May 28, 2008

Re: Starpower Home Entertainment Inc. and Gordon Kraft

Dear Mr. Pidgeon:

We represent Gordon Kraft, a member of the Board of Directors of Starpower Home Entertainment Inc. ("Starpower").

Initially we were contacted by Mr. Kraft regarding the attempt by Starpower to execute a new loan agreement in the place of the promissory note of June 17, 2005, which I will hereinafter refer to as the "Original Obligation". For reasons still unclear, Starpower has determined that the Original Obligation should be superseded and replaced by yet another document which I will hereinafter refer to as the "Substitute Obligation." Simply because Starpower would like another document does not mean Mr. Kraft must agree to it.

No holder of any note can precipitously and unilaterally decide that an obligation should be superseded by another. Nor, in this case, can the Original Obligation be canceled and

replaced with a Substitute Obligation in the absence of some additional consideration or a mutual agreement to do so entered into between Mr. Kraft and Starpower. Mr. Kraft chooses not to enter into a novation. Whatever obligations Mr. Kraft may have to Starpower will be determined by the four corners of the original note as augmented by the agreements, discussions and understanding extrinsic to the four corners of the Original Obligation but which became part of it. Yet, I do acknowledge the possibility that there may be some material information that I have not yet been made aware of. If you can provide me with some explanation regarding the legal basis for Starpower to unilaterally demand the execution of a Substitute Obligation in place of the Original Obligation, I remain ready and willing to hear whatever material information you may have to provide.

In the course of providing us relevant information regarding the Original Obligation, we also have had the opportunity to speak to Mr. Kraft concerning the nature of his original investment in Starpower and how Starpower has been managed over the years. As more information was received, we have become more dismayed and disturbed about the treatment of Mr. Kraft.

The inaccurate information provided to Mr. Kraft at the time he invested, exacerbated by the information withheld from Mr. Kraft prior to the time that he invested in Starpower, has caused us to review the initial solicitation of investment. As you are well aware both the federal and state governments can and do regulate their respective areas of securities transactions. There is a strong public policy at each level to protect investors and the public at large from investment

is a strong public policy at each level to protect investors and the public at large from investment fraud. It appears that the representations and promises made to Mr. Kraft while material have not yet come to fruition. Hence, at this point, Mr. Kraft reserves all rights that he has under the Securities Act of 1933 (15 U.S.C. § 77a et seq.) and the Securities Exchange Act of 1934 (15 U.S.C. § 78a et seq., as later augmented by the National Securities Markets Improvement Act of 1996 to pursue any such claims. Further reserved are those rights that Mr. Kraft may have under California law and in particular, under the Corporate Securities Law of 1968 (California Corporations Code §§ 25000 – 25706) as may be applicable to Mr. Kraft during the time that he was a resident of the state of California or to the securities offerings made in the state of California. At this time, Mr. Kraft makes no election regarding whether he will seek his rights of rescission or damages.

Even more troubling is the conduct of certain inside directors and the officers of Starpower over the years. It is axiomatic that directors and officers of any corporation occupy a fiduciary relationship to the corporation and its shareholders. They are not permitted to use their position of trust and confidence to further their private interests at the expense of the corporation or its minority shareholders. Moreover, under the special facts and circumstances which appear to be applicable in the case of Starpower, the directors and officers cannot legally withhold information from minority shareholders such as Mr. Kraft, but rather have the full and fair duty to disclose all relevant facts. Anything less than full disclosure is tantamount to, if not actual fraud. Simply put, directors, and to a large degree, officers, must act in good faith and in the best interests of the corporation and stockholders and with due care and diligence within the bounds of their authority. Hence, it is the directors' and officers' duty to promote the interests of the

shareholders including minority shareholders as well as that of the corporation. No corporate officer or director is permitted to use their position of trust or confidence to further their private interests. Rather, directors, and to some degree, officers, must maintain prudent and honest observance of the limits of their corporate powers consistent with their fiduciary obligation. They cannot make any use of their power or the corporate property to secure for themselves an advantage not common to all shareholders. Those in management of a corporation who misuse their position of trust to further their private interest at the expense of the corporation will, at a minimum, be held liable for any damage, and accountable for any benefits so obtained. At a minimum, it appears that the existing management of Starpower has been focused more upon preserving and pursuing their own personal interests rather than pursuing opportunities which are in the best interests of Starpower and beneficial to all, not simply a few of its shareholders. The recently enacted bonus plan is just a small example. It appears under this plan that a premium has been put on maintaining the status quo for the benefit of existing management and the majority shareholders rather than focusing on business opportunities, opening new stores, raising capital, and engaging in all the endeavors typically associated with management practices that have all shareholders' interests in mind.

At this point we have not yet assimilated all of the relevant facts or determined the full range of legal theories of recovery. We have determined that although Starpower maintains its headquarters in the Dallas/Fort Worth metropolitan area in the state of Texas, that Starpower has installed many of its systems across the United States. Some of these installations have included California. Hence, we are of the view that Starpower has availed itself of the rights and benefits of doing business in California, and has such sufficient contacts so as to render it subject to California general jurisdiction. Simply put, we believe that a California court can hear at least some, if not all, of the claims of Mr. Kraft.

My initial response to the receipt of the information provided to me by Mr. Kraft would normally be simply to file a lawsuit. Yet, Mr. Kraft has valued his relationship with Starpower and believes in its product and potential. For that reason, Mr. Kraft has asked me to afford you the opportunity to avoid litigation. I am writing this letter to give you a period of time up to and including June 17, 2008 within which to make a proposal to Mr. Kraft to sever his relationship with Starpower and compensate him for the damages and losses he has suffered. The date of June 17, 2008 has no significance other than that is the date I will be returning from China. Any failure to respond or a dismissive response will be viewed as an unequivocal invitation to immediately institute a lawsuit.

Very truly yours,

BERLINER COHEN

JOSEPH E. DWORAK
E-Mail: joseph.dworak@berliner.com

Find

Replace

Replace

Done

Text

Paragraph Styles

Normal*

Font

Times New Roman

Regular

Character Styles
None

Alignment

Spacing
Lines

Before Paragraph

After Paragraph

Indents

First

Left

Right
Bullets & Lists
None

Shrink text to fit