

**Memorandum of Understanding**  
North Coast Surety Connection, Inc.  
North Coast Surety Technologies, Inc.  
and California State University Chico  
December 6, 2004  
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This Memorandum of Understanding is entered into between North Coast Surety Connection, Inc. (a California “C” Corporation), North Coast Surety Technologies, Inc. (a California “C” Corporation), and California State University, Chico (a public institution). The purpose of this Memorandum of Understanding is to define the rights, obligations and responsibilities of each party not only for the benefit of each other, but for all interested parties that may become associated with the union created by this relationship.

**Overview**

California State University, Chico (“CSU Chico”) desires to maximize the educational experiences its students are exposed to, participate in, and learn from. It also seeks an ongoing financial structure to support its programs.

The North Coast Surety family of companies has offered an integrated concept, collectively referred to as “The Business of Construction” program, to meet the objectives of CSU Chico along the following lines:

- North Coast Surety Insurance Services, Inc. (“NCS Insurance”)
- Development of a guest speaker and seminar program.
  - Development of surety industry internship program.
  - Development of surety industry recruitment program.

- North Coast Surety Technologies, Inc. (“NCS Technologies”)
- Development and support of a Business of Construction Sustainable Income Program (“BOCSIP”) by providing technical assistance and by creating applications on a wholesale level that can be distributed for the benefit of the BOCSIP.

- North Coast Surety Connection, Inc. (“NCS Connection”)
- Revenue sharing from subscriptions to its Bid List Connection and Surety Web Services internet based applications.

**North Coast Surety Connection, Inc.**

NCS Connection is owned by K. Dixon Wright (56%), Jim Gloystein (40%), Stacy Davis (3%) and Owen Christie (1%). Its sole assets are two applications; Bid List Connection and Surety Web Services. It has no employees or physical assets. Its income is derived from subscriptions to Bid List Connection, and logo placements on the Bid List Connection website. The only revenue currently generated is from North Coast Surety Insurance Services for logo placement.

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**North Coast Surety Technologies, Inc.**

NCS Technologies is owned by K. Dixon Wright (100%)

**The Business of Construction Sustainable Income Program**

CSU Chico desires the creation of The Business of Construction Sustainable Income Program (“BOCSIP”), whereby funds are collected and allocated on a one time basis to support the creation of ongoing sources of revenue for the University.

NCS Connection desires to support the CSU Chico BOCSIP by offering a grant to CSU Chico that will allow the generation of revenue on sales of subscriptions and advertising based on products owned by NCS Connection.

NCS Technologies desires to support the CSU Chico BOCSIP by being a wholesale vendor to NCS Connection, and has offered its products to CSU Chico that will allow the generation of revenue based on enhancements to existing subscriptions of Bid List Connection, along with other internet based applications owned by NCS Technologies to be distributed through NCS Connection.

CSU Chico may elect provide funding to NCS Connection and/or NCS Technologies to further develop its applications in consideration of developing ongoing income under the BOCSIP. Such funding does not constitute an investment in NCS Connection or NCS Technologies and/or its respective applications. Such funding is strictly limited to an inducement to NCS Technologies to create income sharing potential as defined in this agreement.

In cooperation with NCS Connection and NCS Technologies, CSU Chico and/or NCS Insurance may solicit additional grants and elect to provide funding to encourage the development of applications that would be used by CSU Chico to increase its fund raising opportunities. Such funding will not constitute ownership in the applications so funded.

Any such additional BOCSIP grants, development efforts and revenue sharing shall be under this Memorandum of Understanding.

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**Applications with Funding Under the BOCSIP**

The following applications are under consideration for funding under the BOCSIP:

- Bid List Connection
- Surety Web Services
- C.H.I.C.O.
- Tool Belt Connection
- Project Status Connection
- Qualification Connection
- BLC Vacation Connection
- Surety Access Connection
- Peer Review Connection

CSU Chico specifically acknowledges these applications are the sole asset of NCS Technologies, and funding under BOCSIP does not constitute an ownership interest.

CSU Chico has no obligation to providing funding, and does so under its sole discretion.

**NCS Connection Grant to CSU Chico**

NCS Connection will grant to CSU Chico all monthly net profit from income generated by Bid List Connection for the Spring 2005 Semester, or up to December 31, 2005, subject to CSU Chico electing first renewal option.

