

This Production Agreement (Agreement) is made and entered into as of the 1<sup>st</sup> day of January, 2004 (Effective Date), by and between DataProse, Inc., a California Corporation (DataProse), and the City of North Richland Hills, organized under the laws of Texas (Client). In consideration of the mutual promises and benefits contained herein, the parties hereby agree as follows:

**ARTICLE 1 SCOPE OF PRODUCTION AGREEMENT.** DataProse agrees to provide to Client services defined in Schedule 1.0, and Client agrees that DataProse shall be its exclusive provider of these goods and/or services during the term of this Agreement. During the term of this Agreement, the Client agrees to produce a minimum monthly quantity of 18,000 invoices ("Minimum Commitment") for a period of 12 months, based upon the rates and terms provided herein. In the event that the Client does not fulfill the Minimum Commitment during any given month, or for the required period, then Client shall pay to DataProse a Minimum Processing Fee in an amount that shall be calculated based upon the Minimum Commitment and the rates and terms provided herein.

**ARTICLE 2 COMPENSATION.** In full and complete compensation for all goods and/or services provided by DataProse hereunder, Client agrees to pay DataProse according to the rates set forth in Schedule 1.0. DataProse will provide an invoice to Client after each production run consisting of the fees, as outlined in Schedule 1.0 and postage used. Invoices are due upon receipt and will be considered past due if not paid within 30 days. A monthly late charge will be assessed on statements not paid within thirty three (33) days. The late payment charge will be 1% per month applied to the invoice amount unpaid (33) thirty-three days after billing to Client. The prices charged by DataProse to Client for the services listed in Schedule 1.0 will not be increased for a period of 12 months from the Effective Date of this Agreement ("Pricing Period"). All DataProse prices are subject to increase following this initial Pricing Period or any subsequent Pricing Period, and upon written notice to Client. The rate of any price increase shall not exceed the Dallas Fort Worth Consumer Price Index (CPI) at the completion of any pricing period.

**ARTICLE 3 TERM.** The initial term of this Agreement shall commence as of the Effective Date, and shall continue for three (3) years unless terminated earlier in accordance with provisions found elsewhere in this Agreement. This Agreement shall renew itself for successive one (1) year terms unless written notice of cancellation is received by one party from the other if a party exercises its right to terminate the Agreement at the end of the initial term or at the end of any succeeding one (1) year renewal term(s) by sending written notice of non-renewal to the other party no later than thirty (30) days before the expiration of the current term.

**ARTICLE 4 POSTAGE.** DataProse will require that Client maintain a permanent postage deposit in connection with this agreement. Client shall deposit in advance with DataProse the initial sum specified on Schedule 2.0 as the permanent postage deposit. The amount required to be deposited with DataProse may be changed by DataProse on a periodic basis based upon changes in Client's volume, postage usage, or payment history. Client will be notified in writing and in advance if the deposit is changed. Upon termination of this Agreement, DataProse shall apply any existing postage deposits to open invoices for Services or postage. The Client will then pay the remaining balances or, if the postage deposit is greater than the sum owed by Client for Services and postage, the remaining balance will be returned to the Client. If this Agreement is terminated due to default of Client, DataProse may apply any of Client's funds it holds against any sum owed by Client to DataProse upon termination of this Agreement. **IF CLIENT FAILS TO MAINTAIN THE DEPOSIT AT THE ADJUSTED LEVELS, OR IF CLIENT FAILS TO MAINTAIN CURRENT STATUS OF ALL INVOICES AS DESCRIBED IN ARTICLE 2, DATAPROSE MAY IMMEDIATELY SUSPEND ITS PERFORMANCE UNDER THIS AGREEMENT AND WILL HOLD CUSTOMER'S MAIL UNTIL THE DEPOSIT IS RECEIVED.**

**ARTICLE 5 TERMINATION.** Client or DataProse may terminate this Agreement for an event of default defined below if such default remains uncured (30) thirty days after written notice of the default has been received from the party declaring the default.

- (1) Failure of Client to pay for all goods and/or services as provided in this Agreement. In addition to other remedies provided by this Agreement and pursuant to law, DataProse has the right to withhold production and mailing of any further production cycles until Client's account is brought current.
- (2) Any other breach by Client or DataProse of a term or condition of this Agreement.
- (3) Bankruptcy or insolvency of either party.

If DataProse terminates this Agreement in accordance with Article 5 herein, or the Client terminates this Agreement for any reason other than those specified in Article 5 prior to satisfying its Minimum Commitment, the Client agrees that it shall be liable to DataProse for liquidated damages ("Liquidated Damages") for its early termination, it being understood and agreed to by the parties that the measure of actual damages noted would be difficult to determine. The Liquidated Damages shall be an amount equal to the product of (a) the Minimum Commitment and (b) the sum of the number of months remaining in the current term of the Agreement and the number of months that any invoices remain unpaid by the Client.

