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January 30, 2017

River Ridge Construction
4637 N. Pleasant View Road
Newkirk, Oklahoma 74647

RE: Kay County Overpayments or Unlawful Payments
Total Amount: \$ 516,000.00

Dear Mr. Darren Wood:

Please consider this letter to be a formal demand for payment of certain funds which were either overpayments or unlawful payments remitted by Kay County, Oklahoma. These amounts were discovered by the Oklahoma State Auditor and Inspector during a Special Audit conducted in 2015 and released for publication on December 2, 2015. The amounts due are as follows, to-wit:

1. Amount Due: \$ 516,000.00.

It was discovered that on the Blackwell Wind Farms Road Project, your company submitted invoices for payment which exceeded the formally bid project by \$516,000.00. Of this amount, \$470,700.00 is attributed to 26,150 ton of rock on the project. The bid packet on the project specifically stated that all rock purchases were part of the total amount bid on the project. In other words, the project was bid as complete project and line items, such as rock and signage, were not allowed. River Ridge Construction's bid specifically set forth a per mile charge for the work to be completed and then listed a "Grand Total" of \$955,500.00 at the bottom. The bid amount covered 32 miles of road work.

River Ridge Construction submitted an invoice for \$ 603,900.00 for 20 miles of work. Additionally, River Ridge was paid \$ 470,700.00 for rock purchases which were not allowed per the bid language. Additionally, River Ridge was also paid \$ 34,800 for "labor mobilization" which was not included in the bid nor allowed by law. Finally, River Ridge submitted an invoice item for \$10,500.00 on this project for "Road Mileage Overcharge" which was not included in the bid nor allowed by law.

We understand that the State Auditor may be mistaken in their facts. We would be more than willing to hear your side of the story. Please contact us immediately with any explanation you have concerning this matter. If this office does not hear from you within 30 days of the date of this letter, we will proceed with collection efforts in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "B.T. Hermanson", with a long horizontal line extending to the right.

BRIAN T. HERMANSON
District Attorney

THIS IS AN ATTEMPT TO COLLECT A DEBT. ANY INFORMATION OBTAINED WILL BE USED IN
EFFORTS TO COLLECT THE DEBT.

HENRY D. HOSS
ATTORNEY AT LAW

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February 16, 2017

Brian T. Hermanson, Esq.
Eighth District Attorney
Kay County Courthouse
201 South Main
Newkirk, OK 74647

Re: River Ridge Construction

Dear Mr. Hermanson:

We are responding on behalf of our client River Ridge Construction to your January 30, 2017 letter to Darren Wood. On behalf of River Ridge Construction and Mr. Wood, we appreciate you taking time to review the evidence regarding the issue raised by the Oklahoma State Auditor in its special audit conducted in 2015. River Ridge disagrees with the statements and conclusions set forth in that audit, including the one raised in your letter.

Blackwell Wind Farms Road Project.

The Kay County District No. 3's instructions for bidders on the Project specifically provided that the "bid will be by the mile" and would consist of "Compact[ing] and lay[ing] 1,000 tons of 1 ½' crusher run rock." A copy of the District's instructions are set out below:

Blackwell Wind Farm Project

Kay County District #3 is going out to bid for the following:

- Clean ditches if needed
- Compact and lay 1,000 tons 1-1/2 inch crusher run rock
- Bid will be by the mile
- Bidder will be responsible for all construction signage as well as rock purchases

In compliance with the District's instructions, River Ridge based its bid on providing 1,000 tons of 1 ½' crusher run rock per mile. If additional rock were required, River Ridge agreed to haul it at \$18.00 per ton and lay and compact each additional 1,000 tons of rock for \$2,500.00. A breakdown of River Ridge's bid is set forth below.

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WIND FARM ROAD PROJECT

DITCH CLEANING BY THE MILE

w/ Rock & Compaction

ROAD NAME	MILE #1	PRICE	MILE #2	PRICE	MILE #3	PRICE	MILE #4	PRICE
CANTEEN ROAD	\$ 28,300		\$ 28,300		\$ 33,500		\$ 31,000	
BRAKE ROAD	\$ 33,500		\$ 33,500		\$ 32,000		\$ 20,500	
ADOBE ROAD	\$ 33,500		\$ 32,000		\$ 31,500		\$ 28,300	
156 TH ROAD	\$ 28,300		\$ 33,500		\$ 28,300		\$ 31,500	
140 TH ROAD	\$ 28,300		\$ 28,300		\$ 28,300		\$ 28,300	
124 TH ROAD	\$ 28,300		\$ 32,000		\$ 32,000		\$ 20,500	
108 TH ROAD	\$ 28,300		\$ 33,500		\$ 33,500		\$ 28,300	
92 TH ROAD	\$ 28,300		\$ 33,500		\$ 28,300		\$ 28,300	
TOTALS	\$ 236,800		\$ 254,600		\$ 247,400		\$ 216,700	