**Use of CSU Chico name and affiliation**

NCS Connection is not part of, or legally associated with CSU Chico in any way other than as a grant provider. NCS Connection will make that clear in any solicitation effort and will have a full disclaimer on any website it operates, any written solicitations whether by mail or internet, and any verbal communications.

All websites shall have a disclosure statement that details the funds raised to date, and the allocation of revenue.

Subject to full and complete disclosures CSU Chico will grant to NCS Connection the authority to solicit subscriptions in support of the College of Business, the Business of Construction Program, and the BOCSIP.

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**CUSU Chico website**

The Business of Construction Program, BOCSIP and Bid List Connection will be located in an appropriate area of the CSU Chico website. Location to be at the sole discretion CSU Chico.

**Term of Grant**

This initial grant shall expire on the last day of the Spring Semester; May 31, 2005.

**CSU Chico First Option to renew**

CSU Chico shall retain the option to renew this Memorandum of Understanding 30 days prior to the end of the Spring semester, April 30, 2005, to continue until the last day of the fall semester, December 31, 2005

**CSU Chico Subsequent Options to renew**

CSU Chico shall retain the option to renew this Memorandum of Understanding every November 1<sup>st</sup>, or first weekday in November, for the following calendar year.

**CSU Chico Election not to renew**

CSU Chico retains the right to terminate this agreement at any time, for any reason. If the election not to renew is taken, or there is a termination during any renewal period, all revenue sharing to CSU Chico terminates concurrently with the effective date of the cessation of this agreement.

**Advertising on Bid List Connection website**

Advertising and link space along the top shall be provided to CSU Chico and NCS Technologies at no cost for as long as the memorandum of understanding is in place.

Advertising and link space along the bottom shall be provided to all observers and Founders Group Members at no cost until March 30, 2005. After that date the space shall be available to paid advertisers.

Advertising revenue to be shared as provided.

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**Revenue Sharing with NCS Connection**

Revenue from Bid List Connection shall be subject to the following revenue sharing:

- 100% of all net profits derived from new “base” and “supplemental” revenue generated during the renewal period.
- 100% of all net profits derived from new “advertising” revenue generated during the renewal period.
- 20% of all net profits derived from established “base” revenue sources.
- 20% of all net profits derived from established “advertising” revenue generated during the renewal period.
- 100% of all net profits from established “supplemental” sources.
- 20% of all new subscriptions to be held in trust for the Founders Group selected projects.

Base income is defined as that amount NCS Connection and CSU Chico declare as the fixed minimum amount for a subscription. For the year 2005 that amount is \$10.00 per month. Supplemental income is defined as any amount that CSU Chico collects that is in excess of the base amount. “New” is defined as the first year of a subscription, advertising, or any other relationship. “Established” is defined as any subscriber, advertiser, or any other relationship that has been in place for over one year.

**Revenue Sharing with NCS Technology**

There is no revenue sharing with NCS Technology. Instead NCS Technology shall provide its applications to CSU Chico at a wholesale price. CSU Chico is free to charge and retain what ever it wants to.

**Accounting**

NCS Connection will be responsible for all accounting and monthly reporting. NCS Connection will provide CSU Chico with financial monthly statements and reports. The reports shall identify the subscription and advertising income generated by “new” accounts by name, defined as an account for less than one year, and revenue for established accounts.

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The monthly report shall also detail any charges being applied against income that affect net income.

Payment for each month shall be made by the fifteenth of the following month.

NCS Connection shall maintain the bank account with deposits via paypal for Bid List Connection.

CSU Chico has a right to audit the books and records of NCS Connection at any time this Memorandum of Understanding is in place, and up to two years after its expiration.

**Ownership of Bid List Connection and Surety Web Services Program  
Application and Code**

All work product, concepts, strategies, correspondence, records, materials, code, intellectual property, as well as anything and every associated with the work contemplated under this agreement remain with NCS Connection and/or NCS Technology, in its entirety. At all times a complete set of documents and code shall be kept at the offices of Ardeo Tech, and a backup at a location designated by Jim Gloystein. Upon termination of this agreement all copies of code, and relevant documentation shall be returned to the offices of NCS Connection, subject to CSU Chico responding to a specific request from a member of the Founders Group.

CSU Chico may elect to fund maintenance and/or improvements to the applications under the BOCSIP but such activity does not constitute an ownership interest, either implied or expressed.

