

Appendix B: GLOSSARY

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This glossary includes general terms as well as those associated with legal, contractual, financial, and other business aspects of architecture practice.

Account: A tabular record of financial transactions related to a particular item or class of items; used to classify and record financial details of business transactions of the firm.

Accounts payable: Money owed by the firm to vendors, consultants, or others for merchandise or services that have been provided to the firm on open account or short-term credit.

Accounts receivable: Money owed by clients to the firm for services rendered or for reimbursement of expenses. Accounts receivable are aged until they are collected or until it becomes apparent they will not be collectible, at which time they are written off as 'Bad Debt.'

Accrual-Basis Accounting (Modified): Revenue earned from project fees and expenses invoiced to clients.

Addendum (pl. addenda): A written or graphic instrument issued by the architect before execution of the construction contract that modifies or interprets the bidding documents by additions, deletions, clarifications, or corrections.

Additional services: Professional services that may, if authorized or confirmed in writing by the owner, be rendered by the architect, generally for additional compensation, in addition to the basic services identified in the owner-architect agreement.

Additive (or add) alternate: *See Alternate bid.*

Admonition: A private reprimand issued by a jurisdictional registration board (or other administrative agency) for violation of professional conduct rules in that jurisdiction, or by the AIA for violation of its Code of Ethics and Professional Conduct. See also *Censure*.

Advertisement for bids: Published public notice soliciting bids for a construction project or designated portion thereof, included as part of the bidding documents; most frequently used to conform to legal requirements pertaining to public projects and usually published in newspapers of general circulation in those

political subdivisions from which the public funds are derived or in which the project is located.

Aged accounts receivable: Accounts receivable classified according to the length of time each invoice has been outstanding. The age analysis highlights which accounts are falling past due.

Agent: A person or entity that has an agency relationship with and acts for or in place of another. See also *Attorney-in-fact*.

Agency relationship: A fiduciary relationship in which the “agent” is authorized to perform certain binding acts on behalf of the principal. Under AIA Contract Documents the architect is not an agent of the owner. See also *fiduciary*.

Agreement: (1) A mutual understanding between two or more persons regarding their relative rights and duties for past or future performances; (2) legally enforceable obligations between two or several persons; (3) the document stating the terms of the contract between the parties, as between owner and architect, architect and consultants, or owner and contractor. Although “agreement” is a broader term, it is frequently used interchangeably with “contract” without any intended change in meaning. See also *Contract*.

Alliance: A business relationship between two or more entities in which each entity retains its own identity and internal control; formed to further the common interests of those entities.

Allowance: See *Cash allowance, Contingency allowance*.

Alternate: A proposed possible change in the work described in the contract documents; provides the owner with an option to select between alternative materials, products, or systems or to add or delete portions of work.

Alternate bid: Amount stated in the bid to be added to or deducted from the amount of the base bid if the corresponding change in work, as described in the bidding documents, is accepted. An alternate bid resulting in an addition to the bidder's base bid is an additive (or “add”) alternate, and an alternate bid resulting in a deduction from the base bid is a deductive (“deduct”) alternate.

Alternative dispute resolution (ADR): A method of resolving disputes by means other than litigation, such as mediation, arbitration, mini-trial, project neutral or dispute review board.

Anti-indemnification statutes: Laws that invalidate contract clauses related to a party being indemnified or held harmless for damages or that limit the ways such contract clauses operate.

Antitrust: Laws to protect trade and commerce from unlawful restraints and monopolies or unfair business practices.

Application for payment: Contractor's certified request for payment for completed portions of the work and, if the contract so provides, for materials or equipment suitably stored pending their incorporation into the work.

Approved equal: Material, equipment, or method proposed by the contractor and approved by the architect for incorporation or use in the work as equivalent in essential attributes to the material, equipment, or method specified in the contract documents.

Arbitration: Method of dispute resolution in which an arbitrator or panel of arbitrators evaluates the merits of the positions of the respective parties and renders a decision.

Architect: A person who is licensed to design buildings and its ornamentation, prepares and issues construction documents, and administer construction contracts. In all states, either the term "architect" or the term "architecture" is statutorily defined.

Architect of record: The architect licensed in the jurisdiction in which the building is located who prepares, seals, and signs the construction documents; may also be called the executive architect, when a consulting architect is retained for the design phase, or for other services.

Architect-consultant agreement: Contract between an architect and another firm (e.g., engineer, specialist, another architect, or other consultant) for professional services.

Architecture: The art and science of conceiving or executing building programs, in particular the practice of designing buildings and administering contracts for their construction.

As-constructed record drawings: Drawings that reflect the record of the building project as constructed based on information the contractor provides to the owner under the contract for construction. Because the as-constructed record drawings are based on the contractor's mark-ups, the architect is not responsible for their accuracy or completeness. Commonly referred to as "as-builts."

As-designed record drawings: Drawings that reflect the record of everything the architect designed for the project, and include the original construction documents plus all addenda, Architect's Supplemental Instructions, Change Orders, Construction Change Directives and minor changes in the work.

Attorney-in-fact: A person authorized to act for or on behalf of another person or entity to the extent usually prescribed in a written instrument known as a *power of attorney*.

Authority Having Jurisdiction (AHJ): A federal, state, local, or other regional department or its representative having statutory authority to enforce compliance with particular codes, standards, or other requirements.

Award: See *Contract award*.

Backlog: Dollar value of anticipated revenues from projects contracted but as yet unearned (i.e., the work is contracted but has not been performed or invoiced to clients). Backlog is reduced by the value of revenue earned and increased by the value of new commissions acquired in any accounting period.

Bad debt: A debt owed to the firm that is uncollectible (e.g., invoiced amounts on aged accounts receivable that can be written-off, due to clients' failure to pay).

