

## Payroll Processing Terms and Conditions

### Definitions; Clarification of Language

1. The terms “Client” and/or “Company”, as identified and named in the Service Agreement is understood to be the Payroll Processing Client of Payroll World, Inc. (DBA: “Pay-Net” and/or “Payroll Solutions”).
2. The term “Service” refers collectively or individually to the following:
  - a. Implementation, i.e. converting Companies from existing payroll service providers or applications
  - b. Support, i.e. technical support
  - c. Payroll services, i.e. payroll processing, tax filing, direct deposit and other business-related services
3. “Service Processor” refers to the entity, person, or persons appointed by the Client to perform business processing services on behalf of the Client.
4. “Application” refers to ReadyPay, ReadyPay Online (RPO), ReadyPay Kiosk or any other related software deployed by Pay-Net on behalf of the Client.
5. The person(s) identified as the “Signer Contact/Client Representative” in the Service Agreement is understood to be the ONLY contact authorized to alter the Service Agreement, arrange variable fees, and/or change terms of service in any way.

### Definition of Fees

1. Fees are offered at flat rates to the Client.
2. Fees are valid for a term length of 2 years or 24 months, to be dated from signing date/receipt date of signed Service Agreement.
3. Any fees and/or services not covered in the Service Agreement are subject to variable fees to be determined on an individual Company basis, and agreed upon in writing by both Pay-Net and the Client.

### Setup Fees

1. Setup Fees are offered at flat rates to the Client, and are understood to be one-time only, per Company.
2. Client Obligations:
  - a. Client MUST submit completed copy of Setup Packet, as supplied, defined, and updated by Pay-Net.
  - b. Client MUST submit signed copies of ALL required documentation as required by Pay-Net, including, but not limited to: a valid 8655, Power of Attorney for Payroll Processing, ACH Agreement, etc. These required documents will be included in aforementioned Setup Packet.
  - c. Client MUST provide required documentation verifying FEIN and Company Bank Account. Other verification documentation may be required prior to live processing of payroll.
3. Pay-Net Obligations
  - a. Pay-Net's implementation team will utilize information supplied in the Setup Packet and by the Client to set up Companies in the appropriate application(s) and to load and balance BackComp.
4. Positive Pay
  - a. Positive Pay is a bank check service utilized when Pay-Net's account (in place of the Company's account) is used and displayed on employee checks.
  - b. Additional fees apply for Positive Pay service, and the right to this service may be revoked at anytime by Pay-Net.
5. Custom Setup
  - a. Custom Setup is determined on an individual Company basis.
6. Prevailing Wage Setup
  - a. Certified Payroll Setup does not include wage determinations. All wage and benefit information must be provided by the Company.

### Processing Fees

1. Processing Fees are based on the assumption that Companies will be processing payroll on a Monthly, Semi-Monthly, Bi-Weekly, or Weekly basis ONLY. If more frequent processing is required, the Client MUST contact Pay-Net.  
Additional fees may be incurred if more frequent processing is required or performed without Pay-Net's express written permission.  
Monthly processing is the MINIMUM frequency allowed for continued service.
2. Processing Fees are based on the assumption that Companies will be processing payroll subject to taxes in one state ONLY.  
Additional fees may be incurred if additional tax filings are required, including, but not limited to, additional states or 'applied for' statuses.
3. Certified Payroll Reporting fee is incurred on any and all jobs marked 'Certified' and 'Active' in the system.

### Additional Options

1. Third-Party Time Clock Setup and Maintenance
  - a. Please see Attendance on Demand or Swipeclock Terms & Conditions.
2. Third Party Integration/Data Import fees will be determined on an individual Company basis and will be dependent upon scope and complexity of a given project or service need.
3. Positive Pay fees are only incurred when producing bank checks using Pay-Net's account.

