Submitted to Armco—



KAISER ENGINEERS, INC.

February 18, 1964

PLEASE ADDRESS REPLY TO
300 Lakeside Drive
Oakland 12, California

Armco Steel Corporation
Middletown, Ohio

Proposal No. P128F-63

Attention: Mr. C. W. Beck, Director of Purchases
Armco Division

Subject: Engineering and Construction Services for Armco Division's Expansion and Modernization Program

Gentlemen:

In accordance with our recent discussions with you, we are pleased to submit our proposal for performing services listed below for the Armco Division's expansion and modernization program which you described to us during the course of such discussions. We propose to perform these services under a mutually satisfactory cost-plus-a-fee type of contract on the basis set forth below and otherwise generally in accordance with the provisions of our prior contracts with you covering services relating to your L-D plant at Ashland, Kentucky.

SCOPE OF WORK

It is our understanding that you have under consideration an expansion and modernization program which involves your plant at Middletown, Ohio, and may also involve your plants at Butler, Pennsylvania, and Ashland, Kentucky, and that you estimate the total cost of the program to be on the order of $300,000,000 to $400,000,000. We understand that you may wish us to provide the services listed below for the expansion and modernization of your Middletown plant and that you may wish us to provide services on an integrated basis for the Butler and Ashland programs as well. We understand further that on the basis of your present planning this program would extend over a seven-year period into 1970.

We propose to perform the following services:

Program Management
Master Planning
Project Engineering
Detail Design
Construction
Procurement and Expediting
Estimating and Cost Control

CPM Scheduling
Accounting
Related Functions

We propose that overall program management, master planning, project engineering and procurement, with necessary supporting services, will be performed in an office to be established in Middletown.

Detail design will be performed in our presently established offices in Chicago and Oakland.

Construction offices will be established at each project site somewhat similar to our present Ashland field office. Overall direction and coordination of the construction program will be the responsibility of a small construction management staff, reporting to the Project Manager, in Middletown.

ESTIMATES AND FEE

We propose that upon completion of general arrangement drawings and a definitive scope of work, a definitive estimate of cost for your facilities at each location will be agreed upon for fee determination purposes. Such estimate is to include the total estimate of cost to Armco of the program, including costs of all materials, machinery, equipment, labor, design and other services, construction and all other items of cost in connection with the planning, design and construction of the facilities, exclusive of the cost of land or organization or financing costs. Such estimate will include contingency and escalation allowance consistent with the information available at the time of preparation of the estimate.

For a program of this type and magnitude at Middletown, and on the assumption you will provide all of the financing required, our fixed fee will be determined as follows:

2.60% of the first $100,000,000 of estimated costs plus;

1.90% of the next $100,000,000 of estimated costs plus;
(This is equivalent to 2.25% of the first $200,000,000 of estimated costs.)

1.80% of estimated costs in excess of $200,000,000

If our suggestions for integration of the Ashland and Butler programs with the Middletown program are adopted, the fee percentages set forth above would be applied to the cumulative total of the estimates for the three locations since all work

would be accomplished concurrently under a centralized program management located at Middletown, even though the construction would be performed at three different locations.

REIMBURSEMENT

In addition to the fee, we will be reimbursed monthly for all work, services and costs in connection with the work generally in accordance with the cost provisions of our prior contracts with you relating to the design and construction of your L-D plant at Ashland, Kentucky.

ACCEPTANCE OF PROPOSAL

Under a separate proposal of even date we are offering to furnish you preliminary engineering services related to the above described expansion and modernization program. In the event and in consideration of your acceptance of our proposal for such preliminary engineering services, we agree until December 31, 1964 to hold open for acceptance by you the proposal contained in this letter for the design and construction of all or any part of the facilities which you may then elect to construct, it being understood that other facilities which are a part of the program may be added from time to time for completion within the seven-year period of contemplated construction.

If you so accept the proposal contained in this letter and authorize us not later than December 31, 1964 to proceed with the design and construction services for all or any part of the facilities covered by the preliminary engineering services, we would apply against the fee established for design and construction of such facilities a credit equal to the amount of the fee payments for such preliminary engineering services as is reasonably applicable to the facilities to be designed and constructed.

We reserve the right to have all or any portion of the work performed and/or contracted for in the name of one or more subsidiary or affiliated companies of our parent corporation Henry J. Kaiser Company.

We appreciate the opportunity of meeting with you and other members of your organization to discuss your program. We

are greatly interested in being a part of this major undertaking and most anxious to be of service to you.

Very truly yours,

KAISER ENGINEERS, INC.

L. H. Oppenheim
Vice President and General Manager

Saric, A.	210 Leland Court, Middletown, Ohio	422-2674
Shaffer, Lewis E.	2521 Flemming Road, Middletown, Ohio	423-2333
Sparks, H. Francis	3266 Waltham Ave., Dayton(Kettering) Ohio	298-3386
Steele, R.	6975 Trenton-Franklin Road, Middletown, Ohio	423-9560
Swain, C. H.	4234 Rose Marie Drive, Franklin, Ohio	746-3312
Swindell, D. R.	3111 Roosevelt Avenue, Middletown, Ohio	422 -3037
Thomas, L.	100 Deneen Avenue, Monroe, Ohio	539-8166
Thunder, Ivan D.	5920 Hithergreen Drive, Dayton, Ohio	422-5481
Wagner, J. J.	479 Greensboro Drive, Dayton, Ohio	433-1452
Weyandt, Jack	3281 Jerrery Lane, Franklin, Ohio	746-7798
Wiltanger, R.	YMCA, Middletown, Ohio	
Zennie, Michael	27 Pulaski Street, Dayton, Ohio	

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6471 - D/C, Steel Plant Facilities,
[illegible]
[illegible] Middletown, Ohio, [illegible]

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J. E. HUGHES
FILE