



TAMICO, INC.

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Date: 3/7/16

Northern Construction Services

Regarding: Sitka Transient Float Replacement Site Conditions

Attention: Garrett

As we near the completion of drilling for this project it has become evident that the site conditions have not been conducive for pile socketing.

We have been in contact with many experts in the field of drilling. These contacts, drill manufactures, drill suppliers, and other contractors, have all said the same when given the details of what we have been up against.

The consensus is that the drilling has been performed under conditions that have hindered production and has produced excessive wear on the drilling equipment. This includes but is not limited to the bit/wings, shock sub, drill steel, and rotator.

The sloping bedrock, which we have estimated to approach a 45 degree angle on the south end, has taken a lot of time and also has worn the bit down. Drilling through the center of the float and not being able to tilt the drill to start a hole on the slope took considerable time and put excessive wear on the bit, especially the wings.

The biggest issue has been the foreign debris that has been in the radius of the drill. We have had a lot of debris come through the drill and a lot of it stays in the hole as we are drilling. This has led to excessive wear and extra drilling time.

We have documented the debris through pictures and underwater video. We have also seen a definite pattern while drilling. When we get debris coming through the drill it does not allow the bit to beat the rock sufficiently. Instead of small pieces coming up through the system we get bigger rock that wedges and then plugs up the drill which then leads to drill steel/accelerator failure as well as excessive wear on the bit itself.

It is our opinion that the designer and owner had not done their due diligence in surveying the bottom prior to bidding the project. If they had it would have been known conditions. If it had been known additional permitting would have been needed to be able to clear the bottom of the 50 to 60 years of debris.

Given these two site conditions Tamico seeks the following

2 Week extension to the substantial completion date and consequential milestone dates that follow

The following costs Time and Material

Material

Excessive wear on 25.5" underreamer bit	\$10,000.00
Replacement wings for bit	\$18,000.00
Damaged Drill Steel@ \$1,000 per ft	\$30,000.00

Time Repairing

12- 10 hr days crew and equipment @ \$967.17 per hour	\$116,060.40
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Total Costs to date \$174,060.40

These expenses are above and beyond what was anticipated for the project. Drilling under normal conditions can be a challenge. When there is an excessive amount of foreign debris in the drill location than it is not only more of a challenge, but has proven costly as well.

Tamico has been told that we aren't competent and that our drill equipment is not adequate. As it turns out when we have had no debris we have actually been able to drill 3 holes in a 12 hour shift with two compressors and 2 holes in a 12 hour shift with one compressor. In our opinion this fits into our regular schedule of 2 holes a day. The biggest slowdown that we have encountered has been the presence of foreign debris that inhibits drill production and puts excessive wear and costly repairs.

Sincerely

Jim Martinsen
President



1.

TAMICO, INC.

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Date: 3/28/16

Northern Construction Services
Attention: Garrett McCormick

Regarding: Response to City and Borough of Sitka's decision of site claim

Garrett,

The following is in response to Mr. Tadic's letter of our recent claim to the debris encountered on this project. We feel strongly that Mr. Tadic does not fully understand everything that is involved and that most of his arguments would not hold up in court.

In response to Mr. Tadic's claim that there was ample notification, we believe this to be false. Local knowledge is for all intents and purposes, just a rumor. If it was a known condition it would have been mapped out on the plans as to the location of the debris fields and if there was any conflict with the pile layout. It is very vague in nature and gives very little insight to the overall conditions present.

Furthermore it would be the owners due diligence to have a permit that allowed for the removal of these obstructions. The process needed to clean up a site that has a high probability of contaminates would be very lengthy and require the involvement of many different agencies. The contractor cannot be held responsible for the removal of such debris. The sole responsibility falls solely on the owner in costs, liability, and acquiring the needed permits to perform that scope of work.

Mr Tadic is also incorrect that most debris was likely attributed to sunken vessels. Unless these boats were equipped with

Large loader tires- Shopping carts- Air hose- Shop Vacs- Lead pipe/cable-

Large diameter electrical cable- Large Zincs (30-40 lb)- ect.-

It does not matter if the debris comes from a sunken boat or from boats afloat, again the sole responsibility of the debris falls directly on the owner.

Mr Tadic is correct that we have a lot of experience with what can be on the bottoms of harbors. This is by far the worst and most polluted harbor we have worked in. That fact is the basis for this claim. It is not the contractor's responsibility to clean up a work site so that they can do the work originally contracted to do. On any project it is up to the owner to accept liability of any existing garbage, debris, or contaminants that hinder the work of the contractor.

Mr Tadic would also be incorrect in referencing Section 02896- Steel Pipe Piles, 3.2E

This specification deals with pile driving and has nothing to do with socketing.

