

Kim, Eun H.

To: Piper, Ryan C.
Subject: Lump Sum Conversion Evaluation

Operations Manager,

Our team has evaluated the financial status of the project and supports converting to a Lump Sum prime contract. The following summarizes our analysis:

- Projected Contractor's Fee increased to approximately 5.6% overall from 4.8%. This is achieved through buyout and being able to accrue enough buyout gains to apply approximately \$445,000 to contractor's fee and to create a \$1,157,000 construction contingency.
- Construction Contingency to remain will be approximately \$1,157,000. This amount is approximately 1.5% of the remaining work to be put in place based on the point in time from the schedule and to cover the following scopes of work which carry construction risk: Concrete, Misc. Metals, Drywall & Framing, Mechanical and Electrical. These scopes also have built-in contingency line items below the main scope line item within the FSR to support completion. This also should be sufficient as the risk for design changes has shifted to the Owner.
- The increase in Contractor's Fee is created by the gains in buyout with major contributions from the purchase of Concrete, Misc. Metals, Architectural Woodwork and Specialties. Additional gains were seen with the projected GC costs versus the GC budget. There is still a potential to increase the fee through management of the construction contingency, but further progress would need to take place before anticipating profit on the contingency.
- Benefits to Owner:
 - Construction Contingency risk shifted to Hensel Phelps from Owner Contingency allowance
 - Owner can save the money previously allocated to construction contingency, or can reallocate towards design upgrades.

Thank you,

Project Manager