



PENSOFT PAYROLL HOSTED SOLUTION AGREEMENT

This PenSoft Payroll Hosted Solution Agreement ("Agreement") is made and hereby entered into as of the ____ day of _____, ____ ("Effective Date") by and between Peninsula Software of Virginia, Inc., a Virginia corporation with principal offices located at 151 Enterprise Drive, Newport News, VA 23603 ("PenSoft") and _____, with principal offices located at _____ ("Customer").

IMPORTANT: READ THIS PENSOFT PAYROLL HOSTED SOLUTIONS AGREEMENT CAREFULLY BEFORE ACCEPTING IT. YOU AGREE TO FOLLOW AND BE BOUND BY THE TERMS AND CONDITIONS OF THIS AGREEMENT. IF YOU ARE ENTERING INTO THIS AGREEMENT ON BEHALF OF A COMPANY OR OTHER LEGAL ENTITY, YOU REPRESENT THAT YOU HAVE THE AUTHORITY TO BIND SUCH ENTITY TO THE TERMS AND CONDITIONS OF THIS AGREEMENT AND, IN SUCH EVENT, "YOU", "YOUR" AND "CUSTOMER" AS USED IN THIS AGREEMENT SHALL REFER TO SUCH ENTITY, IF YOU DO NOT HAVE SUCH AUTHORITY, OR IF YOU DO NOT AGREE TO ALL THE TERMS AND CONDITIONS IN THIS AGREEMENT, DO NOT COMPLETE THIS DOCUMENT AND YOU MAY NOT USE THE SERVICES.

Information required for setting up your PenSoft Payroll Hosted Solution account:

Company Name: _____

Customer Number (if known): _____

Contact Name: _____

Contact Email Address: _____

Contact Phone Number: _____

User Login(s): (If more than two (2) add additional page)

Name: _____ **email:** _____

Name: _____ **email:** _____

Service Requested: ___Basic ___Advanced ___Elite
(See Exhibit A for details)

Go Live Date: _____

WHEREAS, PenSoft is a provider of a hosted software application known as PenSoft Payroll Hosted Solution (“Service”); and

WHEREAS, Customer desires to use the PenSoft Payroll Hosted Solution with direct web access; and

WHEREAS, PenSoft, or its hosting partner, desires to provide to Customer PenSoft Payroll Hosted Solution subject to the terms, conditions and restrictions set forth herein:

NOW, THEREFORE, in consideration of the promises hereof, and the mutual obligations herein made and undertaken, the parties hereto agree as follows:

1. Definitions. For the purpose of this Agreement, the following words, terms and phrases, when capitalized, have the meanings assigned to them below:

1.1. “Application Software” means the software listed in Exhibit A.

1.2. “Confidential Information” means any and all information related to the services and/or business of a party that is treated as confidential or secret by the party, and is labeled or otherwise identified as confidential or secret by such party when disclosed to the receiving party or that a reasonable person would reasonably understand to be confidential. “Confidential Information” will not include information (i) already lawfully known to or independently developed by the receiving party, (ii) generally known to the public, (iii) lawfully obtained from any third party without any obligation of confidentiality, or (iv) independently developed.

1.3. “Hosting Service” means the hosting of Application Software and storage of Customer Data on PenSoft’s or third party computer servers and making Application Software available to Customer through a website maintained by PenSoft or a third party. Through the Hosting Service, Customer may add to, alter and manipulate Customer Data and perform other data processing and communications functions.

1.4. “Customer Data” means the content, records and data belonging to Customer uploaded to and stored on PenSoft’s or third party servers as part of the Hosting Service.

1.5. “User” means a single login ID.

1.6. “Website” means a specific URL provided by PenSoft through which Customer accesses the Hosting Service.

Other capitalized terms in this Agreement shall have the meanings ascribed to them in the Sections in which they first appear.