### Other Fees, Terms, and Conditions

1. Quarterly Returns are processed automatically for all active clients each quarter.
  - a. Zero Returns will automatically be processed for any and all clients with zero wages in a given quarter unless Pay-Net is specifically instructed, in writing, not to do so.
  - b. Quarterly Returns are furnished electronically and available via the Documents Portal.
2. Year End Processing incurs a variable per W2/1099 fee and may be subject to delivery fee.
  - a. W2/1099 Processing includes electronic filing. If Full Service W2/1099 processing/handling is required (including, but not limited to, pressure-sealed W2/1099 forms), additional fees may be incurred.
3. Tax Adjustments performed by Pay-Net are subject to a per hour fee, plus per transaction fees. This service includes research and determination of problem, processing of adjustment, preparation and filing of amended returns, and resolution of necessary deposits/payments.
4. Custom reporting is determined on an individual Company and per Report basis.
5. Non-Sufficient Funds (NSF) Fees and Consequences
  - a. NSF fees are variable, based on percentage of the returned amount.
  - b. Additional per hour fees may be incurred as a result of extra labor caused by NSF.
  - c. After two consecutive NSF events, or a failed redraft on the first event, Company will be taken off ACH Service.  
If a Company has an NSF event within their first 90 days of service, Company may be taken off ACH service.
    - i. Direct Deposit service will be suspended for no fewer than 12 months.
    - ii. Reinstatement of Direct Deposit service to be determined on an individual Company basis, after the minimum 12-month suspension has lapsed.
    - iii. Full Tax service will be suspended. Modified Tax Service may be offered as an alternative. Additional fees may be incurred if Company has to be switched from Full Tax to Modified Tax Service due to an NSF event.
    - iv. Reinstatement of Full Tax Service to be determined on an individual Company basis.
6. Direct Deposit Pre-Note/Probationary Period for new Companies
  - a. Standard Pre-Note Period for a new Company is 2 pay periods or 30 days, whichever is longer.
  - b. Standard Pre-Note Period for individual employee accounts is 5 days or one pay cycle.
  - c. If an exception is granted, and the standard Pre-Note Period is adjusted for a Company, the Client acknowledges and assumes any and all risk and/or liability incurred by such an adjustment

including, but not limited to: restitution to Pay-Net of any direct deposit, tax, or agency funds sent; restitution to Pay-Net of any and all NSF fees and/or penalties incurred.

#### Processing Windows, Liabilities, and Deadlines

1. No Same Day Payrolls will be allowed to process.
  - a. If a Same Day Payroll is processed (due to any reason), the tax deposit date will be adjusted out appropriately to allow impounding of funds by Pay-Net before deposits are made.
    - i. Said adjustment may move the tax deposit to a late submission date. If so, the Client bears full liability for any and all penalties incurred.
    - ii. Company may be offered the chance to Wire funds for a shorter processing window. This optional service will be offered at the discretion of Pay-Net alone.
2. All payrolls must be submitted no later than 2:00pm (Pacific), Monday – Thursday, and no later than 1:00pm (Pacific) on Fridays.
  - a. Any payrolls submitted after the daily processing deadline are not guaranteed to process.
  - b. Payrolls processed after daily processing cutoffs may be subject to Late Processing Fees, to be determined by Pay-Net.
3. Processing day for all Companies, except those with direct deposit, is no later than one business day prior to check date.
4. Processing day for all Companies with direct deposit service is no later than two business days prior to check date.
  - a. If a Company with direct deposit requests a Next Day Direct Deposit Service, approval is determined by Pay-Net alone.
  - b. Next Day Direct Deposit Service will incur additional fees, based on variable fees charged to Pay-Net.
  - c. If a Company with direct deposit requests a Next Day Direct Deposit Service, the Client acknowledges and assumes any and all risk and/or liability incurred by such an adjustment including, but not limited to: restitution to Pay-Net of any direct deposit, tax, or agency funds sent; restitution to Pay-Net of any and all NSF fees or penalties incurred.
  - d. If a Company requests a shorter processing window for Direct Deposit service, said Company may enroll in a Wire Drawdown service. Additional Fees may apply.
    - i. Separate Terms & Conditions apply to Wire Drawdown Service, and will be furnished to Company and Client upon request.
5. Liabilities Exceeding Federal Limits
  - a. Pay-Net follows federal guidelines when processing tax liabilities that exceed \$100,000 in a given liability period for any one Company. These guidelines require the following:
    - i. Deposits must be received by taxing authority no later than 1 Business Day after check date.
    - ii. In order to meet this shorter deposit deadline, any Company incurring \$100,000 or more in tax liabilities for a single liability period will be required to either:
      - aa. Process payroll 2 Business Days prior to check date
      - bb. Or Wire Transfer tax liability 1 Business Day prior to Check Date
  - b. If deposit monies are not impounded by Pay-Net in time to make timely deposits from resulting shortened window, deposits will be made late and a penalty of no less than 10% will be incurred by the Company from the IRS.
    - i. Any penalties resulting from Pay-Net's inability to impound deposit monies in a timely manner are the sole liability of the Company.
  - c. If a Company incurring tax liabilities of \$100,000 or more in a single liability period does not wish to process in the specified time, or refuses to Wire funds, the Company may choose to enroll in Pay-Net's Modified Tax Service.
    - i. With Modified Tax Service, a Company's tax deposits will be made directly from the Company bank account.

