





AGENDA

- Project Background
- Baugh Incentive Program
- Headquarters Plan
- Owner Issues
- Incentive Fee Administration
- Improvements
- Summary

PROJECT BACKGROUND

- 309,000 sq ft Office Building
- 11 acres of site development
- 18 month duration
- Contractor on board at programming stage
- Baugh Construction is one of our Strategic Partners
- Cost Plus Fixed Fee contract, \$60 mil.
- Fee negotiated for construction




REINFORCE BAUGH CULTURE

- Entrepreneurial
- Personal Accountability for Fees

"In the business game, you keep score with money."

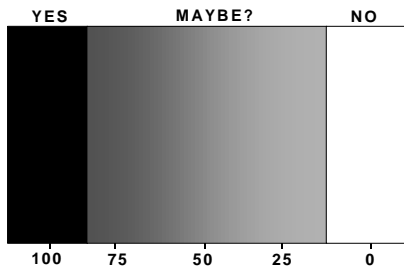


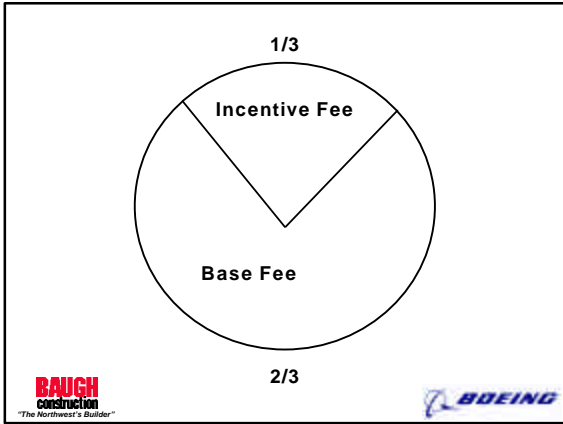
SOME COMMON INCENTIVES:

- Cost/Budget
- Safety
- Schedule
- Quality
- Teamwork/Cooperation
- Preconstruction Services Quality
- Communications
- Morale



OBJECTIVE OR SUBJECTIVE?





QUALITY
No rework required due to poor workmanship

COST
Costs are within the budget on completed work elements

DELIVERY
Limited overtime expended to maintain schedule

SAFETY
Contractor enforces project health and safety program

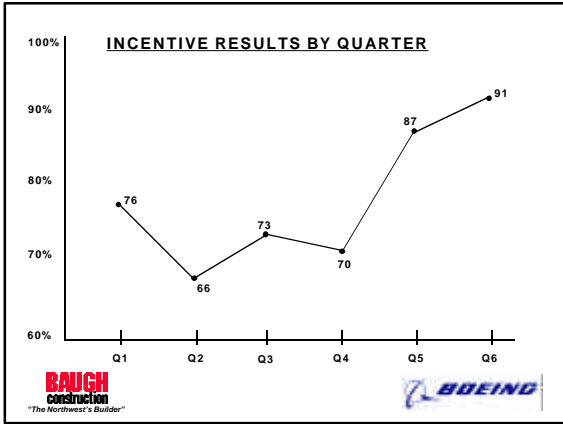
MORALE
Communication is open and timely

BAUGH construction logo and BOEING logo are present at the bottom.

Incentive Matrix

BAUGH CONSTRUCTION COMPANY	Quality	Cost	Delivery	Safety	Morale	Other
1. Incentive Fee	100%	100%	100%	100%	100%	100%
2. Base Fee	100%	100%	100%	100%	100%	100%
3. Incentive Fee	100%	100%	100%	100%	100%	100%
4. Base Fee	100%	100%	100%	100%	100%	100%
5. Incentive Fee	100%	100%	100%	100%	100%	100%
6. Base Fee	100%	100%	100%	100%	100%	100%
7. Incentive Fee	100%	100%	100%	100%	100%	100%
8. Base Fee	100%	100%	100%	100%	100%	100%
9. Incentive Fee	100%	100%	100%	100%	100%	100%
10. Base Fee	100%	100%	100%	100%	100%	100%

BAUGH construction logo and BOEING logo are present at the bottom.



OWNERS ISSUES

- They are our Partner...why do they need an incentive?
- What does Boeing gain from the incentive?
- Will the Project benefit?
- Not seeing value in other Regions
- Evaluate them on ????
- Subjective vs. objective

ADMINISTRATING THE INCENTIVE

- Who evaluates the contractor? Have the right people evaluate
- All or nothing...25%. 50%. 75%. 100%
- Different views on what 25% means - improvements
- Keep personalities out of discussion
- Need to review the overall picture for the quarter
 - not one issue
- Subject Matter Expert input
- Sharing of the data; need specifics both + and -

IMPROVEMENTS

- Clearer understanding of expectations
- Improve process for feedback
- Need to evaluate the evaluators
- Clarify evaluation criteria



SUMMARY

- Excellent discussion/feedback between Boeing and Baugh
- The process provided improvement