SETTLEMENT AGREEMENT

STANDARD CONSTRUCTION COMPANY, INC., an Arizona corporation ("Standard"), and CITY OF FLAGSTAFF, ARIZONA, an Arizona municipal corporation (the "City"), enter into this Settlement Agreement (the "Agreement") as of its final approval by City Council (the "Effective Date"). Standard and the City are sometimes referred to individually as a "Party" and collectively as the "Parties."

This Agreement is made as a compromise between the Parties for the complete and final settlement of their claims, differences, and causes of action concerning the matters described below, and is effective on the Effective Date.

RECITALS

A. On or about May 20, 2021, the City awarded Standard Construction Contract No. 2021-86 for the Coconino Estates Phase II Improvements Project (the "Contract" and the "Project," respectively).

B. Disputes arose between the Parties concerning the Contract and Project, including compensation, changes, delays, work, and Contract administration.

C. On March 3, 2025, Standard filed a complaint against the City in the Superior Court of Arizona in and for Coconino County, Case No. S0300CV202500146 (the "Action"). The City denies liability and disputes Standard's claims.

D. The Parties wish to avoid the necessity, expense, inconvenience, and uncertainty of further litigation and to fully and finally resolve all claims and disputes between them arising out of or relating to the Contract, Project, or Action, on the terms stated below.

NOW, THEREFORE, in consideration of the mutual promises and releases in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Parties incorporate the Recitals and agree as follows:

AGREEMENT

1. Settlement Payment. In consideration for this Agreement, the City shall pay Standard Two Million Three Hundred Thousand Dollars ($2,300,000.00) (the "Settlement Amount"). Following the Effective Date, the City shall process the Settlement Amount promptly through its ordinary payment procedures using written payment instructions supplied by Standard or its counsel. The Settlement Amount is the full monetary consideration for the settlement described in this Agreement. The City shall pay the Settlement Amount no later than twenty (20) business days after the Effective Date, without deduction, withholding, setoff, recoupment, or other reduction.

2. City Council Approval. The Parties acknowledge that final approval of this settlement by the Flagstaff City Council is a condition precedent to the Parties obligations under this Agreement. Unless and until that approval is obtained, this Agreement shall not bind the Parties.

3. Interest and Enforcement. Following the Effective Date, the City's obligation to pay the Settlement Amount shall be unconditional and shall not be subject to any deduction, withholding, setoff, recoupment, or counterclaim. If the City fails to pay the Settlement Amount

in full when due under Paragraph 1, the unpaid balance shall bear interest at ten percent (10%) per annum from the payment deadline until Standard receives cleared funds.

4. No Warranty or Corrective-Work Obligation. Upon Standard's receipt of the Settlement Amount, the City agrees that Standard shall have no further warranty, repair, replacement, or corrective-work obligation concerning work performed on the Project, whether asserted under the Contract or on any express, implied, statutory, or other basis, and the City waives and releases all such and related rights under the Contract.

5. Dismissal of the Action. Within five (5) business days after Standard receives cleared funds for the full Settlement Amount, the Parties shall file a stipulation dismissing the Action with prejudice, with each Party agreeing to bear its own attorneys' fees and costs incurred in the Action.

6. Mutual Release. Effective upon Standard's receipt of cleared funds for the full Settlement Amount, and except for obligations created by this Agreement, each Party, for itself and its respective predecessors, successors, assigns, officials, officers, directors, employees, agents, representatives, insurers (including the Arizona Municipal Risk Retention Pool and Berkley Risk), and attorneys, fully and forever releases and discharges the other Party and its respective predecessors, successors, assigns, officials, officers, directors, employees, agents, representatives, insurers, and attorneys from every existing or future claim, demand, action, cause of action, liability, debt, obligation, damage, loss, cost, or expense, whether known or unknown, suspected or unsuspected, fixed or contingent, that arises out of or relates to the Contract, Project, or Action (collectively, the "Released Claims"). This release includes all claims concerning the work and any claimed warranty or corrective-work obligation.