Balance sheet: A statement of the firm's financial condition as of a specific date. It is a statement of the balance between the asset accounts and the total of liabilities and net worth (owners' equity) accounts.

Bankruptcy: A state of insolvency in which the property of the debtor (an individual or a business) may be placed under the control of a court-appointed trustee for the benefit of creditors, with the objective of either reorganizing and rehabilitating the business or dissolving it and liquidating its assets.

Base bid: Amount of money stated in the bid as the sum for which the bidder offers to perform the work described in the bidding documents, exclusive of adjustments for alternate bids.

Basic services: Common services of architectural design as recognized in the industry and described in the owner-architect agreement and provided for basic compensation. AIA Document B101–2007, for example, includes a basic services package for schematic design, design development, construction documents, bidding or negotiation, and construction phase services. Distinguished from *additional services*.

Beneficial occupancy: Use of a project or portion thereof for the purpose intended.

Benefits, employee: Personnel benefits required by law (such as employment taxes and other statutory employee benefits) and by custom (such as health insurance, sick leave, holidays, vacations, pensions, and similar contributions and benefits). Sometimes called “customary and mandatory benefits.”

Best-value procurement: The evaluation and selection of construction and/or design services where total costs are considered along with other specialized qualification criteria, including past performance.

Betterment: An improvement to a property that enhances its value more than mere replacement, maintenance, or repairs; a defense to an owner's defective design claim against the architect, under which the architect is responsible only for extra costs the owner incurs due to the defect, and the owner is responsible for the cost it would have paid had the design been properly performed at the outset.

Bid: A complete and properly signed proposal, submitted in accordance with the bidding requirements, to perform the work or a designated portion thereof for the amount or amounts stipulated therein.

Bid bond: A form of bid security executed by the bidder as principal and by a surety to guarantee that the bidder will enter into a contract within a specified time and furnish any required bond. See also *Bid security*.

Bid date: See *Bid time*.

Bid form: A form prescribed by the bidding requirements to be completed, signed, and submitted as the bidder's bid.

Bid opening: The physical opening and tabulation of sealed bids following the time specified in the bidding requirements. This term is preferable to "bid letting."

Bid price: The amount stated in the bid.

Bid security: A deposit of cash, certified check, cashier's check, bank draft, stocks or bonds, money order, or bid bond submitted with a bid; provides that the bidder, if awarded the contract, will execute such contract in accordance with the requirements of the bidding documents.

Bid time: The date and hour established by the owner or the architect for the receipt of bids.

Bidder: A person or entity that submits a bid for a prime contract with the owner; in contrast to a sub-bidder, who submits a bid to a prime bidder.

Bidding documents: The documents required to bid or negotiate the construction contract, including the bidding requirements, contract forms, contract conditions, specifications, drawings, and addenda.

Bidding period: The calendar period beginning when bidding documents are issued and ending at the prescribed bid time.

Bidding requirements: Collectively, the advertisement or invitation to bid, instructions to bidders, sample forms, the bid form, and portions of addenda relating to bidding requirements.

Bill of quantities: See *Quantity survey*.

Billable time: Time that is charged to projects (direct time) and is ultimately invoiced to the client. See *Chargeable time*.

Billing rate: The price per unit of time (hour, day, week) for staff (principal or employee) billed to a client for work under a contract for a project.

Bona fide bid: Bid submitted in good faith, complete, and in accordance with the bidding documents, and properly signed by a person legally authorized to sign such bid.

Bond: In suretyship, an obligation by which one party (surety or obligor) agrees to guarantee performance by another (principal) of a specified obligation for the benefit of a third person or entity (obligee). See also *Bid bond*, *Completion bond*, *Dual obligee bond*, *Fidelity bond*, *Payment bond*, *Performance bond*, *Statutory bond*, and *Supply bond*.

Bonus clause/penalty clause: A bonus clause is a clause in a contract that rewards the contractor for doing more than the letter of the contract; particularly, to complete construction early. It is the inverse of a penalty clause, where the contractor is penalized for providing less than the letter of the contract, or completing the work later than agreed.

Breach of contract: The failure, without legal justification, to fulfill an obligation required by contract. The breach of a contract can be intentional, inadvertent, or caused by the negligence of the party breaching the contract.

Break-even rate: The Overhead Rate plus the unit cost of 1.00 for an hour of salary.

Breach of duty: The violation of a legal obligation. See also *duty and negligence*.

Budget: The sum established as available for a given purpose. See also *Construction budget*, *Project budget*, and (for the architecture firm) *Internal project budget*.

Budgeting: (1) Forecasting future business activities of the firm, usually for fiscal periods or for specific projects in terms of revenues, expenses, and income (profit); (2) developing a plan for achieving future desired activities; (3) planning expenditures of time or money. These definitions can also be applied to budgeting construction or project costs or the firm's costs of providing professional services.

Builder's risk insurance: A specialized form of property insurance that provides coverage for loss or damage to the work during the course of construction.

Building code: See *Codes*.

Building information model: A digital three-dimensional representation of a building consisting of objects that simulate specific properties of actual building components. (Also referred to as “the model.”)

Building information modeling (BIM): The use of digital building information models to develop building design solutions and design documentation, and to analyze construction processes. See also *Building information model*.

Building inspector: See *Code enforcement official*.

Building permit: A permit issued by appropriate governmental authority allowing construction or **renovation of a project in accordance with approved construction documents**.

Business income (or interruption) coverage: Insurance protecting against financial loss during the time required to repair or replace property damaged or destroyed by an insured peril. (Also called loss-of-use coverage).

Business plan: Plan that describes the strategic and tactical goals of a business entity. Strategic issues include mergers and acquisitions, geographic locations, research and development, market penetration, forecasts, new product introduction, and business integration. Tactical considerations include product and quantity information, head counts, subcontracting, logistics, and processes. Business plans form the basis for strategic facilities planning. See also *Strategic facilities plan*.