The intent of this specification is that if a rock/boulder is encountered in the first 5 feet of driving and forces the pile to be misaligned than it is the contractors responsibility to get the pile past the obstruction and still maintain alignment.

This spec cannot be translated or transferred over to cover foreign debris. As stated before any debris on the owner's site is the sole responsibility of the owner. If the debris did cause an obstruction that caused misalignment this spec would further not be applicable as the debris would most likely be sitting on top of the mudline. Section 02896-3 E deals with obstructions below the mudline to 5 feet, anything above the mudline and below 5 feet is the owner responsibility. All points are mute anyhow as the intent of this spec is not what the owner is trying to use it for, a reason to pass off responsibility for the pollutants on their site to the contractor. If that was the intent it would have been clearly stated in the specs and plans, and the proper permits would have been in place to allow such work.

Mr Tadic's assessment to Tamico's means and methods, although sounds straight out of a brochure, is not entirely accurate.

This drill was set up in 2013 with the direct help from Numa. His statement of the Patriot 125 hammer being undersized is not correct. According to Numa, who had to make the bit to fit the 125, the differences in output would be so small that for all intents and purposes you could not quantify it. The 25 inch bits have a larger shank that would not fit the 125. When we set this up we consulted with Numa and asked if we could machine the bit to fit the 125. When they looked at this scenario they agreed that the performance would be so close that they would do it, in fact they have a number of customers that they have done this for. The only drawback was the hammer would have to work harder to accomplish the same amount. In a nutshell the 125 hits considerably faster than the 180 or 240, but the end result is roughly the same production. Mr Tadic's assumption that the hammer is undersized is false and is backed up by the fact that Numa, the manufacturer who machined the bit to fit the hammer.

Mr Tadic is also not correct on his air calculations. The drill itself has three different options that he did not account for.

The first is that the drill is equipped with an accelerator. This accelerator enlarges the drill steel to increase the air velocity up the pile. The correct calculation for this accelerator for a single compressor would be

$$\frac{900(\text{cfm}) \times 183.4}{23 \times 23 (\text{inside dia pipe}) - 22 \times 22 (\text{outside dia accelerator})} = \frac{165,060}{45}$$

Up velocity for single compressor 3668 ft/sec

The Second is since we were using the same pile to drill all the holes it allowed us to cut window in the pile roughly 30' above the bottom of the pipe. This does several things. At times it allows enough water into the pile that we are not relying of just a volume of air to clear the tailings we can basically float and flush them with the water volume. Due to buoyancy the tailings now weigh roughly 1/3 of their weight out of the water and thus require less energy (air pressure) to remove them. The windows also allow for a much shallower exit hole for the tailings when the water is coming up through the bottom of the drill. In either case we have done literally hundreds of holes with a single compressor set up, some of them up to 120 feet of depth.

The third thing that happens at times is when the air pressure is pushing outside the pile the velocity is than figured using the diameter of the pile as drill steel which is 24".

25" bit with 24" rod calculates to annular velocity of 3369 ft/sec

This is evident from the amount of overburden that is blown out from the socket location. Even with a single compressor drill times without the presence of debris, which was only a few locations, was about 2 hours. This is a fair baseline as we have usually gotten 5 feet + an hour with this drill. The velocities Mr Tadic is calculating for are to achieve production rates of 50- 60 feet an hour which is much higher than we need or would want to drill at. For our purposes drilling at 5'-10' an hour fits our needs and is more controllable, and can be easily attained with a single compressor. This is not the first project for this hammer/compressor set up, and it has performed well in the past. The main reason for the lack of production is very obvious, debris under the bit. The damage to the bit and the loss of production can be linked very easily to the site conditions. It is highly likely without the presence of debris our production rate with a single compressor would have been good enough that we would not have incurred the extra costs of bringing in a second compressor.

The addition of the second compressor did increase production by 30% +/- . Still the presence of debris under the drill is the overwhelming culprit of loss of production and breakdowns. It should be noted that our last breakdown occurred while running two compressors. The same symptoms and loss of production occurred no matter what amount of air we had or could have had, all the symptoms can be attributed to debris in the socket. Numa themselves have agreed that we could have 10 times the amount of air we need, but if there is debris between the bit and rock you will get the same results. When there was no debris we were able to drill 2 sockets a day with one compressor, which is a far better output and representative of our original scheduling for this bid item.

We have more than enough documented evidence to back this up, videos, letters from manufacturer, photos, and conversations with other contractors who have worked in this particular area. The biggest problem is that the owner has a site that is contaminated with debris, and not all of it is from sunken boats. It really doesn't matter what the debris is or came from, it is the owner's responsibility for its impacts.

