

HECHT
SOLBERG
ROBINSON
GOLDBERG
BAGLEY
LLP

JAMES G. EHLERS
E-Mail: jehlers@hsrgb.com

November 1, 2006

Via Facsimile & U.S. Mail
(619) 260-9010

RECEIVED
NOV 02 2006

Jonathan D. Massie
Attorney at Law
Massie & Berman
3588 Fourth Ave., Suite 200
San Diego, CA 92103

Re: Pinnacle Museum Tower Project

Dear Mr. Massie:

This letter will serve to respond to your letter of October 20, 2006 and to confirm various matters which you and I have discussed. This will confirm that our client, Pinnacle Market Development and Pinnacle International Development, will be responsible for leaks to the plumbing system at Pinnacle Museum Tower Project, including repairs to those leaks and the damages contemplated in Civil Code § 944. In that connection, in your letter of October 20, 2006 you mentioned a leak on April 8, 2006. We are unaware of a leak on that date. The leaks of which we are aware occurred on December 5, 2005, September 6, 2006 at Unit 1006, September 13, 2006 at Unit 705, September 15, 2006 at Unit 403 and October 4, 2006 at Unit 1506. If you have any further information on the alleged leak on April 8, 2006, please furnish us the details of that leak.

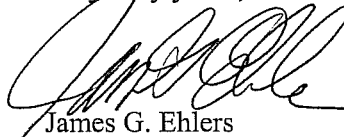
This will also confirm that Pinnacle has assumed responsibility for Har-Bro Construction v. Pinnacle International Development as well as all other claims by Har-Bro for work performed at Pinnacle Museum Tower Project. Recently, our client has resolved all outstanding claims by Har-Bro for work performed at the Pinnacle Museum Tower Project with the sole exception of work done at Unit 605. The work at that Unit was retained by the individual homeowner. As part of the resolution with Har-Bro, the mechanic lien recorded against the Project and several of the Units will be released. We will be pleased to furnish you with a copy of that lien release once it is recorded.

This will acknowledge receipt today of your letter of October 30, 2006 forwarding to us invoices from Power Communications Systems, Inc. I have forwarded them onto our client to verify that those invoices are for damages as a result of plumbing leaks. If that is the case, our client will be responsible for those damages.

With respect to your request that Pinnacle reimburse the Home Owner Association for any insurance premium increase or increase in the deductible, please be advised that our client will not be responsible for any premium increase or increase in the deductible. By separate letter to Fireman's Fund, we have notified the carrier that Pinnacle has assumed responsibility for and has settled with Har-Bro for all claims by Har-Bro relating to plumbing leaks. A copy of our letter to Fireman's Fund is enclosed for your convenient reference.

Jonathan D. Massie
November 1, 2006
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Very truly yours,

A handwritten signature in black ink, appearing to read 'J. Ehlers', with a long horizontal flourish extending to the right.

James G. Ehlers

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JGE/jp
317318_1

cc: Pinnacle International Development, Inc.

November 1, 2006

C. Timothy Bitner
Fireman's Fund Insurance Company
5 Peters Canyon
Irvine, California 92606

Re: Pinnacle Museum Tower

Dear Mr. Bitner:

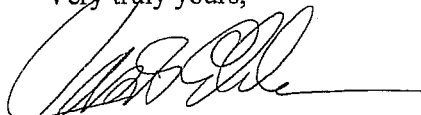
This office is counsel for Pinnacle International Development, Inc. and Pinnacle Market Development (US), LLC, the general contractor and developer of the Pinnacle Museum Tower Project. On August 15, 2006, we tendered the Har-Bro Construction and Consulting, Inc. lawsuit to you for defense.

Our client's have reconsidered the matter and have advised the Pinnacle Homeowner Association that it will be responsible for leaks in the plumbing system at the Project, which, of course, would include the leak which was the subject of the Har-Bro Construction lawsuit.

We have notified the Homeowner Association of Pinnacle's position and we have recently resolved, not only the Har-Bro lawsuit, but all other claims for work performed by Har-Bro at the Project with one small exception, which relates to a unit where the homeowner retained Har-Bro.

I presume that the foregoing has been brought to your attention and if you have any questions please let me know.

Very truly yours,



James G. Ehlers
HECHT SOLBERG ROBINSON GOLDBERG & BAGLEY LLP

JGE/jp

Enclosure

cc: Pinnacle International Development, Inc.
Jonathan D. Massie, Esq.