CAD (or CADD): See *Computer-aided design*.

Carbon neutral: (1) Achieving net zero carbon emissions by balancing a measured amount of carbon released with an equivalent amount sequestered or offset, or buying enough carbon credits to make up the difference; **(2)** Achieving net zero carbon emissions by reducing a building's overall energy consumption and providing site generated renewable sources for a building's remaining energy needs.

Cash allowance: An amount established in the contract documents for inclusion in the contract sum to cover the cost of prescribed items not specified in detail, with the provision that variations between such amount and the finally determined cost of the prescribed items will be reflected in change orders appropriately adjusting the contract sum.

Cash-Basis Accounting: The method for tracking Income received and all expenditures paid, including salaries.

Cash flow: The change in the firm's cash account during a given accounting period. Positive cash flow (more cash received than disbursed) results in an increase in the cash account; conversely, negative cash flow decreases the cash account.

Cash flow statement: A statement prepared to analyze the sources and applications of a firm's cash during a given accounting period.

Censure: A public reprimand issued by a jurisdictional registration board (or other administrative agency) for violation of professional conduct rules in that jurisdiction or by the AIA for violation of its Code of Ethics and Professional Conduct. See also *Admonition*.

Certificate for payment: A written representation from the architect, based on the architect's evaluation of the work and the data comprising the contractor's payment application, that the work has progressed as represented and the quality is in accordance with the contract documents.

Certificate of insurance: A document issued by an authorized representative of an insurance company stating the types, amounts, and effective dates of insurance for a designated insured for the benefit of the certificate holder.

Certificate of merit: An affidavit required by some states precedent to filing suit against a design professional; prepared by a third-party design professional attesting to the factual basis of the negligent act; intended to protect against baseless claims.

Certificate of occupancy: Document issued by a governmental authority certifying that all or a designated portion of a building is approved for its designated use.

Certificate of Substantial Completion: A certificate prepared by the architect on the basis of an inspection (a) stating that the work or a designated portion thereof is substantially complete and is usable for the intended purpose; (b) establishing the date of substantial completion; (c) stating the responsibilities of the owner and the contractor for security, maintenance, heat, utilities, damage to the work, and insurance; and (d) fixing the time within which the contractor shall complete the items listed therein. Multiple certificates are commonly issued for designated portions of a project.

Change order: An amendment to the construction contract signed by the owner, architect, and contractor authorizing a change in the work, an adjustment in the contract sum or the contract time, or both.

Change order request: A request by the contractor for implementing a change in the work that may change the contract sum, the contract period of performance, or both. See also *Proposal request*.

Chargeable time: Time that is charged to projects (direct time) which may or may not be invoiced to the client. (i.e.: the time is necessary to produce the services contracted, but if not invoiced will not result in revenue).

Charrette: The intense effort to complete an architectural project within a specified time or the time in which this work is done.

Civil action: A lawsuit in court seeking enforcement or protection of private rights.

Claim: A demand for money, services or property based upon a right usually found in contract or by operation of law. There are policy triggers to report a claim such as when one receives a demand for money or services with an allegation of a wrongful act.

Claim expense: The cost associated with the handling of a claim, such as defense-attorney fees, investigation costs, and expert witnesses, as defined in the insurance policy.

Claims-made policy: A liability insurance policy that provides coverage only (a) if the claim is first made during the term of the policy, and (b) if the services from which the claim arose were performed during the policy period or after the retroactive date otherwise specified in the policy. See also *retroactive coverage* and *occurrence policy*.

Clarification drawing: A graphic interpretation of the drawings or other contract documents issued by the architect.

Clerk of the works: Various used to refer to the owner's inspector or owner's site representative. The term is not in common use today.

Client: A person or entity being provided professional services by the architect. The client includes those who own or lease assets relevant to the services being provided and can include persons or entities that use, operate, and maintain those assets. In the contractual context, the term "owner" is used to signify the person or entity entering into the agreement with the architect or contractor. See also *Owner*.

Closed bidders list: See *Invited bidders*.

Closed specifications: Specifications stipulating the use of specific or proprietary products or processes without provision for substitution.

Code enforcement official: A representative of a governmental authority employed to inspect construction for compliance with applicable codes, regulations, ordinances, and permit requirements. See also *Authority Having Jurisdiction*.

Codes: Government regulations, ordinances, or statutory requirements relating to building construction and occupancy, generally adopted and administered for the protection of public health, safety, and welfare.

Coinsurance: An insurance policy provision that requires the insured to carry insurance equal to a named percentage of the actual cash value or replacement cost value of the property covered by the policy or suffer a penalty in the event of a loss. This penalty reduces the amount paid by the insurance company in direct proportion to the amount by which the property is underinsured.

Commercial general liability insurance: A broad form of liability insurance covering claims for bodily injury and property damage that combines, under one policy, coverage for business liability exposures (except those specifically excluded) and new and unknown hazards that may develop. Commercial general liability insurance automatically includes contractual liability coverage for certain types of contracts and personal injury coverage. Products liability and completed operations liability are included as well. This policy may be written on either an occurrence form or a claims-made form. See also *Claims-made policy* and *Occurrence*.

Commissioning: A process for achieving, validating, and documenting that the performance of the completed building and its systems meet the design requirements. (Traditionally, “commissioning” has referred to the process by which the heating, ventilation, and air-conditioning systems of a building were tested and balanced according to established standards prior to acceptance by the building owner. However, the scope of commissioning is being broadened to encompass other systems.)

Comparative negligence: The proportional sharing of liability between a plaintiff and defendant for damages based on the percentage of negligence of each. Not all states allow a sharing of liability based on comparative negligence. See also *Contributory negligence*.

