

This Production Agreement ("Agreement") is made and entered into by and between DataProse LLC, a Texas limited liability company ("DataProse"), and Lake Havasu City, organized under the laws of Arizona ("Client"). The effective date of this Agreement is the date last signed below ("Effective Date"). 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 goods and/or services as described in Schedule 1.0 (the "Goods and Services"), and Client agrees that DataProse shall be its exclusive provider of these Goods and Services during the term of this Agreement. During the term of this Agreement, the Client agrees to furnish data and documentation for, and DataProse agrees to produce a minimum monthly quantity of 28,000 statements ("Minimum Commitment"), based upon the rates and terms provided herein. In the event that the Client does not fulfill the Minimum Commitment, then Client shall pay to DataProse a minimum processing fee ("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 Services provided by DataProse hereunder, Client agrees to pay DataProse according to 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 invoices not paid within thirty (30) days. The late payment charge will be the lesser of (i) 1-1/2% per month, and (ii) the applicable maximum lawful rate of interest, applied to the invoice amount unpaid (30) thirty days after billing to Client. The prices charged by DataProse to Client for the Goods and Services listed in Schedule 1.0 will not be increased for a period of twelve (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, upon written notice to Client. The rate of any price increase shall not exceed ten percent (10%) at the completion of any Pricing Period. In the event Client cancels the Agreement as allowed under the provisions of this Agreement, then payment for all Goods and Services delivered and/or rendered between the cancellation notification date and the effective date of the cancellation shall be due concurrently upon delivery and/or rendering of such Goods and Services. If Client is a city, county, municipality or other government entity and the compensation payable to DataProse under this Agreement is subject to future appropriation of funds; Client will notify DataProse at least thirty (30) days in advance of the completion date of each appropriation cycle during the term of this Agreement.

ARTICLE 3 TERM. The initial term of this Agreement shall commence as of the Effective Date, and shall continue for a period of not less than three (3) years, ending on the third anniversary of the effective date, unless terminated earlier in accordance with provisions found elsewhere in this Agreement.

ARTICLE 4 POSTAGE. Client must 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 maintained on deposit with DataProse may be changed by DataProse on a periodic basis due to changes in Client's volume, postage usage, postal rates or payment history. Client will be notified in writing and in advance if the deposit amount is changed. Upon termination of this Agreement, DataProse shall return the deposit amount to Client after payment for all Goods and Services and postage has been paid by 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 required levels, or if Client fails to maintain current status of all invoices as described in article 2, or fails to notify DataProse that funds have been appropriated to meet Client's obligations under this agreement, DataProse may immediately suspend its performance under this agreement and will hold Client's materials until the deposit is received.

ARTICLE 5 EXPENSES. When Client has approved the amount of such costs and expenses in advance and in writing, Client will reimburse DataProse for costs and expenses associated with the delivery and performance of Goods and Services for Client, such as cost of travel, expenses associated with travel, freight, delivery service and other required supplies in connection with providing the DataProse Goods and Services associated with this Agreement.

ARTICLE 6 TERMINATION. Client or DataProse may terminate this Agreement for an event of default committed by the other party and defined below if such default remains uncured (30) thirty days after written notice of the default from the party declaring the default has been received by the other party in accordance with Article 15.

- (1) Failure of Client to pay for all Goods and Services when due in accordance with the terms of 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) Non-Appropriation of funds by government entities if Client is a city, county, municipality or other government entity.

If DataProse terminates this Agreement due to Client's default or the Client terminates this Agreement for any reason other than those specified in Article 3, this Article 6, or Article 16 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 determined on a monthly basis and (b) the sum of three months or the remaining in the current term of the Agreement, whichever is less. Any monthly invoices that are unpaid by the Client at the time of such termination shall be paid in full.

ARTICLE 7 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 8 CONFIDENTIALITY. Each party agrees that any and all data, reports and documentation supplied by the disclosing party or its affiliates or third parties on disclosing party's behalf, which are confidential shall be, subject only to the disclosure required for the performance of receiving party's obligations hereunder, held in strict confidence and shall not be disclosed or otherwise disseminated by receiving party without the consent of disclosing party, except as required by applicable law, regulation or legal proceeding.

ARTICLE 9 WARRANTIES. DataProse shall provide all Goods and 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 Goods and Services. This warranty constitutes the only warranty with respect to the Goods and Services to be provided to Client and is in lieu of all other warranties, written or oral, statutory, express or implied, including, without limitation, the warranties of merchantability and the warranty of fitness for particular purpose. Except and expressly set forth in this Section 10, DATAPROSE EXPRESSLY DISCLAIMS ANY AND ALL REPRESENTATIONS AND WARRANTIES WITH REGARD TO THE GOODS AND SERVICES, AND SUCH GOODS AND SERVICES WILL BE DELIVERED AND PERFORMED "AS IS" AND "WITH ALL FAULTS".

ARTICLE 10 LIMITATION OF LIABILITY. The liability of DataProse with respect to any failure to provide the Goods and Services as required under this Agreement shall in each case be limited to the compensation paid to DataProse for the defective Goods and 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 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. This Agreement shall be governed by and construed, interpreted and enforced in accordance with the laws of the state of Arizona to the exclusion of its conflict of laws provision.