2. Grant of Licenses. PenSoft hereby grants to Customer a non-exclusive, non-transferable license to use the Hosting Service, including PenSoft-supplied Application Software, during the term of this Agreement, in accordance with the terms and conditions of this Agreement. With respect to any PenSoft-supplied Application Software which is a Microsoft software product, the Additional Terms For Microsoft Software included in Exhibit A shall apply, in addition to all other terms and conditions set forth in this Agreement. Notice of other third party licensing requirements for the PenSoft-supplied Application Software may be given in the form of shrink-wrap, “click

wrap” or electronic “pop-up” licenses appearing upon installation or initial use of the software, or by posting a notice on the Website. Customer may use the Application Software to access, add to, delete and manipulate Customer Data in connection with their business activities. You acknowledge PenSoft has no delivery obligation and will not ship copies of the PenSoft Applications to you as part of this service. Customer acknowledges that all right, title and interest in and to, including patent, copyright, trademark, trade secret and other intellectual property rights in PenSoft-supplied Application Software belong to PenSoft or its suppliers, and all rights not granted herein are reserved by PenSoft and its suppliers. Customer agrees not to modify, create derivative works of, decompile, disassemble or reverse engineer any PenSoft-supplied Application Software.

3. Agreements Regarding Use of Hosting Service. Customer agrees to use the Hosting Service, including PenSoft-supplied Application Software, only for the purposes described above. Customer acknowledges that all right, title and interest in and to, including patent, copyright, trademark, trade secret and other intellectual property rights in PenSoft-supplied Application Software belong to PenSoft or its suppliers, and all rights not granted herein are reserved by PenSoft and its suppliers. Customer shall not: (i) post or transmit on or through the Hosting Service or Website any libelous, obscene or otherwise unlawful information of any kind; (ii) interfere with, disable, modify, create derivative works of, decompile, disassemble or reverse engineer PenSoft-supplied Application Software; (iii) engage in any conduct involving the Website, the Hosting Service or the Application Software that would constitute a criminal offense or give rise to civil liability under any local, state, federal or other law or regulation; (iv) remove, modify or obscure any copyright, trademark or other proprietary notices that appear on PenSoft-supplied Application Software or that appear during its use; (v) copy, sublicense or distribute any PenSoft-supplied Application Software or permit its use by any third party; (vi) engage in any activities which interfere with or disrupt use of the Hosting Service by others, including without limitation distribution of “spam”, attempting to access data belonging to third parties or knowingly introducing or permitting to be introduced into or through the Website or the Hosting Service any worm, virus, Trojan horse or other software routine permitting unauthorized access to the Hosting Service or intended to erase or alter data or otherwise damage PenSoft’s network.; or (vii) use the Hosting Services, including PenSoft-supplied Application Software, in any application or situation where the Application Software’s failure could lead to death or serious bodily injury of any person, or to severe physical or environmental damage. Customer agrees to conform to and follow such other reasonable policies and instructions regarding access to and use of the Hosting Service which PenSoft may post on the Website from time to time.

4. Billing and Payment. PenSoft will email Customer a monthly invoice, for services in arrears, for Hosting Service, including User fees and other items, as set forth in Exhibit A. The monthly invoice shall also include any sales or use taxes and other governmental levies which are Customer’s obligation but which PenSoft is obligated to collect under applicable state or federal law. In no event will one party be responsible for any taxes levied against the other party’s net income. Customer agrees to supply PenSoft with applicable sales tax exemption certificates. Customer agrees PenSoft will debit Customer’s bank account identified in Exhibit A seven (7) calendar days after providing email invoice. In the event PenSoft cannot debit the account, PenSoft reserves the right to suspend or terminate the Customer’s right to use PenSoft Payroll Hosted Solution. **An additional \$30.00 fee will be assessed for any automatic debit returned unpaid for any reason.** This agreement shall be considered materially breached in the event funds are not available when payments are initiated as described.

5. Initial System Setup.

5.1. Application Software. PenSoft shall make the Hosting Service, including use of any Application Software supplied by PenSoft, available to Customer on the Effective Date. PenSoft will keep the Application Software updated as required for tax changes. PenSoft warrants it has all licenses or rights necessary to use and permit Customers to use PenSoft-supplied Application Software.

Customer agrees to indemnify and hold PenSoft harmless from any and all claims, causes of action, liabilities and expenses arising out of or related to use by Customer of PenSoft-supplied Application Software.

