

October 11, 2011

Thaddeus T. Willoughby
Department of Veterans Affairs
Contracting Officer
13611 East Colfax
Aurora, CO 80045

Re: Replacement Medical Center Facility
Project No. 554-501, VAMC, Denver, Colorado
Contract No. V101DP0251
IDc Process

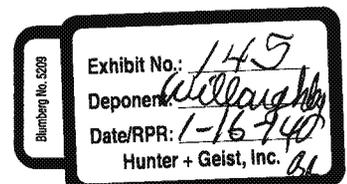
Dear Mr. Willoughby:

Thank you for the email of September 27 regarding our review of the assumptions identified by Kiewit-Turner JV and included in its Firm Target Price (FTP) proposal dated August 25, 2011. We are happy to know that you have found our comments helpful. We have heard that the VA intends to award an FTP construction contract to KT on the basis of that proposal, and we wanted to re-emphasize and highlight the concerns that we have been expressing for many months regarding the status of the DVAMC project and any decision to move forward on the basis of KT's proposal without first reconciling KT's proposal to the JVT's peer-reviewed and approved construction cost estimate.

The most obvious problem is that the VA has not informed the JVT that the KT proposal has been reconciled to the construction estimate prepared by the JVT per the JVT's contract with the VA. The JVT did successfully reconcile the direct cost portion of that estimate to the direct costs in KT's proposal dated April 11, 2011, as agreed by the VA and peer reviewers. As the VA knows, however, KT has been unable to reconcile its indirect costs to the construction estimate. KT included in its April 2011 proposal nearly \$130 million of indirect costs, based on the Design Development 2 ("DD2") drawings. Since that time, the VA has apparently been negotiating to finalize a construction contract on the basis of a radically different pricing proposal that is still based on those now-outdated DD drawings, despite the availability of the recently-delivered and soon-to-be delivered Construction Design ("CD") drawings. KT's new FTP pricing proposal has moved approximately \$53 million of that \$130 million in indirect costs to "above the line" direct costs, and to date the government has not reconciled those figures against the JVT's ECCA's estimate using the agreed-upon previously reconciled estimate and the reconciliation process set forth in the contract. We believe this will impose high risk on the project. Since the April reconciliation of DD2 the VA has not required KT to reconcile the budgets as required per the RFP prior to moving forward into the CD design phase. Now it appears that the VA is proceeding with the award of the construction contract in spite of the budget reconciliation requirements set forth in Section 2.6 of the RFP and in our A/E contract.

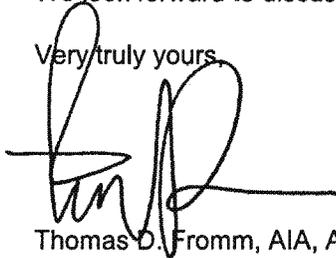
These actions by KT and the VA, including the cost shifting that is apparent in the August 25 proposal, have been beyond the control of the JVT and we expect will result in a proposed contract that is unfavorable to the VA, to say the least. If the VA proceeds with contract award in the absence of any agreed-upon budget reconciliation for the DVAMC project, then there will be no agreed-upon financial baseline against which the parties will be able to measure and control costs and identify possible cost overruns, which we expect will be substantial. We also expect the administration of such a contract will be extremely difficult for all parties and will result in significant claims against the VA.

Under these circumstances, if the VA signs a construction contract with KT without an agreed-upon reconciliation, as required, we reserve all rights in connection with our contract.



We look forward to discussing these issues at our meeting scheduled for Thursday of this week.

Very truly yours,

A handwritten signature in black ink, appearing to read 'T. Fromm', with a long horizontal line extending to the right.

Thomas D. Fromm, AIA, ACHA
Joint Venture Director

Copy: Steve Carr, H+L Architecture
Adam Braunstein, H+L Architecture
Brad Buhler, S.A. Miro, Inc.
Richard Tomlinson, SOM
Michael Lingertat, SOM
John Hughes, Cator, Ruma & Associates, Co.