**Non-proprietary, Non-exclusive nature of relationship**

NCS Connection recognizes and encourages CSU Chico to work with other third party vendors to achieve the uniform flow of bid data to the surety industry. Such work will by necessity entail the discussion and demonstration of functionality of Bid List Connection to those vendors so that they may replicate the capabilities of the electronic transfer of bid data. While such discussions and demonstrations are proper, CSU Chico shall not distribute nor display Bid List Connection programming code to third party vendors.

CSU Chico may also seek other third party vendors and/or supporters of the BOCSIP. While revenue generated from those sources may be generated alongside, or in connection with, those revenues covered by this agreement, CSU Chico is not obligated to NCS Connection for revenue sharing from unrelated sources.

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**Founders Group**

Certain representations and commitments regarding revenue allocation and access to the program code by CSU Chico to members of the Founders Group shall likewise be considered an obligation of NCS Connection.

In the event any member of the Founders Group requests an accounting of the revenue, or in the event this Memorandum of Understanding is terminated, a copy of the program code with a complete release, CSU Chico shall have the authority to release same without prior consent from NCS Connection, or obligation to NCS Connection.

**Sale of Bid List Connection**

In the event NCS Connection sells, or conveys in any manor, its interest, or portion thereof, in Bid List Connection, CSU Chico shall be entitled to a 20% of any net amount received by NCS Connection for such transfer.

Any such sale constitutes a termination of this agreement in its entirety.

Upon such a sale the only obligation of NCS Connection, or that of its purchaser, is the payment of the 20% share. There is no obligation to provide renewal options, or future payments to CSU Chico.

Any sale shall include an option to purchase to the Founders Group for the same price, subject to the condition that the Founders Group member shall be contained to internal use only. Sales to Founders Group members shall be shared 20% with CSU Chico.

**Hold Harmless**

NCS Connection will hold CSU Chico harmless to the extent NCS Connection is liable, including the unauthorized use of copywrite or proprietary material in the development of any application.

CSU Chico will hold NCS Connection harmless to the extent CSU Chico is liable.

NCS Connection and CSU Chico may elect to self insure.

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**Engagement of Ardeo Tech**

CSU Chico, NCS Connection, NCS Insurance and NCS Technologies may each retain Ardeo Tech for certain services that are inter-related, however, such common engagements does not constitute a commingling of obligations.

The Bid List Connection website shall be hosted and maintained by Ardeo Tech.

Hosting fees to be paid by NCS Connection.

Programming and maintenance of Bid List Connection shall be under the control of Ardeo Tech, with costs paid by NCS Connection unless a budget is approved prior to any work being performed that falls under BOCSIP.

**C.H.I.C.O. Application**

The CHICO application, with an initial budget of \$10,000, is being funded under BOCSIP and is owned by NCS Technologies.

In the event the Surety Association of America, or its appointed agent, requests possession of the CHICO prototype version, it shall be released with no cost or obligation associated. In the event the offer to assume ownership of the prototype CHICO application is not acted upon by March 30, 2005, the offer is considered null and void.

In the event CSU Chico is retained as the administer of the CHICO application on behalf of the Surety Association of America, or its appointed representative, NCS Technologies shall be entitled to a 20% share in net profits and/or a 20% share in the sale income if sold.

In the event CSU Chico is not retained as the administer of the CHICO application on behalf of the Surety Association of America, or its appointed representative, but instead is retained by other entities, either individually or collectively, to perform its functions, CSU Chico shall be entitled to a maintenance fee in addition to 20% share in net profits and/or a 20% share in the sale income if sold.



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**The Public Interest**

One of the underlying premises of this relationship is to promote the public interest in the development of open industry standards for an electronic surety transaction.

Based on that premise CSU Chico, and other entities that participates as a result of CSU Chico involvement, must be free to truly advance the public interest.

Should CSU Chico determine that aspects of this agreement are in conflict with that objective then NCS Connection and/or NCS Technologies shall either make necessary adjustments, or allow CSU Chico to make reasonable necessary adjustments.

All adjustments must be agreed to in writing.

**Jurisdiction**

This agreement is under the jurisdiction of the State of California, County of Marin.

**Modifications**

Modifications to this agreement may be made at any time.

In the event the income levels become material and the University deems it prudent to have this agreement more formally structured this agreement can be incorporated into a new agreement in whole or in part, as agreed.