5.2. Customer Responsibilities for Setup. Customer shall provide Internet connectivity to the Website with sufficient bandwidth to meet their utilization demands. Customer shall connect with a browser configuration specified by PenSoft and meet minimum latency requirements specified from time to time by PenSoft.

5.3. Passwords. PenSoft will furnish Customer with logon identities and passwords under procedures specified by PenSoft from time to time. Customer is responsible for maintaining the security of the passwords that are assigned to them and PenSoft shall have no responsibility for unauthorized access to Customer Data that results from the failure of to maintain security.

5.4. New Accounts. Under procedures established from time to time by PenSoft, Customer shall give PenSoft notice of each new individual User of the Hosting Service together with all information requested by PenSoft to furnish a logon identity and password for each such individual User, including evidence of compliance with the licensing requirements imposed by this Agreement if requested. Upon receipt of the requested information, PenSoft will proceed diligently to make the Hosting Service available for the User as soon as reasonably practical. Fees with respect to any Users for new Customers or new Users for a current Customer provided access to Hosting Services on any day other than on the first day of each month will be billed at 50% the first month for that User. Any User deleted during the month will be billed at 100% for that month.

5.5 Conversions From/To Desktop Software. If converting from the desktop software midyear a credit for a portion of the current year software will be applied to the Hosted Services account - 40% if converted prior to June 30th, 20% if converted between July 1st and September 30th and 0% if converted October 1st or later. Once the credit is applied to the Hosted account there cannot be a conversion back to the Desktop Software in the current year, but the Desktop Software may be selected for the next calendar year product.

6. Maintenance and Software Upgrades. From time to time it will be necessary for PenSoft or its suppliers to undertake maintenance of its computer hardware used in connection with the Hosting Services and maintain, including providing upgrades to, the Application Software. PenSoft will use reasonable commercial efforts to conduct these activities on a scheduled basis as described below; however, emergency, unscheduled maintenance may be necessary from time to time.

6.1. Scheduled Maintenance. Scheduled maintenance will occur at commercially reasonable times. Access to the Hosting Service, including use of Application Software, may be unavailable or diminished for all or a portion of the scheduled maintenance period. If scheduled maintenance does not cause the Website to be totally unavailable during the maintenance period, PenSoft will post on the Website information concerning the probable length of the maintenance and which portions of the Hosting Service may be affected.

6.2. Emergency Maintenance. Maintenance may be required at times other than scheduled maintenance periods. PenSoft will use commercially reasonable efforts to notify Customer of any emergency maintenance and to complete such maintenance in a commercially reasonable period.

6.3. Software Upgrades. Customer acknowledges that PenSoft provides the Hosting Service in a shared environment and accordingly PenSoft will determine if and when to upgrade PenSoft-supplied Application Software. Customer acknowledges that any maintenance of PenSoft-supplied Application Software will be performed by PenSoft and none of PenSoft's suppliers shall have any obligations or liability with respect to such maintenance. Whenever practicable, PenSoft will conduct software upgrades during the scheduled maintenance periods. If software upgrades cannot be reasonably conducted during the regular scheduled maintenance periods, PenSoft will give Customer reasonable advance notice.

6.4. Customer Support. Provided the Customer is current in its payment of fees under this Agreement, PenSoft shall provide to Customer its standard technical support and maintenance at no additional charge. Standard support and maintenance include PenSoft support personnel shall be available to provide telephone support and assistance via email directly to Customer during PenSoft's normal business hours (9:00am to 6:00pm Monday-Thursday and 9:00am to 5:00pm Friday Eastern Time).

7. Backup; Return of Customer Data.

7.1. Regular Backups. Regular full system backups, as well as daily differential backups will be performed and a copy of the latest full backup and all interim differential backups performed after the last full backup will be retained, on a two week rotation schedule. PenSoft shall not be responsible for maintaining copies of any other backups, and, once a full system backup has been performed, PenSoft may delete or destroy all copies of previously performed backups. PenSoft will take commercially reasonable steps to maintain data integrity in any backup, but PenSoft is not responsible for loss of data or data integrity so long as PenSoft has performed the backup in a commercially reasonable manner. PenSoft does not maintain copies of data manipulations by Customer between backups and PenSoft's responsibility for maintaining Customer Data is limited to what is contained in the backups described above.

