



October 14, 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 October 9, 2026. The project will meet its grant and contractual deadlines and budget. There is an indeterminate delay caused by the need to remediate water intrusion into the nine modules during transit from the BILDT plant in Osh Kosh Wisconsin to the IFHS construction site in Unalaska.

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).

September and early October were busy. The modules were transported to the IFHS site and successfully placed on foundations. As the modules were opened and unwrapped, water intrusion was discovered. Fisher and its subcontractors have engaged the BELFOR Company, a Healthcare water mitigation firm, to conduct a full assessment and determine the scope of water damage. USM has notified the applicable insurance firms for the Marine transit and Builders Risk insurance. BELFOR will be onsite next week along with the Builders Risk insurance adjustor.

Their assessments will determine the scope of remediation and repair, and insurance coverages. Any budget impact will be assessed after the insurance and BELFOR remediation plan is established. USM's EVP of Business Operations, Mr. Les Lunceford will present the initial



working schedule. He will also serve as the single point of contact for the insurance claims and adjusters and will be assisted by USM's Chief Development Officer, Mr. Jim Perrine.

Work continues on site on tank, fuel line and data cable line movements and on those areas where no water damage occurred, but limited drywall and cabinet work is needed. Foundations are complete and accurate, and the building is closed in. Fisher Construction assures all that the work will be completed within the contract deadline of December 31st, 2026, to the standards set in the GMP design.

A full review of the community space, central sterile and laboratory renovation portion of the project was conducted by the AOR and Fisher October 7th and 8th. The AOR will issue a scope package for the renovation by the end of the week for Fisher to price within budget constraints. The budget is very tight with no available funds to cover funding gaps should insurance not fully cover damages.

Immediate Next milestones will be determined after the inspections next week. In the interim, schedule estimates:

October 21: Mitigation assessment complete.

November 16: Mitigation complete.

November 30: Medical equipment, telecommunication and furniture installed with testing and commissioning.

December 16: Construction work complete.

With the assumption of an estimated \$634,000 in insurance proceeds and an RHTP contribution for telecommunication, total funds for the clinic rehabilitation and expansion are \$24,510,148. 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 available soon and have a three-year expenditure timeframe. The \$500,000 of Behavioral Health grant funds are anticipated to be expended this month. Contingency funds are quite small.

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) Completion of the expansion; (b) renovation work to be nearing completion; (c) commissioning of the expansion to be completed.
- (5) Capital asset features have not changed.



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 is completing this sale and finalizing the budget for a modular housing option. 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