Mr Tadic is also incorrect on Tamico's late arrival. Our payroll and expense records show that we started working on site on 1/6/16. It was at that time, with the help of NCS, we started towing floats to work site and splicing floats together. I have included the schedule that Tamico submitted 11/19/15 which shows our arrival on 1/19/16. The barge arrived onsite on the 20th , one day behind submitted schedule, and we had the old floats removed and new floats installed by around the 2/5/16. In fact we installed the last float the day that it was finished being fabricated, actually when looked at would indicate pretty good scheduling and timing.

As for where the schedule went from there the biggest obstacle meeting the 3/15 date was due to low production and breakdowns caused by the foreign debris of the site. When the bottom was clear of debris our production rates were 2-3 holes in a 12 hr shift. When debris was present production dropped and breakdowns occurred. It was the combination of low production and breakdowns that caused delays that lead to the late completion.

Our claim that the large amounts of debris contributed to the lack of production and excessive wear on the drill equipment has a lot of merit and we would be willing to push it to any court we need to come

up with a settlement. We have a strong case as the owner is liable for the debris on their site and the delays it caused, the excessive wear on equipment, and any harm it does to the environment.

Before we go there I think that the owner may want to rethink their initial response.

As our claim stated the costs were to date and since the job is not done, because of the in water restrictions, these costs will be updated to reflect the entire impact of this site condition.

We know the damage done to the drill and the costs, and they have actually increased since the first claim was submitted.

The first claim did not account for the extra drill time due to the debris, it only was asking for compensation for the down time for repairs. Now that we have a fairly strong baseline of time to drill when debris is not an issue, we will revisit the extra time per holes drilled in excess of the baseline. If we are required to remobilize to finish this project those costs will also be included.

Lastly if we have to go to court we will have to insist that the owner self-report to US Army Corp of Engineers, DEC, and EPA and any other agency that needs to be involved on the matter of this debris and the high likeliness of contaminants present. If you do not do so we will file on your behalf to alieve Tamico or NCS of any liability due to the disturbance we did during installation.

It should also be noted that we encountered debris will hauling up anchor chains. The entire front bulwarks of a boat came up. The crew then observed oil coming up to the surface. The Harbor master can confirm this as he was there to witness. I have attached a photo that shows the bulwarks and associated oil sheen. Divers installing anodes also verified the debris and actually noted a pile that was drilled/drove through a sunken vessel which further enhances our stance.

The owner insisting that they have no responsibility in this mess is very concerning based on the evidence. That they are trying to pass these impacts on to the contractor speaks volumes to their integrity.

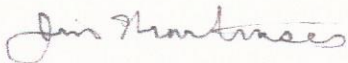
Tamico does not want to get into a public battle concerning environmental issues. I would think that the owners would likewise not want to open up that can of worms.

Therefore Tamico would agree to the following

- Time extension that allows for no liquidated damages on the project.
- Owner pays the full amount of the original claim
- Pile 25 will be backfilled to original mudline with D-1 and accepted and Tamico/NSCS will be compensated for extra work involved. If it requires additional fixes it will be at the owners expense

Tamico feels very strongly about this claim and will fight it if need be as our case is very strong. I feel it would be in everyone's best interest to settle this and not get into a fight over site conditions that are contaminated with debris and could lead to some very expensive clean up and investigations.

Sincerely



Jim Martinsen
President Tamico Inc



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Date: 9/5/17

City and Borough of Sitka

Regards: Sitka Transient Float Response
Attention: Brian Hanson

Mr. Hanson,

I would like to say that I am very disappointed that it took the City and Borough of Sitka(CBS) this long to come back with the same stance they had on 10/12/16 in regards to CO # 3.

This is a reference timeline for the drilling issues

- 2/27/16 Notified owner via letter regarding steep formations and the challenges while drilling them
- 3/7/16 Notified owner via letter about debris/obstructions
- 3/15/16 In water restrictions started all pile except for pile 25 installed per design criteria
- 3/24/16 CBS letter rejecting claim
- 3/28/16 Tamico letter/email stating CBS is incorrect in its assessment as fraudulent data is being used
- 4/27/16 CBS letter in response to Tamico 3/28 letter. Tamico still considers data fraudulent.
- 10/6/16 Pile 25 stabilized at contractors expense
- 10/12/16 Change order 3 issued
- 12/28/16 Email setting 1/10/17 deadline
- 1/10/17 Response to CBS on CO #3 rejecting offer based on no compensation
- 1/23/17 CBS email NCS stating
 - "Imperative we proceed expeditiously"
 - Sets 2/1/17 deadline to schedule settlement discussion
- 1/26/17 NCS/TI attorney meets deadline by contacting CBS attorney to start discussion
- 3/20/17 Freeman email to CBS- evidence supporting debris
- 4/18/17 Freeman email to CBS- conservative costs associated with claim

4/26/17 CBS attorney email stating that all staff had met and settlement response forthcoming.

