

BARGER & WOLEN LLP

633 West Fifth Street
Forty-Seventh Floor
Los Angeles, California 90071-2043
Telephone: (213) 680-2800
Facsimile: (213) 614-7399

ROBERT J. CERNY
(213) 614-7333
rcerny@barwol.com

PLEASE REFER TO
OUR FILE NUMBER:
10298.000

June 20, 2007

VIA EMAIL

Gene Magre
President
Contractors Asset Protection Group Inc.
140 Marine View Dr., Suite 202
Solano Beach, CA 92075

Re: ConAPA

Dear Gene:

You asked that we explain the business model of Contractors' Asset Protection Group, Inc. ("ConAPA") and describe our representation and relationship with you and the company over the last several years.

You approached us in early 2004 to assist with respect to ConAPA's program to provide a number of services to California small employers, which includes an alternative to the high cost of workers' compensation insurance. The program assists businesses to designate key employees as officers and shareholders, meeting the applicable exemption from the workers' compensation requirements under California Labor Code section 3351(c). The program provides designated shareholder/officers 24-hour accident and health, disability and life insurance coverage comparing favorably with the California-mandated workers' compensation benefits, at a substantial savings.

In 2004, the State Compensation Insurance Fund ("SCIF") rejected exemption requests of some ConAPA clients and required those clients to cover designated officer/shareholders as employees. After reviewing the matter, we concluded that SCIF did not have a reasonable basis to reject the exemption requests, as section 3351(c) contains no limitations or parameters for meeting the exemption. Ultimately, ConAPA was able to provide its clients with an alternative workers' compensation carrier, in light of the unique benefits of the program and low loss ratios that resulted.

Please note that while section 3351(c) has no limitation, a court or regulator will review officer/shareholder designations to determine whether they are legitimate, or whether

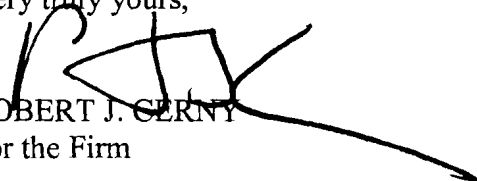
BARGER & WOLEN LLP

Gene Magre
June 20, 2007
Page 2

they are a subterfuge to avoid the workers' compensation statutes. This question will be one of fact, and we can provide no guaranty of the outcome of any such inquiry. We have therefore advised that ConAPA clients designate officer/shareholders only where their officer roles are legitimate and meet the standards set forth in the relevant authorities, and where more than a token number of shares of the applicable entity have been issued. We have reviewed ConAPA's guidelines and standards and believe them to be reasonable. We further note that, to date, we are not aware of any investigation or other administrative action by the California Department of Insurance, or other regulator, in connection with the ConAPA program.

We have enjoyed working with you in connection with this innovative program, and look forward to our continued relationship. Please feel free to give me a call if you would like to discuss.

Very truly yours,



ROBERT J. CERNY
For the Firm

RJC:car