

**Memorandum of Understanding  
Surety Connection Collaboration Project  
Surety Resource Connection, Inc.**

This memorandum establishes obligations, or more accurately the lack of obligations, for collaborators on the Surety Connection Project and outlines objectives along with expectations. The founding collaborators are AGC of America and Surety Resource Connection, Inc., however there is no limit to the number of collaborators that may participate, and this memorandum of understanding applies to any and all collaborators regardless of their being individually identified. Any participation by any collaborator constitutes acceptance of these understandings.

**Mission Statement**

Establish a financially self sustaining educational effort to facilitate and promote the implementation of electronic transactions using open standards in the construction and insurance industries, and to foster interoperability between public and private entities so that technology can help improve access to surety credit for small and emerging companies.

**Obligations and Warranties**

This is a voluntary collaboration where participation is open to anyone with the stipulation that no warranties are provided and that each collaborator is solely responsible for their own activity, systems, and software applications. **All collaborators participate at their own risk, at their own expense, for their own self-interest.**

Collaborators may elect to join or withdraw at any time, and may participate at any level of activity.

Collaborators are encouraged, but not required, to publicly acknowledge their participation and to contribute to the public awareness campaign. Written authorization will be obtained prior to any public statements that contain references to individual participants.

Surety Resource Connection, Inc. ("SRC"), the successor to North Coast Surety Technologies, Inc., owns all the applications associated with the project, current and future ("SRC-APPS"), and retains all rights of ownership to the applications, regardless of where or how they are hosted, how they are managed, the source of programming improvements and what contributions are made by collaborators.

There are no rights inferred or granted by or to SRC or any collaborator, and there is no representation that SRC-APPS will function, will be error free, or deliver at any level of performance. The SRC-APPS are shareware prototype applications that will be administered as an educational opportunity, and subject to any number of disruptions and performance issues.

Each collaborator, jointly and severally, unconditionally waives any rights or claims against any facility, entity or person that hosts and/or manages the SRC-APPS, and will hold same harmless for any and all liability arising out of the collaborators participation, use of SRC-APPS, use of the programming codes and/or functionality, and expressly waives any liability for the cessation of the project, or development inconsistent with collaborators interests or desires.

No collaborator is obligated to any other collaborator.

Each collaborator retains full control over their respective systems, programming code, xml glossary, and designs. Participation in the collaboration does not alter that proprietary interest, nor convey any obligation to incorporate developed open standards, adopt xml tags or programming codes, or provide interoperability within their respective systems.

SRC will provide all collaborators with full disclosure on applications functionality, design aspects, programming structure and codes on an accessible website and present the SRC-APPS as “shareware”. Interested parties will be free to copy and incorporate any or all aspects with no financial obligation to SRC, or to any collaborator.

The SRC-APPS will be available to the general public, which during signup will enter into a hold harmless agreement whereby the subscriber waives any and all rights for their participation in the project and an offer to volunteer a subscription charge to help support the project. Subscribers may elect to volunteer a subscription charge, with all Business of Construction Sustainable Income Program (“BOCSIP”) revenue allocated per the December 6, 2004 Memorandum of Understanding with CSU Chico (as amended).

Collaborators may direct customers to the SRC-APPS, however there is no relationship created by referral. SRC-APPS shall provide an export function that will facilitate the transfer of customer data, under appropriate circumstances, to the corresponding application component of the collaborators system. There is no financial obligation to the collaborator for moving customers from the SRC-APPS back to the systems of the collaborator.

Collaborators may elect to receive an intern participating in the project and under the management and oversight of other collaborators. Accepting an intern, and responsibility for intern activity, is the sole responsibility of the entity receiving the intern.

There are no proprietary aspects, preferential treatments, implied endorsements, or exclusivity with respect to participation, nor is there any constraint on any use of functionality developed.

Participation in the collaboration does not covey a formal relationship with any other collaborator.

## **Revenue and Expenses**

Tracy Gateway Business Park \$100,000 grant shall be administered under a separate Memorandum of Understanding.

Revenue from subscriptions and other sources shall be administered consistent the Business of Construction Sustainable Income Program (“BOCSIP”) allocated per the December 6, 2004 Memorandum of Understanding with CSU Chico (as amended).

Collaborators are responsible for their own costs, however, costs that are determined by the Founders Group (as defined in the 12/6/04 MOU) can be allocated to cover approved costs for any collaborator.

## **Expectations**

### Surety Resource Connection

SRC will endeavor to have the SRC-APPS available on websites managed under an educational environment, with emphasis on identifying unique data fields, disclosing functionality and programming code to promote the widest possible participation in the building of the Cross Referenced Glossary of Business Terms and to foster implementation of open standards.

### AGC of America

Establish the procedure for having indentified data fields submitted by students for inclusion in the formal AGC dictionary of xml tags as part of agcXML.

