
PERFORMANCE CONTRACTING OPEN BOOK PARTNERSHIP

Siemens Building Technologies, Inc., has entered into exclusive open book financial arrangements with customers. We value this type of business relationship since it represents the development of a long-term partnership. Siemens values the relationship we have had with Wayne State University. We look to further our partnership with an Open Book agreement that will provide transparency and give assurances that Wayne State University is getting fair market value and be a reflection of a true partnership.

The following situations are generally a factor when establishing true open book accounting arrangements:

- Desire to build a long-term partnership
- Sole-source agreement
- Negotiating a master contract
- Providing a contract vehicle for several locations and phases
- Mutual non-disclosure to protect confidential information

We have entered into such arrangements with both private industry and the federal government and find that the methods are extremely similar.

The key is to establish:

- Common understanding of each party's accounting definitions
- The level of risks on each side of the arrangement
- Customer expectations of performance and responsibility from Siemens Building Technologies, Inc.
- A mutual trust

Intended Pricing Methodology

Siemens is paid for services that we perform using a direct cost method, which is based on actual project costs and actual overhead attributed to the delivery of the project. After all costs are accounted for, Siemens expects a reasonable profit recovery to deliver to its shareholders. Under this approach we are only charging based on the actual value we bring to the project. Fees are not calculated as a percentage of the project's total combined savings. No miscellaneous "management fees", or fees associated with "general conditions" are attached to our solutions. WSU will be ensured that the project is fair market value.

Transparency

Our client's have full access to and review of all project and overhead costs, under this agreement, these can be audited by our client at any time, at their expense.

Cost Categories

Siemens methodology is true turnkey approach based upon direct costs that typically include:

Cost of preparing technical audit

- Energy engineering
- Other engineering fees

Design and development costs

- Engineering fees
- Design drawings
- As-built drawings
- Permits and other fees

Implementation costs of conservation measures

- Labor (mechanics, technicians, specialists)
- Project management
- Construction documentation
- Material / equipment
- Siemens manufactured products
- Outside purchases
- Subcontracts
- Miscellaneous project support costs

Performance Assurance Programs

- Training
- Utility monitoring and verification
- Systems performance review and evaluation.
- Quality assurance and documentation

Optional Technical support programs

- Preventive maintenance
- Maintenance and repairs
- On-line/On-site technical support
- Energy consultation

Comparison to Capital Construction

Capital construction typically carry a range from 20-25% of all project funding allocated for associated design fees which include:

- Architectural fees
- Engineering fees
- Design drawings
- Plan review
- As-built drawings
- Permits and other fees

Additionally, general contractors typically carry a range of 10-15% overhead and 5-10% profit recovery on, or included in costs which can include:

- Labor (mechanics, technicians, specialists)
- Project management
- Construction documentation
- Material / equipment
- Outside purchases
- Subcontracts
- Miscellaneous project support costs

The Real Truth

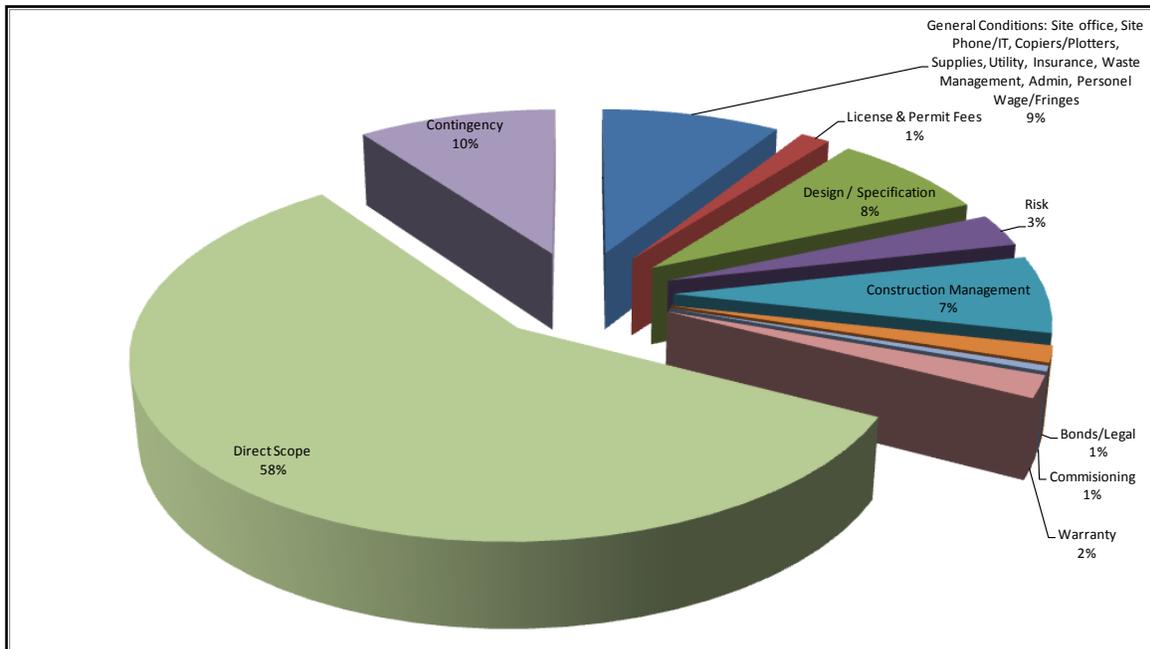
Some may perceive that ESPC projects cost more to implement than traditional capital construction. This is based on the typical allowable general contractor markup range from 10-15% overhead and 5-10% profit. However, the 20-30% design fees need to be recognized as part of the entire project costs, in addition to the unexpected costs of change orders.

