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August 26, 2015

Mr. Keith L. Cooper De La Pena & Holiday LLP One Embarcadero Center, Ste. 2860 San Francisco, CA 94111

Re: Derek Smart - Your letter of August 21, 2015

Dear Mr. Cooper,

With respect to your above referenced letter, we are certainly aware of your client's rants on his internet blog and other internet message boards with his false and defamatory allegations. He has also released personal address information for some senior executives of the company, and our counsel are reviewing in this regard various legal actions for defamation and cyber stalking.

Your client backed the "Star Citizen" project in 2012 with a pledge of \$250. He commenced his defamatory actions in early July 2015 by alleging on his blog – without any basis or backup, and with many links to his own game in development - that the "Star Citizen" project was a fraud and that it was never going to be delivered. He pointed to "buggy" performances of the modules released as well as other deficiencies.

We were surprised about his claims, because our records indicate that he actually never downloaded and installed the game. He also unsubscribed from our email list very soon after having backed the project. Nonetheless, and in response to his eagerly promoted postings, we contacted him via email to advise him that given his concerns we were gladly refunding him his pledge (see Exhibit 1). In his response, your client thanked us for the refund and advised us of the address to which the refund check should be sent (see Exhibit 2). The refund check was mailed promptly (Exhibit 3).

Our regular accounting audits revealed after 30 days that the check had not been cashed while it had not been returned as undeliverable either. We researched the address and had to find out that the address given by your client does not exist. We contacted your client again via email, , only to find out that he indeed had provided us with a false address. He claimed that "streets had been renamed" (see Exhibit 4) but there is certainly no record of that. We have to assume that your client deliberately tried to prevent the refund from reaching him so that he would be able to continue his unfounded claim of being "aggrieved." Be that as it may, we have put a stop payment on the first check, and a second check has been sent today, this time via tracked courier shipment.

Your client's defamatory claims are entirely without merit and include unfounded allegations that the funds raised for the project were used improperly, even fraudulently. In this vain, your client is now asking for a "forensic accounting" to be made available to him. Firstly, there is obviously no legal basis for your client's request and your letter cites no such authority. Secondly, the ample information provided regularly on our extensive website, including monthly progress reports from each studio, published headcounts and the like, would enable any person familiar with the cost of game development to assess the proper spending of the funds raised. Your client claims to be such an experienced person, so we are a bit perplexed about this demand coming in particular from him. However, your client's past career performance, including struggles with tax liens and a bankruptcy proceeding, begs the question what makes him think that he is even qualified to review and properly assess the information demanded by him. The complete absence of any functioning or successful game having ever been released by him in his 20+ year "career" of game development further raises the question why he would consider himself qualified to cast any judgment on "Star Citizen." Unlike his endeavors in the game development field, "Star Citizen" and the modules and work released to date have received enthusiastic responses in the game community and press, a success that continues unimpeded despite your client's desperate efforts to harm it for his own publicity gains.

In the internet age every successful venture will have to deal with trolls. Your client's online communications combine baseless allegations with personal insults while at the same time promoting himself and his nascent and not yet functional game – the facts speak for themselves. We are certainly more than ready and willing to respond to any legal action that your client wishes to instigate.

In sum, your client's allegations and demands are completely without basis and hereby rejected in their entirety.

Nothing in this letter is intended to be, or is, a waiver of any rights of the Company or its senior executives who have been subject to abuse by your client. All such rights are expressly reserved. Thank you.

Sincerely,

Ortwin Freyermyth

Co-Founder, Vice-Chairman

& General Counsel

cc: William P. Donovan Jr., Esq., Cooley LLP

Attachments