

PATRICK J. McNEIL
A PROFESSIONAL CORPORATION
MARK J. RICE
A PROFESSIONAL CORPORATION
SALLY B. WEST
NEIL W. WILEY

LAW OFFICES
OF
McNEIL, SILVEIRA, RICE,
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RONALD A. SILVEIRA
1948-2000

August 5, 2004

LETTER VIA FACSIMILE - (925) 673-7191
WITH ENCLOSURES VIA UPS NEXT DAY AIR

Geoffrey M. Faust, Esq.
The Law Offices of Geoffrey M. Faust
3300 Morgan Territory Road
P. O. Box 751
Clayton, CA 94517

Re: **Robin P. Roderick v. Mazzetti & Associates, Inc.**
INADMISSIBLE SETTLEMENT OFFER - EVIDENCE CODE § 1152(a)

Dear Mr. Faust:

When we last spoke in mid-July 2004, I advised you that I believe that the upshot of your claim - that the ESOP should have acquired stock - would not lead to any significant change in company stock value vis-a-vis the 2003 book value valuation of \$858.27 per share. That is, the dot.com bust - which significantly affected Mazzetti & Associates, Inc.'s income and value since it serviced the technological hotel and server stations. This means that no matter what valuation method was used - book value, ESOP valuation or an "ARM" valuation, the stock value in 2003 and 2004 would be close to the book value. In other words, even if you were able to prove that the ESOP should have owned stock earlier or should have applied a different formula than book value (which I disagree with), the net result would be only small difference over the span of 20 shares of stock.

In that regard, you asked by letter for documentation that would establish the current company valuation to support what I expressed to you. In that regard, I enclose the Limited Valuation of Mazzetti & Associates, Inc. as of June 23, 2004 performed by American Qualified Plans, Inc., the ESOP administrator. Note that the value per share as of June 23, 2004 is \$987.75 per share. This represents \$129.48 more per share than the book value in 2003 of \$858.27 per share. The difference over Mr. Roderick's 20 shares of Mazzetti stock is \$2,589.60 total (assuming that Mr. Roderick had remained a Mazzetti employee through 2004).

Obviously, as I previously indicated, this amount of money, \$2,589.60 is not worth quibbling over. By this letter, Mazzetti & Associates has authorized me to offer to pay Mr. Roderick an additional \$2,589.60 over and above his 2003 book value stock valuation of \$858.27 over the 20 shares. That is, Mazzetti will pay a total of \$19,755 for the 20 shares of stock (i.e. at \$987.65 per share), less the set off for the unpaid loan of approximately \$6,000, to settle all issues and claims.

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WILEY & WEST**

As you well know, everyone in the dot.com industry in 1999-2000 rode the coattails of that industry, both up and, eventually, downward when the dot.com industry fell apart. That, too, affected Mazzetti's earnings and earning projections as noted in the June 23, 2004 valuation enclosed and belt-tightening at Mazzetti.

Please advise. This settlement offer shall remain open for fifteen (15) days from the date of this letter.

Very truly yours,



MARK J. RICE

MJR/nv

Enclosures

cc: Mazzetti & Associates, Inc. (via facsimile only, without enclosures)

**LIMITED VALUATION OF
Mazzetti & Associates, Inc.**

as of June 23, 2004

AMERICAN QUALIFIED PLANS, INC.
5976 W. Las Positas Blvd., Suite 104
Pleasanton, CA 94588

June 23, 2004

To: The Trustees of Mazzetti & Associates, Inc. ESOP

General

This limited valuation has been prepared for the Trustees of the Mazzetti & Associates, Inc. ESOP and is effective as of June 23, 2004. It has been performed for ESOP stock sale purposes. The interest being valued is 100% of the common stock of Mazzetti & Associates, Inc., a California C Corporation, on a marketable minority interest. The premise is an on-going concern. This report is limited in scope in terms of certain subjects about which the trustees are already aware such as the company's background, competition and the nature of the industry.

The Discounted Future Earnings Method was used to determine the fair market value of \$987.75 per share. There were a total of 3,588 shares outstanding as of June 23, 2004 resulting in a company value of \$3,544,047. Discounted Future Earnings is the most appropriate method in the opinion of the appraiser and is consistent with professional service firms similar to Mazzetti & Associates, Inc. The method is illustrated later in the report.

Factors in determining the fair market value of the common stock involved historical earnings, management's projected earnings and trends and the nature of the company's operations. In addition, other factors relating to the industry and the general economic outlook were reviewed. The standard of value for an ESOP appraisal is fair market value as defined in Revenue Ruling 59-60 as:

"...the price at which the property would change hands between a willing seller and a willing buyer when the former is not under any compulsion to sell, both parties having reasonable knowledge of all relevant facts."

In addition, fair market value for purposes of this appraisal takes into consideration those facts and circumstances unique to the ESOP such as the effect of pretax contributions made to an ESOP, voting rights of stock held in ESOP, IRC 4975 (e)(7) - "put option" language, IRC 409 - distribution requirements, financial condition of ESOP Trust and ownership of company stock.

Assumptions & Limiting Conditions

1. This valuation has been prepared only for the purpose described above and only reflects facts and circumstances known to the best of my knowledge as of the valuation date.