

March 10, 2014

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Dane,

I can imagine that your job and the responsibility of the committee is a challenging one. I am confident that the individuals designated to make decisions based on the compliance issues do their best to be fair and equitable. I am deeply concerned that the complexity and uniqueness of this situation is making it difficult to identify the paramount issue that has caused all the problems on this project.

I forward this concern after reading your latest cover letter that continues to address the original contract, addendum and payment amount. We have acknowledged from the beginning and confirmed that the amount of 1.1MM was agreed upon and paid by the Wilson's. The contract and amount paid is not in dispute and it is not why we have serious issues regarding this project. The determining element is whether or not the Wilsons fulfilled their agreement...they have not! The Wilsons and their counsel continue to forward the fact that they paid their obligation. They paid their financial obligation, but that is not the end of their responsibility...it is one element of a much bigger picture...a long term commitment to many dedicated professionals.

After forwarding numerous documents defining the Model Home arrangement of our contract and in support of the fact that the Wilsons have broken that agreement, your cover letter does not even mention the central problem. Our submitted documents confirm via emails and sworn affidavits that the Wilsons have been deceptive on many verbal and written occasions to try and use whatever means they can, including this administrative system, to avoid responsibility. They have orchestrated a premeditated attempt to be unjustly enriched by taking advantage of many of my subs, suppliers and my company. I know that this is an involved and complex situation to sift through...I also know that this sort of underhanded and manipulative behavior will not be tolerated by you or the committee.

**Project Financials:**

The financial cost of the Wilson project is a gift, considering they are living in a home that would cost a great deal more than 1.1 to duplicate. Any competent custom home builder would submit a proposal that would be in excess of 1.4 to build this home with the current features and level of quality and finish. The reason for this significant difference is solely because of the Model Home arrangement that was confirmed from the beginning and encouraged throughout. I personally called in favors from many suppliers and subcontractors that, in many cases, represented decade long trusted associations. The incentives realized and the extraordinary effort required to negotiate and finalize those arrangements have been documented.

**Short Chronology:**

The Wilson project was to be the flagship model for my design/build company. It is a beautiful project in a marvelous development that I have spent 4 years carefully nurturing a great reputation in. The Wilsons and I discussed the model concept from the inception of the design. They have consistently been involved directly and indirectly with negotiations for supplier/sub incentives and have happily taken the savings with numerous accolades for everyone's effort in their behalf. The

project has been very positive throughout and punctuated by a great deal of mutual trust and regard. There was never a harsh word spoken from design through construction. I calculated a projection report for the Wilsons in November of 2012 and informed them that the home was going to cost 1,185,000. After discussing the projection at length, the Wilsons requested we keep the cost at 1.1MM and to please work even harder at obtaining additional incentives so we did not have to diminish the quality and features in any way. I informed them at that point that it would take a monumental commitment to make that happen and that I was willing to give every effort. I attended a second International Builders Show in January 2013 with absolute focus on arranging further incentives. I informed the Wilsons continually about how much each supplier and sub was participating with...they were always grateful and forwarded much encouragement and many accolades.

Some of the incentives were product considerations and some were reimbursement checks to be paid after the house was complete and finished pictures provided. It is an arduous process to finalize these incentives and some savings inherently caused delays...lots of upper management review and red tape. The first week of February 2013, we passed occupancy and the home was largely complete except for a punch list and the back yard landscape that was waiting for spring. The Wilsons were moved in and we were helping them get settled, hang pictures, etc. We allowed the Wilsons to borrow vehicles and trailers to assist and my children actually helped move furniture on several occasions.

At this point there was nothing but good will, compliments and optimism for the future. We were in absolute agreement with the model home arrangements or the financial agreements. They would kid consistently with, me about my family spending more time in the hot tub during the summer than they would, because I was to look after and office out of the home while they were at their lake house in Canada.

