

October 21, 2009

Mr. Joe Frazzano
J. ROCKCLIFF REALTORS
4105 Blackhawk Plaza Circle
Danville, CA 94506

RE: [REDACTED] Short Sale, [REDACTED], San Ramon, CA
Note and Deed of Trust, Doc. No. [REDACTED]

Dear Mr. Frazzano:

You have (i) provided us with documentation regarding the proposed sale of the above-referenced property in the amount of \$650,000.00 ("the Sale") and (ii) requested that in connection with the Sale, Ponderosa Homes II, Inc., Shapell Industries, Inc., The O'Brien Group and Mardell, LLC (the "Creditors") accept a partial or "short" payment in the amount of \$20,000.00 in full satisfaction of the above referenced debt. This proposed payment is less than the full amount currently owed.

This letter confirms that, subject to the following conditions, the Creditors will accept a payment in the amount of \$20,000 (the "Payoff Amount") in full satisfaction of the above-referenced debt.

1. The Sale must close on or before December 15, 2009.
2. Neither buyer or seller can receive any cash proceeds from the sale; and
3. The Payoff Amount, in certified funds or via wire transfer, must be received by Ponderosa Homes at the address specified below no later than 5:00 Pacific Time on December 16, 2009.

Ponderosa Homes II, Inc.
6671 Owens Drive
Pleasanton, CA 94588
ATTN: Linda F. Morasch

4. The realtor commission cannot exceed 6% of the sale price
5. A copy of the final, fully executed HUD-1 settlement statement as signed at the closing must be received by Ponderosa Homes at the address listed above no later than 5:00 Pacific Time on December 16, 2009.

In the event the Sale does not close on or before the date specified above or in the event you fail to satisfy the terms and conditions specified above, the Creditors agreement to accept a "short" sale does not close on or before the date specified above or in the event you fail to satisfy the terms and conditions specified above, the Creditors agreement to accept a "short" payment in satisfaction of the above-referenced debt shall be null and void. Please note that this agreement cannot be modified, extended or altered in any way from the terms and conditions set forth in this letter.

You should also understand that the Creditors are not providing any advice with regard to the possible federal or state income tax consequences of the Sale or the Creditors acceptance of less than the full amount of the debt. Nor does this letter in any way release the seller from any legal or civil liabilities related to the failure to repay the full amount of the above-referenced debt.

Assuming all of the terms and conditions of the letter are fully and timely satisfied, the Creditors will release their lien on the subject property in accordance with applicable law and regulation.

Regards,

PONDEROSA HOMES II, INC.

By: *Jamela J. Monasch*
Its: CHIEF FINANCIAL OFFICER

SHAPELL INDUSTRIES, INC.

By: _____
Its: _____

THE O'BRIEN GROUP

By: _____
Its: _____

MARDELL, LLC

By: *Dea Mark*
Its: MEMBER