- ii. Company will bear full responsibility and liability for tax deposits being made on time.
  - iii. Additional fees will apply to change tax service over.
6. Termination of Inactive Companies
- a. Any company that has 2 consecutive quarters with zero wages will automatically be terminated.
  - a. If access to system needs to be reinstated or any legacy reporting is required, additional fees may be incurred.
  - b. engineer or access the SERVICE in order to build a competitive product or SERVICE

#### Indemnity; Warranties; and Limitations of Liability

1. PAY-NET Responsibilities: PAY-NET accepts both responsibility and liability for the timely payment and reporting of COMPANY payroll taxes but only based on information provided by the CLIENT and/or COMPANY and only to the extent of funds made available by COMPANY, and only if COMPANY incurs a penalty or interest charge solely because of negligent error on the part of PAY-NET with respect to timely payment from escrowed funds, then PAY-NET will pay whatever penalties and interest that result from the error. PAY-NET does not assume any liability for the improper payment of taxes due to incorrect claims of tax exemptions, deposit frequency, tax identification number(s) and associated rate(s), or deductions by the COMPANY or its employees.
2. CLIENT's Indemnity Obligations: PAY-NET and CLIENT intend that CLIENT indemnify PAY-NET for, except as set forth in paragraph 1 above, PAY-NET's own negligence, either standing alone or together with the negligence of others, including that of CLIENT and/or COMPANY. CLIENT agrees to defend, indemnify and hold harmless PAY-NET, its employees and agents, from all claims, losses, damages, expenses, fines, penalties, judgments, demands and defense costs (including, without limitation, actual, direct, out-of-pocket costs and expenses and amounts paid in compromise or settlement and reasonable legal fees arising from litigation of any kind in connection with any claim which may arise out of or as a result of this Agreement or the performance of PAY-NET, including, without limitation, claims arising out of the use of data furnished by COMPANY or CLIENT, except such loss or damage caused by the willful misconduct of PAY-NET.
3. EXCEPT AS EXPRESSLY STATED IN THIS AGREEMENT, THE SERVICE IS PROVIDED "AS IS" AND THERE ARE NO WARRANTIES, EXPRESS OR IMPLIED, BY OPERATION OF LAW OR OTHERWISE. NO REPRESENTATION OR OTHER AFFIRMATION OF FACT, INCLUDING WITHOUT LIMITATION STATEMENTS REGARDING CAPACITY, SUITABILITY FOR USE OR PERFORMANCE, WHETHER MADE BY PAY-NET'S EMPLOYEES OR OTHERWISE, WHICH IS NOT CONTAINED IN THIS AGREEMENT WILL BE DEEMED TO BE A WARRANTY BY PAY-NET FOR ANY PURPOSE OR GIVE RISE TO ANY LIABILITY OF PAY-NET WHATSOEVER.
4. PAY-NET's obligations to perform Services under this Agreement will terminate, with respect to COMPANY, should COMPANY funds be insufficient or otherwise unable to cover the net payroll, related taxes, and processing fees.
5. Regardless of the form of action (whether in contract, tort, breach of warranty or otherwise), and except as otherwise expressly provided herein, IN NO EVENT
  - a. WILL PAY-NET'S MAXIMUM LIABILITY FOR ALL DAMAGES RELATED TO THE SERVICE EXCEED THE TOTAL AMOUNT PAID TO IT WITHIN THE PRECEDING SIX (6) MONTHS, OR
  - b. WILL EITHER PARTY BE LIABLE FOR INCIDENTAL, CONSEQUENTIAL, EXEMPLARY, SPECIAL OR INDIRECT DAMAGES (INCLUDING, BUT NOT LIMITED TO, LOST BUSINESS PROFITS AND LOSS, DAMAGE OR DESTRUCTION OF DATA) EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF THE SAME. Some jurisdictions do not allow the exclusion or limitation of incidental or consequential damages under certain circumstances and the above exclusion or limitation may not apply.

#### Confidential Information

1. "Confidential Information" means (a) any confidential or proprietary information of either party (including without limitation any information relating to technology, pricing, the SERVICES, or the APPLICATION, and the COMPANIES) or (b) any information regarding the provisions of this Agreement and the dealings of the

parties hereunder.