5/1/17 No formal response from CBS

6/1/17 No formal response from CBS

7/1/17 No formal response from CBS

8/1/17 No formal response from CBS

8/26/17 Latest response from CBS which stated their stance was same as 10/12/16

We did not receive your response to our counter offer until 8/26/17 at 5:30 pm on the eve of your 2 week vacation. It is very disturbing that the CBS doesn't understand the urgency in settling these matters as the financial impacts to the contractor continue to grow.

Due to the lack of prompt payment for work done under contract, Tamico has had to draw on a line of credit, lay off employees, and call creditors to insure them payment will be coming once this issue is resolved. It has also affected our bonding capacity and ability to perform projects as well.

We hold CBS liable for all these damages.

To understand the issues involved, you need to have a good understanding of the marine industry and rock drilling in particular. When driving pile and drilling you have to comprehend that one cannot actually see what is going on 40' below the water, let alone 20' below the sub surface. As such, when problems are encountered it is a process of elimination to determine exactly what is going on. You are correct that Tamico stated that the rock formation did slope and the pile specifications were tight, and finally that debris was becoming a valid problem, but your assumption that we picked issues that were self-serving is false. CBS was notified of our findings as they unfolded. They were notified about the sloped formation and pile specifications as that is in our best interest to keep the owner notified of any issues that may cause delays and in past projects have been compensated for. CBS was notified of the debris at progress meetings, via claim letter, via response to claim letter, and pile 25 change order and response. I don't know how many notices CBS needs before understanding that debris was present and caused significant damage to tooling, increased labor/equipment costs, and delays to the schedule. I believe bringing it to the owner on 4 different occasions is sufficient. Tamico at no time was trying to change what was causing the delays, but bringing the delays to the owners attention. The debris was a delay and major issue, the chronological order of when it appeared is irrelevant.

Ill-prepared and ill-equipped

Attached are several documents to counter your claim that Tamico came to the project ill-prepared and ill-equipped. These are very serious accusations based on misinformation put forth by the City Engineer.

Numa

Attached are documents from the manufacturer that clearly support adequacy of the equipment used. From their evaluation, the damage done to the bit/drill could only happen

from a catastrophic event which can only be foreign debris. The damage they observed cannot happen because of formations, air volume, or lack of annular velocity.

The expected bit life for this bit is 3,000-3,500 LF of rock and two sets of wings. Our bit after this job had less than 300 lf of drilling and 2 sets of wings and is a total loss.

Mr Tadic's annular velocity calculations were also incorrect. I assume that it was because of lack of information that his annular velocity was off by 1,100%. He incorrectly calculated our velocity at about 300 ft/min when the actual velocity was 3600 ft/min. This velocity is adequate for our drill system and drilling methods.

There is nothing with our air supply that would lead to a bit life of under 300 lf without encountering metal debris during drilling, which is what the visual and production levels showed.

Condon & Johnson

I was contacted by Spark Johnston through a mutual vendor. Mr Johnston works for Condon & Johnson which is one of the largest drilling companies on the west coast and he has 40+ years in the industry. Attached is his email thread with Mr Tadic in regard to our set up. I think it speaks for itself. Mr Tadic had contacted Spark to see if he could help CBS in proving our equipment was set up for failure. As it turned out, the general set up looked good to Spark and he thought the main issue here was debris. He looked through all specs and geotechnical data and could not find any sufficient notification of the debris that could be encountered. In the email he states "whenever there is unknown man-made obstruction the contractor has a very good case for a change of conditions claim". The synopsis of the correspondence is that NCS/Tamico has a very good case for payment due to change of conditions.

Paco

Paco has put together many drill packages and many with a single 900 cfm high pressure compressor. They stand behind it and share Numa's assessment of the situation. They helped set up this drill and echoed both Numa's and Mr Johnston's assessment that drilling with obstructions will lower or cease production and do costly damage to the bit/drill system.

Tamico

I will stand behind our work history and understanding of the industry including drilling. Tamico has been doing this work in SE AK since 1976. We have installed 1000's of pile and drilled 100's of sockets. This was not our first drill job. This particular set up was used 3 years earlier on the Annette Bay Ferry Terminal at depths up to 120'. It performed as expected on that project, and with some small alterations performed even better on this project. The only difference between the two sites was the site conditions. Same drill set up, same compressor, and same barge. The fact that this drill set up is proven should speak for itself, the additional information only confirms and strengthens our case.

CBS

CBS claims that we were ill-prepared and ill-equipped. Other than literature out of brochures or via internet, what are they basing this assumption on? Up to this point I can only assume it is their own opinion. The consultant they sought out in 2016 did not confirm their accusations, so where are they getting the information? It seems to be that without seeing any substantiated evidence that CBS is doing their own evaluation.