**ARTICLE 6 FORCE MAJEURE.** Neither party shall be responsible for delays or failures in performance resulting from acts or occurrences beyond the reasonable control of such party, including, without limitation: fire, explosion, power failure, flood, earthquake or other act of God; war, revolution, civil commotion, terrorism, or acts of public enemies; any law, order, regulation, ordinance, or requirement of any government or legal body or any representative of any such government or legal body; or labor unrest, including without limitation, strikes, slowdowns, picketing or boycotts. In such event, the party affected shall be excused from such performance (other than any obligation to pay money) on a day-to-day basis to the extent of such interference (and the other party shall likewise be excused from performance of its obligations on a day-to-day basis to the extent such party's obligations relate to the performance so interfered with).

**ARTICLE 7 CONFIDENTIALITY.** DataProse agrees that any and all data, reports and documentation supplied by Client or its affiliates or third parties on Client's behalf, which are confidential and which are clearly designated as confidential, shall be, subject only to the disclosure required for the performance of DataProse's obligations hereunder, held in strict confidence and shall not be disclosed or otherwise disseminated by DataProse without the consent of Client.

**ARTICLE 8 INDEMNIFICATION.** Client agrees to indemnify and hold DataProse harmless for any and all claims from any person, firm, or entity whatsoever that may arise in connection with Client's supplying to DataProse the data, reports or other documentation necessary to perform its duties under this Agreement, except that such indemnification shall not extend to any claims that result from action by DataProse, its officers, employees or agents or anyone acting on behalf of DataProse if such action is in violation of one or more terms of this Agreement.

**ARTICLE 9 WARRANTIES.** DataProse shall provide all goods and/or services in a good and first class workmanlike manner in accordance with the terms specifically set forth in Schedule 1.0. The parties hereto agree that this Agreement is only for the production of goods and/or services. THIS WARRANTY CONSTITUTES THE ONLY WARRANTY WITH RESPECT TO THE GOODS AND SERVICES TO BE PROVIDED TO CLIENT. THE STATED WARRANTY IS IN LIEU OF ALL OTHER WARRANTIES, WRITTEN OR ORAL, STATUTORY, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, THE WARRANTY OF MERCHANTABILITY AND THE WARRANTY OF FITNESS FOR PARTICULAR PURPOSE.

**ARTICLE 10 LIMITATION OF LIABILITY.** The liability of DataProse with respect to any failure to provide the goods and/or services as required under this Agreement shall in each case be limited to the compensation paid to DataProse for the defective goods or services. DATAPROSE IS NOT LIABLE FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES, INCLUDING LOST PROFIT OR INCOME, even if DataProse has been advised of the possibility of such loss or damage. This provision



City Secretary Office  
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Client:  DataProse: 

will not be affected by DataProse's failure to correct any defect or replace any defective work product to Client's satisfaction. Client has accepted this restriction on its right to recover consequential damages as a part of its bargain with DataProse. Client acknowledges what DataProse charges for its goods and services would be higher if DataProse were required to bear responsibility for Client's damages.

**ARTICLE 11 GOVERNING LAW AND JURISDICTION.** This Agreement shall be governed and interpreted in accordance with the laws of the state of Texas, without giving effect to the principles of choice of laws of such state. The parties each consent to the jurisdiction and venue of the District Courts of Tarrant County, Texas, as to any matters initiated in state court, and to the courts of the Northern District of Texas for any matters initiated in federal court.

**ARTICLE 12 SEVERABILITY.** If a court or an arbitrator of competent jurisdiction holds any provision of this agreement to be illegal, unenforceable, or invalid in whole or in part for any reason, the validity and enforceability of the remaining provisions, or portions of them, will not be affected.

**ARTICLE 13 WAIVER: MODIFICATION OF AGREEMENT.** No waiver, amendment or modification of any of the terms of this Agreement shall be valid unless in writing and signed by authorized representatives of both parties hereto. Failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of such rights, nor shall a waiver by either party in one or more instances be construed as constituting a continuing waiver or as a waiver in other instances.

**ARTICLE 14 NOTICE.** All notices must be in writing and if not personally delivered, be sent by facsimile or by first class mail, or by electronic mail. Notices will be effective on the day when delivered, addressed to the other party at the address show in this Agreement. Either party may change the address to which notices are to be sent by giving notice of such a change to the other party.

Addresses for purpose of giving notice are as follows:

If to DataProse:

DataProse, Inc.  
1451 North Rice Avenue, Suite A  
Oxnard, CA 93030  
Attention: Chief Executive Officer

If to Client:

City of North Richland Hills  
7301 NE Loop 820  
North Richland Hills, TX 76180

**ARTICLE 15 ENTIRE AGREEMENT.** This Agreement and its exhibits constitute the final, complete, and exclusive statement of the terms of the agreement between the parties pertaining to the production of goods and services for Client by DataProse, and supercedes all prior and contemporaneous understandings or agreements of the parties. No party has been induced to enter into this Agreement by, nor is any party relying on, any representation or warranty outside those expressly set forth in this Agreement.