GRAND TOTAL \$ 955,500

ROCK HAULED BY THE TON \$ 18⁰⁰

LAY & COMPACT- 1,000 TON OF ROCK BY THE MILE \$ 2,500⁰⁰

After awarding the bid, the District made several changes to the Project's scope. The District required more rock per mile and did not have River Ridge do all the work on each road. A breakdown of the roads River Ridge completed is set out in the following spreadsheet.

Blackwell Wind Farm: District 3's Request for Bid Specified 1000 Tons of 1 ½' crusher run rock per mile.					
Invoice #	Road #/Mile	Bid	River Ridge Billed	Total Billed by Inv.	Should have Bill
5625	Mobilization - 140th/1		\$34,800.00		\$28,300.00
				\$34,800.00	
5656	108th/1	\$28,300.00	\$28,300.00		\$28,300.00
	108th/2	\$33,500.00	\$33,500.00		\$33,500.00
	108th/3	\$33,500.00	\$33,500.00		\$33,500.00
Total Invoice				\$95,300.00	
5664	124th/1	\$28,300.00	\$28,300.00		\$28,300.00
	124th/2	\$32,000.00	\$32,000.00		\$32,000.00
Total Invoice				\$60,300.00	
5678	140th/3	\$28,300.00	\$28,300.00		\$28,300.00
	140th/4	\$28,300.00	\$28,300.00		\$28,300.00

	Adobe Rd/3	\$31,500.00	\$31,500.00		\$31,500.00
	124th/3	\$32,000.00	\$32,000.00		\$32,000.00
	124th/4 (108th/4)	\$20,500.00	\$28,300.00		\$28,300.00
Total Invoice				\$148,400.00	
5684	140th/3 (140th/2)	\$28,300.00	\$29,650.00		\$28,300.00
	Brake/3	\$32,000.00	\$33,350.00		\$32,000.00
Total Invoice				\$63,000.00	
5695	Canteen/1	\$28,300.00	\$28,300.00		\$28,300.00
"	Canteen/2	\$28,300.00	\$28,300.00		\$28,300.00
"	Canteen/4	\$31,000.00	\$31,000.00		\$31,000.00
"	Break/2 (Break/1)	\$33,500.00	\$33,500.00		\$33,500.00
"	Brake/4	\$20,500.00	\$20,500.00		\$20,500.00
"	92nd/2 (92th/3)	\$33,500.00	\$33,500.00		\$28,300.00
"	156th/1	\$28,300.00	\$28,300.00		\$28,300.00
"	156th/2	\$33,500.00	\$33,500.00		\$33,500.00
River Ridge under billed \$63,000 on inv # 5695.			(\$63,000.00)		
Total Invoice				\$173,900.00	
			\$575,700.00		\$624,300.00

This spreadsheet squarely addresses two issues raised by the Auditor, the mobilization fee (Invoice # 5625) and the \$10,500 incorrect mile charges (Invoices # 5684 and # 5695). Even if mobilization should not have been charged by River Ridge, it was entitled to charge for the work it did on 140th Street mile one which was not otherwise invoiced. Likewise, although there were mistakes on invoices # 5684 and # 5695, the biggest mistake was to the detriment of River Ridge. If one adds the amounts that should have been charged for the eight miles of road work reflected on invoice #5695, you will see that the total charge should have been \$231,700.00. River Ridge unfortunately, totaled the invoices wrong reflecting a total of only \$173,900.00 on the invoice. The District paid the lesser amount to River Ridge leaving a balance owed on those eight miles of \$63,000.

The other charges relate to the additional rock that River Ridge provided to District No. 3. On the remaining roads and possibly some roads not originally set out in the request for bids, the District elected to do some of the work on its own and have River Ridge haul rock in order to

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save the District money. River Ridge complied with its request per the bid and provided that rock at \$18.00 per ton. The total amount of additional rock hauled at \$18.00 per ton is 30,408 additional tons. The charge for this should have been \$547,344. However, on invoices nos. 5633 and 5699, River Ridge charged only \$470,700.

As a result, River Ridge believes that it underbilled the District \$173,864.88 for this work. We would welcome the opportunity to discuss this matter with you.

Sincerely,

Henry D. Hoss

HDH/rp
Enclosure