The real truth is that, in many cases, Siemens fee structure will ultimately cost LESS than traditional capital construction. Not only will costs be less, but the owner will benefit from Siemens' project performance guarantees and savings guarantees, items usually not associated with capital construction projects.

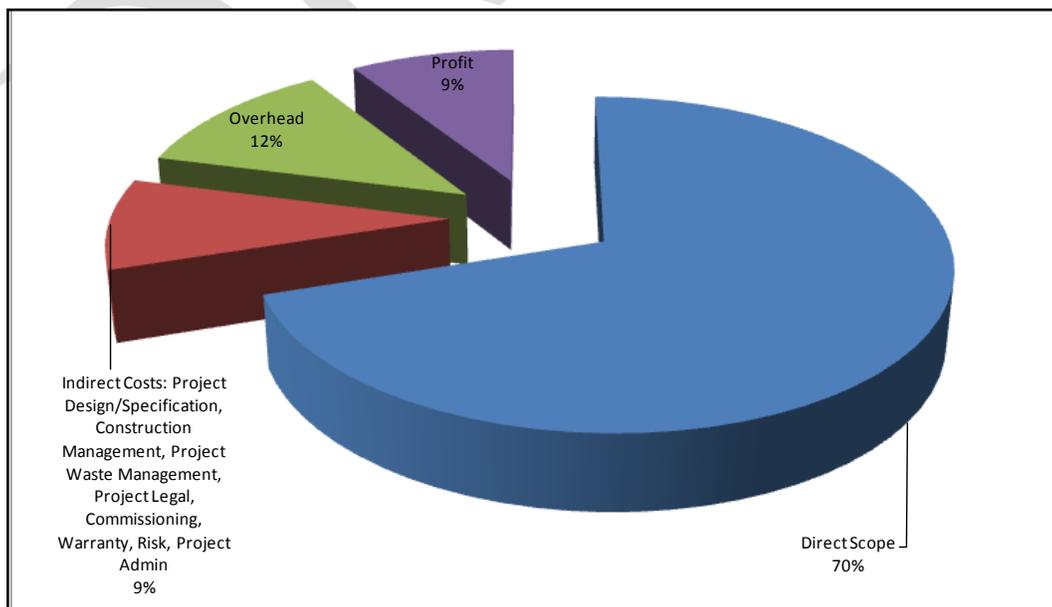
Traditional Construction Cost Model VS Performance Contracting Cost Model

The following charts show the typical cost breakdown of traditional construction projects, from design start to finish, VS performance contracting projects. While not a direct comparison, you can see once all of the project costs are accounted for, a Performance Contract as a true turn-key model, can actually cost less while delivering more value to the owner.

Traditional Construction Project Costs



Performance Contracting Project Costs



Sample of Open Book Methodology

The following is a sample of an actual open book pricing model used for a city project recently.

Confidential information, not to be shared beyond intended parties.

