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?

![Graph showing a scale from 100 to 0 with categories for Yes, Maybe?, and No.]
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

Incentive Matrix
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