

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (this “Memorandum”) is made by and between CCN USA, 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 determine to move forward with the system.

1. CCNtv System. “CCNtv System” means a community television closed loop channel capable of broadcasting information on city 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 city through simple messages backed by graphics and video. The specific content of CCNtv will be determined and mutually agreed upon by the parties.
2. No Cost to Client. 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 sponsorship advertising and acknowledgments on the CCNtv System. The Client shall have no liability if sponsorship revenues are insufficient to meet the CCNtv System costs. The parties agree that during negotiations, the parties will discuss possible revenue sharing between CCN and Client.
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. 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.
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. 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 sponsorship programming. Client and CCN shall mutually determine guidelines for all such sponsorship programming, including the exclusion of any offensive content 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 the sponsorship programming on the CCNtv System, including entering into agreements with third-party sponsors, negotiating rates and payment terms, as well as screening the content of such programming.

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 on behalf of Client. CCN shall produce such spots at its sole cost and expense for the launch of the system. The content of such spots will be determined by the Client, in consultation with CCN. 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 will be negotiated by the parties in greater detail and the terms of this agreement will be part of this negotiation. It is further understood that CCN and associated sponsors typically require a five year or longer term to such agreements. 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 return each CCNtv location on public property to it prior condition. This may require CCNtv to repair and paint the areas in which TV monitors were mounted and/or placed.
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. 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 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: _____