City of Mentor, Ohio Open Book Pricing

Building or Site	FIM Description	Direct FIM	Indirect FIM	Total FIM	Overhead(OH)	Profit(P)	Project Price	Total Savings	Simple
		Costs(DFC)	Costs(IFC)	Costs(TFC)		10% of (TFC+OH)		1st Year	
			12.93% of DFC		15% of TFC		TFC+OH+P		
Civic Center Ice Arena	Lighting Retrofit - Total	\$ 33,488	\$ 4,330	\$ 37,818	\$ 5,673	\$ 4,349	\$ 47,839	\$ 1,836	26.1
Civic Center Ice Arena	Lighting Replacement - East (100fc)	\$ 35,105	\$ 4,539	\$ 39,644	\$ 5,947	\$ 4,559	\$ 50,150	\$ 1,204	41.7
Civic Center Ice Arena	Lighting Replacement - West (100fc)	\$ 38,765	\$ 5,012	\$ 43,777	\$ 6,567	\$ 5,034	\$ 55,378	\$ 2,239	24.7
Civic Center Ice Arena	Vending Machine Controller	\$ 1,801	\$ 233	\$ 2,034	\$ 305	\$ 234	\$ 2,573	\$ 646	4.0
Civic Center Ice Arena	Building Weatherization	\$ 16,625	\$ 2,150	\$ 18,775	\$ 2,816	\$ 2,159	\$ 23,750	\$ 1,768	13.4
Civic Center Ice Arena	Domestic Hot Water (without Ice Melt Recover	\$ 12,625	\$ 1,632	\$ 14,257	\$ 2,139	\$ 1,640	\$ 18,035	\$ -	-
Civic Center Ice Arena	Control BAs (base)	\$ 131,063	\$ 16,947	\$ 148,010	\$ 22,201	\$ 17,021	\$ 187,232	\$ 28,269	6.6
Government Center	Lighting Retrofit	\$ 42,438	\$ 5,487	\$ 47,925	\$ 7,189	\$ 5,511	\$ 60,626	\$ 8,057	7.5
Government Center	Vending Machine Controller	\$ 600	\$ 78	\$ 678	\$ 102	\$ 78	\$ 858	\$ 215	4.0
Government Center	Chiller Replacement (Air-cooled)	\$ 168,093	\$ 21,735	\$ 189,828	\$ 28,474	\$ 21,830	\$ 240,133	\$ 15,259	15.7
Government Center	Control BAs (base)	\$ 138,679	\$ 17,932	\$ 156,611	\$ 23,492	\$ 18,010	\$ 198,113	\$ 63,060	3.1
Government Center	Building Weatherization	\$ 6,935	\$ 897	\$ 7,832	\$ 1,175	\$ 901	\$ 9,908	\$ 928	10.7
Wildwood Cultural Cen	Lighting Retrofit	\$ 6,784	\$ 877	\$ 7,661	\$ 1,149	\$ 881	\$ 9,691	\$ 1,331	7.3
Public Works Facility	Lighting Retrofit / Replacement	\$ 37,506	\$ 4,850	\$ 42,356	\$ 6,353	\$ 4,871	\$ 53,580	\$ 7,162	7.5
Public Works Facility	Building Weatherization	\$ 5,801	\$ 750	\$ 6,551	\$ 983	\$ 753	\$ 8,287	\$ 841	9.9
Public Works Facility	Boiler Replacement	\$ 36,373	\$ 4,703	\$ 41,076	\$ 6,161	\$ 4,724	\$ 51,961	\$ 2,119	24.5
Public Works Facility	Control BAs (base)	\$ 10,127	\$ 1,309	\$ 11,436	\$ 1,715	\$ 1,315	\$ 14,467	\$ 22,845	0.6
Senior Center	Lighting Retrofit	\$ 18,752	\$ 2,425	\$ 21,177	\$ 3,177	\$ 2,435	\$ 26,789	\$ 3,823	7.0
Senior Center	Vending Machine Controller	\$ 600	\$ 78	\$ 678	\$ 102	\$ 78	\$ 858	\$ 323	2.7
Senior Center	Building Weatherization	\$ 5,965	\$ 771	\$ 6,736	\$ 1,010	\$ 775	\$ 8,521	\$ 739	11.5
Senior Center	Retro Commissioning - Time of Day	\$ 5,410	\$ 699	\$ 6,109	\$ 916	\$ 703	\$ 7,728	\$ 10,566	0.7
Fire Station #5	Lighting Retrofit	\$ 15,037	\$ 1,944	\$ 16,981	\$ 2,547	\$ 1,953	\$ 21,481	\$ 1,581	13.6