PenSoft recommends Customer perform regular data backups (at minimum upon completion of each payroll) to a local computer hard drive, thumb drive, CD or other appropriate media. This backup may be used to restore a previous copy of the data particularly in the case of corrupt data or data entered in error. There is no additional fee for Company performed backup to a local drive or for restoring this backup to the Hosted Application.

7.2. Return of Customer Data. Upon termination of this Agreement, PenSoft shall deliver to Customer one copy of all Customer Data on one or more CDs or other media agreed by PenSoft and Customer. PenSoft shall retain a copy of the Customer Data for a reasonable period of time in order

to give Customer an opportunity to verify that all of the Customer Data has been delivered. Promptly upon receipt, but in any event within fifteen (15) business days after receipt, Customer shall perform such examination and testing as they deem necessary or desirable to verify receipt of all Customer Data stored by PenSoft as part of the Hosting Service, and if the media is defective and the Customer Data cannot be read or if there are any other issues with respect to the copy provided, Customer shall immediately give notice to PenSoft. PenSoft shall reasonably cooperate with Customer to resolve any identified issues. Unless Customer gives notice to PenSoft within such fifteen (15) business day period, following the expiration of the fifteen (15) business day period, PenSoft may erase all Customer Data in its possession and discard any copies or backups of such Customer Data in its possession without any liability or further obligation to Customer. Prior to termination the Customer is responsible for creating reports from the Hosted data. PenSoft desktop applications will not be provided to the Customer.

8. Rights and Responsibility for Customer Data. PenSoft acknowledges and agrees that all rights to the Customer Data shall be owned by Customer. PenSoft agrees to treat the Customer Data as Customer's Confidential Information and shall take reasonable security measures to prevent unauthorized access to such Customer Data by third parties. However, Customer acknowledges that PenSoft cannot guarantee the security of the Customer Data against access by "hackers" and other unauthorized persons, and Customer agrees that as long as PenSoft has taken reasonable steps to protect the Customer Data, PenSoft shall not be responsible for unauthorized actions of third parties. Customer agrees that PenSoft may intercept and disclose to governmental agencies any Customer Data to the extent reasonably necessary to protect the rights of PenSoft or to comply with any law or regulation, judicial process or governmental request. PenSoft has no obligation to monitor, review, screen, edit or otherwise control the Customer Data. PenSoft's obligations with respect to the Customer Data are limited to storing it on a computer server and making it available as part of the Hosting Service, and PenSoft has no responsibility whatsoever for the accuracy, integrity, reliability or adequacy of the Customer Data or its use by Customer or any third parties. As between Customer and PenSoft, all responsibility and liability for the Customer Data and its use lies with Customer, and Customer shall indemnify and hold harmless PenSoft from any and all third party claims, causes of action liabilities and expenses arising out of or related to PenSoft's performance of the Hosting Service with respect to the Customer Data.

9. Limitations and Disclaimer.

9.1. Disclaimer. Except as expressly provided, the Hosting Service, including use of PenSoft-supplied Application Software, is furnished "AS IS" without any warranty whatsoever. All other warranties, express or implied, including any warranties of merchantability or fitness for any particular purpose, or non-infringement are specifically excluded and disclaimed. Without limiting the foregoing, PenSoft does not warrant that PenSoft-supplied Application Software or any other part of the Hosting Service will meet Customer's requirements, or that the operation of the Hosting Service will be uninterrupted or error free. Except as expressly provided herein, neither PenSoft nor any of its suppliers shall be liable for any damages relating to this Agreement or the Hosting Service. Neither PenSoft nor any of its suppliers shall be liable for any incidental, punitive, indirect or consequential damages arising out of or in connection with this Agreement, including without limitation damages for loss of data or lost profits, even if advised of the possibility of such damages. In any event, PenSoft's maximum liability hereunder shall be the amount actually collected from Customer during the most recent ninety (90) day period.

