

INFORMATION ONLY

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RUNDLE LAW CORPORATION

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February 5, 2007

**ATTORNEY / CLIENT
PRIVILEGED COMMUNICATION**

Mr. Paul S. Smith
ABC CORPORATION, INC.
123 Main Street, Suite 1000
Anywhere, California 00010

Re: ABC Corporation, Inc. v. XYZ Management, LLC

Dear Mr. Smith:

It is my pleasure to welcome ABC Corporation, Inc. ("ABC") as a client. This letter and the attached Terms of Retention (which are incorporated herein – collectively "Retainer Agreement") will confirm the terms and conditions on which Rundle Law Corporation ("Firm") will undertake to represent ABC, on an hourly fee basis, in connection with the above-referenced dispute. ABC is retaining the Firm to assist it in its legal action against XYZ Management, Inc. ("XYZ") for breach of the Purchase and Sale Contract dated January 1, 2007 ("Legal Matter"). ABC acknowledges that this engagement does not involve any matters other than the Legal Matter.

I appreciate the opportunity to serve as ABC's attorney. If ABC becomes dissatisfied with my services in any way, please let me know immediately. If this Retainer Agreement correctly reflects ABC's understanding of the scope, terms and conditions of my representation of it with respect to the Legal Matter, please indicate ABC's acceptance hereof by executing a copy of this Retainer Agreement in the space provided below and returning it to me. By executing this Retainer Agreement, ABC will be acknowledging that it has read the Retainer Agreement and understands its terms.

Please excuse the somewhat formal tone of this Retainer Agreement; in large part it is a requirement of the State Bar of California. While a bit legalistic, this

Mr. Paul S. Smith
ABC Corporation, Inc.
February 5, 2007
Page 2 of 8

INFORMATION ONLY

Retainer Agreement is intended to protect ABC's interests, as well as the Firm's, by setting forth the terms of our attorney-client relationship precisely. Should ABC have any questions concerning this Retainer Agreement, or any of its terms, I encourage you to bring those questions to my attention right away.

I am pleased to have this opportunity to represent ABC.

Very truly yours,

Peter K. Rundle

Peter K. Rundle

ABC Corporation, Inc. agrees to the terms and conditions set forth above and in the accompanying Terms of Retention.

ABC CORPORATION, INC.

By: _____
Paul S. Smith, Its
Chairman & CEO

Date

**TERMS OF RETENTION
OF
RUNDLE LAW CORPORATION**

HOURLY FEE AGREEMENT

February 5, 2007

Except as modified in writing, the following provisions will apply to the relationship between Rundle Law Corporation (“Firm”) and ABC Corporation, Inc. (“Client”) as identified in the accompanying letter agreement:

- 1. CONDITIONS.** This Retainer Agreement will not take effect, and the Firm will have no obligation to provide legal services, until Client returns a signed copy of this Retainer Agreement with the requested retainer deposit described in Paragraph 4, below.
- 2. SCOPE OF SERVICES.** Client is hiring the Firm to represent Client in the matter of Client’s claims for damages against XYZ Management, Inc. (“XYZ”) for breach of the Purchase and Sale Contract dated January 1, 2007. The Firm will prosecute that litigation to conclusion, and will defend any cross or counterclaims asserted against Client in said litigation. The Firm is being retained solely as counsel for Client and its representation pursuant to the terms of this Retainer Agreement does not encompass the representation of any individual or any other entity, including but not limited to, any of Client’s officers, directors, employees, agents or affiliates.

The Firm will represent Client until a settlement or judgment, by way of mediation, arbitration or trial, is reached. The Firm will oppose any motion for a new trial or any other post-trial motions filed by an opposing party, or will make any appropriate post-trial motions on Client’s behalf. After judgment, the Firm will not represent Client on any appeal unless Client and the Firm agree that the Firm will provide such services and also agree upon additional fees, if any, to be paid to the Firm for such services. Services in any matter not described above will require a separate written agreement.

- 3. RESPONSIBILITIES OF THE PARTIES.** The Firm will provide those legal services reasonably required to represent Client in prosecuting the claims described in Paragraph 2, above, and will take reasonable steps to keep

Client informed of progress and developments, and to respond promptly to inquiries and communications. Client agrees to be truthful with the Firm, to cooperate, to keep the Firm informed of any information and developments which may come to Client's attention, to abide by this Agreement, to pay the Firm's bills for fees and costs on time, and to keep the Firm advised of Client's address, telephone numbers, email addresses and other contact information. Client agrees to appear at all legal proceedings when the Firm deems it necessary, and generally to cooperate fully with the Firm in all matters related to the preparation and presentation of Client's claims.

