



Development Specialists, Inc.

Advisory and Fiduciary Services • Corporate Restructuring and Workouts • Interim Management • Insolvency Services

August 18, 2016

e-mail address: keverett@dsi.biz

TO THE CREDITORS AND EQUITYHOLDERS OF

Kagi, a California corporation
2120 University Avenue, Suite 308
Berkeley, CA 94704

Re: **GENERAL ASSIGNMENT FOR THE BENEFIT OF CREDITORS**

Please be advised that Kagi, a California corporation (the “Assignor”, “Company” or “Kagi”) executed a general assignment for the benefit of creditors in favor of Development Specialists, Inc. on August 10, 2016.

This action was taken and approved by the Board of Directors and shareholder of Kagi, after it became apparent that, due to declining revenues and competition, the Company had become insolvent and became unable to pay its debts as they come due. The Assignor determined that the assignment and wind down of operations would be in the best interest of the Corporation, its creditors and shareholder. The Assignor ceased operations as of August 1, 2016 and terminated all employees as of August 9, 2016.

The Assignee has retained Chris Hart and Greg Nuti with the law firm of Nuti Hart LLP to serve as its counsel in this assignment estate. The Assignee will oversee the liquidation of the Assignor’s assets and the distribution of those assets to the creditors based on such creditor’s relative priorities, including the validity of the liens asserted on the Assignor’s assets as noted below.

The Assignor was obligated to multiple lenders who claim to have a security interest on all assets of the Assignor and which were owed approximately \$292,000 as of July 2016. The Assignee and counsel will review and verify the lender security documents to confirm the validity of the asserted liens against the Assignor’s assets. Assuming the secured lenders’ security interests are as were represented to the Assignee, the secured lenders will have priority to the proceeds of the liquidation of the Assignor’s assets until their secured claims are paid in full.

The Assignee has received interest in select Intellectual Property assets and is in the process of generating additional interest in Kagi’s assets. The Assignee will notify creditors as to any proposed sale of assets once it is known. The sale, or collection, of these assets will be applied to the lenders’ valid secured claims until all such secured claims are fully satisfied. After all secured and/or priority claims are satisfied, any remaining funds will be applied, pro rata, to valid and timely submitted unsecured claims as directed below.

SAN FRANCISCO

235 Pine Street, Suite 1150 • San Francisco, California 94104-2748 • Telephone: 415.981.2717 • Fax: 415.981.2718 • www.dsi.biz

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Any party interested in purchasing any or all of the Assignor's assets is urged to contact the Assignee or its counsel identified above for further information.

For those of you unfamiliar with general assignments, the process is similar to liquidations administered under Chapter 7 of the Bankruptcy Code. However, California law controls rather than federal bankruptcy law. Experience has proven that in circumstances such as those in this instance, estates administered through general assignments typically return a greater recovery on the assets of the estate quicker and more economically than the bankruptcy process. There is no guaranty, however, in light of the outstanding and un-assumed secured indebtedness that there will be any recoveries for general unsecured creditors at this time. Creditors should note that California law provides for an assignee to recover preferential transfers made by the Company within the ninety days immediately prior to the making of the general assignment. No review of the transactions that may qualify as recoverable under California law has been undertaken yet.

Attached hereto is a form Proof of Claim by which creditors can file their claims with the Assignee. If you have received this letter, you may be a vendor of the Company or otherwise a potential creditor. Please note that pursuant to California law (*see* Code of Civil Procedure §1802), the last day to file proofs of claim in this estate is **February 6, 2017** (the "Claims Bar Date"). **Creditors who fail to file their proofs of claim by the Claims Bar Date will not be entitled to share in any distribution arising out of the liquidation of the Company's assets should there in fact be any funds available for distribution to unsecured creditors**, and shall be deemed to have waived any right to recover from the liquidation should there be proceeds beyond that owing the secured lenders or any priority claimant.

The Assignee will accept proofs of claim via facsimile, e-mail, or through our website so long as they are received by the Claims Bar Date, February 6, 2017, and the original signed proof of claim is received by the Assignee within ten (10) days thereafter. Claims will not be deemed to be valid unless they include copies of your supporting invoices or statements; please attach all such supporting documentation with each filed claim. The fact that the Assignee is accepting proofs of claim is not a guaranty that there will be any recovery by unsecured creditors from the liquidation of the assets of the Assignors.

Information regarding the general assignment may also be found at www.dsiassignments.com. After returning the completed and executed Proof of Claim, together with all necessary supporting documentation, creditors are requested to advance their files approximately thirty days, pending our next report.

Very truly yours,

Development Specialists, Inc., solely in its capacity
as Assignee for the Benefit of Creditors of KAGI

By 
Kyle Everett

Enclosures: (Proof of Claim Form)