9.2. Actions of Third Party, Force Majeure. Without limiting the foregoing disclaimer, Customer specifically acknowledges that PenSoft's ability to furnish the Hosting Service hereunder is dependent on third parties, including telecommunications and electrical power providers, and actions or inactions of such third parties may impair or disrupt the Hosting Service. In addition, from time to time third parties may take action intended to interfere with the availability of the Hosting Service, such as denial of service attacks or the spread of computer viruses. So long as PenSoft and its suppliers act in a commercially reasonable manner, PenSoft and its suppliers will have no liability whatsoever with respect to or resulting from any circumstances or actions of third parties beyond PenSoft's reasonable control.

9.3. Notice of Claims. Customer must notify PenSoft in writing of any claim Customer has against PenSoft within ninety (90) days of Customer's knowledge of the claim or the claim shall be barred and Customer waives any right to proceed against PenSoft on the claim.

9.4. Basis of the Bargain. Customer acknowledges that PenSoft has set its prices and entered into this Agreement in reliance upon the limitations of liability and the disclaimers set forth in this Agreement, and that the same form an essential basis of the bargain between the parties.

10. Term and Termination. This Agreement shall become effective on the Effective Date and shall continue until terminated by a party. Either party may, at any time, terminate this Agreement as of a specified date by giving notice of termination at least thirty (30) days prior to the specified date. In the event Customer terminates this Agreement, Customer shall pay all outstanding liabilities within ten (10) days of giving notice of termination. In the event that Customer is in breach of this Agreement, PenSoft may, with thirty (30) days advance notice or ten (10) days advance notice in the event Customer has failed to pay any amounts due hereunder, terminate this Agreement and/or suspend or terminate Customer's access to any or all of the Hosting Service unless Customer remedies such breach to the reasonable satisfaction of PenSoft within such period. Termination of this Agreement shall not affect liabilities of the parties which have accrued prior to termination, or affect the obligations of the parties set forth herein which by their nature continue, all of which liabilities and obligations shall survive termination. Without limiting the foregoing, the provisions of Sections 11 through 13 shall survive termination.

11. Relationship of the Parties. The relationship of the parties under this Agreement is and at all times shall remain that of independent contractors. Nothing in this Agreement will be construed to create a joint venture, franchise, employment or agency relationship between PenSoft and Customer. All financial obligations associated with Customer's business are the sole responsibility of Customer. Customer does not have, and shall not represent itself as having, any right or authority to obligate or bind PenSoft in any manner whatsoever.

Notwithstanding any provision of this Agreement to the contrary, PenSoft's obligations hereunder are solely to Customer and not to any individual User of Customer.

12. Confidentiality. Each party agrees not to use any Confidential Information of the other party other than in support of the receiving party's obligations under this Agreement unless the disclosing party has expressly granted the right to use such Confidential Information for another purpose. Each party further agrees to protect the Confidential Information of the other party in its possession against disclosure to third parties using the same degree of care as the receiving party

uses to protect its own proprietary and confidential information, but at least reasonable care. In the event that a party becomes legally obligated to disclose Confidential Information of the other party, to the extent that such party may legally do so, it shall give the owner of the Confidential Information prompt notice of the required disclosure so that the owner may seek a protective order.

13. General Provisions.

13.1. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the United States of America and the State of Virginia, without regard to that conflict of laws provisions. Any claim arising out of or relating to this Agreement shall only be brought in the District Court for Newport News, Virginia, and the parties consent to the jurisdiction of such court.

13.2. Severability. If any provision of this Agreement is held invalid or unenforceable by any court or agency of competent jurisdiction, the parties shall mutually agree on an alternate, legally valid and enforceable provision. The remainder of this Agreement shall nevertheless continue in full force and effect to the extent continued operation under this Agreement without the invalid or unenforceable provision is consistent with the intent of the parties as expressed in this Agreement.

13.3. Entire Agreement. This Agreement, including the exhibits, sets forth the entire agreement between the parties regarding its subject matter and supersedes all prior understanding or agreements regarding the same subject matter. This Agreement may not be modified or amended except by a writing signed by both parties.