4. RETAINER DEPOSIT. Client agrees to pay Firm an initial retainer deposit of \$\$\$\$\$\$. The hourly charges and costs will be charged against the retainer deposit. The initial retainer deposit, as well as any future retainer deposits, will be held in the Firm's Attorney - Client Trust Account. Client authorizes the Firm to use that fund to pay the fees and other charges as they are incurred. Payments from the fund will be made upon remittance to client of a billing statement. Client acknowledges that the retainer deposit is not an estimate of total fees and costs, but merely an advance for security. Whenever the retainer deposit drops below \$\$\$\$\$\$, Client agrees to replenish the retainer deposit to return the balance to \$\$\$\$\$\$. Once a trial date is set, Client shall pay all sums then owing and deposit the attorneys' fees estimated to be incurred in preparing for and completing the trial or arbitration, as well as the jury fees or arbitration fees, expert witness fees and other costs likely to be assessed. Those sums may exceed the maximum retainer deposit. Client agrees to pay all deposits after the initial deposit within fifteen (15) days of Attorney's demand. Unless otherwise agreed in writing, any unused deposit at the conclusion of Attorney's services will be refunded.

5. LEGAL FEES AND BILLING PRACTICES. Client agrees to pay by the hour at the Firm's prevailing rates for all time spent on Client's matter by the Firm. Peter K. Rundle's current hourly rate is \$\$\$\$\$. This rate is subject to change on 30 days' written notice to Client. If Client declines to pay increased rates, the Firm will have the right to withdraw as attorney for Client. The time charged will include the time Peter K. Rundle spends on telephone calls relating to Client's matter, witnesses, opposing counsel or court personnel. It is Peter Rundle's practice to not charge for telephone conferences with Client; however, Mr. Rundle reserves the right to charge for lengthy or complex telephone conferences. The Firm will charge for attorney waiting time in court and elsewhere and for travel time, both local and out of town. Time is charged in minimum units of one-tenth (.1) of an hour.

6. COSTS AND OTHER CHARGES. The Firm will incur various costs and expenses in performing legal services under this Agreement. Client agrees to pay for all costs, disbursements and expenses in addition to the hourly fees. The costs and expenses commonly include: service of process charges, filing fees, court and deposition reporters' fees, jury fees, notary fees, deposition costs, long distance telephone charges, messenger and other delivery fees, postage, photocopying and other reproduction costs, travel costs including parking, mileage, transportation, meals and hotel costs, investigation expenses, consultants' fees, expert witness, professional, mediator, arbitrator and/or special master fees and other similar items. All costs and expenses will be charged at the Firm's cost.

Client agrees to pay transportation, meals, lodging and all other costs of any necessary out-of-town travel by Peter K. Rundle. Client will also be charged the hourly rates for the time legal personnel spend traveling.

To aid in the preparation or presentation of Client's case, it may become necessary to hire expert witnesses, consultants or investigators. Client agrees to pay such fees and charges. The Firm, with Client's advice and consent, will select any expert witnesses, consultants or investigators to be hired.

Additionally, Client understands that if the matter proceeds to court action or arbitration, Client may be required to pay fees and/or costs to other parties in the action. Any such payment will be entirely the responsibility of Client.

7. BILLING STATEMENTS. The Firm will send Client periodic statements for fees and costs incurred. Each statement will be payable within fifteen (15) days of its mailing date. Client may request a statement at intervals of no less than 30 days. If Client so requests, the Firm will provide one within 10 days. The statements shall include the amount, rate, basis of calculation or other method of determination of the fees and costs, which costs will be clearly identified by item and amount.

8. DISCHARGE AND WITHDRAWAL. Client may discharge the Firm at any time, upon written notice to the Firm. The Firm may withdraw from representation of Client (a) with Client's consent, (b) for good cause, (c) upon Court approval, or (d) if no court action has been filed, for good cause and upon reasonable notice to Client. Good cause includes Client's breach of this Retainer

Agreement, or any other fact or circumstance that would render the Firm's continuing representation unlawful or unethical.

