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September 17, 2012

VIA HAND DELIVERY

Hon. Shira A. Scheindlin  
United States District Court  
500 Pearl Street, Room 1620  
New York, New York 10007

**Re: Kropschot Financial Services, Inc. v. Balboa Capital Corp.  
(11 Civ. 8609)**

Dear Judge Scheindlin:

I represent Plaintiff Kropschot Financial Services, Inc. in the above-referenced action. I am writing because a settlement of this action agreed to by the parties two months ago after a mediation session has not been finalized due to the failure of Defendant Balboa Capital Corporation ("Balboa") to sign the settlement agreement drafted by its own counsel.

The parties agreed to a settlement on July 17, 2012, after a mediation conducted on that day by Sandra Gale Behrle, Esq. Balboa agreed to pay Kropschot the sum of \$70,000.00 in full settlement. Balboa's counsel, Charles Gruen, Esq., requested that the parties enter into a written stipulation agreement. At my request, Balboa agreed that it would transfer the settlement monies to an escrow account maintained by Mr. Gruen no later than July 27. I was notified by Mr. Gruen's office on July 26 that the settlement monies had been deposited in Mr. Gruen's escrow account.

On August 6, Mr. Gruen emailed me a proposed settlement agreement. Although the settlement provides for one lump-sum payment, the proposed agreement was six pages long. In order to avoid any delay in releasing the settlement monies, my client immediately signed the proposed agreement without any changes. On August 6 (the same day that I received the draft agreement), I emailed a copy of the agreement signed by my client to Mr. Gruen. Over two weeks later, on August 23, Mr. Gruen notified me that Balboa wanted additional changes to the agreement which it had drafted. Once again, Kropschot immediately agreed to most of those changes but would not agree to provisions transferring the jurisdiction of this action to the federal court in California or changing the applicable law from that of New York to California.

Hon. Shira Scheindlin

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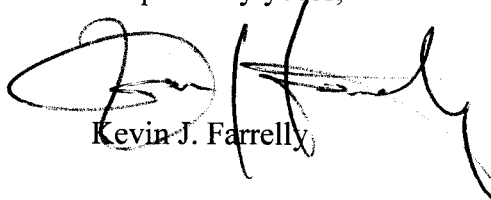
Given that this Court denied Balboa's motion to dismiss the Amended Complaint on jurisdictional grounds, Kropschot believes it should not have to commence a new action in California in the event that Balboa does not fully perform its obligation under the settlement agreement.

It is now almost two months since the parties agreed to a settlement and Balboa has still not signed the settlement agreement, even though the agreement was drafted by its counsel and Kropschot signed it without making any changes. It is clear that Balboa is deliberately delaying what should be a simple and straightforward settlement involving a lump sump payment of \$70,000.00.

Kropschot respectfully requests that the Court schedule a conference in this action to discuss these matters and, if necessary, set discovery deadlines.

Thank you for your attention to this matter.

Respectfully yours,



Kevin J. Farrelly

cc: Charles Gruen, Esq.