

The Honorable Ricardo S. Martinez

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UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

CASCADE YARNS, INC., a Washington)
corporation,)

Plaintiff,)

v.)

KNITTING FEVER, INC., a New York)
Corporation, DESIGNER YARNS, LTD., a)
corporation of England, FILATURA)
PETTINATA V.V.G. DI STEFANO VACCARI)
& C. (S.A.S.) an entity organized or existing)
under the laws of Italy, SION ELALOUF, an)
individual, DIANE ELALOUF, an individual,)
JAY OPPERMAN, an individual, DEBBIE)
BLISS, an individual, DAVID WATT, an)
individual and DOES 1-50.)

Defendants.)

No. C10-00861 RSM

**PRAECIPE TO SUBSTITUTE
EXHIBIT E TO MEMORANDUM
OF LAW IN OPPOSITION TO
MOTION TO DISQUALIFY
PEPPER HAMILTON**

TO THE CLERK:

On August 2, 2010, the Defendants electronically filed a Memorandum of Law in Opposition to the Motion to Disqualify Pepper Hamilton and accompanying exhibits. Dkt. no. 47. Exhibit E is an engagement letter addressed to David Watt. At the time of filing, a copy of Exhibit E bearing Mr. Watt’s signature was not available. Please substitute the previously filed Exhibit E to the Memorandum of Law in Opposition to the Motion to

PRAECIPE TO SUBSTITUTE EXHIBIT E
(C10-00861 RSM) — 1

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Disqualify Pepper Hamilton, with the Exhibit E bearing Mr. Watt’s signature that is attached to this Praecipe.

Dated: August 12, 2010

s/ Deirdre E. McInerney
Joshua R. Slavitt
Deirdre E. McInerney
3000 Two Logan Square
Philadelphia, PA 19103
(215) 981-4000
(215) 981-4750 (fax)

Warren J. Rheume
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1201 Third Avenue, Suite 2200
Seattle, WA 98101

*Attorneys for Defendants Knitting Fever, Inc.,
Designer Yarns, Ltd., Sion Elalouf, Diane
Elalouf, Jay Opperman, Debbie Bliss, and
David Watt*

CERTIFICATE OF SERVICE

I hereby certify that on August 12, 2010, I electronically filed the foregoing documents with the Clerk of the Court using the CM/ECF system which will send notification of such filing to the following:

Robert Guite
rguite@ssd.com

DATED this 12th day of August, 2010

s/ Deirdre E. McInerney
Joshua R. Slavitt
Deirdre E. McInerney
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*Attorneys for Defendants Knitting Fever, Inc.,
Designer Yarns, Ltd., Sion Elalouf, Diane
Elalouf, Jay Opperman, Debbie Bliss, and
David Watt*

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EXHIBIT E

Pepper Hamilton LLP
Attorneys at Law

3000 Two Logan Square
Eighteenth and Arch Streets
Philadelphia, PA 19103-2799
215.981.4000
Fax 215.981.4750

Joshua R. Slavitt
direct dial: 215-981-4680
direct fax: 800-589-4728j
slavitt@pepperdew.com

August 2, 2010

Via Email

David Watt
Managing Director of Designer Yarns, Ltd.
Units 8-10
Newbridge Industrial Estate
Pitt Street, Keighley
West Yorkshire BD21 4PQ
England
Email: David@designeryarns.uk.com

Re: Engagement Letter

Dear Mr. Watt:

We are delighted to be representing you in connection with the lawsuit filed by Cascade Yarns in the District of Washington (the "Lawsuit").

Fundamental to a sound relationship is a clear understanding of the terms and conditions upon which we will be providing legal services. The purpose of this letter is to clarify and confirm the parties and scope of the engagement, and the nature of the services we will render. It also describes our billing policies, procedures and rates. Should you retain Pepper Hamilton LLP ("Pepper") for subsequent matters, the specifics of this agreement will remain the same unless otherwise communicated. The attachment to this letter, "Additional Terms of Engagement," contains other important aspects of the attorney-client relationship.

Philadelphia	Boston	Washington, D.C.	Detroit	New York	Pittsburgh
Berwyn	Harrisburg	Orange County	Princeton	Wilmington	

Pepper Hamilton LLP
Attorneys at Law

David Watt
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Scope of Engagement

Our engagement is to defend you in the Lawsuit filed by Cascade Yarns. Our acceptance of this engagement does not involve an undertaking to represent you or your interests in any matter other than that described in this paragraph.

Joint Representation

Let me take this opportunity to confirm your understanding of the consequences of our representing other defendants while we represent you with respect to the Lawsuit, and further to confirm that you consent to our representation of you under these conditions.

We have considered the allegations asserted in the Lawsuit, and we have concluded that our joint representation of you, as well as Filatura Pettinata, Designer Yarns, Debbie Bliss, Knitting Fever, Inc. ("KFI"), and individuals associated with KFI, namely, Sion Elalouf, Diane Elalouf, Jeffrey Denecke, and Jay Opperman (collectively with KFI, the "KFI Defendants"), does not present any current conflict of interest.