Assistance from outside contractors

You stated that NCS on their own sought out other contractors to "bail them out". Both NCS and Tamico feel that it was CBS that pushed NCS into this option and NCS did so to pacify the engineer. Rock drilling under good conditions can be frustrating. Drilling through debris is way beyond frustrating and in cases such as Pile 25 impossible. It does not matter what contractor is doing the drilling, once a man-made obstruction does damage to the drill, it constitutes a change of conditions. The attached document from Baranof Harbor Improve Project shows that Turnagain Marine was compensated when their drill hit an obstruction and did damage and in one case was not drillable. Turnagain's issues on that project were very similar to those encountered on this project. Even down to the contractor NCS contacted to "bail them out". To further our case I have also attached change orders from the Wrangell and Haines ferry terminal projects that also had change of conditions due to debris. In the case of the Wrangell job the steep slope of the formation was also compensated.

Known Conditions

This is what Tamico knows about the site conditions. The geotechnical report and the specs did not do enough to notify the contractor that they would encounter debris that will be catastrophic to the equipment. The only reference to this is the statement "there is reported to be sunken boats in the vicinity of the project". This statement is vague in nature and for all intents and purposes rumors. On most drilling jobs there is always the chance that you may run into foreign debris. If the debris does no damage to the equipment or causes no delays as a contractor you are ok with that. When the debris does cause damage, loss of production, delays, and other costs beyond what was contracted, then it must be considered a change of conditions. CBS did not do its part ahead of time to survey for debris. By not spending the time & money up front CBS then it put itself at risk that unforeseen obstructions might be encountered. Money saved up front then needs to be spent to compensate for the change of conditions.

Debris stopped production on pile 25. Through inquiries to the manufacturer, suppliers, site investigation, and other contractors, it was clear that the breakdowns and delays experienced were due to debris.

You are correct in stating that Sitka has the largest harbor and even won award for being one of the cleanest in 2015. CBS is incorrect about other projects not having issues. The following projects also support our case on debris/drilling.

Old Thompson Harbor Float Project. Attached Smart Letter & Dawson Email

This project was done in 2006-07 by Dawson construction. Smart Construction was a subcontractor and did the drilling and pile installation. Attached is a letter from Smart Construction identifying the debris issues. As with the ANB float there were no catastrophic damage to drill equipment. In Smart's case there would have been damage except they deployed a dredge bucket to mitigate any potential damage. Great idea, but it did violate the Corp permit in doing so. Smart also had the same problems as Tamico in regard to sloped formations. The projects even unfolded similarly, as to the installation progressed from fighting the inclined rock formation to fighting debris.

Baranof Warm Springs Harbor Improvements-- Attached Change Order

This was another project in your Borough that was administered and designed by the AKDOT, but was funded through CBS. On this project the contractor encountered debris while drilling sockets for float pile. The State recognized this as differing site conditions and paid out accordingly. You can see on Change Order #2 that due to the differing site conditions the Contractor was provided full compensation by the owner for all extra labor, materials, equipment, and drill bit repair costs incurred while working to install piles 6, A2, and 12. I have talked with the state and the circumstances were very similar to pile 25. They paid for all damage to the drill and the costs to remedy the problem. In this case they elected to pull one of the pile and cover up the hole as it was not drillable.

These two projects are part of Sitka's harbor system and both had issues due to drilling. In one case the contractor chose to fudge the limits of the Corp Permit and in another the State (and through funding CBS) paid for damage to a drill and all costs to fix the pile embedment issue. Regardless of your opinion of our means/methods (they do not mean much without some back up) there is nothing a contractor can do if they encounter obstructions, and the contractor cannot be held liable for an unknown condition.

Timeliness

Regarding article 4.4. changed conditions, Tamico informed the City Engineer the same day that the debris problem was evident by dumping debris out of a bucket at that days progress meeting. As stated before, it is not always obvious at the time because what is happening is 60' away under 40' of water under 10' of overburden. We notified Mr Tadic as soon as we were able and his reply to us was that "debris wasn't an issue we should be concerned about". When the debris continued to be an issue, I wrote the official claim, which CBS denied, I rebutted their denial, as it was "fraudulent" in nature. The original claim was written on 3/7/16, which at the time, we were still working to complete the drilling. Your claim for lack of notification lacks merit and the evidence proves otherwise.