Compensation: (1) Payment for services rendered or products or materials furnished or delivered; (2) payment in satisfaction of claims for damages incurred; (3) salary, bonus, profit sharing, and other income received by a firm owner or employee.

Compensatory damages: Damages awarded to compensate a plaintiff for his or her injuries; includes direct out-of-pocket losses as well as compensation for pain and suffering.

Completed operations insurance: Liability insurance coverage for injuries to persons or damage to property occurring after an operation is completed (a) when all operations under the contract have been completed or abandoned, (b) when all operations at one project site are completed, or (c) when the portion of the work out of which the injury or damage arises has been put to its intended use by the person or organization for whom that portion of the work was done. Completed operations insurance does not apply to damage to the completed work itself.

Completion bond: Bond guaranteeing the lender that the project will be completed free of liens.

Completion date: See *Substantial completion*.

Computer-aided design (commonly abbreviated as CAD, or CADD for “computer-aided design and drafting”): A term applied to systems or techniques for design and drafting using integrated computer hardware and software systems to produce graphic images.

Conditions of the contract: Those portions of the contract documents that define the rights and responsibilities of the contracting parties and of others involved in the work. The conditions of the contract include general conditions, supplementary conditions, and other conditions.

Confidentiality agreement: See *Non Disclosure agreement*

Conformed construction documents: Construction documents revised to reflect all changes issued by addenda during bidding prior to the start of construction. Preparation of conformed construction documents is an additional service to the architect's basic services.

Consent of surety: Written consent of the surety on a performance bond, payment bond, or both to changes in the contract, reductions in the contractor's retainage, transfer of final payment to the contractor, or waiver of notification of contract changes. The term is also used with respect to an extension of time in a bid bond.

Consequential loss: Loss not directly caused by damage to property but that may arise as a result of such damage (e.g., damage to other portions of a building or its contents due to roof leaks).

Construction budget: The sum established by the owner as available for construction of the project, including contingencies for bidding and for changes during construction. See also *Project budget*.

Construction change directive: A written order prepared by the architect and signed by the owner and architect that directs a change in the work and states a proposed basis for adjustment, if any, in the contract sum or contract time, or both.

Construction contract administration services: Services for the architect's general administration of the construction contract(s). This includes reviewing and certifying amounts due the contractor, reviewing the contractor's submittals, preparing change orders, making site visits to observe progress of the work, and conducting site inspections to determine dates of substantial completion and final completion.

Construction cost: (Cost of the work): (1) For the purpose of preparing cost estimates, or as used for calculating the architect's compensation, the total actual or estimated cost to the owner to construct all elements of the project designed or specified by the architect, including contractor's general conditions costs, overhead, and profit. It does not include compensation of the architect and the architect's consultants or the costs of the land, rights-of-way, contingencies for changes in the work, financing, or other costs that remain the responsibility of the owner. (2) In a cost reimbursement construction contract, all allowable costs necessarily incurred by the contractor in properly performing the work. See *Cost-reimbursement construction contract*.

Construction documents: Drawings and specifications prepared by the architect setting forth the requirements for the construction of the project.

Construction documents services: The phase of the architect's services in which the architect prepares the construction documents from the approved design

development documents and assists the owner in the preparation of the bidding documents.

Construction management: Services provided to an owner to manage a project during the design phase, construction phase, or both. Such services may include advice on the time and cost consequences of design and construction decisions, scheduling, cost control, coordination of contract negotiations and awards, timely purchasing of critical materials and long-lead-time items, and coordination of construction activities.

Construction manager: An individual or entity that provides construction management services. This entity may remain as adviser (CMa) during construction or become the construction contractor (CMc).

Construction procurement services: Services in which the architect assists the owner in obtaining either competitive or negotiated proposals and assists the owner in awarding and preparing contracts for construction.

Consultant: A person or entity who provides advice or services.

Contingency allowance: A sum included in the construction budget and project budget to cover unpredictable or unforeseen items of work or changes in the work.

Contingent agreement: An agreement, generally between an owner and an architect, in which some portion of the architect's compensation is contingent upon some specially prescribed condition such as government approvals or the owner's success in obtaining funds for the project.

Contingent liability: Liability that is not absolute and fixed but dependent on the occurrence of some uncertain future event or the existence of an uncertain specified condition.

Contract: A legally enforceable agreement between two or several parties that creates an obligation to do or not to do a particular thing. It also refers to the document that describes the agreement of the parties with the terms and conditions, and which serves as evidence of the obligation. See also *Agreement and Contract documents*.

Contract award: A communication from an owner accepting a bid or negotiated proposal. An award creates legal obligations between parties.

Contract date: See *Date of agreement*.

Contract documents: The documents that form the contract for construction between the owner and the contractor. These include the agreement form signed by owner and contractor; conditions of the contract (general, supplementary, and other conditions); drawings, specifications, and addenda issued prior to

execution of the contract; other documents listed in the agreement; and modifications issued after execution of the contract.

Contract sum: The sum stated in the owner-contractor agreement that is the total amount payable by the owner to the contractor for the performance of the work under the contract documents.

Contract time: The period of time allotted in the contract documents for substantial completion of the work, including authorized adjustments thereto. If a number of days is specified, calendar or working days should be stipulated.

Contracting officer: In government contracts, the person designated as the official representative of the owner with specific authority to act on the owner's behalf in connection with a project.

Contractor: (1) One who enters into a contract; (2) in construction terminology, the person or entity responsible for performing the work under the contract for construction.

Contractor's affidavit: A certified statement of the contractor, properly notarized or otherwise subject to prosecution for perjury if false, relating to such items as payment of debts and claims, release of liens, or similar matters requiring specific evidence for the protection of the owner.

Contractor's professional liability insurance: An insurance policy that covers the contractor for claims alleging faulty design services, including design services performed by the contractor's in-house staff, by design firms hired as subcontractors, and by design firms in joint venture with the contractor.

