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Telephone: (213) 624-2500

FROM: Daniel Nishrie

Facsimile: (310) 734-0085  
Telephone: (310) 734-0086

DATE: 5/08/00

2 # OF PAGES: (+ cover)

RE: Graham & James LLP.

• MESSAGE •

Please see attached.

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EXHIBIT

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9-25-02

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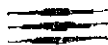
Oct. 30 2001 09:00PM P2

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05/08/00 11:57 FAX 213 623 4590

GRAHAM & JAMES

# Graham & James LLP



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## FACSIMILE TRANSMISSION

Number of Pages Transmitted  
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Date: May 8, 2000

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From: *To: >* Xianchun Vendler  
Our File:

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Direct Fax  
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Internet  
xvendler@gj.com

To: Daniel Nishrie  
Company: Federal TransTel, Inc.  
Facsimile: (310) 734-0085  
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**MESSAGE:** Please review the engagement letter and sign it and fax it back to me and send the original to me by mail. With regard to the insurance tender letter, if I don't hear from you by 2:30 p.m., I will assume that you have decided to tender the defense as you indicated on the phone and messenger it to the insurance company.

If any pages are not received or legible, please contact the facsimile operator at (213) 689-6543. Between 8:00 p.m. and 8:00 a.m. (Pacific Time), please leave a message.

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GRAHAM &amp; JAMES

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DRAFT

May 5, 2000

**VIA MESSENGER**

United Title Company  
 514 Shatto Place  
 Los Angeles, CA 90020

(213) 689 6150

Re: **Ami Shafir v. Sarit Shafir, Federal TransTel, Inc., Archibald  
 Management, Inc. and Anke Investment Co.  
 Los Angeles County Superior Court Case No. BC 227940  
 ALTA Loan Policy Nos.: 1-1-A92-59118 and 1-1-A92-59116  
 Your Insured: Federal TransTel, Inc.**

ktj@msl  
 xvan@msl.com

Dear Sir/Madam:

We are attorneys for your insured Federal TransTel, Inc. ("FTT"), under the above-referenced ALTA loan policies (the "ALTA Policies") issued by United Title Company ("United"). By this letter, we are tendering to United the defense of FTT in the above-referenced action brought by Ami Shafir against Sarit Shafir, Federal TransTel, Inc., Archibald Management, Inc. and Anke Investment Co (the "Action"). A copy of the complaint in the Action, which we understand was served on FTT on or about April 25, 2000, is enclosed for your reference.

Based upon our review of the allegations contained in the complaint and the plain language of the two ALTA Policies, we have determined that FTT is entitled to coverage. Specifically, the complaint seeks the cancellation of FTT's lien on the property located at 8670 Wilshire Boulevard, Beverly Hills (the "8670 Property") in the amount of \$4,550,000.00 and FTT's lien on the property located at 8335 Sunset Boulevard (the "Sunset Property") in the amount of \$750,000.00 ("FTT's liens"). Under the terms of the ALTA Policies, United has insured FTT against loss or damage sustained or incurred by FTT by reason of "[t]he invalidity or unenforceability of the lien of the insured mortgage upon the title [of the 8670 Property and the Sunset Property]." The claims in the complaint as to the validity of FTT's liens plainly implicate the ALTA Policies.

Because FTT's response to the complaint is due on or before May 25, 2000,<sup>1</sup> we request your acknowledgement of this tender and assumption of

FROM :

PHONE NO. :

Oct. 30 2001 09:01PM P4  
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05/08/00 11:57 FAX 213 623 4590

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# Graham & James LLP



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May 5, 2000

VIA FACSIMILE

**CONFIDENTIAL ATTORNEY-CLIENT COMMUNICATION**

Mr. Daniel Nishrie  
President  
Federal TransTel, Inc.  
8670 Wilshire Blvd., Third Floor  
Beverly Hills, California 90211

**Re: Potential Insurance Coverage For Ami Shafir v. Sarit Shafir,  
Federal TransTel, Inc., Archibald Management, Inc. and Anke  
Investment Co. (Los Angeles County Superior Court Case No.  
BC 227940)**

Dear Mr. Nishrie:

As you know, Federal TransTel, Inc. ("FTT") has purchased two American Land Title Association ("ALTA") Loan Policies in connection with the transactions by which FTT acquired a lien in the amount of \$4,550,000.00 secured by the property located at 8670 Wilshire Boulevard, Beverly Hills (the "8670 Property") and another lien in the amount of \$750,000.00 secured by the property located at 8335 Sunset Boulevard (the "8335 Property"). Based upon my review of the allegations in the complaint, the terms of the two ALTA loan policies, and my research on the scope of title insurance coverage, I have determined that there is a potential for coverage and have drafted, for your review and comments, the enclosed letter tendering the defense of Ami Shafir's lawsuit against FTT to United Title Company.