In Article 4.4 section 2 paragraph b, it states that the Engineer shall investigate the site conditions promptly after the written notice. Staff may have visited the site, but no one from

CBS took the time to go under water to see the extent of the debris field. In emails dated 8/31/17 Mr Tadic informed NCS that to this date CBS has not hired or done any underwater investigation. As such, CBS has failed to thoroughly investigate the site conditions. Since we are approaching 18 months since the claim was filed, I think we can rule out promptness as well. This is a direct violation of your own Specifications. Any allegations from CBS on our timeliness is dismissible as our original claim should not have been denied by the City Engineer as per article 4.4 CBS did not fully investigate the actual site, and the engineers analysis of the cause of the issues was not accurate.

On timeliness to take court action

It is unrealistic to even bring this issue up. Tamico has been waiting 8 months to get the last reply. Tamico/NCS are the ones who should be accusing CBS of this action. Regardless, we feel we have yet to reach an impasse. CBS has failed to state their actual Liquidated Damages so we don't even have enough information to this point to determine if litigation will be necessary

Regarding Article 5.37, it seems that CBS is not reading it in its entirety, that being "you have 120 days to commence court action". CBS had overlooked the first part of that spec, which states

"this decision shall be final and conclusive unless it is fraudulent or"

Mr Tadic's first denial is full of fraudulent data.

- Hammer size is too small- **False; Read Attached Numa Documents**
- Annular Velocity is 294 ft/min- **Wrong; Annular Velocity is 3600 ft/min- Engineer did not account for the 22" accelerator**
- Compressor was undersize- **Inaccurate; CBS failed to account for several important facts in our system and methods**
- Drill tailings way 1/3 less in water and require less CFM to clear
 - Air when released in 40 ft of water will expand and accelerate as it comes to the surface. In this case 2 atmospheres would equate to the volume expanding 3 times of what is released.
 - Tamico's drill does not have to get the tailings to the surface, we have exit holes just above the accelerator.
 - Tamico did a large percentage of the sockets with one compressor
- Damage to drill was caused by lack of air- **False; see Numa report**
- Our Means & Methods does not require additional CFM- We are not drilling continuously- we stop and let the system clear every 1-2' and are not looking to continuously drill- See Numa Report for verification
- Scheduling- Tamico arrived late but made up nearly 100% of schedule by working a lot of overtime at our expense. Payroll actually shows we had personnel working earlier than the arrival of the barge.
- Mr Tadic's assessment of the equipment was not accurate
- CBS did not thoroughly investigate the site per article 4.4

Summation to your latest offer

- Tamico/NCS gave CBS verbal and written notice of the issues as they unfolded
- CBS did not thoroughly investigate the site as required under Article 4.4
- Mr Tadic's original denial was fraudulent and therefore not final and conclusive.
- CBS has failed to reveal what they are seeking in Liquidated Damages or if there really are any actual damages.
- CBS has not handled these issues in a timely manner
- If it were not for the debris Pile 25 would have been finished by 3/15/16. The amount of time spent on the pile was 3 times the amount it would have taken to drill it without obstructions.

Other Issues with the project

Unrealistic Schedule

CBS's schedule was unrealistic and did not account for any fabrication or construction delays. Here is a comparison of the STF float and another in Juneau- Aurora Harbor both projects have about the same square footage of float similar pile numbers and drilling

Sitka Transient Float

Bid 8/4/15

Notice to Proceed 9/21

Completion date 3/15/16

Total time procurement – completion date approximately 8.5 months

Aurora Harbor PH II

Bid 2/8/17

Notice to proceed 4/17/17

Completion date 3/30/18

Total time procurement-completion date approximately 14 months

Sitka Transient Float had the added disadvantage for owner and contractor of being backed up to the in water restriction window as well as having to work during the winter months. This proved problematic as the contractor can be overloaded with Liquidated Damages, and the owner would be reluctant to accept a contract extension. Tamico/NCS had nothing to do with setting this schedule. We only worked as hard as we could, and would meet them if the debris had not stopped pile 25.

Permitting for the Project

It is unfortunate that debris became an issue and that the completion date was backed up to the in water restrictions. While looking into a modification of the existing Corp Permit, several things became apparent.

CBS did not have the Corp permit to do the work as planned. When Tamico started dumping gravel it was revealed that it was not part of the parameters of the permit even though the plans clearly call out for "the placement of gravel around the piles to fill the annulus between pile and socket wall". See Typical Steel Float Mooring Pile detail plansheet F3 on plans. It is the owner's responsibility to have all permits to do the work as presented.

If Tamico/NCS wanted to clear out any debris from the pile locations we could not have done so as the existing permit would not have allowed it. The Corp Permit as written did not allow this activity. The permits to remove potentially environmentally harmful debris would have required much more time and money than NCS, Tamico, or CBS had.