7. Unknown Claims. The Parties understand that facts or claims may exist that are presently unknown or unsuspected and that, if known, might have affected their decision to enter into this Agreement. The Parties nevertheless intend the release in Paragraph 6 to include all such unknown or unsuspected Released Claims and knowingly assume the risk of them. Standard represents and warrants that it has paid in full all subcontractors and suppliers on the Project, and it is unaware of any claims relating to the Project by or on behalf of any non-party to this Agreement, including but not limited to the Project's subcontractors and suppliers.

8. Non-Disparagement. Neither Party, acting through its authorized representatives, shall make or publish any false, negative, or disparaging statement about the other Party concerning the Contract, Project, dispute, or Action. This Paragraph does not prohibit truthful statements required by law, court order, subpoena, public-records or open-meeting requirements, or statements reasonably necessary to obtain legal, tax, accounting, insurance, or other professional advice or to enforce this Agreement.

9. Public-Entity Disclosures. The Parties acknowledge that the City is a public entity subject to Arizona's public-records and open-meeting laws. A disclosure or public statement made by the City in good-faith compliance with applicable law shall not violate this Agreement.

10. No Admission. This Agreement is a compromise of disputed claims. Neither this Agreement nor any payment or performance under it constitutes an admission of liability, fault, wrongdoing, or the validity of any claim or defense by either Party.

11. Entire Agreement; Amendment. This Agreement is the complete and exclusive statement of the Parties' agreement concerning its subject matter and supersedes the Contract and all prior or contemporaneous oral and written understandings concerning that subject matter. Any amendment must be in writing and signed by both Parties and, if required by law, approved by the Flagstaff City Council.

12. Binding Effect. Subject to Paragraph 2, this Agreement binds and benefits the Parties and their respective successors and permitted assigns.

13. Interpretation; Governing Law; Venue. This Agreement shall be construed as if jointly prepared by the Parties and shall be governed by Arizona law, without regard to conflict-of-laws principles. Venue for an action to interpret or enforce this Agreement shall lie in the Superior Court of Arizona in and for Coconino County.

14. Authority to Bind; Non-Assignment. Each person signing this Agreement represents that the person has authority to bind the Party on whose behalf the person signs. Each Party represents that it has not assigned or transferred any Released Claim and agrees to defend, indemnify, and hold the other Party harmless from any claim based on a prohibited prior assignment or transfer by the representing Party.

15. Mutual Drafting. The Parties participated in negotiating and drafting this Agreement, and no provision shall be construed against a Party because that Party or its counsel drafted it. Headings are for convenience only and do not affect interpretation.

16. Counterparts; Electronic Signatures. This Agreement may be executed in counterparts, each of which is deemed an original and all of which together constitute one instrument. Signatures delivered electronically or by PDF have the same force and effect as original signatures.

17. Severability. If a court of competent jurisdiction holds any provision invalid or unenforceable, the remaining provisions shall remain in full force and effect to the fullest extent permitted by law.

18. Attorneys' Fees, Costs, and Expenses. Except as expressly stated in Paragraph 5, each Party shall bear its own attorneys' fees, costs, and expenses incurred in connection with the dispute, the Action, the negotiation of this Agreement, and its implementation. Nothing in this Paragraph limits a court's authority under applicable law in an action to interpret or enforce this Agreement.

19. Further Assurances. Each Party shall execute and deliver any additional document and take any further action reasonably necessary to carry out this Agreement.

[SIGNATURES ON FOLLOWING PAGE]

STANDARD CONSTRUCTION COMPANY, INC., an Arizona corporation

Signature:_____

Print Name:_____

Title:_____

Date:_____

CITY OF FLAGSTAFF, ARIZONA, an Arizona municipal corporation

Signature:_____

Print Name:_____

Title:_____

Date:_____