



5290 Overpass Road Santa Barbara Phone (805) 683-2755
Suite 122 California 93111 Fax (805) 683-4751

Website: www.alliance2.com
E-mail: alliance@alliance2.com

May 10, 2010

Ms. Jane Willis
Marcus Partners
3233 Kellogg Drive, Suite 102
Santa Clara, CA 95054

Re: Trilog

Dear Jane,

We have summarized the key financial statistics from the documents you provided for Trilog in the table below (\$ 000). The figures show that the Company's revenues jumped in 2009 but that more than \$11 million in net losses were reported in the two years we looked at. Trilog is being supported through the sale of preferred stock (note CF Financing in 2008), but those funds are being burned off quite rapidly.

	<u>2008</u>	<u>2009</u>
Revenues	\$1,527	\$6,275
Net loss	(5,655)	(5,857)
Cash	2,669	1,284
Intangible assets	3,077	2,693
Total assets	8,031	6,217
Equity	2,865	(2,299)
CF Operations	(2,262)	(1,488)
CF Investing	(467)	(397)
CF Financing	5,399	500

We have read the letter from ST Capital indicating that they are "enthusiastic supporters of Trilog" and have additional funds to invest in the Company. While that is good news, we think it is prudent for Marcus to be conservative in structuring its amended lease with Trilog because the Company's has not yet demonstrated an ability to operate profitably and to generate positive cash flow. We don't think it is prudent to simply assume the Company will succeed because it has deep pocketed investors behind it. While those funds will certainly give Management a good shot at making the business plan work, it won't guarantee success.

Mike Calhoun