Lastly, In late February Tamico contacted the Corp of Engineers, AkDFG, and NIMFS to start the process of getting a modification to the corp permit to allow day to day work during the in water restriction window. We had gotten the ok from all involved and had ADFG biologist lined up to do daily surveys of the harbor area. If no large masses of herring were observed they would ok the daily work as needed. Tamico submitted the modification request, but was informed that CBS needed to submit the request as the permit was in their name. This information was given to the City Engineer, but it was not filed promptly and as such was not a viable option anymore.

If this modification had been done we could have stabilized pile 25 in 2-3 days as all the equipment was easily available and it would have greatly expanded our options to fix the problem.

The city engineers failure to submit and get this modification complicated the pile 25 issue and put everyone involved in a costly situation.

CBS Lacked the Knowledge to deny the original claim

It was very evident in Mr Tadics denial of our original claim that he did not fully understand the drilling processes and the issues that hinder it. His reasons for denial were based on information right out of the Numa brochure. His calculations were done with incorrect data. His assumption to the cause of damage to the drill was incorrect.

The city engineer also failed to thoroughly examine the site after the initial site claim in accordance to CBS's own Standard & Specifications Article 4.4 section 2 paragraph B.

CBS should have sought advice from outside engineers to see how these cases are normally handled. The State could have been notified that there were issues with the site as they have a fair amount invested into the project. AKDOT handles a large volume of marine work and specifically drilling both sockets and rock anchors. They would have let CBS know what

precedence would be in this case, that being when obstructions are hit while drilling, it constitutes a change of conditions and a change order will be issued to deal with and pay for the damages incurred. PND would also have been a good source for advice, as they also have done a lot of pile installation including sockets. As it looks, CBS acted on their own without regard to how these types of issues are normally settled.

CBS fails to understand the hardships they have put on the contractor in, not only for the way they have handled this issue but also the lack of timeliness in doing so. We aren't big companies with deep pockets. When you retain funds that equate out to an entire years operating budget it makes it very hard to operate. I will again emphasize that CBS was not prompt or timely on any matters. It is very ironic that CBS had a very short construction schedule for the project and with the exception for pile 25 the project was completed. As of the date of this letter we are now 536 days past 3/15/16 and CBS has yet to pay for all the work done. This does not include any claims, just work as contracted. That is also the amount of days CBS has been generating income with the project, yet they haven't paid for it.

Pile 25

Drilling on pile 25 was halted due to an obstruction below the bit. This obstruction not only caused drill damage, but required extra work to stabilize the pile and get it to meet design specs for lateral support. As it was an obstruction, this constitutes a change of conditions. Attached are the change orders for Baranof Harbor Improvement, Wrangell Ferry Terminal, and Haines Ferry Terminal projects. These drill projects have clearly set the precedence for what happens when the drill bit hits an obstruction that causes damage. The owner pays full compensation for all labor, materials, equipment and drill repairs. Precedence dictates that CBS pay for the drill damage and for all costs for the Pile 25 fix. This includes all material, engineering, administration, equipment, labor, per diem, travel, and mark up.

Summarization

The main arguments that CBS has brought forth are as follows:

1. CBS alleges that Tamico/NCS failed to illustrate debris was an issue and notify CBS in writing.

This is False

Tamico/NCS notified CBS verbally and by writing on at least 4 different occasions

2. CBS feels Tamico/NCS used slope of rock, pile specs, and finally debris as self-serving reasons to get an extension of time.

This is also False

Tamico/NCS notified CBS about the sloped formations to better explain the difficulties of drilling in those formations. The debris became more of an issue as the drilling moved north.

Progress meetings are scheduled to let the owner know the difficulties we were up against. The sloped formations were definitely one of the difficulties. An email from Dawson Construction about their experience on the Old Thompson Harbor Project and the issues they faced were similar to ours, mainly sloped formations and debris. (The Wrangell Ferry Terminal is also similar). Regardless of what led up to the debris issue, it does not absolve CBS from costs incurred from obstructions while drilling, this constitutes a change of conditions.

