

July 3, 2025

VIA EMAIL

Tiffany Beerman
Counsel for Hausmann Construction, Inc.
9500 W. Dodge Rd., Suite 100
Omaha, NE 68114
Email: tbeerman@ddlawgroup.com

Rob Johnson
Counsel for Goldberg Group Architects, PC
Finley Law Firm
699 Walnut Street, Suite 1700
Des Moines, IA 50309
Email: rjohnson@finleylaw.com

Jake Nelson
Counsel for Introba, Inc.
Simmons Perrine Moyer Bergman PLC
115 3rd Street SE, Suite 1200
Cedar Rapids, IA 52401
Email: jnelson@spmbllaw.com

RE: Project: Woodbury County Law Enforcement Center, 3701 28th St., Sioux City, IA (“**Project**”)
Parties: Woodbury Cty. Law Enforcement Center Authority (“**Authority**”); Woodbury County (the “**County**”); Goldberg Group Architects, PC (“**GGA**”); Introba, Inc. (“**Introba**”); and Hausmann Construction, Inc. (“**Hausmann**”)
Contract: AIA Document A101-2017 (“**Construction Contract**”) dated 6/28/21 between the Authority and Hausmann; AIA Document B132-2009 (“**Design Contract**”) dated 3/31/20 between the Authority and GGA; and A201-2007 (“**General Conditions**”)
Subject: Authority & County’s Joint Demand Letter
Confidential Settlement Communication Per Iowa Rule of Evidence 5.408.

Tiffany, Rob, & Jake:

On behalf of the Authority and the County, we are sending you this joint demand letter which preliminarily outlines all the damages on the Project caused by your respective clients Hausmann, GGA, and Introba. This demand letter is based on the information currently available to us and is provided as part of our continued discussions regarding scheduling a voluntary mediation consisting of the Authority, County, Hausmann, GGA, and Introba prior to us filing a lawsuit. As of late, the Authority has received reports

that Hausmann is planning to initiate a lawsuit. If that is the case and Hausmann wishes for all parties to start incurring litigation costs prior to any mediation, so be it. Those additionally incurred attorney's fees will simply be added to the damages the Authority and County will be asserting against all parties. The Authority and County still wish to attempt settlement in a pre-litigation mediation, but if Hausmann wishes to bypass that, we will accept service for our respective clients and will file the appropriate counterclaims against Hausmann and third-party claims against GGA and Introba.¹

Note that we have compiled these damages before filing litigation and conducting discovery (and, at this time, before the Project is even finally completed). As a result, we do not have full access to all the Procore documents (including all prior versions of the schedules, which we have asked Stan Beeder to provide but have not yet received), subcontractor invoices, and other documentation that may very well reveal additional pertinent information regarding the liability of your respective clients and our damages. In light of that, the below-noted damages figures are preliminary and will be amended after final completion and otherwise leading into any mediation or trial in this matter. Moreover, the facts and information contained herein are not exhaustive and may similarly change based on new information. To confirm, this is a confidential communication made for the purposes of facilitating mediation and settlement, and the Authority and County reserve all rights to pursue their claims against Hausmann, GGA, and Introba in court if an acceptable resolution is not voluntarily reached.

Herein, the Authority and County provide the following: (1) an overview of the Project and related construction errors, design errors, and delays; (2) the Authority's damages, including separate charts for damages caused by Hausmann, damages caused by GGA / Introba, and damages for which all are jointly liable; (3) the County's damages; (4) a hypothetical settlement structure; (5) a review of the Authority and County's forthcoming expert reports; and (6) the Authority and County's mediation proposal to resolve their claims.

I. THE PROJECT & OVERVIEW OF THE CONSTRUCTION ERRORS, DESIGN ERRORS, AND DELAYS

Work on the Project began on August 27, 2021. The original contractual deadline for substantial completion (the date on which the law enforcement center ("LEC") would be sufficiently complete such that it could be occupied and used for its intended purposes) was April 1, 2023. Section 9.8.10 of the General Conditions requires final completion (the date on which the LEC is fully complete) to be achieved 60 days after substantial completion. Thus, based on the original substantial completion date, final completion would have been achieved by May 31, 2023. However, from the early stages of the Project,

¹ Tiffany, in regard to mediation, Stan Beeder had previously stated to me that he believes some of Hausmann's subcontractors should also be part of any mediation. The Authority's contract is obviously with Hausmann, and not its subcontractors. Also, the Authority is not privy to any disputes that exist between Hausmann and its subcontractors and is otherwise not fully knowledgeable of the exact scope of work of each of Hausmann's subcontractors. That said, to the extent that Hausmann believes it would be helpful to invite one or more its subcontractors to the mediation, the Authority and County would not object to that, provided that Hausmann understands that we are not settling this matter with your subcontractors. We are settling with Hausmann (and GGA/Introba), and it will be up to Hausmann to ensure that the settlement is a global settlement that will also resolve the disputes between Hausmann and its subcontractors, including providing us with releases and withdrawals from all subcontractors with Iowa Code Chapter 573 claims. Any final release of retainage to Hausmann would be provided 31 days after final completion and acceptance of the Project in the event the settlement agreement is executed prior to expiration of the 60-day post-final completion/acceptance deadline, to ensure the Authority fulfills its obligations under Iowa law and otherwise protects itself from subcontractor litigation under Iowa Code Chapter 573.

Hausmann repeatedly failed to comply with its own schedules, necessitating frequent submission of revised schedules. The targeted substantial completion date was not adjusted at that time, but major construction and design errors soon arose which derailed the Project's schedule.

In September 2021, the first major design error on the Project was discovered when a defect in the footing rebar in Lower A was identified and replacement rebar had to be ordered, manufactured, and delivered to the site. The original rebar was not properly sized. As a result of this error, the substantial completion date was adjusted from April 1, 2023 to June 15, 2023.

On April 1, 2022, the first major construction error was identified—improperly poured concrete stem walls. More specifically, forms were stripped from a poured wall and revealed that the walls were not straight and plumb. As a result, an independent third-party inspector was hired, and the walls were x-rayed, and it was determined that the reinforcing and thickness of the walls were not within specifications. After months of back-and-forth between GGA and Hausmann on solutions, corrections were finally implemented on August 1, 2022. As a result of this error, the new estimated substantial completion date moved from June 15, 2023, to September 12, 2023, with some credit for rain days.

On October 14, 2022, another major construction error occurred when a pre-cast wall on site fell and damaged seven other wall panels in a domino effect, as well as certain footings and structural steel. This damage is attributable to Hausmann and its temporary bracing subcontractor, Alliant Building Group. The temporary bracing plan created by Gage Brothers called for the precast wall panels, some of which were not yet tied into the main structure, to be supported by temporary pole bracing secured by bolts and to be able to withstand 90 mph winds. The specs included very specific details about the bracing that should be used, reinspection, and bolt torquing. Despite that, this precast wall panel fell in winds ranging from 22 to 30 mph. Hausmann's own in-house safety team investigated and issued a report which found its subcontractor Alliant (hired to install the precast wall panels and temporary bracing and monitor based on Gage Brothers's plan) at fault. Specifically, the report found Alliant failed to follow the bracing plan in multiple respects, including reusing single-use bolts, using the incorrect type of bolt, using bolts that were too short (four inches instead of five to seven inches), using a battery-powered impact driver for installation instead of manual torquing, and leaving temporary bracing erected for 60 days without proper reinspection and retorquing of the bolts. The damaged footings were removed on November 15, 2022, and repoured on November 18, 2022. New precast wall panels were set on November 23, 2022, and the repair work was completed on November 28, 2022.