ARTICLE 12 SEVERABILITY. If a court 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, first class mail, nationally recognized overnight delivery service or by electronic mail. Mailed notices will be effective on the third day after mailing. Notice by personal delivery or delivery service will be effective when delivered. When sent by facsimile or electronic mail, notice will be effective on the day the transmission is received by the recipient provided that (a) a duplicate copy of the notice is promptly given by overnight delivery, or (b) the receiving party delivers a written confirmation of receipt. 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
1122 W. Bethel Road
Coppell, TX 75019
Attention: COO

If to Client:

Lake Havasu City
2330 McCulloch Blvd. North
Lake Havasu City, AZ 86403
Attention: City Manager

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 supersede 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 **CANCELLATION.** This Agreement may be cancelled in accordance with Arizona Revised Statute (A.R.S.) § 38-511.

ARTICLE 17 **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.

ARTICLE 18 **SUCCESSORS AND ASSIGNS.** This Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties hereto, provided that, Client shall not be permitted to assign its rights or obligations under this Agreement without the express written consent of DataProse. Any such assignment in violation of the foregoing sentence shall be null and void.

ARTICLE 19 **NO ISRAEL BOYCOTT.** Dataprose certifies that it is not currently engaged in, and agrees for the duration of this Contract that it will not engage in, a boycott of Israel, as that term is defined in A.R.S. § 35-393.

IN WITNESS WHEREOF, The parties hereto have caused this Agreement to be executed to be effective as of the Effective Date.

DataProse

Client:

By: _____
COO

By: _____

Date: _____

Title: _____ Date: _____

Schedule 1.0 – Fees for Goods & Services

Bill Package (Includes: data processing & duplex, 2-color, laser imaging, 8.5x11 white paper, perforated at 3.5" from bottom, #10 window OE, single window RE, folding, inserting, presorting and delivery to USPS)	\$0.095	Per Bill
Search & ViewBill (Archive Package Includes: data processing, archive creation, search, access & hosting of archive files for 3 months from creation date)	\$0.01	Per Bill
NCOALink – Automated address update service	\$0.50	Per Address Correction
Additional Impressions – black ink only	\$0.025	Per Impression
Bill Suppression (data processing only – Group Y & Z)	\$0.05	Per Bill
Oversize Surcharge (8-99 page bills – Group C)	\$0.20	Per Bill
Oversize Surcharge (100+ page bills – Group D & E)	\$4.00	Per Bill
Search & ViewBill Transmission Fee (CD or FTP – Shipping will be charged separately)	\$100.00	Per Transmission/CD
Additional Inserts (Inserting fee / above and beyond what is included in the Bill Package)	\$0.015	Per Insert
Offline Folding (As requested)	\$0.005	Per Piece
Basic Set up Fee (Standard Format and Reports)	Not Applicable	One Time
Technical Services (including additional set-up beyond standard, formatting or custom reports, conditional logic & insert/forms composition)	\$125.00	Per Hour
Freight, Courier & Air Delivery	Cost	Per Request
Minimum Daily Processing/Production Fee	\$150.00	Per Day
Postage (1 oz.)	COST	Per Bill

Schedule 2.0 – Permanent Postage Deposit

Permanent Postage Deposit (Based on two (2) months estimated volume: 56,000 x \$0.403)	\$22,568.00	(2 months @ .403)
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Schedule 3.0 – Performance Guarantee

DataProse will deliver Client's bills within an average of 24 hours from the applicable Determination Date (defined below). Such average time period will be determined by measuring the number of elapsed business days between each respective Determination Date and the date which 95% or more of the Client's bills were mailed for consecutive three (3) month period or a minimum of six (6) production cycles.

Schedule 3.1 – Determination Date

The "Determination Date" is the date which data is received via electronic transmission if prior to 12:00 PM (Noon), Central Time. If data is received after 12:00 PM (Noon), Central Time, the Determination Date is the business day immediately following the date data is received. If data is received on a non-business day (weekend or national holiday) the Determination Date will be the next consecutive business day.

Schedule 3.2 – Approval and/or Business Rule Exception

If an Approval has been required by the Client and defined in the business rules for each production run, then the Determination Date will be set by the date and time of the Approval instead of the receipt of data as defined above. As to any production run, the Performance Guarantee will not apply if Client has not provided all data and documentation necessary (as dictated by required business rules) to permit DataProse to produce the bills in a timely manner, or if Client fails to approve or report required changes to DATAPROSE in order to complete the work in a timely manner.

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.
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.
Electronic Transmission	The act of sending data via DataProse online utility, FTP or Modem
Bill	Data and other information pertaining to one (1) account number and usually in reference to one customer
Group	The term used by DataProse to define how bills are gathered & produced in order to maximize production capabilities. These groups are defined as follows: Group A – 1 ounce bills Group B – 2 ounce bills Group C – 8-99 page bills Group D – 100-499 page bills Group E – 500+ page bills Group I – International bills Group P – Pull bills (Pulled and returned to Account Manager for further action) Group X – Hold bills (combined and sent back to Client) Group Y – Online only bills (Suppress from print only) Group Z – Suppress all
Suppress or Suppression	The act of excluding records or bills (based on Client defined criteria) that have been received in the input data stream received from the Client