

TAXATION/SYSTEMS INC  
**Taxsys**®

## AGREEMENT

THIS AGREEMENT, Made and entered into, in duplicate, this \_\_\_\_\_ day of \_\_\_\_\_, By and Between the **Warren County School District, Warren County**, Pennsylvania, hereinafter referred to as "CLIENT," and **Taxation Systems of Pennsylvania, Inc.**, a Pennsylvania corporation, with its principal offices at 50 North Seventh Street, Bangor, Northampton County, Pennsylvania, hereinafter referred to as "TAXSYS."

### WITNESSETH:

**WHEREAS**, Act No. 511 of the 1965 General Assembly of the Commonwealth of Pennsylvania, enacted December 31, 1965, and effective January 1, 1966, known as the "Local Tax Enabling Act" ("LTEA"), authorizes certain political subdivisions, including CLIENT, to levy, assess and collect a tax on salaries, wages, commissions, compensation and earned income of individuals, as therein with more particularity specified, generally and hereinafter referred to as the "**Earned Income Tax**"; and

**WHEREAS**, CLIENT, has or may have levied, assessed and provided for the collection of an Earned Income Tax under the LTEA; and **WHEREAS**, Section 10 of said Act of 1965, specifies that any such political subdivision may provide for the creation of such bureaus for the appointment and compensation of such officers, clerks, collectors and other assistants and employees as may be deemed necessary for the assessment and collection of taxes imposed under the authority of that Act; and

**WHEREAS**, Section 10 of said Act of 1965, authorized certain political subdivisions, including CLIENT, to levy, assess and collect a tax on individuals for the privilege of engaging in an occupation, as therein with more particularity specified, generally and hereinafter referred to as the "**Occupation Privilege Tax**"; and

**WHEREAS**, CLIENT by Resolution and/or Ordinance has or may have levied, assessed and provided for the collection of such Occupation Privilege Tax; and

**WHEREAS**, CLIENT and TAXSYS have negotiated an Agreement whereby and whereunder TAXSYS will provide to CLIENT access to its Earned Income/Occupation Privilege computer collection system ("System"), and training and consultation services pertaining to same; and

**WHEREAS**, the terms and form of this written Agreement, in which the parties have embodied the verbal understanding heretofore reached by them, have been submitted to, approved by and the execution hereof authorized by Resolution and/or Ordinance of CLIENT duly and regularly passed;

**NOW, THEREFORE**, in consideration of the foregoing, the mutual covenants herein contained and other good and valuable consideration, the parties hereto, each intending to be legally bound hereby, do covenant and agree as follows:

1. **System and Services.** TAXSYS shall provide to CLIENT access to its System for the period commencing January 1, 2005 and ending December 31, 2006. CLIENT acknowledges that it is not purchasing TAXSYS' System but merely acquiring access to same.

2. **Duties of TAXSYS.** In providing access to its System to CLIENT, TAXSYS agrees to:

- (a) train and provide technical support/consulting services to the CLIENT's tax office personnel. All tax office personnel are considered employees of the CLIENT and not TAXSYS. TAXSYS shall not be regarded as a party to any collective bargaining agreement(s) which have heretofore or may hereafter be entered into by and/or between CLIENT and CLIENT'S employees.
- (b) provide training in accordance with the following schedule: (i) TAXSYS will provide one hundred twenty (120) hours of training and technical support in eight (8) hour sessions, twenty-four (24) hours of which will be conducted at TAXSYS' location, the balance to be completed at CLIENT's place of business, to be completed within six (6) months of the effective date of this Agreement; and (ii) additional training/technical support/consulting services shall be provided by TAXSYS personnel up to eight (8) hours per month after the initial training period.

- (c) electronically convert the CLIENT's existing tax roll to TAXSYS' computer database, including required financial and historical information for the current year.

- (d) if necessary, at CLIENT's expense, to provide manual data entry services.

- (e) provide the following tax forms, as applicable: employer quarterly earned income tax returns; earned income tax final returns and delinquent final returns; earned income tax quarterly returns; emergency and municipal service tax forms; and delinquent emergency and municipal service tax forms (failure to file).