Obviously, the September 12, 2023, estimated substantial completion deadline was not extended due to this issue, as it was a construction error. However, by this time, the schedule for the Project was substantially disorganized with regular delays and out-of-sequence work. The setting of the cells in the jail area was particularly impacted and delayed by almost nine months during this same period, with downstream effects on mechanical and electrical rough-ins. This type of disorganization is attributable not just to the impact of the pre-cast wall panels incident but Hausmann's general failure to provide adequate manpower or proper schedule to timely complete the work. The problem was exacerbated by frequent turnover of its superintendents, general superintendents, and project managers. At least six such employees departed and were replaced throughout the Project, leading to repeated loss of institutional knowledge and familiarity with the work. Scheduling became so muddled that Hausmann began attempting to follow two critical paths at once during this period. Despite all this, Hausmann's submitted

schedules maintained that it could meet the September 12, 2023 substantial completion date, which was simply not attainable leading into the next issue discovered in early June.

On June 5, 2023, during an inspection by the City's inspector AHJ, another design error was identified—GGA/Introba's omission of fire / smoke dampers. In June, it was discovered that GGA's plans omitted seven fire / smoke dampers in the courtrooms. Then, in August 2023, it was discovered that an additional 30 fire / smoke dampers were also missing from GGA's plans. One additional damper was later identified, bringing the total to 38 missing dampers. The dampers were ordered and arrived on September 19, 2023. Substantial deconstructive and reconstructive work was necessary to install the dampers, which was substantially complete on November 15, 2023.

Also in August 2023, work began to resolve a substantial construction error previously identified, i.e. Hausmann's failure to install required security bars in the LEC's ductwork at 313 locations. The designs were revised to eliminate these bars in 254 locations, thus reducing the overall cost of the Project and requiring Hausmann to only install security bars at the remaining 59 locations. The additional work to install the necessary security bars was completed in tandem with the work to install the missing fire / smoke dampers. Obviously, by this time, the Project had moved beyond its targeted substantial completion date of September 12, 2023, without any approved additional days.

In November 2023, additional design issues with the testing and balancing of the mechanical systems were identified and attributed to GGA and its subconsultant Introba (formerly known as Ross & Baruzzini, Inc. prior to its merger with Integral Group, LLC in January 2022). These issues with the mechanical system are encompassed by Architect's Supplemental Instructions #10 ("ASI-10") issued on November 21, 2023 (and received on November 30, 2023). Notably, this ASI was not issued in response to an RFI. Instead, Introba (specifically John Summers) decided to go back to review its original designs after the omitted seven fire dampers were discovered, and during this review process (which apparently took several months), Introba realized numerous adjustments were necessary. When Introba issued ASI-10, making several changes to the values and mechanical schedules, it perhaps thought these adjustments and changes were not major and were otherwise workable; Introba represented to the Authority that ASI-10 was only keystroke adjustments to the BAS system and required no new parts. However, we now know that the adjustments did not work with the current equipment within the facility. ASI-10 has affected numerous areas of the facility and resulted in a slew of documented PRs (RFI 581, PR 42, PR 42R, PR 43, PR 45, PR 46, PR 48, PR 49, PR 49R, ASI 11, PR 50, PR 50R, PR 52, PR 52R, PR 54, PR 55, and PR55R) and CCDs (CCD 10, CCD 11, CCD 13, CCD 14, CCD 15, CCD 16, CCD 17, and CCD 17R). As we all know, issues with the mechanical system continue to plague the Project despite numerous communications and emails to Introba, who has been exceedingly slow to respond to requests and address defects in its work. Like with Hausmann, the Authority has seen a tremendous amount of turnover in Introba's assigned engineers for this Project as well as complications from Introba's merger.

On August 16, 2024, despite the persistence of the testing and balancing and mechanical system issues, as well as other issues, the parties agreed that substantial completion had been achieved, and GGA issued the corresponding Certificate of Substantial Completion and a punch list of remaining work items to be completed. Again, Hausmann was contractually required to achieve final completion within 60 days of substantial completion, i.e. by October 15, 2024. Hausmann did not meet that deadline, and the Project is still not finally complete at the time of this letter in July 2025. Hausmann's deficient performance has

continued to hinder final completion, particularly with respect to its failures to timely complete several remaining issues.

The LEC has been occupied in part since September 2024. The County began moving into the LEC upon substantial completion and began transferring County inmates there on October 11, 2024. In November 2024, federal inmates started moving into the LEC (in addition to ten federal inmates that had previously been transferred with the County inmates). By December 2024, court hearings and trials started taking place at the LEC, and the facility was fully in use, but not without major issues as discussed below.

Even after substantial completion, severe errors continued to arise, most notably the lack of adequate heat and temperature control in many areas of the LEC, most of which relate back to design errors by Introba. For example, in December 2024, it became apparent that three areas of the LEC (the chase behind the laundry room, the chase behind the medical isolation cells, and the hallway leading to the dock) were not designed to account for sufficient heat, changes made during construction, or adequate temperature control. The Authority ultimately contracted directly with C. W. Suter & Son, Inc. (“**Suter**”) to hang hydronic heaters in these spaces. It was also discovered that the hallway in front of Elevator 6 was inadequately heated, and this issue has still not been remedied. By February 2025, the Authority learned that heating issues were even more widespread. The Woodbury County Attorney Offices, Building Services Office, courtrooms, and many other areas were intolerably cold, reaching temperatures in the 40s and 50s even with space heaters. The Authority expended further funds under direct contracts with Suter, Thompson Solutions Group (“**Thompson**”), and Star Control to adequately heat these spaces. Other design issues persisted as well, including but not limited to installation of a mini-split system (which the designs unnecessarily included in some spaces and omitted from other spaces where they were needed), control sequencing for make-up air units, and necessary rework/reprogramming on AHU-1, 2, and 3, and, to date, work is still being performed on the mechanical system, as further outlined in the damages section.

Currently, there are several punch list items that preclude final completion as well as substantial warranty work items on which we appear to be at an impasse, with Hausmann refusing to perform the necessary work to remediate the warranty items, as described further below.

Moreover, despite all the issues above, lack of communication and staff turnover at Introba continue to cause problems. For example, on April 4, 2025, the Authority’s expert Corey Metzger at Resource Consulting Engineers (“**RCE**”) contacted Introba’s head mechanical engineer Mark Schaefer about outstanding and urgent issues. After receiving no response for several days, Mr. Metzger followed up with Introba multiple times to no avail. On April 15, Mr. Metzger managed to get a hold of Mr. Schaefer who informed him that he had left Introba four days earlier. By April 22, the Authority documented in a letter that it still had not received formal notice from Introba of Mr. Schaefer’s departure, nor had Introba identified his replacement. Introba eventually identified the new mechanical engineer on April 29, more than two weeks after Mr. Schaefer left.

All these errors (and more) were exhaustively documented by the Authority in countless letters to Hausmann, GGA, and Introba, the vast majority of which went unresponded to and/or ignored.

II. THE AUTHORITY'S DAMAGES

In light of the construction and design errors discussed above and others, the Authority and County have sustained millions of dollars in damages, with damages continuing to be incurred.

Of course, the Authority and County's damages have been more than monetary. The monetary damages described herein do not reflect all the stress, time, inconvenience, and, frankly, unwarranted public scrutiny that the Authority's members, the County's Board of Supervisors, and County staff employees have faced due to Hausmann, GGA, and Introba's errors. All these individuals have been the subject of ongoing, intrusive media attention for years as a result of all this. While these impacts are not asserted as damages herein, the toll this has taken on these public servants and the institutions they serve cannot be understated and cannot be ignored. While your respective clients may be trying to keep Sioux City out of sight and out of mind as they are working on other matters in other states, the affected folks at the Authority and County live and work here and are dealing with this on a daily basis. This Project was supposed to be something Woodbury County could be proud of, but it's been anything but that due to the complete incompetence by your respective clients.

If this matter is not settled at mediation, the resulting stress, time, inconvenience, and public scrutiny will continue not only for the Authority and County, but we assume there will be even more of a spotlight on Hausmann, GGA, and Introba, including in regard to all information and documentation that is exchanged within the litigation all of which is of public record and will surely be the focus on the press's ongoing open records requests. The point being that for the Authority and County, these monetary damages are only a portion of the true harm that your clients have inflicted upon them.