3.CBS claims that Tamico showed up ill prepared and ill equipped

False; This is an opinion of the city engineer not based on factual material

- The engineer did not have the correct information to determine our annular velocity and our needed air cfm. His calculations were off by a whopping 1,100%
- The engineer did not contact Numa to see if the Patriot 125 had the ability to swing the 26" bit. It does have that ability and Numa specifically machined the bit shank to fit the 125, and have done so numerous times before.
- The Engineer was also misinformed on the kind of damages associated with low air supply, and thus mistakenly attributed the issues we were having to air instead of what the real problem was. The real problem was obstructions due to debris which caused catastrophic damage to the drill system.
- Without the obstructions from debris, Tamico would have finished the project with the normal single compressor set up that we have used on every other project.
- Tamico installed all pile per procedure. That entailed to drive all pile to bedrock to determine the depth of overburden, remove pile, drilling socket and reinstalling pile. Once the pile were installed Tamico switched over to the drill set up. At that time we had almost 5 weeks to install 24 sockets (deduct for pull tested pile). If there were no breakdowns equates to 1.46 days per socket. We had production of 2 holes in a day with a single compressor and 3 holes in one day with 2 compressors. Without the breakdowns and impacts to production from the debris, this project should have finished the first week of March.
- Tamico has been drilling sockets and rock anchors for 30+ years and have it down to an efficient process. If it wasn't for the debris encountered we would have not only finished the project on time and without damage, but also would have done far better on time per pile than the 2 days we were informed it would take. As it turned out we did the 24 sockets in 32 days which was 1.33 days per socket. The biggest issue to even finishing the project was that pile 25, due to an obstruction, was not drillable. If it had been drillable the project would have been finished by 3/15/16.
- CBS is reaching to say our means/methods and equipment are substandard when all evidence shows otherwise

-Tamico/NCS feels very strongly that CBS is in the wrong on the issue of obstructions and that it constitutes a change of conditions.

-Precedent has been set on this kind of issue for a very long time, and legal decisions have and will support this.

- CBS should not have denied the first claim as it was fraudulent and CBS did not follow its own protocol
- CBS is liable for all costs involved

How CBS handled these issues, and continues to handle them, is damaging to the contractor. In recent days we have even asked for CBS to reduce the retainage, but that has not been considered as well. Bottom line is CBS made a bad decision to decline the original claim and now it is costing everyone involved more time and money.

We are almost 18 months past and CBS continues to retain a large sum of NCS/Tamico's money. This has put both companies in a very stressful and potentially dangerous financial situation. Both companies are operating off Loans and continue to accrue costs.

NCS/Tamico does not except the terms of the "walk away" as it is very clear that CBS owes compensation for the damage done to equipment as well as extra work. These Damages to date are to date and projected to be:

Tamico Costs

Damage done to drill equipment	\$225,000.00	
2 sets of under reamer wings		\$40,000
26" under reamer bit replacement		\$65,000
Recirc air exchange		\$10,000
100 LF of 8" recirc drill steel		\$100,000
Equipment and Labor to fix drill onsite		
12 days @ \$10,000 per day	\$120,000.00	
Extra drill time due to debris		
64 hrs @ \$1,500 per hour	\$96,000.00	
Extra work on Pile 25		
\$115,000 + 15%=	\$132,250.00	
Extra Rental do to debris	\$3,500.00	
Compressor	\$2,000	
Rotator	\$1,500	
Extra Expense of second compressor	\$20,000.00	
Rental	\$6,000	
Freight	\$9,000	
Air Hose and Manifold	\$5,000	
Interest on fund held on contract		

10% on \$200,000 over 18 months \$30,000.00

Costs for \$75,000 loan to keep operating due to non-payment

3 months @ \$1500 + \$3000 set up fee	\$7,500.00
Extra Bonding Costs due to non-Payment	\$14,000.00
Higher bond rate Kake Project	\$6,000
Cost for surety requested funds manager	\$8,000
Interest on bills not paid due to non-payment	\$5,000.00
Projected Financial damages on ongoing projects Due to non-payment	\$20,000.00
Tamico Administration costs to date 300 hrs @ \$75 per hour	\$22,500.00
NCS/Tamico Lawyer Expense to date	\$55,000.00

NCS Costs

Pile 25	\$15,000
Administration	\$5,000
Line of Credit interest	\$5,000
Total Extra Cost to date	\$775,750.00

It is hard for us to comprehend how this continues to unfold. CBS had a very tight construction schedule, in the winter, and the completion date backed up to the in water restriction. Tamico/NCS worked very hard to get the work done and Tamico would have completed the pile installation on time if the Pile 25 obstruction was not encountered. CBS is expecting NCS/Tamico to absorb the costs, totaling \$150,000, to remedy a problem that was not ours. To make matters worse CBS continues to hold onto the retainage for 12 months and counting. Both NCS and Tamico are operating on borrowed money because of this. We believe that in the eyes of a mediator, arbitrator, judge or jury that the facts of the claim and the way CBS has handled the situation would not be favorable to CBS.

Tamico/NCS are both willing to sit down and discuss these matters as CBS has put both contractors with their financial asses up against the wall.

Please get back to us by 9/15/17 with your response.

If no response is made Tamico/NCS will start the process of seeking a third party resolution to the issues.

Tamico/NCS have a strong case and feel that CBS has not handled this situation with the professionalism it deserves.

Sincerely

A handwritten signature in blue ink, appearing to read "J. Martinsen". The signature is fluid and cursive, with a large initial "J" and a long, sweeping underline.

Jim M Martinsen
President
Tamico, Inc