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December 20, 2004

Update on Lancaster Mediation

Mr. Werner and Mr. Moyer reported on the mediation meeting that took place with Warfel. We didn't reach any agreement as far as money goes, Mr. Werner explained. Further information needs to be gathered. Warfel says they have exhausted all of the money related to the guaranteed maximum price (GMP) and had \$450,000 in change orders, bringing the total cost of the project to \$18.5MM; Mr. Redcay said that the final cost of the project should have come in at \$1.4MM lower than the GMP, Mr. Werner explained. We are having real issues about the true cost of the work, Mr. Moyer added. Beard Miller has been hired to audit the detail relating to this project. They feel the work has been done, but couldn't find the documents to back it up. They will continue to audit and report back. Mr. Gulotta noted that the College's interests would be best protected if Beard Miller worked for the College directly. Mr. Werner agreed and has already placed a call to Beard Miller to inform him of this. Mr. Franklin will be working with Beard Miller to make sure that the scope is adequate and that the College gets all the information.

The claim against Warfel is Mr. Redcay's claim for delay damages of \$1.3MM, Mr. Moyer noted. A significant piece of that is the effect of non-payment from HACC from July to December, which totals \$800,000. We did have use of the building during that time, so we'll need to deal with that, Mr. Moyer explained. Warfel understands our challenges to their numbers and we understand their problems, so we'll have to see how the next meeting goes, Mr. Werner stated. We need to get our hands on all of the change orders and decide who is responsible—HACC or Warfel. Mr. Brown suggested contacting Murray Associates to see how many change orders they have approved. Warfel is supposed to give us a list of chargebacks against the subcontractors, but we have yet to see that list, Mr. Werner noted. The next meeting with the mediator will be on February 22 and 23, 2005.