The first set of charts below summarizes the Authority's damages as of the date of this letter based on the information currently available to it. Specifically, the Authority provides separate charts for damages attributable to Hausmann versus GGA / Introba (referred to collectively at times as the "Design Parties"), respectively, as well as a third chart of damages for which Hausmann and the Design Parties are all liable based upon the eventual allocation of the delay between Hausmann versus the Design Parties from the contractual substantial and final completion deadlines to those actual deadlines. The Authority will continue to amend and supplement these damages calculations based on new information.

This matter clearly involves various types of claims and damages, and settlement will involve more than money changing hands from one party to another. As such, some general comments about the framework of a potential settlement in this matter are prudent, which are noted below in no specific order:

- *Setting aside the County's delay-related damages caused by Hausmann and the Design Parties*, Hausmann would be owed some amount of the retainage from the Authority (which the Authority is currently withholding pursuant to Iowa Code Chapter 573) and is also entitled to *reasonable* compensation for its additional work to remediate design errors. Regarding the latter category, if this matter is settled, the money for such additional remediation work will come from the Design Parties (flowing through the Authority to the extent that would be necessary or prudent) to Hausmann.
- Regarding the Authority's damages, much of the Authority's damages are comprised of amounts it has paid or will pay to Hausmann and/or directly to subcontractors (now working directly for

the Authority) to correct design errors. In settlement, such damages would be paid by the responsible party directly to the Authority.

- Conversely, in other cases, the Authority has damages due to Hausmann's actions (or inactions). In settlement, such damages would be handled as a deduct from / credit against Hausmann's retainage as appropriate.
- Yet in other cases, calculation of damages is contingent on analysis of the sole and concurrent delays on the Project. Specifically, whether the Authority owes GGA anything for the Additional Services it allegedly provided due to construction errors and, conversely, whether the Authority owes Hausmann for its claimed extended general conditions resulting from design errors, hinge on analysis of these intersecting delays. The Authority has categorized these groups of damages into separate subtotals in the charts below. In all events, the party that caused the delay (whether construction or design delay) is ultimately responsible for reimbursing the Authority for any payments it makes to another party as a result of such delay, and if this proceeds to litigation, judgment on any such amount would be entered against the Authority, and the Authority would seek and receive a corresponding judgment for indemnity and/or contribution against the responsible party. However, for purposes of settlement, any such payment would likely be made directly from the Design Parties to Hausmann or vice versa.
- Also, in some cases, the Authority has damages that are contractually allocable to both Hausmann and GGA, particularly attorney fees and expert fees. Specifically, Section 8.7 of the Construction Contract provides that, in the event the Authority prevails in any legal action arising out of Hausmann's performance of or failure to perform, Hausmann "shall pay, in addition to any damages, all expenses of such action including reasonable attorney's fees, all expert witness fees, costs, and litigation expenses incurred" by the Authority. Similarly, Section 8.1.3 of the Design Contract states that GGA shall indemnify the Authority "against all damages or liabilities, including reasonable attorney's fees, to the extent caused by [GGA]'s negligent error or omission in the performance" of its services. There is also companion language in Section 3.18.1 of the General Conditions. Thus, Hausmann and GGA are both liable for these expenses.
- We note that complicating settlement is Hausmann's pattern of exaggerated extended general conditions, which has not gone unnoticed by the Authority. *Setting aside the County's damages*, while the Authority has deducts that must be made against the retainage, the Authority recognizes that a portion of the retainage would be released to Hausmann. Further, the Authority recognizes that some amount is owed to Hausmann for its extended general conditions caused by the rework due to the design errors. However, the general conditions submitted by Hausmann at present are grossly inflated and lack adequate support. Obviously, at trial, any proven extended general conditions will be amounts for which the Authority will recover an indemnification/contribution claim against GGA/Introba, but for settlement purposes, this part of the dispute will only be resolved if the Design Parties and Hausmann are agreeable to a dollar figure that Hausmann would receive from the Design Parties for its extended general conditions, none of which the Authority has paid at this point because the asserted extended general conditions were so inflated.
- Finally, settlement and any release of retainage will also require that Hausmann obtain lien/claims waivers from all its subcontractors and suppliers and resolve all Iowa Code Chapter 573 Claims on file, including the five currently on file from Suter (\$1,400,635.60), Pauly Jail Building Company, Inc. (\$756,846.58), Thompson (\$290,065.19), Egger Steel Company (\$57,875), and Winkler Roofing, Inc. ("**Winkler**") (\$64,035.95).

In regard to the delays on the Project, the Authority is still analyzing these sole and concurrent delays and reserves the right to adjust these damages accordingly. That said, at this point, the Authority's *preliminary*, general position is that concurrent delays are preliminarily allocable as follows based on the facts outlined above:

- (1) The period from September 12, 2023 (the contractual substantial completion date) to February 15, 2024 (or approximately five months) involved overlapping, concurrent design and construction delays.
- (2) Thereafter, during the period from February 15, 2024 to August 16, 2024 (the date substantial completion was actually achieved) (or approximately six months), delay is primarily, but not solely, attributable to the Design Parties.
- (3) Thereafter, the delay in getting to final completion, which has not yet been achieved, is based upon both the failure of Hausmann to promptly complete its punch list work including more significant work such as the roof and seismic bracing work, as well as the consistent delays and problems primarily attributable to the Design Parties.

By the time of trial, the Authority and County will have experts to provide their opinions on the exact allocation of delay between Hausmann and the Design Parties. However, we provide the aforementioned preliminary analysis for settlement purposes.

A. *Hausmann & Construction Defect Damages*

The chart below contains the deducts and credits against the retainage that the Authority is entitled to due to Hausmann's actions and inactions, *setting aside the County's damages*.

Note that this chart has pending punch list and warranty items that will be settled as part of any mediation settlement², or alternatively, that will be part of the Authority's claims in litigation, assuming the items are not resolved beforehand. Indeed, the one-year call-back/express warranty period ends on August 16, 2025, and it is clear that Hausmann is refusing to properly fix numerous warranty items (similar to a handful of punch list items), such that the Authority will be forced to have these items completed by other contractors; such amounts incurred will be part of the Authority's damages against Hausmann in its breach of contract claims.

² I assume Hausmann will want a release of all known claims by the Authority as part of settlement. Though, regardless, the Authority is not comfortable setting aside warranty claims and preserving them in any settlement agreement. Instead, we need to deal with these pending disputes head on during mediation and any pre-suit settlement.