Notwithstanding the Firm's withdrawal or Client's notice of discharge, and without regard to the reasons for the withdrawal or discharge, client will remain obligated to pay the Firm for all fees and costs incurred prior to the termination.

9. CONCLUSION OF SERVICES. When the Firm's services conclude, all unpaid charges will immediately become due and payable. After the Firm's services conclude, upon request, Client's file and property will be delivered to Client, or Client's other attorney, whether or not Client has paid any fees and/or costs owed to the Firm.

10. RECEIPT OF PROCEEDS. Any proceeds of Client's case shall be deposited into the Firm's Attorney – Client Trust Account for disbursement in accordance with the provisions of this Agreement.

11. DISCLAIMER OF GUARANTEE. Nothing in this Retainer Agreement and nothing in the Firm's or its attorneys' statements to Client will be construed as a promise or guarantee about the outcome of this matter. The Firm makes no such promises or guarantees. There can be no assurance that Client will recover any sum or sums in this matter. The Firm's and its attorneys' comments about the outcome of this matter are expressions of opinion only. Client acknowledges that the Firm and its attorneys' have made no promise or guarantees about the outcome.

12. ENTIRE AGREEMENT. This Retainer Agreement contains the entire agreement of the parties. No other agreement, statement or promise made on or before the effective date of this Retainer Agreement will be binding on the parties.

13. SEVERABILITY IN EVENT OF PARTIAL INVALIDITY. If any provision of this Retainer Agreement is held in whole or in part to be unenforceable for any reason, the remainder of that provision and of the entire Retainer Agreement will be severable and remain in effect.

14. MODIFICATION BY SUBSEQUENT AGREEMENT. This Retainer Agreement may be modified by subsequent agreement of the parties only by an instrument in writing signed by both of them or an oral agreement only to the extent that the parties carry it out.

15. EFFECTIVE DATE. This Retainer Agreement will govern all legal services performed by the Firm on behalf of the Client commencing with the date the Firm first performed services. The date at the beginning of this Retainer Agreement is for reference only. Even if this Retainer Agreement does not take effect, Client will be obligated to pay the Firm the reasonable value of any services the Firm may have performed for Client.

16. ARBITRATION.

A. ARBITRATION OF ALL DISPUTES INCLUDING CLAIMS OF MALPRACTICE.

Any controversy between the parties regarding the construction, application or performance of any services under this Retainer Agreement, and any claim arising out of or relating to this Retainer Agreement or its breach, shall be finally settled through arbitration administered by the American Arbitration Association (“AAA”) pursuant to the AAA’s Commercial Arbitration Rules, and judgment on the award, if any, rendered by the arbitrator (s) may be entered in any court having jurisdiction thereof. The Firm and Client shall each have the right of discovery in connection with any arbitration proceeding in accordance with *Code of Civil Procedure, Section 1283.05*. The sole and exclusive venue for arbitration and or any legal dispute shall be Orange County, California.

B. STATE BAR FEE ARBITRATION.

Notwithstanding subparagraph “A,” above, in any dispute subject to the jurisdiction of the State of California over attorneys’ fees, charges, costs or expenses, Client has the right to elect arbitration pursuant to the fee arbitration procedures of the State Bar of California, as set forth in *Business and Professions Code, Sections 6200, et seq.* Those procedures permit a trial after arbitration, unless the parties agree in writing, after the dispute has arisen, to be bound by the arbitration award. If, after receiving a notice of client’s right to arbitrate, Client does not elect to proceed under the State Bar fee arbitration procedures, and file a request for fee arbitration within 30 days, any dispute over fees, charges, costs or expenses, will be resolved by binding arbitration as provided in the previous subparagraph “A.”

Because each party is giving up a right, Client is encouraged to have an independent lawyer of Client’s choice review these arbitration provisions before agreeing to them.

INFORMATION ONLY

By initialing below, Client and the Firm confirm that they have read and understand subparagraphs “A” and “B,” above, and voluntarily agree to binding arbitration. In doing so, Client and the Firm voluntarily give up important constitutional rights to trial by judge or jury, as well as rights to appeal. Client is advised that Client has the right to have an independent lawyer of Client’s choice review these arbitration provisions, and this entire Retainer Agreement, prior to initialing this provision or signing this Retainer Agreement.

_____ (Client’s initials)

_____ (Attorney’s initials)