At the end of March 2013 the punch list was nearly complete and I took a house design job in Costa Rica and informed the Wilsons that I would be gone for about a week. My wife accompanied me for a few hours as I finished a few punch-list items the day before departing, the Wilsons hugged my wife and I as we departed and wished me luck on my design trip. Those compliments and good wishes were the last time I spent time in this beautiful Model Home with what I thought were my trusted friends.

As I was boarding the plane the following morning I received a text accusing me of misrepresenting the facts about some landscaping extras that were to be completed after the snow had thawed. I tried to call the Wilsons during a quick layover in Houston...no response. I was incensed that they would make such a ridiculous accusation over a text and not call me for some clarity. I left them a message pointing out the ludicrous nature of their claims...suggesting I would compromise my integrity over some question regarding a minor amount of money. I tried to call them a dozen times from Costa Rica...no response. I had developed great trust for these folks...it was very odd that they had gone silent overnight right as I was leaving for a week. I could not fathom that these people would try to take advantage of the massive amounts of effort and good will they had been provided. I was wrong...this seemed to be the beginning of a plan they had contemplated for awhile.

I returned home a week later to a firestorm. I visited the house to check on my cabinet sub who was installing some custom music cabinets that I had designed for the front office. Mr. Wilson met me at the house and informed me he was not going to keep his commitments regarding a Model Home. He actually said that he never committed to a model home and specifically said, "show me where it is in writing." I could not believe this person that I had spent nearly two years with, designing and

building a truly beautiful home, would look me in the eye and bold face lie. I responded that there were numerous written correspondence referring to our model agreement from the beginning. I reminded him that there was over 250K in gifts to him and massive amounts of professional considerations that he had accepted and that he could not just ignore commitments without serious consequences. I contemplated closing the job down and requiring them to vacate until all the punch list was complete and the final bills paid, as my contract dictates. I chose to let them remain in their home and allow the final items to complete...I just wanted to reduce the spectacle and try and let the emotions calm so clearer thinking could prevail.

It was becoming very clear that the Wilsons were trying to position themselves to take advantage of the situation. In an effort to remind them of their obvious commitments and encourage some reasonable resolution to this completely unwarranted situation I sent them several emails reminding them of our trusting relationship and entreating them to just sit down and discuss any concerns.

They responded by hiring an attorney and sending me a letter stating that they had not ever committed to a model home and that I was to pay the outstanding invoices because they had paid me in full. Their reversal on the model home position after taking all of the benefit is precisely why we are in this predicament.

**Defining the Problem:**

The model home reversal has caused significant financial problems. I was in the final stages negotiating with several suppliers on my reimbursement checks. I had many other suppliers that were ready to send me their committed incentives. With the model in question, I could not honorably accept any of those reimbursements. They have left me with no way to keep my word to many valuable associates. They have also left my company with no way to honorably collect the remaining incentives for the additional features and extras in the home. We committed to all of those additional features in good faith knowing that all the extra effort would produce great work for the team of partners in the years to come. There is a great lesson to be learned...don't ever stake your reputation on another person's honor and integrity!

Additionally, the Wilson talked directly with the owner of the development attempting to disparage my name while I was out of the country. The heartburn presented to the developer has also held up the return of my \$15,000 required development deposit. They have slandered my reputation in the development where I have numerous upcoming projects...some of which have had to be delayed pending this situations conclusion. I have tried to resolve this peaceably by getting them to just come to the table for discussions. Their refusal over many invitations is a clear indicator that they are just trying to take financial advantage of everyone involved.

It has forced me to start the process of involving a third party to resolve our differences. It is a shame, but absolutely necessary if I am to protect the interests of everyone who has worked so hard on my team. We have demanded and clarified our request for mediation, as agreed to in our contract, on many occasions, naming a great mediator, Paul Felt ( Dec. 23 / Jan.9 / Jan.16 / Jan. 22 / Jan. 28 / Feb. 3, and Feb.19). All of our demands have been met with a lack of response or some stall tactic. This begs a question...what are they afraid of.

### Where is the Truth?:

It seems to come down to a few questions.