| Hausmann & Construction Defect Damages: Deducts from retainage/funds otherwise owed to Hausmann | |
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| Amount | Description |
| Authority's Damages <u>Paid/Incurred</u> & Credits Owed to the Authority Due to Hausmann | |
| \$254,000 | <p>Security Bars: Credit Owed to Authority</p> <p>Hausmann failed to install 313 security bars within certain ductwork as set forth in the Project specs and drawings. Following discovery of this error, 254 security bars were removed from the designs, but 59 security bars were still needed and later installed by Hausmann. Hausmann claims \$77K in additional compensation for such work, which the Authority has denied. However, because Hausmann did not install the 254 security bars later removed from the design, the Authority is entitled to a corresponding credit. The Authority calculates that each bar removed resulted in savings of \$1,000, thus warranting a \$254,000 credit.</p> |
| \$34,000 | <p>Precast Wall Damage: Authority's Delay Damages-One Month Extra of Owner Rep. Cost Paid</p> <p>Hausmann failed to install adequate temporary bracing on certain precast wall panels. As a result, in October 2022, winds caused one precast wall panel to fall which then caused a domino effect, damaging eight precast wall panels in total. This construction defect delayed the Project by one month, so Hausmann is liable for the extra month of services Baker provided to the Authority and the Authority paid for, i.e. \$34,000.</p> |
| \$3,852.50 | <p>Generator Service Contract & Warranty: Credit Owed to Authority</p> <p>The Contract <i>included</i> a one-year service contract and warranty for the generator from Hausmann priced at \$3,852.50. Because of the delays on the Project, the Authority never got the benefit of this one-year service contract/warranty. Specifically, the County signed a service contract with Thompson in September 2024, at the point of substantial completion, and Thompson had not performed any service prior to that date. In other words, the Authority did not enjoy that first year of service, after substantial completion, that it paid for under the contract and the County had to pay for the first year of the service contract. As such, the first year of the service contract for the generator had to be paid for twice, and a credit is owed.</p> |
| \$15,000 (estimated) | <p>Boiler Extended Warranty</p> <p>The Authority anticipates that it will likely incur additional costs related to an extended warranty on the boiler. Work on the boiler, due to Suter-caused issues, has continued since substantial completion on August 16, 2024, and the Authority has requested a one-year warranty free of charge from Suter and/or Hausmann. That request is pending, and the Authority expects the extension to cost around \$15,000. To the extent this warranty is not provided, the Authority will purchase it and assert it as damages against Hausmann.</p> |
| \$67,495 (estimated) | <p>EF-1 Issues / Air Leakage</p> <p>Due to issues with EF-1, two new exhaust fans will be installed on the roof and other related work will have to be performed, and such issues are due to construction, not design, defects. Specifically, there are two spans of ductwork with substantial air leakage and very low-pressure flow, i.e. the south and north side of the booking area. The Authority's expert Mr. Metzger has attributed this leakage to construction errors, specifically excessive fittings (unnecessary twists and turns in the ductwork), improper sealing, and potentially obstructions / blockage. Mr. Metzger's expert report, which will be produced prior to mediation, will provide more specifics in this regard.</p> <p>Because Hausmann has refused to perform corrective work, the Authority has hired Suter to perform this work. Suter has provided a proposal totaling \$51,570. Winkler will also perform related repair</p> |

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| | <p>work. An estimate from Winkler is forthcoming, but the Authority expects it will total around \$10,000. The Authority also expects to pay \$5,925 to Thompson for related electrical wiring work. These three amounts flow from the construction defect.</p> <p>The EF-1 remediation work will require use of the remaining spare breaker spots. Prior to this work, only a few spare breakers were available, which was due to the various modifications in the mechanical system that were performed to remediate the Design Parties' mechanical engineering design defects. Thus, as part of this EF-1, a new electrical panel and transformer will be installed. This related electrical work by Thompson totals \$29,820 and, below is attributed to the Design Parties.</p> |
| \$94,500 (estimated) | <p>Various Pending and Disputed Punch List Items – Combined</p> <p>There are several substantial punch list items pending which are attributable to defective construction, and we appear to be at an impasse on these items, with Hausmann refusing to appropriately remediate and complete the items. As such, the Authority expects that it will have to incur costs to complete these punch list items itself. As such, the Authority will also assert these costs as damages against Hausmann.</p> <ol style="list-style-type: none"> (1) Seeding / Sod: Last year, the LEC experienced significant rutting and dirt washout around the perimeter grounds. It was discovered that Hausmann failed to supply and install approximately three acres of topsoil. Hausmann moved the dirt back into place to correct the most severe ruts and reseeded this area, but it did not provide the required topsoil nor did it provide adequate watering or fertilizer as called for in the specs. As a result, rutting still poses an issue, and grass will not take on the soil until the proper topsoil is provided and the site is watered and fertilized. Currently, Hausmann is refusing to perform this work. Estimated costs/damages: \$87,000, based upon a received estimate. <i>By the time of mediation, we will supplement these estimated repair costs and provide more definitive figures for the disputed punch list and warranty items.</i> (2) Security Fencing / Painting: Hausmann has been notified multiple times that the south gate is striking the security fencing when it moves. The repeated collisions have damaged the fence and the gate, including the paint on both. This issue is attributable to an installation error, and Hausmann must fix it. Estimated costs/damages: \$7,500. (3) Roof Warranty: As you know, the prerequisites to a valid roof warranty from Mule-Hide have still not been fulfilled. |
| \$431,000 (estimated) | <p>Various Disputed Warranty Items: Combined</p> <p>There are several substantial warranty work items pending that are attributable to defective construction and which Hausmann is refusing to properly complete. If the Authority incurs any costs in relation to the repair of these items, it will seek to recover such costs as damages against Hausmann.</p> <ol style="list-style-type: none"> (1) Concrete Heaving in the Parking Lot: This issue was originally listed as a warranty item, but it is now clear that the problem is more substantial and that Hausmann is refusing to properly remediate this issue. As Hausmann knows, there is heaving on the lot just north of the vehicle sallyport and also south of the building out front. Hausmann has refused to address the issue. As a result, the Authority is now hiring a civil engineer and geotechnical expert to core sample the concrete, determine the exact nature of the problem, and propose a solution. At this point, it is clear that the problem is some type of installation or materials issue. This will require removing and repouring a large portion of the concrete. Costs are estimated to be substantial, ranging from \$100,000 to \$200,000. Our civil engineering |

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| | <p>expert report, which will be produced prior to mediation, will provide more specifics in this regard. For these purposes, we are using the \$200,000 figure.</p> <p>(2) Jail Administration Area: Window Air Leakage: The leakage in these windows needs to be fixed. The issues with the Jail Administration windows are another item that has been on the warranty list for an excessive amount of time, since September 17, 2024. Centria sent a rep. who looked at leaking windows and filed a report which, despite multiple requests, the Authority has yet to receive. The Authority again requests the report here. Hausmann had the subcontractor come to the site and caulk the windows, but this is not an acceptable solution per GGA and the specs. Based on preliminary pricing from Centria, the Authority estimates that deconstructive work would cost \$25,000, and a total replacement of the wall would cost \$75,000 if wall panels are damaged during the corrective repair process. Estimated costs/damages: \$100,000.</p> <p>(3) Courtroom Woodwork & Sheriff's Office Drywall: There is substantial drywall cracking in the Sheriff's Office due to Hausmann's improper installation of the drywall. Similarly, there is substantial woodwork cracking in the courtrooms due to Hausmann's failure to acclimate the wood. Estimated costs/damages: \$75,000.</p> <p>(4) Jury Room Noise: Noise in the jury room is beyond the specified level. Originally, the problem was attributed to improper installation of the door, but Hausmann's corrective work on the door did not resolve the issue. During recent work to address the door frame gaps, it was discovered that certain areas lacked insulation or had inadequate insulation. Further deconstructive work was performed which identified a broader lack of insulation or inadequate insulation in the jury room. The Authority has now determined that it is necessary to take down all drywall in both jury rooms to install the proper installation. It will not accept anything less than this full remediation. The Authority is continuing to investigate this issue. Estimated cost/damages: \$56,000.</p> |
| \$899,847.50 | SUBTOTAL: Deducts from retainage/funds otherwise owed to Hausmann |
| Damages for Design Parties' Additional Services Caused by Hausmann – Fault <u>Undisputed</u> by the Authority | |
| \$39,373.02 | <p>GGA and Toth's Fees for Hausmann Errors RE: Precast Wall Damages</p> <p>Hausmann failed to install adequate temporary bracing on certain precast wall panels. As a result, winds caused one precast wall panel to fall which then caused a domino effect, damaging eight precast wall panels in total. Hausmann released a report shortly after the incident detailing these findings. In addition to services from GGA and Toth discussed above, Baker Group's work was also delayed by approximately a month, resulting in additional fees. See PCO 141.</p> |
| \$39,373.02 | SUBTOTAL: Compensation ultimately owed by Hausmann to Design Parties (through the Authority) |
| Damages Contingent on GGA's Claims for Additional Services Fees & Reimburs. – Fault <u>Disputed</u> by Authority | |
| \$70,000 | <p>Initial Additional Services: GGA and Toth's Fees for Hausmann Errors</p> <p>GGA and its structural engineer, Toth, claim \$70,000 in Additional Services incurred based on various construction defects committed by Hausmann early in the Project, including but not limited to the improperly poured concrete walls, improperly placed embeds, missing embeds, walls not installed to correct elevations, and incorrectly placed structural steel. The Authority is unclear as to the basis of this figure. GGA and Toth's fees related to the precast walls noted above (\$39,373.02) do not appear to be included in this total.</p> |