**ARTICLE 16 ATTORNEY FEES.** In the event of any claim, dispute or controversy arising out of or relating to this Agreement, including an action for declaratory relief, the prevailing party in such action or proceeding shall be entitled to recover its court costs and reasonable out-of-pocket expenses not limited to taxable costs, including but not limited to phone calls, photocopies, expert witness, travel, etc., and reasonable attorney fees to be fixed by the court. Such recovery shall include court costs, out-of-pocket expenses and attorney fees on appeal, if any. The court shall determine who is the prevailing party, whether or not the dispute or controversy proceeds to final judgment. If either party is reasonably required to incur such out-of-pocket expenses and attorney fees as a result of any claim arising out of or concerning this Agreement or any right or obligation derived hereunder, then the prevailing party shall be entitled to recover such reasonable out-of-pocket expenses and attorney fees whether or not action is filed.

**ARTICLE 17 SUCCESSORS AND ASSIGNS.** This Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties hereto. The parties hereto execute this Agreement through their duly authorized officers, as of the day and year first written above.

DATAPROSE, INC.  
By: Glenn A. Carter, President  
Date: 12.16.03

CLIENT City of North Richland Hills  
By: Larry J. Cunningham  
Title: City Manager Date: 12/19/03

**Schedule 1.0 – Fees for Goods & Services**

Paper Bill (Includes: data processing & simplex, 2-color, laser imaging, 8.5x11 at 3.5" from bottom, #10 double window env., #9 single window reply env., folding, inserting, presorting and delivery to USPS)	\$0.12	Per Bill
Search & ViewBill (Includes: data processing, pdf creation, search & access capabilities & hosting of pdf files for 3 months from creation date)	\$0.01	Per Bill
Fastforward Service (Service plus electronic report)	\$0.50	Per Address Correction
Additional Impressions	\$0.035	Per Impression
Oversized Surcharge (8-99 page bills – Group C)	\$0.20	Per Bill
Oversized Surcharge (100+ page bills – Group D & E)	\$4.00	Per Bill
Additional Inserts (Six free per calendar year)	\$0.01	Per Insert
Basic Set up Fee (CityBill or Standard Format and Reports)	\$500	
Technical Services (including additional set-up beyond standard, formatting or custom reports, conditional logic & insert/forms composition)	\$125	Per Hour
Freight, Courier & Air Delivery	Cost	Per Request
Minimum Daily Processing/Production Fee	\$75.00	Per Day
Postage – First Class Presort	\$0.301	Per one ounce parcel

**Schedule 2.0 – Permanent Postage Deposit**

Permanent Postage Deposit (Based on two (2) months estimated volume)	\$11,500	(2 mos. Volume * .301)
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**Schedule 3.0 – Performance Guarantee**

DataProse will deliver clients bills within an average of one (1) Business Day after the applicable Determination Date (as Defined herein). Such average time period will be determined by measuring the number of elapsed Business Days between each respective determination date and the date which a majority amount of the Client's bills were mailed for consecutive three (3) month period. The "Determination Date" is the date which data is received – either via electronic transmission (FTP or

modem) or hard copy media (tape or disk) if prior to 10:00 AM, local time. If data is received after 10:00 AM, local time, or not on the date of the agreed upon production schedule, the Determination Date is the Business Day immediately following the date data is received.



**Schedule 4.0 – Glossary of Terms**

Impression	Laser Imaging of one side of one piece of paper. Each physical piece of paper can contain two (2) impressions.
USPS	United States Postal Service
Laser Imaging	The process where the application of dry toner (ink) is electro statically applied and bonded to a piece of paper.
Simplex	Laser Imaging of one (1) side of a piece of paper only.
Duplex	Laser Imaging of both (2) sides of a piece of paper. All statements processed as duplex will be charged for duplex imaging whether or not there is information on the back page.
OE	Outer Envelope – This envelope is used as the carrier mechanism for all information contained in a package to be mailed.
RE	Reply Envelope – This envelope is usually utilized by a customer to return information/payment requested by on organization.
Presorting	The act of organizing mail according to the rules and regulations defined by the USPS in order to achieve lower postage rates and increase deliverability of mail.
Business Day	Any day in which the USPS as well as the U.S. Federal Reserve are open for business.
U.S. federal holiday	All Holidays as defined by the U.S. Federal Reserve.
24x7	24 hours a day, 7 days a week.
Additional Inserts	Any item requested to be placed into the mail container above and beyond (a) the bill and (b) the RE .
Container	One complete piece of mail packaged into one OE.
Bill	Data and other information pertaining to one (1) account number and usually in reference to one customer

