In most cases these can be added to the payroll service at no additional fee.

Records

I will not take possession of any of your original records in this engagement. I will make electronic copies of your records. I will securely store these records, along with all supporting documents, canceled checks, etc., as these items may later be needed to prove accuracy and completeness of a return. I will retain copies of your records and our work papers for your engagement in electronic format for at least seven years, after which these documents may be destroyed.

Termination

This engagement is meant to be ongoing and will conclude only after one of us gives written termination notice to the other. The termination notice should include the date of final service.

Objectives and Limitations

The objective of my engagement is to estimate your federal and state tax liability and prepare a reasonable basis to consider the impact of additional tax planning proposals that may be considered either before the year end or before the tax filing date.

I will utilize information that is your representation without undertaking to obtain or provide any assurance that there are no material modifications that should be made to your financial statements and accounting records in order for the statements to be in conformity with general accepted accounting principles (GAAP) and applicable tax law.

The third party payroll processing service makes additional representations, assurances and limitations about the quality of its services that are not incorporated into this engagement letter.

You are responsible for:

- 1) The preparation and fair presentation of the financial statements and accounting records in accordance with GAAP and applicable tax law.
- 2) Presenting any forward-looking financial statements or projections that may affect planning payroll taxes.
- 3) Designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the payroll accounting records.
- 4) Preventing and detecting fraud.
- 5) Identifying and ensuring that any included business entities comply with all applicable laws and regulations.
- 6) Making all financial records and related information available to me.

You are also responsible for all management decisions and functions, and for designating an individual with suitable skill, knowledge, or experience to oversee the services I am to provide. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

I will not express an opinion or provide any assurance regarding the financial statements generated by the payroll processor.

This engagement cannot be relied upon to disclose errors, fraud, or illegal acts. However, I will inform the appropriate level of management of any material errors and of any evidence or information that comes to my attention during the performance of my compilation procedures that fraud may have occurred. In addition, I will report to you any evidence or information that comes to my attention during the performance of my compilation procedures regarding illegal acts that may have occurred, unless they are clearly inconsequential.

I have no responsibility to identify and communicate deficiencies in your internal accounting control as part of this engagement.

Outsourcing

I will use third-party service providers in serving your account. I may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, I maintain internal policies, procedures and safeguards to protect the confidentiality of your personal information. In addition, I will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and I will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that I am unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, I will remain responsible for the work provided by any such third-party service providers.

Personnel in the Engagement and Privacy of Records

I will personally handle all aspects of the engagement, and will exercise overall control and management of the engagement. I do not anticipate disclosing your

information to any other person or entity, except as listed below, or using any other personnel or subject matter experts at this time. If my work plan changes, I will notify you in advance in writing.

I will retain and contract a third party payroll processing service that is believed to meet all security and privacy standards in this field. This company will have access to your private records. The payroll processor will communicate your private records to government entities and their contractors that are responsible for collecting payroll taxes.

If I later recommend that my work should include the presentation of your personal, private or tax information to any other person or entity then this disclosure will be presented to you in writing and will not be attempted without your written approval.

Timing of Engagement

The engagement will start immediately upon acceptance of this agreement.

It is my understanding that the accounting records are available to me immediately. I anticipate that the engagement will commence no later than three days after the accounting records are provided and that the setup will be complete no later than ten days after the accounting records are provided.

Other Recommendations

During the course of my engagement, it is possible that I may observe opportunities for economies of operation, for improved internal administrative and accounting controls, or I may observe variances with applicable laws and regulations or other matters that should be brought to your attention. My comments and recommendations concerning such matters, if any, will be conveyed to you in written form.

Prior Period Comments and Recommendations

My engagement will not include a review of any prior period payroll tax returns. As to any current-year recommendations, suggestions, and/or comments, I will afford you the opportunity to respond to such matters and include your response in a management corrective action plan.

Year-end Filings

We expect the annual accounting to be complete in January. At the completion of my year end work, I will send you a copy of the W2 forms and a summary report.

If I find events subsequent to the issuance of my reports that would cause us to reissue the payroll reports, I shall reissue the reports in the same fashion and to the same individuals and organizations as the original reports.

Change or Withdraw

You will be notified immediately in writing if I withdraw from the engagement or if the engagement is cancelled, and will include all substantive reasons for the withdrawal or cancellation.

You will be notified immediately, in writing, if there are any changes in this agreement or if there are any restrictions placed on me during the engagement, to include failure to provide the appropriate books and records in a timely manner or denial of access to appropriate books and records, that would impact the scope of the engagement or the nature of the tests required under the previously discussed standards.

Engagement Documentation

We agree that my engagement documentation is confidential information. However, I will make my engagement documentation available to any successor auditor. I will follow the legal requirement regarding confidentiality of engagement documentation when giving access to engagement documentation to any parties other than those previously named individuals and organizations.

I will retain electronic copies of the engagement documentation for at least five years.

Other Services

You may request that I perform additional services not contemplated by this engagement letter. If this occurs, I will communicate with you regarding the scope of the additional services and the estimated fees. I may also issue a separate engagement letter covering the additional services. In the absence of any other

written communication from us documenting such additional services, my services will continue to be governed by the terms of this engagement letter.

Fees and compensation

The fee for this service is \$110 per month, payable in advance each month through an automatic payment system. This fee includes all fees of the electronic transaction payment processor and the electronic tax filing processor.

My fee does not anticipate any complications related to any prior period tax penalty or representation before the IRS related to this issue. If these complications do materialize, my fee will be based on the time required at an industry standard or median billing rate plus out-of-pocket expenses. Invoices are due and payable upon presentation. To the extent permitted by state law, an interest charge may be added to all accounts not paid within thirty (30) days.

This fee agreement is based on the assumption that you will provide assistance, anticipated cooperation from your personnel, and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, I will discuss it with you and arrive at a new fee estimate before I incur the additional costs. Any amendments to the not-to-exceed amount of the fees will be in writing and signed by both my firm and by you. My invoices for these fees will be rendered each month as work progresses and are payable upon presentation.

If you elect to have me provide additional service at a later date, the cost of that service will likely be less than would have been the case without the preparation of the pro forma tax return. The actual cost will be determined at that time based on the amount of additional work required and will be confirmed in writing in a letter similar to this engagement letter.

If a multi-year engagement is entered into, all outstanding invoices for work performed during any prior engagement will be paid in full before work commences on the current engagement.

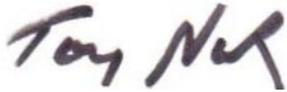
Approval

I appreciate the opportunity to be of service to you, and believe that this letter accurately summarizes the significant terms of this engagement.

If these comments and arrangements meet with your approval, please sign below (or reply with the word “AGREED” if responding to an email) and return the agreement to me.

I look forward to working with you.

Very truly yours,

A handwritten signature in dark ink that reads "Tony Novak". The letters are cursive and somewhat stylized.

Tony Novak

www.tonymovak.com

Accepted (name and date):