Contractor's general liability insurance: Insurance purchased and maintained by the contractor that insures the contractor for claims for property damage, bodily injury, or death arising from the contractor's general negligence.

Contractor's option: The provision of the contract documents under which the contractor may select certain specified materials, methods, or systems at the contractor's option without change in the contract sum. Example: specified acceptable manufacturers.

Contractor's work plan: The contractor's planning and coordination required to manage and execute the means and methods, supervision and direction of the work necessary for constructing the project in accordance with the contract documents and consistent with acceptable industry practices.

Contractual liability: Liability assumed by a person or entity under a contract. Indemnification or hold-harmless clauses are examples of contractual liability.

Contributory negligence: The finding that the plaintiff or claimant, by not exercising ordinary care, contributed to the injury; in some states, a plaintiff's

contributory negligence will bar the plaintiff from recovering damages. See also *Comparative negligence*.

Copyright: Exclusive right to control the making of copies of a work of authorship, such as design plans or other architectural work, granted by federal statute to the author for a limited period of time.

Corporation: A legal entity organized under the laws of a particular jurisdiction. The entity has a legal identity separate from the stockholders, owners, managers, officers, directors, or employees of the enterprise. A corporation is “domestic” to the state of its incorporation and “foreign” to all other states.

Cost-based selection: The procurement of professional design services based solely on the cost for those services.

Cost-benefit analysis: An evaluation technique in which the total expected costs and the total expected benefits of one or more actions are compared in order to choose the most effective option.

Cost of the Work: See *Construction Cost*.

Cost-plus-fee agreement: An agreement under which the contractor (in an agreement between owner and contractor) or the architect (in an agreement between owner and architect) is reimbursed for stipulated direct and indirect costs of performance of the agreement and, in addition, is paid a fee for services.

Cost reimbursement construction contract: Any agreement where a contractor is reimbursed its incurred costs. Costs may be limited by a Guaranteed Maximum Price (AIA Document A102–2007), or guided only by an estimate and the contractor’s obligation to perform in good faith (A103–2007). The Owner typically has the right to audit the contractor’s accounts. The contractor’s fee may be a fixed amount or a percentage of the construction costs. In a GMP contract, the contractor may be incentivized to control costs by the opportunity to share with the owner, as additional profit, savings realized below the GMP amount. See also *Time and material contract*.

Counterclaim: A defendant’s claim against the plaintiff. A counterclaim that arises from the same transaction or occurrence as the plaintiff’s claim, is considered compulsory. Under federal rules of procedure, such counterclaims must be made in the defendant’s response to the plaintiff’s complaint and may not be raised in a separate lawsuit.

Covenant: A written, signed agreement between two or more parties pledging that something is done, shall be done, or shall not be done (e.g., a covenant not to sue).

Critical path method (CPM): A scheduling method in which all events expected to occur and operations to be performed in completing a given process are

rendered in a form permitting determination of the optimum sequence and duration of each operation.

Current earnings: The net dollar amount after all distributions have been made and all applicable taxes have been deducted.

Customary and mandatory benefits: See *Benefits, employee*.

Daily billing rate: A rate established for billing for services of identified personnel on a per day basis.

Damages: The amount claimed or allowed as compensation for injuries sustained or property damaged through the wrongful acts, negligence, or breach of contract of another.

Date of agreement: The date an agreement is made or when it is effective. If not stated in the agreement, it is the date on which the agreement is signed by the last person or entity.

Date of commencement of the work: The date established in a notice to the contractor to proceed or, in the absence of such notice, the date of the contract for construction or such other date as may be established therein. See *Notice to Proceed*.

Date of substantial completion: See *Substantial completion*.

Declaratory judgment: The order of a court that establishes the rights of parties on a question of law or on a contract.

Deductible (insurance terminology): A provision requiring the insured to pay a specified portion of the loss on each claim - it could be as low as \$1,000. Increase the deductible to lower the premium cost. It is important to consider the balance between deductible, premium, and coverage. There will be a new deductible obligation with each claim.

Deductive (or deduct) alternate: See *Alternate bid*.

Default: The omission of or failure to perform a legal or contractual duty.

Defective work: See *Nonconforming work*.

Demurrage: A charge for time exceeding that allowed for loading, unloading, or removing goods shipped or delivered from a railroad car or similar vehicle or location.

Deposit for bidding documents: Monetary deposit required to obtain a set of bidding documents.

Deposition: Pretrial testimony of a fact or expert witness in the form of oral questions and answers by a party or witness. Depositions are taken under oath and may be used during a trial or arbitration proceeding.

Depreciation: The reduction in value of a long-term (fixed) asset that occurs over a stated period of time known as the “useful life” of the asset, after which the asset retains only a salvage value. This reduction in value may result from lapse of time, obsolescence, deterioration, wear, or consumption and is recorded periodically as an expense to the firm. The amount of depreciation that may be taken as a deduction for tax purposes may have no relation to any actual decrease in value or usefulness; consequently, depreciation rates vary depending on whether they are being used for income tax purposes, other types of taxes, or management in planning capital expenditures or establishing credit.

Design development documents: Drawings and other documentation that fix and describe the size and character of the entire project with respect to architectural, structural, mechanical, and electrical systems; materials; and other elements as may be appropriate.

Design development services: Services in which the architect prepares the design development documents from the approved schematic design studies, for submission to the owner for the owner's approval.

Design-build: A method of project delivery in which the owner contracts directly with a single entity that is responsible for both design and construction services for a construction project.

Detail: A drawing, explanatory of another drawing, indicating in detail and at a larger scale the design, location, composition, and correlation of elements and materials.

Detailed estimate of construction cost: A forecast of construction cost prepared on the basis of a detailed analysis of materials and labor for all items of work, as distinguished from a preliminary estimate of construction cost based on current area, volume, or similar conceptual estimating techniques. See also *quantity survey*.

