

May 13, 2006

Charles A. Tweedy
Moyer, Parshall & Tweedy, LLP
11341 Gold Express Drive, Suite 110
Gold River, California 95670

Mark Bixby, Contractor License # 571821
MJB Bixby Construction Inc.
5852 88th St. # 800
Sacramento, CA 95828

RE: Settlement of Construction Claim Against MJB Bixby Construction

Dear Mr. Tweedy and Mr. Bixby:

Mr. and Mrs. Emil and June Relat have been reviewing the forms to submit for voluntary arbitration with the State Contractors License Board, which are due by May 21, 2006. The amount of the Relat claim is \$33,960, as stated in previous letters. However, they will agree to substantially less for purposes of expediting settlement and avoiding additional costs required for arbitration. In addition, the Relats will withdraw their claim filed at the State Contractor's License Board, File Number NA 2004 17831.

To settle the dispute, they will sign the attached release of liability if Mr. Bixby agrees to the following terms and conditions:

Settlement Terms and Conditions

1. Mr. Mark Bixby agrees to pay Mr. and Mrs. Emil and June Relat \$16,980. This amount represents a portion of the costs to complete construction of their guest house and required to correct the disputed faulty work performed by MJB Bixby Construction, Inc., under the May 24, 2004 contract, as amended. These costs are related to the following:
 - Additional paneling and labor to remove and replace interior wall panels in guesthouse.
 - Reconstruction of the wall segment in the upstairs loft area that was needed to support the top ridge-beam, which Mr. Bixby claims he would have replaced.
 - Reconstruction of loft railing, which Mr. Bixby claims he would have replaced.
 - Replacement of missing segments of ridge support along the interior walls of building.
 - Spiral staircase and installation.
 - Completion of shower.

2. Mr. Bixby agrees to waive any claim for additional payment under the May 24, 2004 contract, as amended, with the Relats for construction of the guesthouse.
3. The Relats' agree to waive the costs of all other disputed work required to complete the guesthouse in the amount of \$16,980 and to release Mr. Bixby of any current and future liability for this disputed claim.

The Relat's believe this is a generous and equitable settlement of the disputed issues and believe it is in the best interest of both parties to settle and avoid added costs for arbitration. Please call me to discuss the proposed settlement so we can arrange to meet and prepare the necessary paperwork.

Sincerely,

Cathy Crothers (916) 549-5758

Cathy Crothers
(Daughter of Mr. and Mrs. Relat)
4304 Hussey Drive
Carmichael, CA 95608

Attachment: Release of Liability and Waiver of Claims

cc: Emil and June Relat
1020 San Ramon Way
Sacramento, CA 95864

David Cardenas
Investigation Unit
State Contractor License Board
P.O. Box 269116,
Sacramento, CA 95826-9116

HCC Surety Group
American Contractors Indemnity Company
Attn: Kathy Ho
Claims Examiner
9841 Airport Boulevard, 9th Floor
Los Angeles, CA 90045

Ken Relat
2715 Greenwood Avenue
Sacramento, CA 95821

Release of Liability and Waiver of Claims
Between
Emil and June Relat
And
Mark Bixby and MJB Bixby Construction, Inc.

Mr. and Mrs. Emil and June Relat ("RELATS") and MJB/Bixby Construction, Inc., ("BIXBY") hereby agree to settle their dispute regarding construction of outbuilding at 1020 San Ramon Way, Sacramento, California, for the RELATS under the contract between them, dated May 24, 2004, and as amended. By agreeing to settle this disputed claim, none of the parties make any admissions as to liability for any claims made now, or in the future, under this contract.

In consideration of payment of \$10,000 made by BIXBY to the RELATS immediately following the execution of this agreement, RELATS release BIXBY from claims arising under the May 24, 2004 contract, as amended, (the "Contract") for construction of their outbuilding at 1020 San Ramon Way and as identified in the claim File Number NA 2004 17831 with the State Contractor's License Board, and agree to withdraw said complaint immediately upon receipt of payment. BIXBY agrees to waive any claims for additional payment by the RELATS related to the May 24, 2004 contract, as amended.

The above-mentioned parties, and each of them, on behalf of themselves and their descendants, ancestors, dependents, heirs, executors, administrators, assigns, agents, servants, stockholders, employees, representatives and successors, hereby fully releases and discharges the other parties, and each of them, and the other parties' descendants, ancestors, dependents, heirs, executors, administrators, assigns, agents, servants, stockholders, employees, representatives, and successors from all rights, claims and actions which each party and its above-mentioned successors now may have or hereafter have against any other parties. Said release and discharge is from all claims, demands, actions and causes of action of every kind or character, known or unknown, arising out of or related to the Contract, and including, but not limited to, those claims stated in the claim File Number NA 2004 17831 with the State Contractor's License Board.

Each of the undersigned agrees that this release shall not be deemed or treated as an admission of liability or responsibility by the persons or entities herein sought to be released, and each of the undersigned warrants that no promise or inducement has been offered, except as herein set forth, for the giving of this release; that this release is executed without reliance upon any statement or representation by the person or parties released or their representatives, concerning the nature and extent of the injuries and/or damages and/or legal liability therefor; that each of the undersigned is of legal age, legally competent to execute this release, and accepts full responsibility therefor and executed this release after advice and consultation with its attorney.

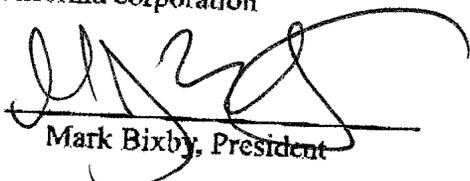
This Agreement constitutes the entire Agreement between the parties pertaining to the subject matter contained herein and supersedes all prior and contemporaneous agreements, representations and understandings of the parties with respect to this matter. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by all the parties. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No

waiver shall be binding unless executed in writing by the party making the waiver.

We Hereby Agree As Indicated By Our Signatures Below.,

MJB BIXBY CONSTRUCTION, INC.
a California corporation

By:



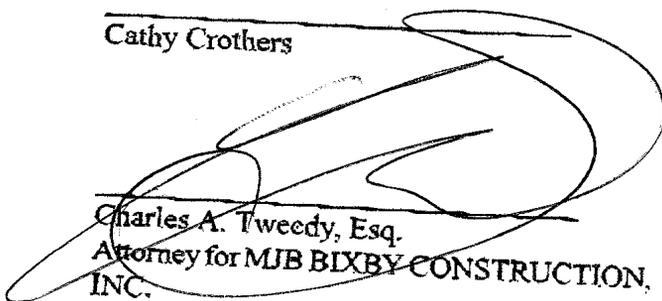
Mark Bixby, President

Emil Relat

June Relat

APPROVED AS TO FORM AND CONTENT

Cathy Crothers



Charles A. Tweedy, Esq.
Attorney for MJB BIXBY CONSTRUCTION,
INC.