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| \$67,781.24 | GGA's Reimbursables Post-11/2023: <i>To the extent that GGA would prove that some of the post-11/2023 delay is the fault of Hausmann,</i> Hausmann would be liable for some or all of reimbursable costs billed by GGA since November 12, 2023 (i.e., 60 days after the original / extended substantial completion date under the contract of September 12, 2023, with the contract mandating that final completion must be reached within 60 days thereafter). The amount provided here is the amount the Authority has paid in post-11/2023 GGA reimburseables. There will be reimbursable expenses and other costs for the excessive punch list trips and areas that were not ready for a punch list walk-through. |
| \$541,105.49 | GGA's Additional Services Post-11/2023: <i>To the extent that GGA would prove that some of the post-11/2023 delay is the fault of Hausmann,</i> Hausmann would be liable for some or all of Additional Services costs billed by GGA since November 12, 2023 (i.e., 60 days after the original / extended substantial completion date under the contract of September 12, 2023, with the contract mandating that final completion must be reached within 60 days thereafter). The amount provided here is the amount provided by GGA (minus the \$70,000 it had previously asserted). |
| \$678,886.73 | SUBTOTAL: These are claims by GGA against Hausmann, which are <u>disputed</u> by the Authority |

At a minimum, and ***setting aside the County's damages***, a deduct of \$899,847.50 is justified against Hausmann's retainage/monies otherwise owed to Hausmann, bringing the retainage from \$3,064,651.71 to **\$2,164,804.21** (with a separate \$39,373.02 being owed to the Design Parties), which will ultimately be an offset against the amount paid by the Design Parties to the Authority in settlement. In addition, a further deduction from the retainage in **an amount to be determined** must be made for the damages for which Hausmann and the Design Parties are jointly liable. See Section C.

The Authority affirmatively states that Hausmann has presented various PCOs that the Authority disputes and that the Authority will never pay as part of settlement, which are noted in the below chart (PCOs 082, 119, 129, 141, 146, and 147). Conversely, other PCOs are ones in which the Authority's position is that Hausmann is entitled to a reasonable amount (PCOs 81R1, 135R2, 136, 140, and 144); those amounts are noted in Section B.

| Amount | Description |
|---|---|
| Hausmann's PCOs <u>Disputed</u> and Fully <u>Rejected</u> by the Authority | |
| \$77,416 | Security Bars: The Authority maintains that the security bars issue was a construction defect by Hausmann and that no payment is owed as a result. |
| \$42,326 | DAS Cell System: The DAS cell system was in the drawings / specs and included in the contract price. It was not a change order. Hausmann and Thompson benefitted from the Authority allowing the cell phone system to use the same cable to DAS radio system, saving them money. |
| \$1,560 | Joint Sealant / Security Caulking on Closure Panels in Handicap Areas: The parties already agreed to a change order for these added closure panels. |
| \$138,875 | Builder's Risk Insurance Deductibles: The underlying losses (water damage and damage to the precast walls) resulted from Hausmann's negligence. Thus, it is ultimately liable for these costs. |
| \$10,720 | Open House Delays / Emergency AHU-3 Shut-Off: The open house did not result in any delays. The emergency shut-off was spec-ed and was not on the critical path. |

B. The Design Parties & Design Defect Damages

The chart below contains the damages resulting from the Design Parties' liability. From the Authority's perspective, in settlement, some of these damages would be compensated through a payment from the Design Parties to Authority, while others would be compensated through a direct payment from the Design Parties to Hausmann.

| The Design Parties & Design Defect Damages | |
|---|---|
| Amount | Description |
| The Authority's Damages <u>Paid / Incurred</u>: Money Owed by the Design Parties to the Authority. | |
| \$483,658.38 | <p>Fire Dampers (Design Error): Payments Made by LECA to Hausmann for Subcontractor / Supplier Construction Costs + Hausmann's 10% Mark-Up</p> <p>Hausmann has billed the Authority for its extended general conditions and additional construction costs (i.e., for subcontractor and supplier invoices plus the allowed mark-up) related to work performed to install fire dampers that were omitted from the original designs. This is the amount the Authority has already paid for the additional construction costs, while the Authority has not paid any of the claimed extended general conditions. See 2024-10-07 Letter from the Authority to GGA & Introba.</p> |
| \$152,077 (estimated) | <p>AHU-1, AHU-2, & AHU-3 Air Monitoring Stations</p> <p>Introba errored in the specs / designs in not having sufficient ability to control AHU-3 (and monitor the air). Four monitoring stations were added to fix the design totaling \$9,680. However, these repairs are not sufficient, and the Authority expects to incur approximately \$17,000 in further repairs.</p> <p>Moreover, as a result of the commissioning report and work done as part of the action items noted by the commissioning agent, the sequence of AHU-3 will have to be entirely redone and implemented. This is the equivalent of about three weeks of programming work. This is a design error by Introba. Suter and Trane will perform this work at an estimated cost of \$15,000.</p> <p>Due to the issues with AHU-3, the other units (AHU-1 and AHU-2) have been put under additional strain which will decrease their lifespans. The Authority estimates this resulted in \$11,600 worth of damage to these units.</p> <p>The Authority will also need to add new airflow monitoring stations to AHU-1, AHU-2, and AHU-3 at an approximate cost of \$29,599 each (\$88,797 in total) under a direct contract with Star Control.</p> <p>It will also cost approximately another \$10,000 to have the commission agent return to the LEC to evaluate these units.</p> <p>Suter is now also pricing out an extended warranty on these units (and potentially other components such as the hot water and chilled water pumps) from August 16, 2025 to August 16, 2026. The Authority will also assert the cost of this extended warranty against the Design Parties as damages as it never received the benefit of the one-year callback warranty under the contract. Further comments are made in this regard below.</p> |
| \$600,000 (estimated) | <p>Energy Recovery Wheel / Energy Recovery Ventilator</p> <p>ERWs are an energy-saving component within HVAC systems that retrieve heat/cooling from exhausted air and transfer it into the outside/incoming fresh air. Resequencing and control work on AHU-3 will require bypassing the ERW, and the Authority will not receive the benefit of the ERW it paid for or the anticipated savings on heating/cooling without intervention. Note the ERW has been</p> |