- Did the Wilsons agree to provide a Model for Sierra Properties for as long as they owned it?
- Did the Wilsons offer an office during the summer while they were commonly away in Canada?
- Did the Wilsons encourage and condone building a much more expensive home based on the incentives that could be negotiated for them?
- Did the Wilsons knowingly accept 240,000.00 worth of incentives as consideration for a model home?
- Did the Wilsons broken Model Home commitment make it impossible to collect many thousands of dollars in committed incentives?
- Are the Wilsons absolutely responsible to uphold those commitments to all the professionals that have contributed?
- If the Wilsons break their commitments, are they responsible for covering the thousands of dollars in incentives that the contractor negotiated and committed to in good faith?
- If the Wilson's break their commitments, should the contractor be entitled to collect some compensation for the thousands of extra hours and expenses that were required to negotiate the Model Home considerations?
- Do the Wilsons need to step up and make this right financially to all those involved?

The answer to all those questions is a resounding yes if any equity and justice is to be the prevailing argument. The best way to determine the Wilsons responsibility is to examine their responses to specific questions and determine if they are being truthful with the evidence presented.

- Did they commit to a Model Home?
  - Letter from attorney-May 3, 2013
    - ***"used as a model home...such an understanding was never...even contemplated in an oral agreement"***
  - Testimony in last Hearing
    - Question asked at end of hearing..."contractor is saying there was agreement to have your home as a model...Wilson's, ***"no, we never talked or planned for that"***
  - Letter to Dane Ishihara-October 9, 2013
    - page 2-"***....contractor is attempting to falsely assess additional charges for model home credits and additional incentives which is absolutely ridiculous and unbelievable to us. There has never been an agreement that our home was to be used as a model home. There was never anything...even contemplated in an oral agreement"***

It is amazing how subs and suppliers just volunteered 240,000.00 of product and services. Just a few examples of absolutely free product for a Model Home:

- |                          |        |
|--------------------------|--------|
| • Trex decking           | 4,000  |
| • Icynene Insulation     | 13,000 |
| • Lutron lighting        | 8,500  |
| • Sherwin Williams Paint | 11,000 |
| • Vacumaid vacuum system | 1,600  |

These estimates are likely conservative...the point is...how could these incentives have happened? There is only one reason...the Wilsons knowingly and intentionally planned on, encouraged and agreed to many thousands of dollars in free product and services in return for our Model Home

arrangement. There are 11 sworn affidavits in Exhibit 7 and many emails provided, that clearly demonstrate their lack of integrity. The Wilsons are intentionally trying to divert focus off the real issue and are providing a set of facts meant to deceive.

Please question the Wilsons publically (if their attorney will let them answer) so that I can get their answers recorded again in a formal hearing.

**Conclusion:**

This hearing was initially going to wait for our mediation to conclude. After making the initial decision without notifying Sierra, we have had to spend thousands of dollars just to get back to a place where we should have been to begin with. I doubt there is any way to recoup those needless funds. Please do not add insult to injury by not seriously considering what has caused this situation. The Wilsons have paid 1.1MM for a building project worth 1.4MM. They have made it impossible for me to collect the remaining incentives to pay the last invoices. It is absolutely wrong for the Wilsons to be unjustly enriched by extracted so much talent and effort from everyone involved and then simply refusing to honor their commitments. I issued them their final bill, that included reversing all of their model home incentives, only after their continual refusal to discuss the matter which made it clear that they had no intention on honoring their agreement.

I hope you will send a message by denying the Wilson's application on the grounds that they have absolutely caused all of this problem by manipulating many dedicated professionals and intentionally trying to get thousands of dollars in unjust enrichment. I hope you will not tolerate a client trying to take advantage of a good contractor by misusing a system designed to protect those that are truly deserving of the this relief and assistance. Encourage them to be honorable and mediate immediately. The evidence presented exposes their lack of honor and a mediator will not tolerate it.

Thank you again for your time and consideration,

Matthew Rittmanic  
Sierra Properties

