

Subject: Smart 421 Contract signed and Faxed.

From: Clay S Perreault <clay@klondike.com>

Date: 6/6/05, 8:53 AM

To: steve Nicholson <steve@digifonica.com>, Hamish Malkin <hmalkin@shaw.ca>, Mike Bowerman <mbowerman@digifonica.com>, edwincandy@btinternet.com, gblankstein@telus.net, Rob Blankstein <rblankstein@telus.net>

Gentlemen:

The contract with Smart 421 has been signed and faxed to them in order for them to immediately begin their review. I will begin forwarding these guys our existing documentation as previously arranged:

for your interest the specifics of the contract follow below:

Mr Malkin: We will immediately need to send them the first installment of £7500 to ensure that there are no delays.

Sincerely

Clay S Perreault
Digifonica

Contract Specifics:

Perform a technical review of the applications that constitute the Voice over Internet Protocol (VOIP) solution provided by Digifonica. The results of the review to be presented to Digifonica on completion, with documentation provided for use only by Digifonica. The results and documentation are not to be relied upon by any other parties

The work will be conducted in 3 phases by a team of two technical resources:

Phase 1 - Initial System Appraisal, UK
Phase 2 - Design Review, Canada
Phase 3 - Results Presentation, UK

Scope of Services:

- Technical appraisal of system architecture and design to assess its suitability for the creation of a scalable and flexible environment
- Review of supplied design documentation to assess completeness and suitability
- Code review of selected components to verify general competence, the use of standards, and to check for maintainability of the source code.
- Review of process documentation covering the software development lifecycle, to report on completeness, use of industry practices, standards, quality control and relevant level of detail.
- Overview of service management capability for the provision of the VOIP call handling environment, the system management software environment, customer provisioning and billing systems, and reseller integration capability.
- High level assessment of built-in redundancy, reliability and failover capability of system components that comprise the overall Digifonica VOIP application software.
- The review will not include any assessment of the commercial viability or marketability of the application nor its potential patentability. This is a technical review only.

Project Managers:

Smart421 - John Rutter
Digifonica - Clay Perreault

Frequency of Project Meetings: Weekly Project meetings will be held as appropriate throughout the 3 phases of the work.

Charges:

Charges are on time and materials basis at the rate of £700 per Man Day. The 3 phases are estimated at:

Phase 1 8 Man Days £5,600
Phase 2 12 Man Days £8,400

Total £16,800

The above charges are exclusive of any VAT that may apply and expenses.

Payment Profile: £7,500 upon commencement
Balance upon delivery of report

Expenses: Expenses will be charged at cost and supported by receipts / invoices

Anticipated Timetable:

Phase 1, during the period 2nd to 9th June, 2x4 Man Days

Phase 2, during the period 13th to 18th June, 2x6 Man Days (including travel)

Phase 3, during the period 23rd to 24th June, 2x2 Man Days