- (f) provide a cross reference of CLIENT's earned income tax records, as applicable, with the Pennsylvania Department of Revenue tax records, *provided*, that CLIENT obtains said Department of Revenue records accordingly.

3. **Duties of Client.** CLIENT expressly agrees to do the following

- (a) provide TAXSYS with its most recent tax records and tax rolls;
- (b) where applicable, obtain sufficient tax records from the Pennsylvania Department of Revenue for comparison with the CLIENT's local earned income tax records;
- (c) to purchase, at its expense, appropriate computers, printers and other equipment based upon TAXSYS' minimum specifications, to access TAXSYS' System;
- (d) to utilize TAXSYS' hotline telephone number (866-877-0059) for technical support questions;
- (e) to forever treat as proprietary and confidential any information provided to CLIENT by TAXSYS as it may relate to the System; and

(f) upon termination of this Agreement, to return to TAXSYS and/or forego any System passwords, security codes and/or other security features CLIENT was assigned during the course of the Agreement to access the System.

4. **Compensation.** CLIENT agrees to compensate and reimburse TAXSYS as follows:

(a) Twenty-five Thousand Seven Hundred Fifty Dollars (\$25,750.00) per year for CLIENT's access to TAXSYS' System, TAXSYS' expenditures for equipment, supplies and related expenses, to be paid by CLIENT in four (4) equal installments beginning with the first month of the contract term;

(b) Twenty-five Hundred Dollars (\$2,500.00) for the initial cost of training, billed as needed. CLIENT's personnel as set forth above. CLIENT shall be responsible for TAXSYS' actual costs incurred in training CLIENT's personnel and for the cost of any additional training that it desires beyond that set forth in this Agreement based upon an hourly rate to be mutually determined by the parties.

(c) Seventy-Five Dollars (\$75.00) per hour for the cost to electronically convert CLIENT's tax rolls into TaxSys' computer database, said cost not to exceed the total of Five Thousand Dollars (\$5,000.00).

(d) Sixty-three one-hundredths of a Dollar (\$.63) per record for any requested or required manual data entry services provided by TAXSYS.

(e) Seventy-five Dollars (\$75.00) per hour for any computer program customization requested by CLIENT after the initial system setup has been completed by TAXSYS.

5. **Non-liability of TaxSys & Disclaimer.** CLIENT shall hold harmless and indemnify TAXSYS from and against any and all loss, damage or claim for actual or attempted tax collection(s) arising from:

(a) incorrect, illegal or improper tax records submitted by CLIENT to TAXSYS;

(b) incorrect, illegal or improper tax information submitted by taxpayers and/or employers located within CLIENT's jurisdiction, to TAXSYS;

(c) incorrect, illegal or improper tax information submitted by any other source to TAXSYS, including without limitation, another tax collector or taxing district, upon which TAXSYS can reasonably be expected to rely upon;

(d) the withholding of correct, legal or proper information by CLIENT from TAXSYS;

(e) the withholding of correct, legal and proper information by taxpayers and/or employers located within CLIENT's jurisdiction, from TAXSYS; and

(f) the withholding of correct, legal and proper information by any other source from TAXSYS, including without limitation, another tax collector or taxing district, upon which TAXSYS can reasonably be expected to rely upon.

TAXSYS does not expressly or impliedly guarantee to CLIENT that it will collect a sum certain using TAXSYS' System for any given tax year nor does it guarantee any results of its training/consultation with CLIENT's employees. TAXSYS shall not be responsible to defend or uphold the validity, legality, or constitutionality of CLIENT's tax ordinance/resolution. TAXSYS shall not be ultimately responsible for the maintenance or update of and does not guarantee the accuracy of CLIENT's tax rolls. TAXSYS DOES NOT MAKE ANY EXPRESS OR IMPLIED WARRANTY OF ANY KIND. SPECIFICALLY, THERE IS NO EXPRESS OR IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSES FOR THE PRODUCTS AND/OR SERVICES TO BE PROVIDED HEREUNDER.