Direct expense: All items of expense directly incurred for or specifically attributable to a particular project, assignment, or task.

Direct Labor (Salary): Represents the time charged to projects whether invoiced or not.

Direct personnel expense (DPE): Direct salaries of all the architect's personnel engaged on the project and the portion of the cost of their employee benefits related thereto.

Direct salary expense (DSE): Direct salaries of all the architect's personnel engaged on the project, excluding the cost of fringe benefits (payroll burden).

Discovery: The process by which parties or witnesses in a lawsuit are required before trial to disclose evidence that they possess in relation to issues in the lawsuit.

Dividend: In an ongoing corporation, a payment to shareholders out of net income (profits). Payment is in proportion to the number of shares held and is usually made either in cash or in stock.

Double-entry bookkeeping: A system of keeping books of an account in which there are always two entries, a debit and a credit, for every transaction.

Drawings: Graphic and pictorial documents depicting the design, location, and dimensions of the elements of a project. Drawings generally include plans, elevations, sections, details, schedules, and diagrams. When the term is capitalized, it refers to the graphic and pictorial portions of the contract documents.

Dual obligee bond: A bond in which two obligees are identified, either of whom may enforce the bonded obligation. An example is a performance bond furnished by a contractor in which the entity providing the financing is named as an obligee along with the owner.

Duty: An obligation imposed by law or by contract.

Earned revenue: Revenue for which services have been rendered by the architect and for which payment from the client may be rightfully claimed. Earned revenue may be unbilled, billed but uncollected, or billed and collected.

Easement: A legally created restriction on the unlimited use of all or part of one's land.

Employer's liability insurance: Insurance protection purchased by an employer to cover the employer against claims arising out of bodily injury to an employee who is not covered by a workers' compensation statute. This is usually provided on the same policy form as the employer's workers' compensation insurance.

Endorsement: A written amendment (sometimes called a "rider") that changes the declarations, insuring agreements, exclusions, or conditions of an insurance policy.

Entity: A person, partnership, corporation, estate, trustee, government unit, or other organization.

Environmental design professions: The professions collectively responsible for the design of the human physical environment, including architecture, urban planning, and similar environment-related professions.

Errata sheet: An attachment to a deposition transcript containing the deponent's corrections upon reading the transcript and the reasons for those corrections.

Errors and omissions insurance: See *Professional liability insurance*.

Estimate of construction cost: A forecast of construction cost. See also *Detailed estimate of construction cost*.

Estoppel: A legal bar that prevents a person from asserting a legal position because of his or her own conduct or for some other reason created by operation of law.

Ethics: See *Professional ethics*.

Excess liability insurance: A separate insurance policy that provides higher limits of liability than the coverage provided by a scheduled list of underlying insurance policies. The terms of the excess liability insurance are never broader than the underlying policy.

Exclusions: A list in an insurance policy or bond of losses, hazards, or circumstances not included within the scope of coverage of the policy or bond.

Execution of the contract (or agreement): (1) Performance of a contract or agreement according to its terms; (2) the acts of signing and delivering (to the parties) the document or documents constituting the contract or agreement.

Expenditure: A commitment by the firm to incur a cost on behalf of the firm. Capital expenditures result in the cost being capitalized—established as an asset. Expenditures that are not to be capitalized become expenses in the period in which they generate revenue.

Expense: (1) As a noun: in cash accounting, actual cash disbursements made for goods or services that do not result in the acquisition of an asset, distribution of profit, or reduction of a liability. In accrual accounting, expenses may be recognized when they are incurred without regard to the date of payment; (2) as a verb: to transfer an amount previously regarded as an asset (e.g., an account receivable) to an expense account or to the profit-and-loss account. The amount is said to be “expensed.”

Expense-only claim: A claim that results only in claim expenses being incurred by the insurance company; no indemnity payment is made.

Expert witness: A witness who, by virtue of experience, training, skill, or knowledge of a particular field or subject, is recognized as qualified to render an informed opinion on matters relating to that field or subject.

Exposure: Estimate of the probability of loss from some hazard, contingency, or circumstance; also used to signify the estimate of an insurer's liability under a policy from any one loss or accident or group or class thereof.

Express warranty: An explicit affirmation of fact or promise. Any description of materials or equipment, or a sample or model, furnished by or agreed to by the warrantor can create an express warranty.

Extended coverage insurance: Property insurance endorsement that extends the perils covered beyond basic causes such as fire and lightning to include

windstorm, hail, riot, civil commotion, explosion (except steam boiler), aircraft, vehicles, and smoke.

Extended reporting period: The time period beyond the expiration of the original policy term in a claims-made policy during which an insured may report claims from acts that occur within the original policy term and thereby obtain coverage for such claims. See *Tail coverage (insurance)*.

Extra: A term sometimes used to denote an item of work involving additional cost.

Facility life cycle: The series of stages or increments through which a building facility passes during its lifetime. Stages can be structured in various ways. One example includes planning, entitlement, design, construction, move-in, use and operation, and disposal.

Facility planning: Planning for the long-term use of a building or buildings, which may include furnishings, equipment, operations, maintenance, renovation, expansion, and life cycle planning.

Fact witness: A person with personal knowledge about what happened on a project who gives testimony only as to those facts, as distinguished from an Expert witness, who may provide an opinion.

Faithful performance: Performance of contractual duties with reasonable skill and diligence.

Fast track: A process in which certain portions of the architect's design services overlap with construction activities in order to expedite the owner's occupancy of all or a portion of the project.

Feasibility study: A detailed investigation and analysis conducted to determine the financial, economic, technical, or other advisability of a proposed project.

Fee: A term used to denote the amount of compensation to be paid to a person who provides a specific service; sometimes used to denote compensation of any kind for services rendered. The fee may be the entire compensation or a portion thereof.