Support (not technical support) an educational program at a participating university whereby students work on prototype applications to indentify data fields for three components:

- Bid information for project owners to publish as part of the bid solicitation process, with resulting electronic bond capability.
- Contractor common application for pre-qualification and surety credit.
- Project progress payment information.

Publicize and encourage the AGC membership to participate in the collaborative effort, particularly by system vendors, so that the total amount of indentified data fields can be as inclusive as possible.

Feature story for AGC Constructor Magazine, written by student at participating university.

AGC website to be an informational resource for public agencies, sureties, contractors and system vendors as they seek to incorporate open standards and utilize agcXML.

To issue joint press releases about the project.

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**Appendix A - Definition of Success**

- Public agencies publicize their projects online so that the project data can be imported and subsequently exported by every system vendor that supports the agcXML standard.
- Public agencies accept electronic bonds utilizing industry adopted open standards.
- Public agencies provide online access to their projects progress payment information online so that the project data can be imported by every system that supports the agcXML standard.
- A common set of data fields are established for a contractor pre-qualification that can be imported and exported by every system that supports the agcXML standard.

Any time a contractor needs to complete a pre-qualification or surety application they should be able to generate an export from their respective internal systems that can be imported by the entity requesting the information.

Any time a general contractor seeks information about DBE firms from public data bases for incorporation into their bid solicitation process that they are able to search and import that data into their respective internal systems easily and efficiently.

- Contractor systems that have bid management components able to import project data from online sources utilizing agcXML, and can forward that data to the surety industry to generate an electronic bond.
- Contractor systems that have project management components able to export standardized project progress payment data utilizing agcXML.
- Surety systems that can import data files from any agcXML compatible source based on standardized data elements.

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**Appendix B - The Surety Connection Project IS:**

- An opportunity to focus a wide range of interests and backgrounds towards interoperability through collaboration, where the objective is limited in both scope and time, in a neutral environment.
- An opportunity to fund a university effort by providing financial resources to the university as they develop educational curriculums that meet the future needs of the construction and financial services industries. Should the university be successful in achieving a productive collaborative structure in the short run the potential for long term sustainably and ongoing resource for the benefit of the industry is possible.
- An educational opportunity for students interested in the emerging BIM technology in construction, and for helping to create a pool of qualified graduates.
- A cost effective and efficient opportunity for the surety and construction industry to move forward with basic interoperability by formally defining agcXML tags and AcordXML tags as a precursor to more involved system development and integration.
- An opportunity to demonstrate how industry adopted open standards and electronic transactions can be utilized by public agencies, without proprietary systems, endorsements or preferential treatment for the benefit of all project participants, with the greatest benefit to small and emerging contractors.
- An opportunity to conduct a university study to see if the impact of improving information to the surety industry can be quantified enough to support further efforts of implementing open standards.

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**Appendix C - The Surety Connection Project IS NOT:**

- It is not about developing software, or systems.  
It is about fostering other systems to incorporate by example.
  
- It is not about controlling software or systems.  
The agcXML and AcordXML are controlled by their respective oversight bodies
  
- It is not about creating integrated systems.  
It is only about a simple import and export capability using a common standard.

Creating integrated systems is far beyond the scope and intent of the Surety Connection Project, however the objective is to promote the advance to integrated systems made possible by the established xml tags.

- It is not about providing ongoing technical support.  
The university will oversee the applications under the direction of selected participating collaborators. The prototype applications are meant to help identify data fields so that they can have formalized xml tags. Once the tags have been identified the functionality of the prototype applications should be incorporated into other systems, rendering the prototype applications obsolete.
  
- It is not about a university providing commercially viable and reliable software applications  
This is a student effort and while there will be structures to assure quality control, the prototypes by design are a work in progress that will have issues consistent with ongoing modifications.  
  
The university will not be providing any assurances of prototype application functionality, and will not be responsible to any collaborator, public agency, surety company or surety broker for the prototype applications working at any level.

- It is not about asking for funding.

The initial grant of \$100,000 is in place, and could lead to a situation where continued development of open standards at the university is made possible by a sustainable revenue stream because the success warranted continued support from individual users of the prototype applications and corporate sponsors that see benefit in continuing the effort.

One goal is to create sustainable revenue for the university. In the original memorandum of understanding the strategy was to form a Founders Group that would oversee the use of a portion of the revenue generated, assuring continued participation and relevancy of the projects undertaken.

Since selected collaborators would be a part of the Founders Group the potential exists that it would have funding to support what the collaborators wanted the university to undertake, at no expense to collaborators. The funding would be restricted to spending at the university, but the structure and history would make it a natural resource.

- It is not about asking for an endorsement.

An endorsement implies we are selling something. The Surety Connection Project is not selling anything, it is an endorsement of agcXML and promoting open standards. What funds it may receive will be to further the university effort at promoting open standards, and enabling commercial systems to cost effectively incorporate functionality based on the open source "shareware".