TAXSYS shall not be liable to CLIENT for any damage arising from any event that is out of the control of TAXSYS. TAXSYS shall not be liable for any requested and proven taxpayer refunds or interest thereon. Neither shall TAXSYS be liable to CLIENT for indirect, special, incidental, exemplary, consequential, or any other form of monetary damages, including without limitation, lost revenue, or for the loss of data or information of any kind, however caused, and arising out of or in connection with the performance of TAXSYS, or the provision of services or performance hereunder, whether based in contract, tort or any other legal theory, and whether or not TAXSYS has been aware of the possibility of such damages. Any damages not excluded by this provision or the Agreement in general shall be limited to proven direct damages that CLIENT shall have the duty to mitigate.

6. **Records.** TAXSYS shall deliver to CLIENT alphabetical lists of all taxpayers located in the CLIENT's jurisdiction at the time the Agreement expires and reports of payments during the preceding tax year upon termination of this Agreement. TAXSYS shall have the right to deliver said information to CLIENT in a form it so chooses and mutually agreeable to both parties. In the event that the parties cannot agree upon an acceptable format to deliver said records, TAXSYS shall deliver said records in an universal computer, Delimited, flat data file. Moreover, in the event said records or information are contained within and made a part of similar records relating to the collection of taxes of other political subdivisions whose taxes are also collected by TAXSYS, then in that event, the CLIENT shall not be entitled to receive non-CLIENT records. However, CLIENT shall have the right to make copies of said records or to examine same in the office of TAXSYS for the purpose of obtaining such information as it relates solely and exclusively to the collection of the tax from taxpayers of CLIENT. TAXSYS shall not be required to deliver to CLIENT any source documents such as taxpayer returns or filings. In no event shall TAXSYS be required to deliver said information/records to any person or entity other than to CLIENT, including but not limited to any successor tax collectors. TAXSYS' System shall remain the sole and exclusive property of TAXSYS and CLIENT shall retain no proprietary or ownership interest in same.

7. **Miscellaneous Charges.** CLIENT shall be responsible for all costs associated with postage and office supplies. CLIENT shall also be solely responsible for any and all computer connection fees. In the conversion of CLIENT's tax rolls to TAXSYS' computer database, CLIENT shall be liable for any additional consultant fees incurred by TAXSYS.

8. **Non-Competition.** During the term of this Agreement and/or any renewal thereof, and for two (2) years thereafter, CLIENT agrees not to solicit or hire for employment any current or past employee of TAXSYS for services as an independent contractor, employee of otherwise in such a capacity that competes with the services and/or business of TAXSYS.

9. **Dispute Resolution.** Any dispute, controversy or claim arising out of or under this agreement or its performance shall first be negotiated by the parties, and if an acceptable resolution does not result shall be submitted to arbitration which shall be exclusive, final, binding and conducted in accordance with the Pennsylvania's Uniform Arbitration Act, 42 Pa.C.S.A. §7301 *et seq.*, and shall be nonappealable except in accordance with such act. Each party shall appoint one such arbitrator, and a third arbitrator shall be chosen by the two arbitrators aforementioned within five days after their appointment. The decision of the majority of such arbitrators shall be binding and conclusive upon the parties hereto. The appointment of such arbitrators shall be made within five days after receiving notice from any one of the parties hereto.

make such appointment. The failure of any one of the parties to so appoint an arbitrator, shall authorize the other to make an appointment it. If such two arbitrators shall fail or be unable within five days to select a third arbitrator, then and in such event, any Judge of the Common as Court of Northampton County, upon application made by any one of the parties hereto for that purpose, is authorized and empowered to point such additional arbitrator.

10. **Breach of Contract.** If a party breaches any material term of this Agreement and fails to remedy the breach within sixty ) days of receipt of written notice from the non-breaching party, the non-breaching party may terminate this Agreement for cause. Any other ims for damages resulting from the alleged breach must be handled through the dispute resolution process set forth in paragraph 9 above. .IENT recognizes that the unauthorized disclosure of such confidential information described herein by it may give rise to an irreparable injury TAXSYS, not adequately remedied by an action at law, and that, accordingly, TAXSYS may seek specific performance of this Agreement d/or obtain injunctive relief against CLIENT caused by the breach or threatened breach of the within obligations, in addition to any other al remedies which may be available for monetary damages.

