September 8, 2026

Mr. Marc Kielmeyer
President
Board of Directors
Iliuliuk Family and Health Services, Inc. (IFHS)
34 Lavelle Ct.
Unalaska, AK. 99685

Dear Mr. Kielmeyer,

This report covers Project events through September 4, 2026. The project is on schedule and budget.

Project scope is a limited rehabilitation of the existing clinic and a 6330 SF clinic expansion with 5530 SF of clinical space built in eight modules, and an 800 SF Mechanical, Electrical and Plumbing (MEP) module to be located on top of the clinical space expansion. The expansion includes diagnostics of a new CT scan and Xray, and six treatment rooms with spaces dedicated to isolation, pediatric, behavioral health, and persons of size. The rehabilitation includes new community space, laboratory and central sterile processing.

IFHS continues to comply with the Code of Federal Regulations (CFR) required by the Alaska Department of Commerce, Community, and Economic Development (DCCED) in the expenditure of the Federal Corona Capital Projects Fund (CCP). Previous reports cover CFR compliance.

The Fisher Construction Group is the prime General Contractor. The Fisher Construction Group's prime subcontractor for module fabrication, transportation and assembly is DRG. BILDT is subcontracted to DRG as the module fabrication firm. Stengel Hill Architecture is the Architect of Record (AOR).

August was a very productive month. Plant fabrication of the clinic expansion modules is complete. The expansion's nine modules are at sea on a KRS ocean going barge being moved by the tug Clayton Arthur with a September 15 scheduled arrival at Dutch Harbor. A photo of the loaded barge is attached. The location of the tug, barge and modules is available at marinetraffic.com for locator Clayton Arthur.

Fisher Construction is nearing completion of the clinic expansion's foundations and piles. As previously reported, this work is the area of highest risk due to the uncertainty of the depth of bedrock and the composition of the soil under the clinic expansion. Project design and construction code require the piles that support the modules be driven into bedrock and proofed for their capacity to carry the load and weight of the modules and to meet local seismic and environmental conditions. Due to the soil depth uncertainties and the speed required to complete the contract and expenditure deadlines of the DCCED grant, Fisher contract's Guaranteed Maximum Price (GMP) carried the costs of foundations and piers as allowances. A contract allowance is an estimate where costs above the allowance are paid by the owner. The discovery of the data cable, the greater than planned depths for the piers and the unsuitable nature of the soil have combined for a Fisher present estimate of $369,379 above the GMP allowance. While not yet validated by the AOR or USM, the budget summary reflects these additional costs. Fisher has indicated that additional costs for foundations are likely.

As reported last month, during final transportation planning for the nine modules, Fisher's subcontractors DRG and BILDT determined that the modules' weight exceeded original planning factors. To hold budget, the minimum number of modules possible for movement were designed, resulting in the largest possible module size. Although modules became larger, the smaller number of modules led to an overall decrease in material, principally steel, and a cost decrease needed to hold budget while retaining the number of treatment rooms desired. This technique led to larger than originally planned transportation weights for the modules and to a significant change in the Alaska Marine Lines (AML) loan plans and scheduling, preventing AML from delivering the modules in time to meet the construction schedule. To meet schedule, DRG identified a separate carrier, KRS, to transport the modules in time to meet the construction schedule and meet the overall schedule to expend DCCED grant funds by December 31, 2026. Unfortunately, the increased weight and critical scheduling needs led to an estimated $380,405 cost increase for barging from Seattle to Unalaska, module waterproofing and protection, and movement from the Dutch Harbor pier to site. While not yet validated by the AOR or USM, these additional costs are also included in the budget summary.

An initial review of the community space, central sterile and laboratory renovation portion of the project was conducted to align renovation scope with presently budgeted funds. Due to budget limitations, the full design prepared by the AOR is unlikely to be realized. Fisher is reviewing the AOR design to prepare value engineering recommendations to meet their GMP.

Immediate Next milestones:

- September 15: Module delivery to Unalaska.
- September 15: Site work and foundations complete.
- September 16 - October 16: Module assembly and proofing.
- October 16 – 31: Punchlist and expansion clinic commissioning.
- November 1 – 30: Renovation.

Total funds for the clinic rehabilitation and expansion are $23,705,000. The $20,000,000 DCCED grant has an expenditure date of December 31, 2026. The $500,000 Rasmusson grant also has a December 31, 2026 deadline and has indicated a willingness to grant an extension, should it be justified. Congressionally Directed Supplemental Funds of $2,705,000 are anticipated to be released in September and have a three-year expenditure timeframe. The $500,000 of Behavioral Health grant funds are anticipated to be expended in September and October. While the challenges of seaborne module transportation, site work and foundation construction are nearing completion, the additional estimated costs to project have significantly depleted contingency funds available to mitigate other financial risks with contingency presently at 3.8 percent of construction value.

US Management Services

Aligning with the DCCED Performance Reporting Form Narrative Responses, the following information is provided:

(1) The project is over 50% complete.
(2) No other Federal funding has been provided to the IFHS Clinic. The Senate Congressional Delegation has indicated approval of Congressionally Directed Supplemental funding of $2,705,000.
(3) Labor is paid at the prevailing wage.
(4) Next DCCED reporting period activities planned: (a) Transportation of completed modules to Seattle Port of Embarkation; (b) completion of site preparation and foundations; (c) placement of modules on foundations.
(5) Capital asset features have not changed.
(6) There are no updates to the planned activities of the grant.
(7) Community engagement is ongoing with continued meetings with the public.

IFHS Budget						
Item	**Budget 6330 SF**	**DCCED Source**	**CDS Source**	**Rasmusson Source**	**Behavioral Health Source**	**Total Sources**
Development Costs	**10,500**	**10,500**	**0**	**0**	**0**	**10,500**
Construction	**18,142,756**	**16,732,146**	**447,480**	**481,375**	**481,375**	**18,142,756**
Professional Fees	**3,294,312**	**2,919,300**	**337,762**	**18,625**	**18,625**	**3,294,312**
Administrative	**200,000**	**200,000**	**0**	**0**	**0**	**200,000**
Medical Equipment	**1,232,554**	**0**	**1,232,554**	**0**	**0**	**1,232,554**
Furniture	**59,647**	**59,647**	**0**	**0**	**0**	**59,647**
Telecommunication	**50,000**	**50,000**	**0**	**0**	**0**	**50,000**
Financing	**25,000**	**25,000**	**0**	**0**	**0**	**25,000**
Project Contingency (3.8% Construction)	**690,231**	**3,407**	**686,824**	**0**	**0**	**690,231**
Total	**$23,705,000**	**$20,000,000**	**$2,705,000**	**$500,000**	**$500,000**	**23,705,000**

The Project's AHFC $500,000 housing grant has not changed. IFHS has entered into a Purchase and Sale agreement for Lot 10 and is completing due diligence for this site. The site owner has indicated a desire to donate the lot to IFHS with the caveat of retaining the earnest money already paid. USM joins IFHS in mutual gratitude for this generous donation. With the additional anticipated costs for due diligence, less funds are anticipated for construction. Analysis of housing options within budget planning figures continues, as well as research on additional funding options, including debt financing.

Sincerely,

Jim Harbison
CEO

Enclosed: Photo Clayton Anthony barge with IFHS modules

Cc: Ms. A. Dawn Johnson, Chief Executive Officer