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| | <p>shut off since November 2024, at Introba's suggestion, as part of an attempted control strategy to get the equipment to function properly. Thus, the Authority has been incurring damages for some time.</p> <p>The only solution is to remove the now non-functioning ERW (to avoid further unnecessary maintenance costs) and install an energy recovery ventilator (ERV) on the roof, which will then be tied into AHU-3. This is a separate piece of equipment that will provide the same functionality as an ERW. The Authority estimates \$600,000 in damages, comprised of removal costs for the ERW, ERV equipment costs (\$250,000), and related installation labor. Note that this figure does not factor in the potential cost of relocating inmates housed in about 20 cells for at least 30 days to perform this work.</p> |
| \$17,080 | <p>Make-Up Air Unit #1 Control Sequence</p> <p>The control sequence provided by Introba for MUA Unit 1 was wrong, as Introba's sequence was based on this unit being a hydraulics-powered unit, but a gas-powered unit, resulting in the unit not performing/working correctly. In addition, Introba's graphical depiction of this unit on the BAS computer was wrong, which made the customer interface with the BAS computer, that controls MUA-1 different. The solution, proposed and approved by Introba/RCE, involves Star Control's reprogramming of the unit at a total cost of \$17,080 (across three invoices totaling \$4,000, \$3,400, and \$9,680 respectively) under a direct contract.</p> |
| \$56,465 | <p>Lack of Heat in Hallway, Laundry Chase Area, & ISO/Medical Area</p> <p>At least three areas in the facility (a hallway, the chase area behind three dryers, and chase behind the ISO cells in the medical exam area) lack adequate heat and required installation of hydronic-powered hanging heaters. The damages include the Authority's direct payment to Suter to install hanging heaters (as well as the County's cost of temporary heaters and additional electrical costs). The cost was a fixed bid paid for by building services of the FFE.</p> |
| \$15,930 | <p>Room 0046 (County Attorney Equipment Room) Temperature Control</p> <p>This room's temperature control is inadequate (specifically, the room gets too hot), as the mechanical system was not correctly designed. Specifically, the designs should have included a mini-split system for this room, as this type of equipment/IT room needs a mini-split to regulate its higher-than-normal temperatures from the IT equipment. The solution, proposed and approved by Introba/RCE, is to install a mini-split system for the room. Rework will be performed under direct contracts with Suter (\$5,980) and Thompson (\$9,950). Total rework is expected to cost \$15,930.</p> |
| \$16,090 | <p>Cold External Offices (County Attorney, Sheriff, Courts)</p> <p>Many of the exterior offices were not reaching the designed temperature. The Authority has continued to pay for rework to fix these issues. Work to try to resolve this issue was performed as part of PR42, and as part of PR49, but the problems persisted. Rework involves (1) Suter will perform rework regarding VAV-L-16-A changes in County Attorney and Matt Metzger's offices, totaling approximately \$3,000. Additional rework from Suter and Star Control totals \$13,090 for plumbing, temperature control work, and testing and balancing.</p> |
| \$45,950 (estimated) | <p>Cornerstone Commissioning</p> <p>The Authority's contract with Cornerstone totaled \$32,450. Cornerstone also incurred \$3,500 in expenses which it invoiced separately. The Authority expects to incur additional costs related to this item due to a change order necessitated by new control sequences totaling approximately \$10,000.</p> |
| \$29,820 | <p>Additional Electrical Panel (EF-1 Issues)</p> <p>The EF-1 remediation work will require use of the remaining spare breaker spots. Prior to this work, only a few spare breakers were available, which was due to the various modifications in the</p> |

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| | mechanical system that were performed to remediate the Design Parties' mechanical engineering design defects. Thus, as part of this EF-1, a new electrical panel and transformer will be installed. This related electrical work by Thompson totals \$29,820. |
| \$35,000 | <p>Extended Warranties & Suter's Warranty Work / Extended Services</p> <p>As an initial matter, as to the entirety of the mechanical system, the Authority has not received the benefit of the one-year call-back warranty that it paid for. Substantial completion occurred on August 16, 2024, and substantial remedial work has continued on many different parts of the system since. Thus, the Authority is entitled to an extended one-year warranty from the date the mechanical system is actually complete. The Design Parties are liable for the errors with this system, and the Authority demands that the Design Parties pay for an extension of this warranty. If the Design Parties refuse to pay for this warranty, the Authority will directly purchase the warranty and assert the payment as damages.</p> <p>Separately, Suter has been providing call-back work on the Project after substantial completion, and it has not yet invoiced the Authority for its services. However, it is Suter's position that its warranty work began on April 2, 2024 (based on the original contractual substantial completion date of April 2, 2023), and it has been providing call-back work since that time, regardless of the fact that substantial completion was not achieved until August 16, 2024. Suter asserts it is owed \$35,000 for this work. The Authority disagrees with Suter's analysis of substantial completion but, to the extent Suter is owed fees for this work, the Design Parties are liable given its continued delays and errors necessitating Suter's work.</p> |
| \$6,000 | <p>Easy Water Treatment System</p> <p>The Design Parties omitted from the designs an easy water treatment system despite the fact that the Authority requested the system be added and sent the Design Parties information on the system desired. This system will require installing spools to remove the magnetic properties of the water in the area. The additional cost to add the system now is \$6,000 more than it would have been if included in the original designs due to pipes having to be replaced to accommodate the system.</p> |
| \$1,928 | <p>Air Supply in Electrical Rooms 0029, 0030, & 0031 / Missing Fire Damper</p> <p>Electrical Rooms 0029, 0030, and 0031 have air conditioning and exhaust (an exhaust fan with ductwork to exhaust the air) but no supply air. In other words, the airflow in each room is not balanced because air is being exhausted but not supplied. Per RCE's review, these rooms do not need to be ventilated and just air conditioning is sufficient. This can be solved by turning off the exhaust, meaning the ductwork running from each room to the outside with the exhaust fan is no longer needed.</p> <p>However, the ductwork / exhaust fan in Room 0031 is missing a fire damper from the drawings. This is a design error by Introba. To solve this issue, the Authority will have to close off the ductwork by taking it down, cutting off the unneeded section, and capping it with cement blocks. Suter will perform part of this work and has submitted a bid for \$928. The remaining work will be performed by an outside contractor. The Authority estimates that the remaining work will cost \$1,000.</p> |
| \$23,165 | <p>EUH-2 Vestibule</p> <p>The EUH-2 was noted on one sheet in the plans but not noted in the schedules or anywhere else. As a result, Hausmann did not install it. To address this issue, the Authority installed a cabinet unit heater under a direct contract with Suter at a total cost of \$23,165.</p> |
| \$25,000 (estimated) | <p>PR 55 – Additional Balancing Work</p> <p>Under PR 55, the Authority will incur additional costs under a direct contract with Suter to address ongoing balancing issues. The Authority estimates that the cost of this work will total \$25,000.</p> |

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| \$20,000 (estimated) | Kitchen MAU-1 MAU-1 in the kitchen was designed without a cooling coil. As a result, when MAU-1 brings in air from the outside during hotter temperatures, the kitchen becomes unbearably hot (up to 90 degrees as of the date of this letter). The failure to include a cooling coil was a design error. The Authority is currently pricing remedial work under a direct contract with Suter which it expects will total approximately \$20,000. |
| \$1,528,163.38 | SUBTOTAL: Money Owed by the Design Parties to the Authority. |
| Damages Contingent on Hausmann's Claims for Add'l Costs: Fault is <i>Undisputed</i>, Amount is <i>Disputed</i> by Authority | |
| \$604,742.39 | Fire Dampers (Design Error): Hausmann's Claimed Extended General Conds. (Not Yet Paid) As noted above, Hausmann has billed the Authority for its extended general conditions regarding its additional work to install fire dampers that were omitted from the original designs. Hausmann has claimed extended general conditions claimed in the amount of \$604,742.39. The Authority believes these costs are inflated and impacted by concurrent delays. That said, Hausmann is owed some amount for its extended general conditions. <i>See</i> PCO 81R1 / PR 35R; 2023-12-18 Letter from the Authority to Hausmann; 2024-11-18 Letter from the Authority to Hausmann; 2024-12-06 Letter from the Authority to GGA & Introba. |
| \$1,366,195 | ASI-10/Mechanical System Issues: Hausmann's Claimed Construction Costs <u>and</u> Extended General Conditions (Not Yet Paid) On June 19, 2024, Hausmann submitted PR 49 related to the mechanical system/ASI-10 work totaling \$1,366,195, comprised of \$988,221 from Hausmann (mostly extended general conditions), \$251,165.60 in subcontractor and supplier costs, and \$126,808.40 in fees. Hausmann's extended general conditions are inflated, but Hausmann is owed some amount for its extended general conditions and is owed for the reasonable construction costs. <i>See</i> PCO 136; 2024-08-12 Letter from the Authority to Hausmann; 2024-11-18 Letter from the Authority to Hausmann; 2024-12-06 Letter from the Authority to GGA & Introba. |
| \$107,732 | 135R2 - Elevator Enclosure There was a design error related to the size of the elevators and placement of a related control panel that required the Authority to switch elevator manufacturers during the project, relocate the control panel to the roof, and build an enclosure around the elevator and control panel on the roof. The Authority believes Hausmann's associated costs are inflated, but some amount is owed to Hausmann for its work (likely around \$80,000). <i>See</i> PCO 135R2. |
| \$94,369 | Replacement of AHU-3 Coil These issues relate back to design errors. The coil was undersized during the original design and did not meet design requirements. |
| \$207,188 | Ductwork Silencing Work in Master Control / AHU-3 These issues relate back to design errors. The work involved putting insulation inside of the AHU-3 and silencer tubing and insulation around pipes. The Authority believes Hausmann's costs are inflated, but some amount is still owed (likely around \$100,000). <i>See</i> PCO 140. |
| \$2,380,226.39 | SUBTOTAL of Hausmann's Claimed Damages Attributable to the Design Parties. <i>The Authority agrees that some amount is owed, but <u>disputes</u> this egregiously exaggerated and inflated amount.</i> |