Fire Station #5	Vending Machine Controller	\$ 600	\$ 78	\$ 678	\$ 102	\$ 78	\$ 858	\$ 215	4.0
Fire Station #5	Building Weatherization	\$ 1,396	\$ 181	\$ 1,576	\$ 236	\$ 181	\$ 1,994	\$ 196	10.2
Fire Station #4	Lighting Retrofit	\$ 3,944	\$ 510	\$ 4,454	\$ 668	\$ 512	\$ 5,635	\$ 645	8.7
Fire Station #4	Building Weatherization	\$ 7,507	\$ 971	\$ 8,477	\$ 1,272	\$ 975	\$ 10,724	\$ 978	11.0
Fire Station #3	Lighting Retrofit	\$ 5,753	\$ 744	\$ 6,497	\$ 975	\$ 747	\$ 8,219	\$ 401	20.5
Fire Station #3	Building Weatherization	\$ 3,555	\$ 460	\$ 4,014	\$ 602	\$ 462	\$ 5,078	\$ 561	9.1
Fire Station #2	Lighting Retrofit	\$ 6,392	\$ 826	\$ 7,218	\$ 1,083	\$ 830	\$ 9,131	\$ 638	14.3
Fire Station #2	Building Weatherization	\$ 1,015	\$ 131	\$ 1,147	\$ 172	\$ 132	\$ 1,450	\$ 112	12.9
Fire Station #2	Furnace Replacement	\$ 18,676	\$ 2,415	\$ 21,091	\$ 3,164	\$ 2,425	\$ 26,680	\$ 2,032	13.1
Fire Station #1	Lighting Retrofit	\$ 4,404	\$ 570	\$ 4,974	\$ 746	\$ 572	\$ 6,292	\$ 806	7.8
Fire Station #1	Building Weatherization	\$ 14,823	\$ 1,917	\$ 16,740	\$ 2,511	\$ 1,925	\$ 21,176	\$ 1,518	13.9
Fire Station #1	Furnace Replacement	\$ 12,451	\$ 1,610	\$ 14,061	\$ 2,109	\$ 1,617	\$ 17,787	\$ 2,097	8.5
Blackbrook Golf Course	Lighting Retrofit	\$ 3,761	\$ 486	\$ 4,247	\$ 637	\$ 488	\$ 5,373	\$ 870	6.2
Blackbrook Golf Course	Building Weatherization	\$ 945	\$ 122	\$ 1,067	\$ 160	\$ 123	\$ 1,350	\$ 120	11.2
Mentor Beach Park	Lighting Retrofit	\$ 4,196	\$ 543	\$ 4,739	\$ 711	\$ 545	\$ 5,995	\$ 284	21.1
Cemetery	Lighting Retrofit	\$ 769	\$ 99	\$ 868	\$ 130	\$ 100	\$ 1,098	\$ 113	9.7
Civic Center Pool	Lighting Retrofit	\$ 1,936	\$ 250	\$ 2,186	\$ 328	\$ 251	\$ 2,766	\$ 375	7.4
Garfield Park Pool	Lighting Retrofit	\$ 2,167	\$ 280	\$ 2,447	\$ 367	\$ 281	\$ 3,095	\$ 158	19.6
Garfield Park Rec Cent	Lighting Retrofit	\$ 6,423	\$ 831	\$ 7,253	\$ 1,088	\$ 834	\$ 9,176	\$ 556	16.5
Morton Park Pool	Lighting Retrofit	\$ 1,471	\$ 190	\$ 1,662	\$ 249	\$ 191	\$ 2,102	\$ 98	21.4
Morton Park Pool	Vending Machine Controller	\$ 298	\$ 38	\$ 336	\$ 50	\$ 39	\$ 425	\$ 107	4.0
City-wide	Lighting - Miscellaneous Cost	\$ 5,410	\$ 699	\$ 6,109	\$ 916	\$ 703	\$ 7,728	\$ -	-
Development Costs		\$ 101,192	\$ 13,085	\$ 114,277	\$ 17,142	\$ 13,142	\$ 144,560	\$ -	-
Performance Assuranc		\$ 9,705	\$ 1,255	\$ 10,960	\$ 1,644	\$ 1,260	\$ 13,864	\$ -	-
Total Project		\$ 987,350	\$ 127,671	\$ 1,115,031	\$ 167,255	\$ 128,225	\$ 1,410,514	\$ 187,591	7.5

Details for Indirect FIM Costs

Commissioning/Warranty	0.0250
Project Legal	0.0150
Project Waste Management	0.0100
Construction Management	0.0300
Cost of Siemens Risk	0.0143
Project Administrative	0.0150
Project Design/Specification	0.0200
Total	0.1293