The two ALTA loan policies insure against loss or damage sustained or incurred by FTT by reason of the invalidity or unenforceability of the lien of the insured mortgage upon the title. Upon United Title Company's receipt of FTT's letter tendering the defense, it will make one of the following three decisions: (1) deny coverage and reject FTT's tender of defense; (2) agree to defend FTT with reservation of rights; and (3) defend FTT without reservation of rights. Ordinarily, an insurer will deny coverage and reject an insured's tender of defense when it determines that there is no potential or actual coverage for the claimed loss. Conversely, when the insurer determines that the issue of coverage is clear, it may decide to defend the insured without reservation of rights. When the issue of coverage is not

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Mr. Daniel Nishrie  
May 5, 2000  
Page 2

absolutely clear and there may be a potential for coverage, the insurer will usually agree to defend the insured with reservation of rights. "Reservation of rights" means that the insurer reserves its rights to seek reimbursements from the insured should the claims turn out to be beyond the scope of the policy at the conclusion of an action.

In our case, if United Title Company denies coverage and rejects FTT's tender of defense, FTT can challenge that decision by requesting reconsideration and consider filing a declaratory relief action to determine the issue of coverage. If United Title Company agrees to defend FTT with reservation of rights, FTT has the right to keep Graham & James as its independent counsel in defending FTT because a conflict of interests exists between FTT and any counsel whom United Title Company selects to represent FTT. FTT also has the option of pursuing arbitration on such disputed issues relating to coverage as the hourly rate for FTT's counsel. If United Title Company accepts FTT's tender without reservation of rights, it is entitled to select counsel and control the litigation.

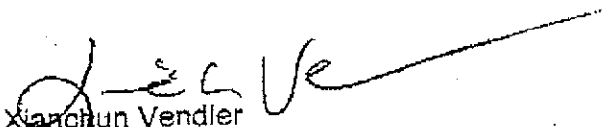
If FTT loses its liens on the 8670 Property and 8335 Property solely because of Sarit Shafir's fraud and without FTT's knowledge of or participation in said fraud, FTT may be able to recover its loss of the liens from United Title Company. United Title Company may, in turn, seek indemnification from Sarit Shafir. If Ami Shafir succeeds in proving that FTT had knowledge of Sarit Shafir's fraud and/or conspired with Sarit Shafir in forging Ami Shafir's signatures, United Title Company will seek reimbursements from FTT for the costs of defense if United Title Company's acceptance of FTT's tender is made with reservation of rights.

Because an insurer is generally only obligated to pay attorneys' fees incurred after the insured tenders the defense, I would appreciate your prompt response to this matter. I will immediately send the tender letter to United Title Company upon confirmation from you that FTT desires to pursue insurance coverage for the Ami lawsuit.

Sincerely,

GRAHAM & JAMES LLP

By

  
Xianchun Vendler

cc: James H. Broderick, Jr., Esq.  
Walt Williams, Esq.

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FROM :

PHONE NO. :

Oct. 30 2001 09:03PM P6

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United Title Company  
May 5, 2000  
Page 2

the defense of the action at the earliest possible time. In the meantime, if you should have any questions or comments with regard to this matter, please do not hesitate to contact me as soon as possible.

