

EXHIBIT

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ACE USA
Professional Risk Claims

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Michael P. Fried
Assistant Vice President

Via e-mail

July 27, 2010

Kenneth Thompson, Esq.

CDC Software, Inc.

Two Concourse Parkway, Suite 800

Atlanta, GA 30328

Re: Insured: CDC Software
Claimant: Sunshine Mills
Claim No.: JY09J0319682
Policy No.: EON G21662951 005

Dear Mr. Thompson:

As you know, this matter was recently transferred to the undersigned for handling.

At the outset, ACE has not made any determination as to the validity of the above-referenced matter, nor do we assert that any liability exists. Based upon the information recently received from CDC Software, we regret to inform you that there is no coverage for this loss.

SUMMARY OF CLAIM

It appears that Sunshine Mills entered into a contract to license the use of Ross Systems software and is dissatisfied with the program. They allege that many misrepresentations were made with respect to the sale of the product. It appears that Sunshine Mills seeks compensatory damages as well as consequential damages.

THE POLICY

Based upon the information provided to us, ACE set this matter up under the December 15, 2008 to December 15, 2009 policy. Based on recently acquired information, the appropriate policy to respond to this loss would be the ACE Advantage Digital Technology & Professional Liability Insurance Policy that was issued to CDC Software and was effective for the Policy period of December 15, 2007 to December 15, 2008. The policy provides Limits of Liability of \$10,000,000 for each claim and in the aggregate.

Coverage is afforded under the Insuring Agreements which provide:

I. Insuring Agreements

A. Technology and **Internet** Errors and Omissions Liability

If Insuring Agreement A, Technology and **Internet** Errors and Omissions Liability coverage, is purchased pursuant to Item 3 of the Declarations, the **Insurer** will pay **Damages** and **Claims Expenses** of the **Insured** which the **Insured** becomes legally obligated to pay by reason of a **Claim** first made against the **Insured** during the **Policy Period** and reported to the **Insurer** pursuant to Section VIII, Notice, for any **Wrongful Acts** taking place after the **Retroactive Date** and prior to the end of the **Policy Period**.

The Notice provision states, in pertinent part...

- A. The **Insured** shall, as a condition precedent to their rights under this **Policy**, give to the **Insurer** written notice of any **Claim** as soon as practicable, but in no event later than 30 days after the later of the end of the **Policy Period**, the **Automatic Extended Reporting Period**, or, if elected, the Optional **Extended Reporting Period**.

Policy Period is defined as...



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- A. **Policy Period** means the period of time specified in Item 2 of the Declarations [i.e. December 15, 2007 to December 15, 2008], subject to prior termination pursuant to Section XIII, Termination of the **Policy**.

We note from the materials forwarded to our attention that the claim was filed April 29, 2008. We further note that Ross Systems' answer was filed electronically with the court on July 8, 2008.

For this matter to have been timely reported it would have had to be reported during the policy during which the claim was made, that is to say, the December 15, 2007 to December 15, 2008 policy period and would have to have been reported no later than January 15, 2009.

Our records reflect that this matter was reported to ACE via email and with only a précis of the litigation and no supporting documents on August 11, 2009.

Because this matter was reported nearly seven months after the time to which report this claim expired, there can be no coverage under the policy.

As such, ACE can take no further action with respect to this loss.

ACE reserves the right to deny coverage based upon other grounds and to supplement and/or amend this letter to address additional coverage issues as they may arise. Nothing stated herein and no further action taken by ACE or on its behalf should be construed as a waiver of any of its rights under the Policy. On the contrary, by providing this or any prior correspondence to the Insured, engaging in any prior or future discussions with the Insured, or paying or agreeing to pay any amount to or on or behalf of the Insured, ACE does not waive any rights that it has under the Policy at law or in equity and understands the Insured reserves its rights as well.

Should you have any questions, please contact me directly at (646) 458-6992 or via email at michael.fried@acegroup.com. Thank you for your cooperation in this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Michael P. Fried'.

Michael P. Fried
Assistant Vice President

Copies to:

John McLaughlin - Marsh