Fidelity bond: A surety bond that reimburses an obligee named in the bond for loss sustained by reason of the dishonest acts of an individual or entity covered by the conditions of the bond.

Final acceptance: The owner's acceptance of the work from the contractor upon final completion. The owner may sometimes accept a portion of the completed work.

Final application for payment: The contractor's formal request for the remaining balance of project funds allocated in the contract, submitted on the directive of the architect after final completion has been determined. The final application

for payment is submitted after or contemporaneously with the processing of the final change order.

Final change order: A change order to the contract for construction executed prior to or contemporaneously with the contractor's final application for payment which reconciles outstanding contract cost liabilities and variables such as allowances, contingencies, shared savings, penalties, bonuses or outstanding additional services costs due the architect.

Final completion: Term denoting that the work has been completed in accordance with the terms and conditions of the contract documents, all contract requirements for project closeout have been satisfied, and the architect's certificate for payment of the contractor's final application for payment has been sent to the owner.

Final inspection: Final review of the construction by the architect to determine whether final completion has been achieved; performed prior to submittal of the contractor's final application for payment and issuance of the architect's final certificate for payment.

Final payment: Payment made by the owner to the contractor, upon issuance by the architect of the final certificate for payment, of the entire unpaid balance of the contract sum as adjusted by the final change order.

Fiscal year: Any period of 12 consecutive months that is used as the basis for budgeting or for reporting financial activity. The period may coincide with the calendar year or it may begin on any day of the year and close on the last day of the succeeding 12-month period.

Fixed assets: Assets of a tangible, physical, and relatively permanent nature (such as furniture, equipment, buildings, and automobiles) that are used in the operation of a business and that will not be consumed within one year. See also *Current assets*.

Fixed limit of construction cost: A term used in some pre-2007 AIA owner-architect agreements to identify the maximum construction cost that could be obtained by bid or proposal without requiring that the architect redesign the project at its own expense to lower the construction cost.

Force account: A time and materials based method for computing the cost of the work wherein predetermined rates are typically applied to time expended for labor, material, and equipment, plus factors for insurance, taxes, and an agreed percentage for overhead and profit; sometimes used to describe work performed by the owner's own forces when completing the work.

Force Majeure A control-based principle used to allocate the risk of time-impacting events in order to ensure that neither party is responsible for losses caused by uncontrollable risks.

Fringe benefits: Benefits paid for by an employer on behalf of an employee in addition to direct compensation; frequently includes health care, retirement, and disability insurance.

Frivolous suit: A lawsuit having no legal basis, often filed to harass or extort money from the defendant. See also *Certificate of Merit*.

General Conditions (of the contract for construction): (1) The general terms and conditions contained in a construction contract that will govern the requirements of performance of the contractor and defines the general rights and responsibilities of the parties. (2) The supervisory or management expenses that make up a contractor's contract price, particularly when compensation is based on a "cost plus" or "guaranteed maximum price" structure.

General contract: (1) The contract between the owner and the contractor for construction of the work, which can be accomplished by the contractor with its own forces and through subcontractors; (2) under multiple prime contracting, a contract between the owner and a contractor for general construction, typically excluding mechanical, plumbing and electrical work.

General ledger: A book of accounts used in complete accounting systems. It is a book of "final entry," containing a summary of all transactions in separate accounts.

General requirements: Title of Division 01 of the specifications when MasterFormat is used. This section includes detailed contractor requirements for administering the construction contract.

Geotechnical investigation (or subsurface investigation): The boring and sampling process, together with associated laboratory tests, necessary to establish subsurface profiles and the relative strengths, compressibility, and other characteristics of the various strata encountered within depths likely to have an influence on the design of the building.

Goodwill: An asset, representing the excess of the value paid or to be paid for a firm over and above its net worth. It usually arises when a firm or an interest in a firm is purchased by a second firm for more than its book value. Goodwill is carried on the books of the purchasing firm as an asset, and its impairment value written off each year. Goodwill cannot be amortized for tax purposes.

Gross profit from projects: Revenue remaining after direct (project) expenses are subtracted from project revenues.

Gross negligence: Failure to use even the slightest amount of care in a way that shows recklessness or willful disregard for the safety of others.

Guarantee: See *Warranty*.

Guaranteed maximum price (GMP): A sum established in an agreement between owner and contractor as the maximum compensation to be paid by the owner to the contractor for performing specified work on the basis of the cost of labor and materials plus overhead expenses and profit.

Hold harmless: See *Indemnification*.

Hourly billing rate: A rate established for billing for services of identified personnel on a per-hour basis.

Impact costs (related to betterment): The costs for repair and restoration that do not increase or enrich the scope of the project.

Implied warranty: An affirmation of fact or promise imposed on a party by law, even without an express warranty, as a result of that party's relationship with another. See also *Express warranty*.

Incentive clause: A term used to describe savings that are shared proportionally in an agreed manner between an owner and a contractor and that are derived from the difference between the guaranteed maximum price and the actual cost of a project when the work is performed on the basis of cost plus a fee with a guaranteed maximum price. The terms of an incentive clause are normally included in the agreement between the owner and the contractor.

Income: Money received for services rendered.

Income statement: The cash-basis financial statement showing the activity of the firm for the accounting period specified; shows income received, expenses paid, and the resulting profit. Also called “profit-loss (P-L) statement” or “income-expense statement.”

Indemnification: A legal contractual obligation by which one person or entity agrees to reimburse another for loss or damage arising from specified liabilities.

Indemnification, implied: An indemnification that is implied by common law or statute rather than arising out of an express contract to provide indemnification.

Indemnify: To protect another against loss or damage or to promise compensation for loss or damage. The duty to indemnify may be created by rule of common law, by statute, or by contract. The party who is to be indemnified from loss or damage is the indemnitee; the party providing the indemnification is the indemnitor.