2. Mutual Obligations: Each party will
  - a. not use for its own benefit or knowingly disclose to, or use for the benefit of, any other person any Confidential Information without the other party's prior written consent
  - b. use at least the same degree of care and caution to protect the other party's Confidential Information from disclosure that it employs with respect to its own confidential information, and in any event reasonable care and caution
  - c. disclose Confidential Information only to those of its employees or contractors who require access to it in order for the party to be able to perform its obligations under this Agreement; and
  - d. take appropriate action by instruction, agreement or otherwise with persons allowed such access to satisfy the foregoing obligations.
3. This Section will not apply to any information which (a) is or becomes publicly available through no fault of the receiving party; (b) is already in the receiving party's possession without restriction on disclosure when disclosed by CLIENT; (c) is independently developed by the receiving party without use of the Confidential Information of the disclosing party; or (d) is rightfully obtained by the receiving party from a third party without violating the rights of the disclosing party. To the extent required by any applicable law, regulation, or order of any court or governmental body, disclosure of Confidential Information will not be deemed a breach of this Agreement; provided, however, that the party required to disclose (i) will promptly notify the other party of such requirement, (ii) prior to any such disclosure, will assert the confidential nature of the Confidential Information, and (iii) will cooperate fully with the other party in protecting against such disclosure, including without limitation obtaining a court or administrative order narrowing the scope of disclosure and disclosing Confidential Information only to the extent necessary to comply with such requirement.
4. Notwithstanding anything to the contrary, CLIENT will permit PAY-NET to use data obtained from CLIENT and others to prepare statistical analyses, provided that PAY-NET will not reveal information identifiable to any person or specific COMPANY. Such agreement or covenant shall be considered divisible and such court shall reform this Agreement so as to set an appropriate scope to any such agreement or covenant, the aforesaid in any such event being the maximum acceptable for enforcement in the opinion of such court, and that this Agreement as so amended, shall be valid and binding as though the specific invalid or unenforceable agreement or covenant had not been included herein.

#### Other General Terms

1. Assignment: This Agreement may not be assigned or otherwise transferred by CLIENT, in whole or in part, voluntarily, involuntarily, by operation of law or otherwise, without the prior written consent of PAY-NET and any attempted assignment or transfer in violation of the foregoing will be void and of no effect. A transfer of majority ownership of CLIENT and its interests will be considered an assignment hereunder. This Agreement may be assigned by PAY-NET without notice to CLIENT. This Agreement will be binding upon, and inure to the benefit of, the parties hereto and, as applicable, their permitted respective heirs, executors, administrators, representatives, successors and assigns.
2. Relationship of the Parties: PAY-NET and CLIENT are independent contractors, and nothing in this Agreement will be construed as making them partners or as creating the relationships of employer and employee, master and servant, or principal and agent between them, for any purpose whatsoever. Neither party will make any contracts, warranties or representations or assume or create any other obligations, express or implied, in the other party's name or on its behalf.
3. Notice: Any notice, approval, request, authorization, direction or other communication under this Agreement will be given in writing, will reference this Agreement and will be deemed to have been delivered and given (a) when delivered personally; (b) three (3) business days after having been sent by registered or certified U.S. mail, return receipt requested, postage and charges prepaid, whether or not actually received; or (c) one (1) business day after deposit with a commercial overnight courier, with written verification of

receipt. All communications will be sent to the addresses set forth at the beginning of this Agreement or to such other address as may be designated by a party by notice.

4. Force Majeure: In no event will either party be liable for any delay or failure to perform under this Agreement which is due to causes beyond the reasonable control of such party, including, without limitation, fire, explosion, flood, strike, war, civil disturbances, civil or military authority, unavailability of products or materials which are not reasonably available from alternate sources, acts of God or public enemy. Performance times under this Agreement will be considered extended for a period of time equivalent to the time lost because of any delay which is excusable hereunder.
5. Modifications: This document contains the entire agreement between the parties relating to the matters covered by it, superseding all other oral or written representations, understandings, proposals or other communications between the parties. This Agreement may be modified only by a written instrument signed by an authorized representative of each party.
6. Severability: In the event that any provision of this Agreement is for any reason void or unenforceable in any respect, such provision will be without effect to the extent of the ability to void or unenforceability without affecting such provision in any other respect and without affecting any other provision.
7. Limitation of Actions: No action, regardless of form, arising out of this Agreement may be brought by either party more than one year after the cause of action has been or reasonably should have been discovered, or, in the case of an action for nonpayment, more than two years after the date the last payment was due.
8. Governing Law: This Agreement will be governed by the laws of the State of California, U.S.A., without regard to choice of law principles; and each party irrevocably (a) agrees that any action or proceeding arising from or relating to this Agreement may be brought only in the courts of California or the U.S. District Court located in Fresno, California, (b) consents, for itself and in respect of its property, to the jurisdiction of each such court in any such action or proceeding, and (c) waives any objection to proceeding in such venue, including that the forum is inconvenient.
9. Termination of Services: In the event CLIENT chooses to terminate services provided by PAY-NET, client agrees to provide written notice 30 days prior to the termination. If the period is shorter, client acknowledges that monies paid to tax deposits due, etc. may not be recoverable by Pay-Net, and Client assumes full liability for any tax deposits or other payments made on their behalf by Pay-Net prior to written notice of service termination.