Sincerely,

GRAHAM & JAMES LLP

By  
Xianchun Vendler

cc: James H. Broderick, Jr., Esq.  
Mr. Daniel Nishrie  
Walt Williams

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53213.00001

# Graham & James LLP

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May 3, 2000

Mr. Daniel Nishrie  
President  
Federal TransTel, Inc.  
8670 Wilshire Blvd., Third Floor  
Beverly Hills, California 90211

Re: **Engagement of Graham & James LLP**

Dear Mr. Nishrie:

This letter will memorialize the terms and conditions under which Graham & James, LLP (the "Firm") will act as legal counsel to Federal TransTel, Inc. ("FTT"), Archibald Management, Inc. ("Archibald") and Anke Investment Co. ("Anke") (collectively, "FAA") for the purpose of representing FAA in the action brought by Ami Shafir against Sarit Shafir and FAA (Case No. BC 227940) in the Superior Court of the State of California for the County of Los Angeles (the "Action"), so that FAA and we will have a clear understanding of that relationship and of the scope of the Firm's representation of FAA.

1. Services to Be Provided by the Firm.

The Firm shall represent FAA through trial in the Action.

2. Fees for Services Performed.

As compensation for its services to FAA in the Action, the Firm shall be paid a reasonable fee, which will be determined primarily by multiplying the number of hours spent working on matters for FAA by our regular billing rates, our time being recorded in increments of one-tenth of an hour. Each of our lawyers and paralegals has been assigned a billing rate, which is determined by his or her experience and expertise. These basic hourly billing rates may increase from time to time. My current hourly rate is \$370 per hour and the current billing rate of Xianchun J. Vendler, the associate who will have primary responsibility for handling the Action, is \$280 per hour. I would be glad to advise you of the hourly billing rates of any other attorneys or paralegals who may work on this matter.

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Federal TransTel, Inc.  
May 3, 2000  
Page 2

Although from time to time at your request, we may furnish you with estimates of the fees that we anticipate will be charged for our services, such estimates are by their nature inexact and are subject to presently unforeseen developments and developments which are beyond our control. Therefore, absent a specific agreement to the contrary, our fee estimates are for your planning purposes only and are subject to our regular billing process described above.

3. Disbursements and Costs.

In addition to the fees described above, the Firm shall be reimbursed by FAA for all disbursements incurred by the Firm in connection with legal services performed under this engagement agreement. Included within this category are postage charges, photocopying charges, filing fees, expert witness fees and costs, court and deposition reporter fees, travel expenses, word processing charges, computerized research charges, and long distance telephone charges, among other things. From time to time, we may request that FAA make an advance payment to the Firm for an unusual cost item, such as expert witness fees, that may be incurred by the Firm in its representation of FAA, prior to the Firm's incurring that unusual cost.

4. "Evergreen" Retainer.

It is the Firm's policy with respect to the handling of litigation matters to require the payment of an initial litigation retainer. Given the scope of this matter, we request a retainer of US\$20,000.00. The retainer shall be an advance against future attorneys' fees, but we require that the retainer be maintained on an "evergreen" basis during the pendency of the Action. Thus, for example, if the Firm's invoice to FAA is for \$5,000.00, FAA shall pay that invoice in full, notwithstanding the fact the Firm will continue to maintain the retainer payment. Similarly, if the Firm's invoice is for \$25,000.00, we would request that FAA pay \$25,000.00, not \$5000.00 (\$25,000.00 less \$20,000.00), again leaving a retainer of \$20,000.00 to be held as an advance against future invoices. At the conclusion of the Firm's handling of the Action, the balance of the evergreen retainer will be returned to FAA. If this is acceptable to you, please remit the retainer payment with the executed copy of this letter.



Federal TransTel, Inc.  
May 3, 2000  
Page 5

Throughout our relationship, I want you to be satisfied with our professional services and our fees. Accordingly, I invite and encourage your prompt inquiry to me if you ever have any question concerning our services. I also encourage you to consult with independent counsel regarding this engagement letter.

Sincerely yours,

*James H. Broderick, Jr.*  
James H. Broderick, Jr.

of  
GRAHAM & JAMES LLP

cc: Walt Williams, Esq.

THE UNDERSIGNED AGREES TO ALL OF THE FOREGOING TERMS AND  
CONDITIONS OF ENGAGEMENT:

Dated: 5-2-2000

FEDERAL TRANSTEL, INC.

By: *[Signature]*  
Daniel Nishrie  
Its: President

Dated: 5-9-2000

ARCHIBALD MANAGEMENT, INC.

By: *[Signature]*  
Daniel Nishrie  
Its: President

Dated: 5-9-2000

ANKE INVESTMENT CO.

By: *[Signature]*  
Daniel Nishrie  
Its: President

