

LANDARIZONA/JAK LLC

October 11, 2023

Dear Ms. Emma Poeling for Rodney Schlesenger:

The Owner is preparing to "wire transfer" the final payment amount into Mr. Schlesenger's Wells Fargo Bank account, minus offsets, once the Conditional Release is corrected, as outlined below.

The corrected amount reflects deductions the Owner is claiming due to the need for the Owner to pay more for material and labor than agreed upon.

The Owner is offsetting HT4's final invoice as follows:

1. According to the Agreement between HT4 and Landarizona JAK LLC, executed on July 6, 2023, and specifically referring to **Earthwork for Road**, HT4 agreed to build a road 24 feet wide by 12 inches high for 350 feet in length. To accomplish this portion of the Agreement, HT4 was to obtain "Borrow Source" material from the Owner's land to supply 6 inches of the height, and the Owner would purchase and deliver an additional 6 inches of AB road base for the crown.

We are satisfied that HT4 constructed the road's height, width, and length as agreed, but HT4 did not provide 6 inches of Borrow Source material to meet HT4's responsibility for the initial 6 inches. Instead, HT4 supplied only 3.8 inches of Borrow Source, making up the difference by ordering an extra AB road base at the Owner's additional expense to reach the 12 inches of road height.

According to the supplier of the AB road base material, the specifications for compaction of their AB road base material calculated an extra 87 tons of material that HT4 ordered to make up for the missing Borrow Source, i.e., to complete the road to 12 inches high, as called for in the Agreement, the Owner was required to provide an extra 2.2 inches of material.

The extra material needed to complete the road height to 12 inches increased the cost of this portion of the project by an amount equal to \$2,457.50. The Owner is unwilling to pay this additional amount to complete the job; therefore, the Owner will offset it in the final payment to HT4.

Additionally,

2. In the **Earthwork for Site Pads** portion of the July 6th Agreement, the parties met and conferred about the size and scope of the work and agreed before executing the Agreement that the combined size of

the two site pads was 24,000 square feet. The Agreement states that the site pads were to be built by HT4 similarly to a height of 12 inches, 6 inches of which was to be provided from a "Borrow Source" from the Owner's land and 6 inches of AB road base material supplied by the Owner.

HT4 constructed only 22,554 square feet of site pads, almost 1,500 square feet short of the agreed amount, and the Owner is not objecting to the smaller area, but assuming HT4 built 24,000 square feet as decided, the Owner would have been obligated to provide 6 inches of AB or 667 tons of material. Instead, HT4 used 720 tons to cover 22,554 square feet, necessitating a need for the Owner to purchase an extra 53 tons of AB to finish this portion of the job to make up the height for the lack of Borrow Source material that was to be provided by HT4.

The extra material needed to complete the pads' height to 12 inches increased the cost of this portion of the project by an amount equal to \$1,497.20. The Owner is unwilling to pay this additional amount to complete the job; therefore, the Owner will offset it in the final payment to HT4.

Also,

3. Regarding the Waterline portion of the July 6th Agreement, HT4 asked if the Owner would spare its independent contractor to work for them. The Owner agreed and adjusted its project needs accordingly while Tom Smith worked for HT4.

Since HT4 did not compensate Mr. Smith for his work, Landarizona was obligated to pay for Mr. Smith's labor to do that work, which amounted to \$2,025 paid to Mr. Smith on HT4's behalf. The Owner is unwilling to pay this additional amount to complete the job; therefore, the Owner will offset it in the final payment to HT4.

The offsets total \$5,979.70

Considering the final invoice amount from HT4 of \$30,990.04 minus the total offsets of \$5,979.70, the corrected balance is \$25,010.34.

We will wire transfer the final payment immediately upon receipt of the Conditional Waiver and Release form showing the corrected balance of \$25,010.34.

Regards, James Kunisch, Manager for LandArizona/JAK LLC.