

August 20, 2002

Rachael Ikenberry
General Manager
Valley Fitness, Inc.
17712 116th Way
Kent, WA 98802

Mrs. Ikenberry,

Thank you for taking the time to talk with me last week. I know that your business office accounting has been a high priority problem for you. I am pleased to propose a cost effective solution that will minimize your in-house burden.

As you know we are specialists in Accounting and Payroll services with over 40 years of experience. We pride ourselves in providing our clients with a professional service, guaranteed accuracy and the highest level of confidentiality.

Your attached cost summary is based upon your current needs and can be adjusted as we customize your services.

I look forward to discussing your project with you in more detail shortly.

Please contact me directly anytime you have additional questions or requests.

Sincerely,

Mary Stratton
President
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ACCOUNTING AND PAYROLL SERVICES

August 20, 2002

Prepared for: Rachael Ikenberry
General Manager

Prepared by: Mary Stratton
President

[d e s c r i p t i o n]

Valley Fitness, Inc is in need of Accounting and Payroll services to take over for an overburdened owner/manager. With limited office staff the accounting and payroll functions have been suffering. Outsourcing these office activities will all the owners/management to focus on other aspects of the business.

Proposal Number: 534-2002



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The Objective...

Valley Fitness, Inc is in need of Accounting and Payroll services to take over for an overburdened owner/manager. With limited office staff the accounting and payroll functions have been suffering. Outsourcing these office activities will allow the owners/management to focus on other aspects of the business.

The Goals...

Valley Fitness, Inc is a small privately owned organization that now requires professional accounting and payroll services in a cost effective manner.

The goals of Applied Accounting Services are:

- ◆ Provide professional accounting and payroll services
- ◆ Provide services at a lower cost than possible if done by an in-house staff member
- ◆ Guarantee on-time payroll and other account payables

The Solution...

Applied Accounting Services specializes in Full Accounting and Payroll services for Mid size businesses. All staff accountants are CPA's with additional tax attorney services available through our corporate office location in Seattle, WA.

We will provide Accounting Services to include:

- ◆ Daily, Quarterly and Yearly accounting reconciliations
- ◆ Year End Tax statements and summaries
- ◆ Quarterly tax Payment reports
- ◆ Ledger Maintenance
- ◆ Inventory account balancing

Payroll Services to include:

- ◆ Standard pay period check determination and origination
- ◆ Withholding allotments
- ◆ Benefit Summaries

Accounts Payable Services to include (upon request):

- ◆ Payment of all bills owing
- ◆ Budget Plan negotiations
- ◆ Negotiation for terms



[c l i e n t o p e r a t i o n s]

Valley Fitness is a privately owned and operated fitness club with 3 locations. Started in 1998 with 5 staff members, the clubs now employ 12 employees per location and a client base of approximately 1400. Office accounting and payroll staff currently consists of the owners who took over the responsibility when the FT accountant did not return from extended medical leave. This lack of a FT accounting and payroll person has led to a backlog of data entry, poor inventory control, payroll not being met on time and tax filing past due.

Once Applied Accounting Services is responsible for all accounting and payroll, the owners will be relieved to return to the FT management of their clubs. AA Services will bring all accounting, payroll, accounts payable and tax filing current.



[c o s t s u m m a r y]

The following is an estimate and summary of the costs associated with Applied Accounting Services offering for Accounting and Payroll services. These numbers are an estimate only.

Initial Account Set-Up	Price
Conversion from Valley Fitness to AA Services Time period to cover January 1, 2002- Present	\$ 1,200
Production of Q1, Q2 Reports	\$ 300
Production of Current standing report	\$ 500
Total Set-Up Costs:	\$ 2,000
Ongoing Monthly Costs	
Daily Account Reconciliations	\$ 600 p/mo
Bi-Weekly Payroll	\$ 300 p/mo
Total Ongoing Monthly Costs:	\$ 900
Ongoing Quarterly/Yearly Costs	
Quarterly Tax Documents	\$ 400 p/qtr
Quarterly Filings	\$ 200 p/qtr
Quarterly Reports	\$ 500 p/qtr
Year End Summaries	\$ 300 p/yr
Year End Tax Filing Summaries	\$ 300 p/yr
Maintenance of Employee Benefit Reports	\$ 200 p/yr
Total Ongoing Quarterly/Yearly Costs:	\$ 1,900
TOTAL SETUP AMOUNT	\$ 2,000
TOTAL MONTHLY AMOUNT	\$ 900
TOTAL QUARTERLY/YEARLY AMOUNT	\$ 1,900

Standard Disclaimer: The numbers represented above are to be used as an estimate only. The above Cost Summary does in no way constitute a warranty of final pricing. Estimates are subject to change if the project specification of terms of contract are changed in any way.



[c o n t r a c t a n d t e r m s]

Initial Set Up:

- ◆ 50% at contract signing
- ◆ 50% at conversion completion
- ◆ Any other balances owing

Monthly Fees:

- ◆ Due upon receipt of monthly invoice
- ◆ Net 15

Quarterly/Yearly Fees:

- ◆ Will be billed on monthly invoice
- ◆ Net 15

Special / Additional Reports:

- ◆ Will be billed on monthly invoice
- ◆ Net 15

Minimum Term of this contract:

12 calendar months commencing on the first of the month following conversion completion. After the initial term of this contract, services will be provided on a continuing monthly basis at the current rate schedule. Current rates are disclosed no less than 30 days prior to the end of the initial term of this contract. If a new contract for a period of 12 or more months is signed, the rates will be locked in at the current rate at the time of signing.

In the event of cancellation for any reason:

90 days notice is required by either party. There are no pre-payment penalties. Cancellation of contract prior to the end of the initial term will require payment for all contracted services due to the end of the contract period or for 90 days whichever is longer.

Late Payment fees will be assessed on any account past due by 30 days.

Final terms and conditions will be provided in the contract for services.



[b e n e f i t s

By utilizing Applied Accounting Services as your accounting and payroll source you will realize the following benefits:

- ◆ Lower overall cost for accounting needs
- ◆ Greater flexibility in deadlines
- ◆ Professional preparation of all tax, payroll and benefit summaries
- ◆ Assigned account manager who is completely dedicated to your company needs
- ◆ CPA level staff
- ◆ Owner/manager are not tied to office for extended periods of time
- ◆ No need to hire or train to fill employee turnovers
- ◆ Deadlines are the highest priority
- ◆ No need to hire a separate tax attorney- we maintain the staff in-house
- ◆ Initial set up includes everything necessary to get your business back on track
- ◆ Complete confidentiality



[p r o j e c t m a n a g e m e n t

Applied Accounting Services offers our entire office at your service. We will assign the following Account Manager to your company. She will be available to answer any questions or concerns that you may have. She can also discuss and add additional reports or summaries upon your request

Valley Fitness, Inc Account Manager
Shelly Winters, CPA
425-425-8565
shelly.winters@AACServices.com
www.AACServices.com

If you have questions that need the expertise of a tax attorney, please contact:

Valley Fitness, Inc Tax Attorney
John Williams, JD
425-425-8659
john.Williams@AACServices.com
www.AACServices.com

