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REPLY TO: LOS ANGELES OFFICE

8 October 2007

VIA FACSIMILE: (800) 555-1212

Mr. John Doe
Defendant Company
12345 Main Street
Anytown, California 90000

Re: Client v. Defendant
Our File No.: ABCD.122101.01

Dear Mr. Doe:

This office has the privilege of serving as General Counsel for Client Company ("Client"). Please direct all further communication to my attention.

I refer you to the Procurement, Master License and Master Services Agreement between Client and Defendant Company ("Defendant"), signed by Client on 30 June 2004 and by Defendant on 13 July 2004 ("Agreement"). A copy of the Agreement is attached hereto for your reference.

Pursuant to Section 6 of the Agreement, Client hereby notifies Defendant of its intent to terminate the Agreement effective thirty (30) days from the date of this letter. Client has continuously provided payment and resources in a good faith effort to get this project to "go live" over the past three years and as we sit here today, Defendant is and has been unable to deliver the performance and functionality levels it promised.

Moreover, given Defendant's apparent inability to perform on this Agreement, it is clear to Client that Defendant never had any such ability. There is quite simply no rational excuse that can be made to explain the implementation of this software having taken three years. Client therefore believes that Defendant either knew or should have known that it lacked the ability to so perform, and yet nevertheless fraudulently induced Client to enter into the Agreement based on these either negligent or intentional misrepresentations.

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To date, Client's damages based on Defendant's malfeasance include \$144,359.13 paid to Defendant alone, \$21,548.50 on hardware purchased at Defendant's recommendation to run the software which has never been able to work properly, \$600.00 for Super User Guides, \$20,629.41 for consultants, and 233.5 combined hours Client's employees' time wasted on meetings that went nowhere and achieved no gain. Client's rate for consulting is \$75.00 per hour, so the time wasted here by Defendant has cost Client \$24,262.50. Adding all of these figures together arrives at a total of \$211,399.54. Added to this would be Client's attorney's fees which, to date, are less than \$1,000.00 but, should further action be needed, would increase substantially.

In an effort to achieve an immediate resolution, Client will agree to temporarily waive its attorneys' fees and to temporarily discount its damages for time wasted by half. Accordingly, demand is hereby made that Defendant immediately reimburse Client in the amount of \$199,268.29 no later than 5:00 pm California time on 22 October 2007. Should Defendant not comply with the terms of this letter, then Client shall interpret that as a rejection of Client's offer to compromise. Client will then avail itself of all legal remedies, none of which are waived in any way by any of the terms of this letter and all of which are expressly reserved.

My hope is that we will be able to achieve a business resolution of this issue as quickly as possible, so that both Defendant and Client can return to their respective businesses. If you have any questions or comments, please do not hesitate to contact me; I look forward to your reply and to a speedy resolution of this matter.

Best Regards,

John A. Safyurtlu
General Counsel

cc: Client

Enclosure(s): As stated