As shown, the amount owed by the Design Parties to the Authority for its damages is **\$1,528,163.38**.

Further, as shown, there is some amount owed to Hausmann for the above category of claimed damages, but the Authority disputes the claimed amount of \$2,380,226.39. From the Authority's perspective, in settlement, if an amount is agreed upon, such amount would be compensated through a payment from the Design Parties to Hausmann.

C. Damages for which Hausmann and the Design Parties are Jointly Responsible

The chart below sets forth the damages owed by both Hausmann and GGA to the Authority for its legal fees and expert fees. Legal and expert fees continue to be incurred.

| Amount | Description |
|-------------------------|--|
| \$4,719.25 | SOCOTEC Invoices (Al Nagorzanski): Expert fees paid by the Authority. |
| \$30,756.25 | HKA Global Invoices (Larry Smith): Expert fees paid by the Authority. |
| \$70,000 (estimated) | Resource Consulting Engineers Invoices (Corey Metzger): Expert fees paid by the Authority. |
| \$10,000 (estimated) | Bob Veenstra: Expert fees paid by the Authority. This includes separate costs related to core sampling to be performed by Terracon and/or Olson in relation to Mr. Veenstra's work. |
| \$463,859.47 | Attorney Fees - Fredrikson & Byron (through May 31, 2025) Primary Legal Counsel. |
| \$16,105.75 | Attorney Fees - Ahlers & Cooney Legal Counsel. (Ahlers & Cooney has provided limited legal services to the Authority relating to ongoing litigation/claims as well as multiple 28E Agreements under which the County had to loan the Authority money to cover extra costs relating to the Authority's claims against all parties.) |
| \$11,967.85 | Attorney Fees - Stinson Law Firm Legal Counsel. (Prior to retaining Fredrikson & Byron, in the Spring 2023, the Authority retained Brian Sobzyck, from the Stinson Law Firm, as their construction attorney) |
| \$607,408.57 | SUBTOTAL: Legal and Expert Costs |
| \$558,027.17 | Owner's Representative Baker Group Extended Contract Owner representative fees paid by the Authority. But for the delay, the Authority would have only needed and paid its owner's rep through no later than November 12, 2023 (i.e., 60 days after the original / extended substantial completion date under the contract of September 12, 2023, with the contract mandating that final completion must be reached within 60 days thereafter). From September 2023 through August 2024, the Authority paid Baker Group \$34,000 each month. Since September 2024 through at least December 2024, the Authority paid Baker Group \$32,013 each month. Starting March 1, 2025, Baker Group went hourly, and monthly payments varied (\$24,774.85 in March and \$10,068.20 so far in April). |
| \$1,165,435.74 | SUBTOTAL: DAMAGES for which Hausmann and GGA are jointly liable, depending upon the allocation of fault. |

As shown, Hausmann and GGA owe the Authority a total of **\$607,408.57** its legal fees and expert fees. Further, as shown below in the County's damages chart, the County has incurred \$252,000 in attorney

fees and \$27,000 in expert costs totaling another \$279,000, for a total amount of legal fees and expert fees incurred by the County and Authority of \$886,408.57. In settlement, Hausmann's agreed-upon portion of that amount would be deducted from its retainage, while the Design Parties' portion would be part of their payment made to the Authority.

Further, the chart sets forth the amounts the Authority has had to pay for its Owner's Representative's continued services since November 12, 2024, caused by the Project not being completed on time, which is \$558,027.17. Ultimately, at trial, the Authority believes this amount would be allocated between Hausmann and the Design Parties according to how the jury allocates the delay between those two sides.

In total, these damages for which Hausmann and GGA will be jointly liable, depending upon the allocation of fault, total \$1,444,435.74. In settlement, Hausmann's agreed-upon portion of that amount would be deducted from its retainage, while the Design Parties' portion would be part of their payment made to the Authority.

III. THE COUNTY'S DAMAGES

Separate and apart from the Authority's damages, because of the late completion of the LEC, the County has suffered damages of well over 2,800,000 million dollars. A summary of these damages is provided herein, and more detail and backup documentation will be provided at a future point in time.

In early 2023, expecting the LEC to be completed in September 2023, County officials began planning to house state and federal prisoners by Fall 2023. Hausmann and GGA were aware of the County's plans to ramp up its population of federal prisoners as part of its contract with the U.S. Marshall's Service. Anticipating that the LEC would achieve substantial completion by September 2023, Sheriff Chad Sheehan planned on devoting the months of October and November to training newly hired correctional officers and other personnel. Sheriff Sheehan counted on bringing inmates to the LEC in early December, including a large number of new federal prisoners. The Sheriff knew filling the new facility would not occur overnight, but he had assumed a steady influx of prisoners. The Sheriff felt comfortable that by February 1, 2024, housing 100 federal prisoners was feasible and reasonable.

Under its contract with the Marshall's Service, Woodbury County would be paid \$100 per-day, per-inmate to house federal prisoners. The contract provided that the County would receive a stipend for transporting federal prisoners to court appointments or other outside locations. The Sheriff's office prepared its budget for 2023, assuming a steady revenue stream from the federal contract and the newly completed LEC.

Of course, the LEC opened over a year after it had been scheduled to open. Because of that delay, the County incurred damages. Those damages can be broken into several categories:

| Amount | Description |
|----------------------------|---|
| \$2,400,000 (estimated) | Lost Net Revenue / Lost Profits The County and its outside consultants have calculated lost net revenue due to the delay in opening the LEC. First, the calculations assumed that the jail would have opened and started accepting federal prisoners in early December 2023. The delay period used for calculations ran up to the date in 2025 when the LEC federal inmate population reached 100, the as-planned number of federal prisoners the Sheriff was expecting by February 1, 2024. The County and its consultants then calculated what expenses it “avoided” during the delay period, to arrive at a net lost revenue or lost profits for the period of the delay. That number was well in excess of <u>\$2.4 million</u> . |
| \$75,000 (estimated) | Accrued Interest The County also lost out on approximately \$75,000 in interest that would have accrued had it received the profits noted above. |
| \$15,000 | Storage Fees In anticipation of moving into the LEC in September 2023, the County began acquiring furniture, office equipment, and other material necessary for the new building. When the contractor failed to complete the building as scheduled, the contractor forced the County to find suitable storage facilities for this material. The County incurred storage expenses of <u>\$15,000</u> . |
| \$48,000 | Equipment Warranties Because of Hausmann’s inability or unwillingness to obtain service contracts for the standby generator and elevators as required by the construction contract, the County was forced to purchase those contracts at a cost of <u>\$48,000</u> . |
| \$252,000 | Attorney Fees – Whitfield & Eddy To date, the County has incurred \$252,000 in legal services as a result of the above errors. These fees continued to be incurred. |
| \$27,000 | Expert Costs – SOCOTEC To date, the County has incurred \$27,000 in expert costs to address the above errors. SOCOTEC assisted in analyzing the County’s net lost profits / revenues. |
| \$2,817,000 | SUBTOTAL: Damages for which Hausmann and the Design Parties are jointly liable, depending upon the allocation of fault. |

Note that the County’s legal fees and expert costs included in the above chart are also incorporated above with respect to damages for which Hausmann and the Design Parties are both jointly liable.

