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FROM: J. Gary Linder

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December 13, 2007

Via Facsimile

Steven W. Cheifetz  
CHEIFETZ IANNITELLI MARCOLINI P.C.  
1850 North Central Avenue, 19<sup>th</sup> Floor  
Phoenix, Arizona 85004

Re: Doshier v. Apache Wells Homeowners Association, Inc.

Dear Steve:

The purpose of this letter is to follow up on our recent discussions regarding a possible settlement of this matter and is being made pursuant to Rule 408 of the Arizona Rules of Evidence. As you know, the Association's insurer, Auto Owners, is defending the lawsuit brought by your clients. Auto Owners has agreed to contribute additional money above the \$30,000 offered at the settlement conference. However, as we have discussed, this dispute includes non-economic issues that will also need to be resolved by way of a Settlement Agreement. The Board of Directors and Auto Owners have authorized me to resume settlement negotiations with your clients with the hopes of bringing this matter to a complete resolution as soon as possible.

I have been authorized to offer \$50,000 in exchange for a Dismissal with Prejudice of the lawsuit currently pending in front of Judge Hicks. All parties would bear their own costs and fees. The Board of Directors has authorized me to make this offer with the understanding that the Association will be foregoing the right to appeal Judge Hicks' ruling regarding the interpretation of the Special Assessment Bylaw.

In addition to dismissing the lawsuit, the Association also requires Plaintiffs to agree that no future action will be filed with regard to the current status of the amount of the transfer fee. The parties would dismiss the current action related to the transfer fee, which would include the application for attorneys' fees filed by the Association. The Settlement Agreement will need to contain language that assures the Association that none of the Plaintiffs in this matter will bring any future actions regarding the transfer fee. The current ruling of the Superior Court would stand as to the reversal of the Administrative Law decision.

The parties also need to agree to fully cooperate in an open process to resolve all disputes short of litigation, and will work together to amend the Bylaws and CC&Rs to be consistent with current law, and to bring clarity to any issues in conflict.

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*JONES, SKELTON & HOCHULL, P.L.C.*

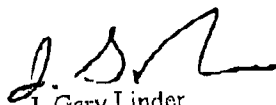
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I am confident we can come to an agreement regarding the language of a Settlement Agreement. The overriding goal of this proposal is to end this dispute so that the Association can move forward and focus on making Apache Wells a better place to live.

I understand you have over 90 clients in this matter and that seeking approval of a settlement in this matter may take some time. I will need each of them to sign the Settlement Agreement. I look forward to hearing back from you and am hopeful we can bring this matter to conclusion before the end of the year.

Sincerely,



J. Gary Linder  
For the Firm

JGL/gsz

Enclosure

cc: Eric Jackson  
Marvin Stoll

1858330.

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