

April 19, 2004

PERSONAL & CONFIDENTIAL – NOT FOR FILING

Hon. D. Lowell Jensen
United States District Court, Northern District
1301 Clay Street, Suite 400 C
Oakland, CA 94612-5212

Re: ***Beigel v. Dwan – Blueberry Software***
U.S. District Court Case No. C02 3116 DLJ
Our File No. 9512-001

Dear Judge Jensen:

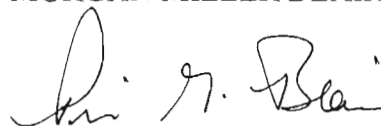
We have been unable to reach a settlement with VistaSource for the minimum amount of \$100,000. Counsel for VistaSource offered approximately \$29,000 in settlement. I have requested that Lawrence Bernheim commence an arbitration against VistaSource pursuant to the Court's previous authority.

With respect to the Arbortext buyout, to refresh the Court's recollection, Arbortext has offered \$100,000 for a permanent license to the Blueberry software. I recommend that we attempt to negotiate a buyout at a higher amount, and have provided the court with a schedule which compares various amounts of buyout with the number of years of quarterly royalties which would be required to be the equivalent. I believe that Arbortext will pay more than its \$100,000 offer and that a prompt negotiation would be in the best interest of the Receivership and the parties.

Perhaps it would be useful to have a telephone conference call/status conference to discuss these matters. In any event, I await further direction from the Court.

Respectfully submitted,

MORGAN MILLER BLAIR



RICHARD G. BLAIR

RGB:cab

cc: Lawrence Bernheim
Steven Beigel
Kevin Dwan