Of course, the County’s damages have been more than monetary. The County’s staff and elected officials have had to weather many months of criticism and complaints from angry citizens. This was a hardship the County had to endure through no fault of its own.

The County hopes to resolve this matter through good faith mediation. The County’s demand, accounting for damages which continue to accrue, is currently \$2,850,000. The Authority and County will provide updated damages information leading into any mediation.

IV. DAMAGES HYPOTHETICAL

The Authority and County thought it would be useful to provide a *hypothetical* to the parties regarding the money that may exchange hands regarding the Authority and County at mediation. This hypothetical is utilizing current numbers, but of course damages are still being incurred.

In the hypothetical below, the following two assumptions are utilized. These are very simplified assumptions and are of course subject to change, but again, we thought it would be helpful to provide a mediation settlement hypothetical.

- The category of jointly liable damages comprised of legal fees, expert fees, and additional Owner Rep. fees are split 50% to Hausmann and 50% to the Design Parties.
- The category of jointly liable damages comprised of the County's delay-related damages are split 77% to the Design Parties and 23% to Hausmann. This assumption is based on a simplified allocation of fault for the delay ultimately based upon our above-noted preliminary assessment of the allocation of delays. For the approximate 11-month delay from September 12, 2023 to August 16, 2024, our preliminary opinion is that 6, plus 2.5 (that is, half of the 5 months of concurrent delay months), months out of the 11-month delay are due to the Design Parties, which is 77%, while 2.5 months (that is, half of the 5 months of concurrent delay months) out of the 11-month delay are due to Hausmann, which is 23%.

Mediation Settlement Hypothetical:

| Hausmann Construction | Notes | Design Parties (GGA & Introba) | Notes |
|-----------------------|--|--------------------------------|---|
| \$3,064,651.71 | Retainage | | |
| (\$899,847.50) | Deduct/Credit Owed to Authority | | |
| \$2,164,804.21 | Subtotal: Remaining Retainage Owed to Hausmann from Authority | (\$1,528,163.38) | Damages Owed to the Authority for Design Errors. |
| (\$722,217.87) | Add'l Deduct of 50% of Jointly Liable Damages for Legal/Expert Fees and Add'l Owner Rep Fees. | (\$722,217.87) | Add'l Damages of 50% of Joint Damages for Legal/Expert Fees and Add'l Owner Rep Fees. |
| \$1,442,586.34 | Subtotal: Remaining Retainage Owed to Hausmann from Authority | (\$2,250,381.25) | Subtotal: Damages Owed by Design Parties to the Authority |
| (\$647,910.00) | Add'l Deduct of 23% of Jointly Liable Damages for Delay | (\$2,169,090.00) | Add'l Damages of 77% of Jointly Liable Damages for Delay |
| \$794,676.34 | Total: \$794,676.34 Remaining Retainage Owed to Hausmann from the Authority After Deducts/Credits | (\$4,419,471.25) | Total: \$4,419,471.25 Damages Owed by the Design Parties to County and Authority |

Importantly, this settlement hypothetical does not take into account the categories of monies that would presumably change hands directly between Hausmann and the Design Parties in a mediation, such as the following:

- **Hausmann's Extended General Conditions for its Add'l Work Due to Design Errors:** For example, the Design Parties undoubtedly owe Hausmann for a reasonable amount of its extended general conditions due to its design errors and other amounts noted above where fault is undisputed, but the amount is disputed. Hausmann's asserted number in this regard is \$2,380,226.39. As part of litigation, these amounts will be part of the Authority's contribution/indemnification claim against the Design Parties to the extent Hausmann obtains a judgment against the Authority for these amounts.
- **Design Parties' Additional Service Fees Due to Construction Errors/Delays:** By way of further example, there are instances where Hausmann undoubtedly owes money to the Design Parties for certain items, including the \$39,373.02 owed to GGA (itself and Toth) for its fees due to Hausmann's errors regarding the precast walls. GGA has also asserted against the Authority Additional Services allegedly due to Hausmann's delays and construction errors. As part of litigation, these amounts will be part of the Authority's contribution/indemnification claim against Hausmann to the extent GGA obtains a judgment against the Authority for these amounts.

V. THE AUTHORITY'S EXPERTS & EXPERT REPORTS

Currently, the Authority has retained two expert mechanical engineers: Larry Smith of HKA Global and Corey Metzger of Resource Consulting Engineers. Corey, as you know, has provided substantial day-to-day engineering services due to Introba's delayed and deficient services for the past 18 months. The Authority should have completed expert reports from Mr. Smith and Mr. Metzger and will produce them approximately 30 days before mediation.

The Authority has also consulted Al Nagorzanski of SOCOTEC to analyze the impact of delays, Hausmann's extended general conditions, and other matters. Mr. Nagorzanski has also assisted in certain damage calculations. If this matter proceeds to litigation, the Authority will obtain and produce a full report from Mr. Nagorzanski.

Finally, the Authority also retained civil engineer, Bob Veenstra, to opine on the concrete work in the parking lot as well as the topsoil with respect to the seeding / rutting issue noted above, including to determine the exact nature of the construction defects and to assist in the proposed rework on both items. In relation to Mr. Veenstra's work, the Authority will also engage a geotechnical engineering firm to take core samples from the parking lot and topsoil. The Authority should have a completed expert report from Mr. Veenstra and will produce it approximately 30 days before mediation.

The Authority continues to incur investigative costs due to the work by all these experts.

VI. CLAIMS & MEDIATION

In light of the damages above, the Authority and County have contract claims against Hausmann arising from numerous construction defects as well as GGA and Introba arising from numerous design defects.

Prior to filing a lawsuit, the Authority and County are willing to engage in mediation in an attempt to resolve these claims in the interest of avoiding the time and expense of litigation and facilitating the speedy recovery of taxpayer funds caused by Hausmann, GGA, and Introba's failures on the Project. All parties should attend the mediation with full authorization from their respective insurers to offer the limits of their policies and be prepared to compensate for damages beyond those policies as discussed above. If an acceptable resolution cannot be reached at mediation, the Authority and County will proceed with filing a lawsuit on their claims and, after conducting full discovery, seek full compensation for all amounts owed plus additional attorney fees and costs. The Authority and County hope that such litigation can be avoided and that this matter can be fully and amicably resolved.

From here, we need to hear from each of you regarding whether your client is agreeable to mediation. If one or more of your clients are not so agreeable, that is fine; we will proceed directly to filing suit. As such, please confirm you are authorized to accept service of the Petition.

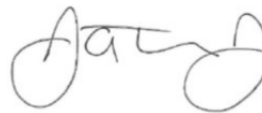
If your respective clients are so agreeable, then we would like to schedule a call with all attorneys to generally discuss the topic of mediation, including the timing of any such mediation and mediators. We would propose mediation occur in late August or September. Given the involvement of attorneys from both Omaha and Cedar Rapids, Des Moines appears to be a central location for mediation. Fredrikson & Byron's offices can accommodate all parties. We would propose Mark Heley (Heley, Duncan & Melander), Leland Shurin (Shaffer Lombardo Shurin), or Jerry Bales (Bales ADR Services) to serve as the mediator.

A copy of this letter is also being sent to Hausmann's surety. We look forward to your response. Thank you.

Sincerely,



Jodie C. McDougal
Counsel for the Authority



John Templer
Counsel for the County

cc: Marcelo Virgili – Vice President, Swiss Re (marcelo_virgili@swissre.com)