



CONFIDENTIALITY AND NONDISCLOSURE AGREEMENT

THIS CONFIDENTIALITY AND NONDISCLOSURE AGREEMENT ("Agreement") is entered into by and between _____, with an address of _____ ("Discloser") and ARNOLD, INC., a California corporation, with an address of P.O. Box 15940, San Luis Obispo, CA 93406 ("Receiver"). This Agreement shall be effective upon the delivery of any Confidential Information by Discloser to Receiver.

RECITALS

- A. Discloser and Receiver have had and will in the future have discussions regarding the business affairs and operations of Discloser (collectively, the "Business").
- B. Discloser contemplates disclosing to Receiver certain Confidential Information (as defined in Section 1 below) regarding the Business in connection with consideration of a possible transaction between Discloser and Receiver.
- C. The parties wish to provide for keeping the Confidential Information confidential on the terms set forth herein.

AGREEMENT

In consideration of the foregoing, the mutual covenants herein contained and other good and valuable consideration (the receipt, adequacy and sufficiency of which are hereby acknowledged by the parties by their execution hereof), the parties agree as follows:

1. Definition of Confidential Information. As used in this Agreement, the term "Confidential Information" shall mean all information and materials which relate to past, present or future products, software, research, development, inventions, processes, techniques, designs or technical information and data, relating to the business affairs and operations of Discloser; provided, however, that Confidential Information shall not include any information or materials which are: (i) generally available to the public other than as a result of a disclosure by a party or any of its agents, representatives, affiliates, clients, employees or consultants (collectively, "Representatives") in violation of its or their obligations of confidentiality hereunder; (ii) given to a party by someone else who was not obligated to maintain confidentiality; or (iii) independently developed by Receiver without use of Confidential Information.

2. Confidentiality Obligations. Receiver and its Representatives agree to hold and maintain the Confidential Information in the strictest confidence, and except as required by law or with the prior written consent of Discloser, not to disclose or permit the disclosure of any of the Business's Confidential Information to anyone. Notwithstanding the foregoing, Receiver may disclose the Confidential Information to its employees or contractors who have a need to know and are bound by the same obligations of confidentiality as set forth herein.

2.1. Receiver shall use the Confidential Information for the purposes of evaluating a possible transaction with Discloser.



2.2. Receiver shall not acquire any rights in the Confidential Information, except the limited right to use the Confidential Information as described above.

3. Return of Confidential Information. No copies of written portions of the Confidential Information shall be retained by Receiver upon the termination of its discussions with Discloser.

4. No Obligation to Purchase. Neither party has any obligation under this Agreement to sell or purchase any item from the other party.

5. Compelled Disclosures. In the event that a party or anyone to whom that party transmits Confidential Information pursuant to this Agreement becomes legally compelled to disclose any of the Confidential Information (the "Compelled Party"), the Compelled Party shall provide the Discloser with prompt notice thereof so that the Discloser may seek a protective order or other appropriate remedy or waive compliance with the provisions of this Agreement. In the event that such protective order or other remedy is not obtained by the Discloser or the Discloser waives compliance with the provisions of this Agreement, the Compelled Party shall furnish or cause to be furnished only that portion of the Confidential Information which the Compelled Party is legally required to furnish, and shall exercise its best efforts to obtain reliable assurances that confidential treatment is accorded the Confidential Information so furnished.

6. Miscellaneous. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto, their Representatives, successors and assigns, and shall be governed by, construed and enforced in accordance with the laws of the State of California. If any enforcement of this Agreement is sought, the courts of San Luis Obispo County, California shall have exclusive jurisdiction and venue thereof, and each party hereby irrevocably and unconditionally submits to such jurisdiction and venue. This Agreement may be signed in counterparts and delivered by facsimile transmission, which together shall constitute one agreement. The person signing on behalf of each party represents that he or she has the right and power to execute this Agreement on behalf of such party. This Agreement expresses the full and complete understanding of the parties with respect to the subject matter hereof and supersedes all prior or contemporaneous proposals, agreements, representations and understandings, whether written or oral, with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the last date set forth below.

"DISCLOSER"

"RECEIVER"

Name: _____

ARNOLD, INC., a California corporation

Signature: _____

By: _____

Title: _____

Patrick D. Arnold, President

Dated: _____

Dated: _____