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July 30, 2004

Mr. Steven Beigel
Blueberry Software, Inc.
995 Court Lane
Concord, CA 94518

Dear Mr. Beigel:

I appreciated the chance to talk with Mary Tarantino a few days ago, and I understand her feeling that Blueberry is committed to using Kessler International to conduct an audit of Arbortext's royalty payments. I hope you can appreciate, though, the importance to Arbortext of close adherence to the terms of the parties' agreement. Our position, again, is that (1) we feel obliged to abide by the parties' agreement; (2) the agreement allows for an audit by Blueberry or an "independent auditor," and (3) Kessler International is not an "independent auditor," a term that we believe has a well-defined meaning.

The parties' disagreement is over what an "independent auditor" is. We do not ask you to accept our definition of the term. We believe, however, that any dictionary you consult will confirm that Kessler is not an "independent auditor." An "independent auditor" is an accountant "who audits a company, but is not employed by or associated with the company." (Encarta Dictionary) An "independent auditor" is a CPA "who provides a company with an accountant's opinion but is not otherwise affiliated with the company." (Investorwords.com Dictionary) An "independent auditor" is a CPA "operating outside the company who can provide an accountant's opinion." (Bloomberg.com)

None of the above definitions describes Kessler. We respectfully ask again that you consider our offer to fund half the cost of a truly independent auditor, to lay to resolve any concerns you have about how Arbortext has paid royalties pursuant to our agreement.

Very Truly Yours,

A handwritten signature in black ink, appearing to read 'David Peralta'.

David Peralta
Vice President & Chief Financial Officer

cc: Honorable D. Lowell Jensen
Richard G. Blair, Esq.