

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (this "Memorandum") is made by and between CCN USA LLC, a Nevada limited liability company ("CCN"), and the City of Costa Mesa (the "Client") to confirm the Client's initial interest in exploring the possible installation of a CCN community communication system and to set forth the basic proposed terms for the negotiation of an agreement (the "Definitive Agreement") if the parties move forward with the system.

1. CCNtv System. "CCNtv System" means a community television closed loop channel capable of broadcasting information on municipal initiatives, law enforcement/first responder updates and community news. CCNtv can showcase the achievements, results and the positive changes that are taking place in the community through simple messages backed by graphics and video. The specific content of CCNtv will be determined by the parties.
2. No Cost to Client. In the event that the client proceeds with CCN and the CCN tv system is selected and installed, the CCNtv System shall be installed, operated, updated and maintained at no cost to the Client. CCN shall be responsible for all System costs, including hardware, software, installation, maintenance, content production and updates. The CCNtv System shall be supported by sponsorships and advertising. CCN shall be responsible for placing advertising on the CCNtv System. The Client shall have no liability if advertising revenues are insufficient to meet the CCNtv System costs.
3. System Proposal. The size of the CCNtv System, including number of screens and content, and the location of such screens, shall be determined by the parties. Sites may include public and private sector facilities. CCN shall conduct a complete analysis of potential sites and create a detailed report including proposed screen locations, content suggestions, demographics and cost projections. CCN will consult with the Client after analysis is complete and outline the viability of a system for the Client. In some cases, options such as system integration with other jurisdictions could be explored to address population or screen placement gaps. This system and content will be produced in the English language only.
4. CCN Installation and Maintenance. CCN will fund all up-front costs required to install each System. This includes content production (see paragraph 6 for schedule), system support, all required hardware, software, production and maintenance.
5. Advertising and Sponsorships. Approximately 60% of the content and programming on the CCNtv System shall be Client content and other informational programming such as news, sports and weather. Approximately 40% shall constitute advertising. Client and CCN shall determine guidelines for all such advertising, including the exclusion of any offensive advertising or other categories as may be requested by Client (alcohol, tobacco, etc.). CCN and its agents shall have responsibility for all aspects of managing, selling and implementing advertising on the CCNtv System, including entering into agreements

with third-party advertisers, negotiating the advertising rates and payment terms, as well as screening the content of such advertisements.

6. Client Content. Content will be delivered from several sources including Client's archives, CCN libraries and other organizations from the public and private sector. In addition, CCN shall produce eight 30-second programs as part of the launch for the system. CCN shall produce such spots at its sole cost and expense. The content of such spots will be determined by the Client, in consultation with CCN and in accordance with applicable legal requirements. The CCNtv System may also display local and national news, weather and sports, as well as missing person and other emergency alerts.
7. Term of Definitive Agreement. The Definitive Agreement for the CCNtv System shall have a five-year term. At the expiration of the term, all rights to the CCNtv System, including ownership rights to the hardware shall remain with CCN. If the parties fail to execute a contract extension, CCN shall be responsible for the removal of the system and for returning any public property to as good a condition as existed prior to the installation of the CCNtv System.
8. Confidential Information; Disclosure.
 - a. In connection with the transactions contemplated by this Memorandum and negotiation of the Definitive Agreement, each party may disclose Confidential Information (defined below) to the other party. Each party agrees not to use, or disclose to any other person, any of the other party's Confidential Information, except to further the transactions contemplated by this Memorandum, in each case making such disclosure only if the recipient of the Confidential Information is instructed to accept the Confidential Information on a confidential basis under similar restrictions. Notwithstanding this provision, the Client may be required to disclose Confidential Information that constitutes a public record pursuant to California Government Code Section 6250, et seq. and it shall not be a violation of this section for the Client to do so, as may be required by the Public Records Act.
 - b. "Confidential Information" means all information disclosed by the disclosing party to the receiving party ("Recipient") (in writing, orally or in any other form) that is described as, or provided under circumstances reasonably indicating it is, confidential or proprietary, including, without limitation, business plans, technical data, product ideas, personnel, contracts and financial information. In addition, Confidential Information means all information and any idea in whatever form, tangible or intangible, whether disclosed to or learned by Recipient, pertaining in any manner to the business of the disclosing party, including, but not limited to development tools and processes, software code, business processes; information about costs, profits, markets, and sales; and all documents, papers and other data of any kind and description, including electronic data recorded or retrieved by any means, that have been or will be given to Recipient, as well as written or verbal instructions or comments. Notwithstanding anything contained herein to the contrary, Confidential Information shall not include (i) information that is or becomes publicly known through lawful means; (ii) information that was

rightfully in Recipient's possession or part of Recipient's general knowledge prior to exploring the possibility of a business transaction of mutual interest; or (iii) information that is disclosed to Recipient without confidential or proprietary restriction by a third party who rightfully possesses the information (without confidential or proprietary restriction) and did not learn of it, directly or indirectly, from the other party.

9. Exclusivity. For a period of six months from the date hereof, Client agrees not solicit or encourage inquiries or proposals with respect to, or participate in any negotiations or discussions concerning, any similar or potentially competing proposal for a communications system similar to CCNtv.
10. Termination. This Memorandum may be terminated:
 - a. by mutual written consent of CCN and Client;
 - b. upon written notice by any party to the other party if a Definitive Agreement has not been executed by the date six months after the date of this Memorandum, unless mutually extended by the parties.

This Memorandum reflects our mutual understanding of the matters described herein, but each party acknowledges that, other than paragraphs 7, 8 and 9, this Memorandum is not intended to create or constitute any legally binding obligation between the parties, and neither party shall have any liability to the other party with respect to the other party until and unless a Definitive Agreement is prepared, authorized, executed and delivered by and between the parties.

Please sign and date this Memorandum in the space provided below to confirm the mutual agreements set forth herein and return a signed copy to the undersigned.

Very truly yours,

CCN USA

Date _____

By: _____

Fred Armendariz, President

CLIENT

Date _____

By: _____

Name: _____

Title: _____