11. **Effect of Termination.** In the event that this Agreement expires at the end of the term or renewal thereof, and upon XSYS' completion of its duties, no term, right, or duty imposed by this Agreement upon a party, with the exception of those rights contained paragraphs 3(d), 3(e), 6, and 8 through 10, pertaining to CLIENT's promise to keep System information confidential, CLIENT's promise to turn security and access passwords to the System upon termination of this Agreement, CLIENT's non-competition with TAXSYS, the dispute solution process and TAXSYS' right to equitable and other relief upon CLIENT's unauthorized disclosure of proprietary System information, all be deemed or construed to survive the termination of the Agreement as a whole

12. **Notices.** Any notice given hereunder by either party to the other shall in writing and shall be deemed given when delivered rsonally or five (5) days after being sent by certified mail, return receipt requested, as follows

If to the CLIENT:  
William Rogerson, Supervisor of EIT Collections  
Warren County School District  
185 Hospital Drive  
North Warren, PA 16365

If to TAXSYS:  
TaxSys  
50 North Seventh Street  
Bangor, PA 18013  
Attention: Client Services Department

13. **Miscellaneous.** In the event that any phrase, clause, sentence or paragraph of this Agreement is declared invalid by any ourt of competent jurisdiction, this Agreement shall survive such declaration of invalidity as regards all portions of the Agreement not pecifically declared invalid. The headings contained in this Agreement are for the convenience of the parties only. This Agreement shall be eemed to have been made under and shall be governed by the laws of the Commonwealth of Pennsylvania. This Agreement represents the ntire Agreement between the parties and any modification of same must be in writing to be valid. This Agreement shall binding upon and inure o the benefit of the parties hereto and their respective successors and assigns.

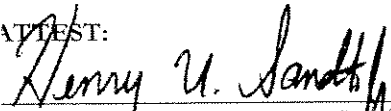
IN WITNESS WHEREOF, the parties have executed this Agreement the day and year as above written.

Warren County School District, Warren County

BY: \_\_\_\_\_

ATTEST:  
\_\_\_\_\_  
Secretary

Taxation Systems of Pennsylvania, Inc.

ATTEST:  
  
Henry U. Sandt, Jr., Secretary/Treasurer

BY:   
John DeRemer, President

## MODIFICATION TO AGREEMENT

WHEREAS, the CLIENT and TAXSYS have entered into written Articles of Agreement for the collection of taxes imposed by CLIENT;

NOW, THEREFORE, the parties hereto, each intending to be legally bound hereby, do covenant and agree as follows:

14. AMENDED COVENANTS. The following covenants, terms and agreements are added to the Articles of Agreement executed by the parties:

A. TAXSYS shall conduct all training at CLIENT's place of business. Paragraph 2(b) of the Agreement is amended accordingly.

B. TAXSYS shall provide a trainer/consultant at CLIENT's work site two (2) days per month during the term of the Agreement. CLIENT may terminate this service at any time with thirty (30) days written notice to TAXSYS.

C. In addition to the charges set forth in the Agreement, CLIENT shall compensate TAXSYS as follows: for on-site trainer/consultant, \$7,500.00 per year (\$625.00 per month); electronic remittance processing, \$.24 per transaction and \$.10 per exception; and for document scanning/imaging, \$.95 per final return electronic \$.52 per page for each pre-printed employer return, and \$.10 for each exception handled; for printing and mailing of 1099 forms, \$525.00 per year.

D. TAXSYS reserves the right to increase any and/or all of the charges set forth in the Agreement or any modification thereto on an annual basis, *provided*, said increase shall not exceed three percent (3%) of the current price per year.

All other terms and conditions of the Agreement entered into by the parties herein shall remain in full force and effect accordingly.

IN WITNESS WHEREOF the parties hereto have caused this Addendum to be executed on the day and date set forth above.

Warren County School District, Warren County

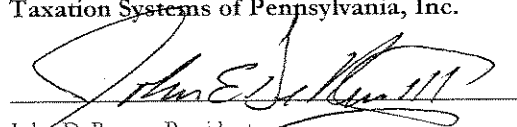
BY: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Secretary

Taxation Systems of Pennsylvania, Inc.

BY: \_\_\_\_\_

  
John DeRemer, President

ATTEST:

  
Henry C. Sandt Jr., Secretary/Treasurer