13.4. Binding Effect; Assignment. This Agreement shall be binding on and inure to the benefit of the parties hereto and their successors and assigns. This Agreement may not be assigned by Customer without the prior written consent of PenSoft, which consent shall not be unreasonably withheld or delayed.

13.5. Notices. Notices to be given under this Agreement shall be in writing to the addresses in Exhibit A and shall be deemed given when received, by an officer in the case of PenSoft, and by an officer or any person having executive authority in the case of Customer. If notice is mailed certified mail or sent by an overnight delivery service providing proof of deliver, it shall be deemed received on the date indicated on the return receipt or proof of delivery.

14.0. PenSoft Officer Acceptance:

Name: _____

Title: _____

Date: _____

EXHIBIT A

Application Software used for the PenSoft Payroll Hosted Solution:

PenSoft® Payroll

Applications Supplied for the PenSoft Payroll Hosted Solution Environment:

Microsoft OS and Terminal Services
Wizmo Print Utility, Admin Set and Support Set
Adobe Acrobat Reader

PenSoft Payroll Hosted Solution Monthly Fees:

Each User (200 MB File Storage per User) - \$20.00

Additional 500 MB File Storage per User - \$1.00

Visit www.pensoft.com/hostedpayroll/calculator.aspx to help determine your monthly costs.

Basic Service: Includes tax calculations, incomes and deductions, comprehensive reports, prints on laser checks, imports and exports data. Maximum 100 employees per company:

First 10 employees \$2.00 each (10 employee minimum billing)
Next 15 employees \$1.00 each
Next 25 employees \$0.50 each
Next 50 employees \$0.25 each
After 100 employees \$0.10 each

Advanced Service: Includes all Basic Service capabilities plus direct deposit files, departmental payroll and job costing, generates and completes W-2s, electronic W-2 filing and timesheet capabilities. Maximum 250 employees per company:

First 25 employees \$2.00 each (25 employee minimum billing)
Next 25 employees \$0.75 each
Next 50 employees \$0.50 each
Next 150 employees \$0.25 each
After 250 employees \$0.10 each

Elite Service: Includes all Advanced Service capabilities plus 1099-MISC/INT/DIV and electronic 1099 filing, shift differentials, certified payroll common global settings and invoicing. Unlimited number of employees per company:

First 50 employees \$2.00 each (50 employee minimum billing)
Next 50 employees \$0.75 each
Next 150 employees \$0.50 each
Next 250 employees \$0.25 each

After 500 employees \$0.10 each
Data Restoration per Request from Customer - \$175.00

Note: There is no charge for Customer maintained backups and restoration.

Prices are subject to change with or without notice in PenSoft's sole and absolute discretion.

PenSoft Electronic Funds Transfer (EFT) Authorization Agreement: Customer hereby agrees to pay PenSoft via an EFT from the Customer's bank account all amounts due including monthly fees, applicable taxes, and other applicable charges. PenSoft will notify the customer in advance of the amount of the automatic debit for charges for services in the previous month. In the event PenSoft cannot debit the account PenSoft reserves the right to suspend or terminate the Customer's right to use this service. **An additional \$30.00 fee will be assessed for any automatic debit returned unpaid for any reason.**

For purposes of identification and billing, the Customer agrees to provide PenSoft with accurate, complete and updated information including company legal name, address, telephone number(s) and applicable payment data (e.g. routing and account numbers). Failure to comply with this provision may, at PenSoft's option, result in suspension or termination of the Customer's right to use this service.

Name: _____

Company: _____

Billing Address: _____

Billing Email Address: _____

Bank Name: _____

Routing Number: _____

Account Number: _____

Authorized Signature: _____

This authorization is to remain in full force and effect until PenSoft has received written notice as required pursuant to section 10 of this Agreement. A voided check must be attached to this Agreement.

Address for Notices :

PenSoft Software of Virginia, Inc.

Attn: Contract Administration

151 Enterprise Drive

Newport News, VA 23603

Fax: 757-873-1733

Phone: 757-873-2976

Customer: _____

Attn: _____

Address: _____

City, State, Zip: _____

Fax: _____

Phone: _____