The attorney-client privilege applies to communications between counsel and jointly represented clients. Although such communications are privileged as against third-parties, the general rule is that communications between counsel and jointly represented clients are not privileged as between the jointly represented clients. Thus, any communications other jointly represented clients have with us about the Lawsuit are not privileged as to you. Likewise, the information you provide to the Firm will be used for the benefit of and may be disclosed to other jointly represented clients in connection with the defense of the Lawsuit.

We believe it is extremely unlikely that any future conflict of interest would arise that would compromise our representation of you and the other jointly represented clients. However, in the unlikely event that a dispute arises between you and any of the other jointly represented clients relating to the issues raised in the Lawsuit, you specifically agree that Pepper Hamilton would not continue to represent you but would continue to represent the KFI Defendants. If appropriate, the Firm will assist you with arrangements to secure new counsel. You understand and agree that in its continuing representation of the KFI Defendants, the Firm may use, as it deems appropriate, any information that it received from you during the period of joint representation. You further agree that you will not seek disqualification of the Firm in that circumstance.

I can assure you that representation of the KFI Defendants or any of the other jointly represented clients will in no way adversely affect our vigorous joint representation of you as well.

Pepper Hamilton LLP
Attorneys at Law

David Watt
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Attorneys Providing Services

I will be the attorney responsible for this representation. From time to time, I may ask other Pepper attorneys and paralegals to assist me in providing quality legal services in an efficient, economical manner and to take advantage of special expertise. We always attempt to have work done for clients by the person or persons with the most suitable legal experience and seniority level, and we will follow that principle in representing you in this engagement. If at any time you have questions regarding staffing or performance, please call me. It is important that you are satisfied with our services and responsiveness at all times.

Fees

In accordance with your agreement with KFI, all work will be billed monthly to KFI at our regular hourly rates which we traditionally adjust each January 1. All work in this matter will be billed at our normal hourly rates, which we believe to be highly competitive. My current hourly rate is \$500. The current hourly rate range other personnel who may assist me is as follows: partners, \$420 to \$620; associates, \$230 to \$360; paralegals, \$75 to \$200; other professional support staff, \$35 to \$60. We traditionally adjust these rates each January.

We are keenly aware of time expenditures and make every effort to achieve the most cost-effective mix of hours, rates and experience. Our bills will be reviewed by me before being sent to assure that we are delivering our services as efficiently as we can.

All payments are to be made free of any withholding of tax. Should you be obligated to withhold taxes on payments to be made, the payment is to be increased so that after the withholding of the tax Pepper receives the amount of the invoice.

Disbursements

In accordance with your agreement with KFI, they will also be billed monthly for disbursements and ancillary services in this matter. These items, including telephone charges, copying, fax services and computerized legal research, are listed on the enclosed "Summary of Charges for Ancillary Services." Disbursements are not always available on a current basis, so they may be billed in subsequent statements.

If it becomes necessary for us to obtain services on the client's behalf from suppliers outside Pepper (for example, deposition transcripts), we may make payment for charges under \$500 and list such payments as expense items in our monthly bills. When the charge is \$500 or more, and in other instances when the bill is to be forwarded to the client for payment, we will first review it for appropriateness. Expert witnesses will be engaged only with your prior approval. We will seek your approval for vendors if substantial expenses are anticipated. Our personnel travel Metroliner or

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Attorneys at Law

David Watt
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Acela class for rail transportation, and business class (or first if business class is not available) for international travel of more than two (2) hours anticipated duration or domestic travel of more than five (5) hours anticipated duration, and coach class for all other air transportation.

Billing Arrangement

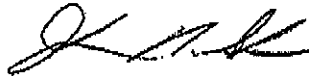
Our monthly statements will provide a detailed listing of the services performed. We require payment of our statements within 30 days of the statement date. Any outstanding balance for which payment has not been received within 60 days of the statement date will begin to accrue interest charges at a rate of two points (2%) over prime. If payment of any of our billings is not made within 60 days of the statement date, Pepper reserves the right to withdraw as counsel to you, and you agree that you will not object to any motion that Pepper files to withdraw from its representation on that ground. Such a withdrawal or motion will not affect the obligation of KFI to pay Pepper the amounts set forth in billing statements that Pepper sends to them.

We do not anticipate having any disagreement with you about the quality, cost or appropriateness of our service. If, however, you have questions or concerns about these subjects, please notify us immediately. We want to answer your questions as soon as possible. In addition, Pepper commits with you to engage in good faith negotiations to attempt to resolve any and all billing issues quickly and fairly.

I encourage you to discuss with me any questions that you may have concerning any of these arrangements. We are most pleased that you have engaged us for this matter and we will make every reasonable effort to assist you in achieving your objectives.

I ask that you confirm your agreement with the terms of retention set forth in this letter by signing this letter as provided below and returning the signed letter to me. Please retain a copy for your records.

Sincerely yours,

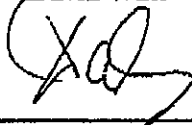


Joshua R. Slavitt

Enclosures:
Additional Terms of Engagement
Statement of Ancillary Charges

The undersigned acknowledges and agrees to the terms of representation by Pepper Hamilton LLP as set forth in this letter and the accompanying additional terms of engagement.

David Watt



3. August 2010