



Ketchikan Gateway Borough

1900 1st Avenue, Ketchikan, Alaska 99901

March 4, 2011

Mr. Pete Dawson
Dawson Construction, Inc.
P.O. Box 30920
Bellingham, WA 98228-2920

RE: Notice to Proceed for Ketchikan Aquatic Center Construction and Gateway Recreation Center Reroof Project

Dear Mr. Dawson:

On February 18, you provided a proposed Guaranteed Maximum Price (GMP) for the Ketchikan Aquatic Center Construction and Gateway Recreation Center Reroof Project. Following receipt of the proposal, the project team (Borough, RISE Alaska, and Architects Alaska) has been working to perform due diligence on the proposed GMP amount. Additional details regarding the GMP proposal were subsequently provided by Dawson Construction, Inc., and there have been a number of refinements to the GMP proposal. The latest proposal is represented in the first attachment to this letter ("95% GMP Proposal" dated "3/4/2011").

We have completed our careful review of the GMP proposal, except with respect to the mechanical items in the contract. We did not receive details about the proposed \$642,000 (24.7%) increase in the mechanical component until yesterday.

In accordance with §2.2.7 of the project contract between Dawson Construction, Inc., and the Borough dated December 16, 2010, this letter constitutes Notice to Proceed with the Ketchikan Aquatic Center Construction and Gateway Recreation Center Reroof Project under the CMGC/GMP method with a Guaranteed Maximum Price in the amount of \$19,592,362, less the amounts for the mechanical items identified as items M2 through M12 (totaling \$642,000) shown on the second attachment to this letter ("Ketchikan Aquatic - Center CM/GC Contract Clarifications").

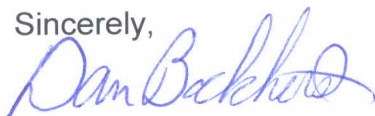
The nearly 25 percent cost increase in the mechanical cost is of concern to the Borough. We have forwarded the mechanical increase proposals to our Mechanical Engineer for review. It is our goal to complete the due diligence on these items by March 11, 2011.

Following resolution of the items M2-M12 referenced above, a second Notice to Proceed will be issued. The final GMP amount and Schedule of Values will be memorialized in a Contract Amendment per §2.2.8 of the Contract.

Mr. Pete Dawson
March 4, 2011
Page Two

Please note that items C1, C2, C3, C4, C5, C11, and A4 in the second attachment to this letter are increases in cost that have been or will be evaluated through the Request for Proposal/Change Order provisions of the Contract Agreement and will be increases to the GMP amount. Likewise, items A3, M1, and E3 are decreases in cost that will be evaluated through the Request for Proposal /Change Order provisions of the Contract Agreement and will be decreases to the GMP amount.

Sincerely,



Dan Bockhorst
Borough Manager

Attachment 1 – “Ketchikan Aquatic Center 95% GMP Proposal 03/03/2011”
Attachment 2 – “Ketchikan Aquatic - Center CM/GC Contract Clarifications”

cc: Project Steering Committee
Don Simmons, RISE Alaska
David Moore, Architects Alaska