Indemnity payment: A payment to a third party by an insurance company and/or the insured in satisfaction of a claim made against the insured.

Indirect expense: An expense indirectly incurred and not directly related to a specific project. Also called “overhead expense” or general and administrative (G&A) expense.”

Indirect expense allocation: The process of allocating or prorating to projects on some consistent basis the indirect expenses of the firm, most commonly by use of an overhead rate. See *Overhead rate*.

Initial decision maker (IDM): A third-party designated to make an initial decision regarding a dispute. (A201–2007, General Conditions of the Contract for Construction, designates the architect as the IDM unless otherwise indicated)

Insolvency: Inability of the firm to meet (pay) financial obligations as they come due. The firm may have assets that exceed the value of its liabilities but be temporarily unable to meet maturing obligations because its assets cannot be easily converted into cash; or the firm may have liabilities greater than its assets, which may lead to bankruptcy.

Inspection: (1) The architect's examination of the work at substantial and final completion to determine its conformance with the requirements of the contract documents (distinguished from the more general observations made by the architect from time to time on visits to the site during the progress of the work); (2) the contractor's inspection of portions of work already performed to determine that such portions are in proper condition to receive subsequent work; (3) examination of the work by a public official, owner's representative, or others.

Inspection list: A list of items of work to be completed or corrected by the contractor after substantial completion; sometimes referred to as a “punch list.”

Instructions to bidders: Instructions contained in the bidding documents for preparing and submitting bids for a construction project or designated portion thereof.

Instruments of service: Drawings, specifications, and other documents prepared by the architect as part of providing services under the owner-architect agreement. Instruments of service may be in any medium, including electronic, and may encompass sketches, preliminary drawings, outline specifications, calculations, studies, analyses, models, and renderings.

Insured: The party under a property or liability policy to whom or on whose behalf benefits are payable.

Integrated project delivery: A project delivery approach that integrates people, systems, business structures and practices into a process that collaboratively harnesses the talents and insights of all participants to optimize project results, increase value to the owner, reduce waste, and maximize efficiency through all phases of design, fabrication, and construction. See also *Building Information Model* and *Building Information Modeling*.

Interest: An amount of money paid for the use of capital, usually expressed as a rate (a percentage). Simple interest is calculated on the principal amount borrowed; compound interest is calculated on the principal amount plus interest added from prior periods.

Intern architect: (1) Any person who by means of their education or experience has qualified to enter the IDP; (2) a person in the process of meeting a state licensing board's requirements for obtaining a license to practice architecture.

Intern Development Program (IDP): A comprehensive training program created to ensure that intern architects gain the knowledge and skills required for the independent practice of architecture. The program is developed, maintained, and administered by the National Council of Architectural Registration Boards (NCARB) and is required by most U.S. architectural registration boards to satisfy experience requirements for licensure.

IDP mentor: A registered architect in a U.S. or Canadian jurisdiction that is a loyal advisor, teacher, or coach to an intern. An intern can have many mentors.

IDP supervisor: A person, usually a registered architect, who supervises interns on a daily basis and has responsibility and professional knowledge for their work. The IDP supervisor is required to certify that the information submitted on their interns' experience reports is true and correct and that they have performed the work competently.

Interoperability: The ability for software applications to exchange information directly through open industry standards. This capability supports effective collaboration between project participants.

Interrogatories: A set or series of formal written questions used to obtain information from a party before trial; a series of written questions exchanged between parties to a lawsuit, which must be answered under oath. See *Discovery*.

Investment credit: Federal tax legislation allowing businesses a specified percentage of new capital expenditures as credits against tax liabilities. The IRS defines rules for the percentages, applicability to various expenditures, and recapture in the event of early disposal of the asset before the end of its assumed useful life.

Invitation to bid: A portion of the bidding documents soliciting bids for a construction project.

Invited bidders: The bidders selected by the owner after review of their qualifications as the only persons or entities from whom bids will be received.

Invoice: A bill, usually itemized, received or sent for goods or services.

Job captain: A term used for an individual within the architect's office responsible for preparation of the construction documents.

Job site: See *Site*.

Joinder: Uniting two or more elements into one, such as the joinder of multiple claims into one legal action, or the joinder of parties as co-plaintiffs or codefendants in a suit or as parties to arbitration.

Uniting two or more elements into one, such as the joinder of parties as coplaintiffs or codefendants in a suit or as parties to an arbitration.

Joint and several liability: A legal concept under which defendants can be held both collectively and individually liable for all damages, regardless of their degree of fault.

Joint venture: A business relationship consisting of two or more persons or entities that has legal characteristics similar to those of a partnership.

Journal: (1) A book of original entry in accounting which records financial transactions in the order in which they occur day to day. See also *Cash journals* and *Payroll journal*. (2) A personal record of events, transactions or observations kept by the architect daily or at frequent intervals.

Judgment: The final decision of a court with respect to the rights of the parties in a suit. A summary judgment is a decision of a court before the actual trial, made in suits in which there are no disputes about material issues of fact.

Jury: (1) A committee for evaluating design work and, in connection with a design competition, for designating awards; (2) a panel convened by a court and sworn to give a verdict in a civil or criminal matter.

Labor and material payment bond: See *Payment bond*.

Latent defect: A "hidden" defect in materials, equipment, or completed work not readily apparent or capable of discovery by reasonable observation. See also *patent defect*.

Legal liability: An obligation that arises out of contract or by operation of law.

Lender/Construction Lender: A construction lender can be a mortgagee, beneficiary under a deed of trust, or any other party that advances funds for the purpose of financing the construction, alteration, repair, or improvement of real property.

Letter form of agreement (or letter agreement): A letter stating all material terms of an agreement between addressor and addressee. When countersigned without change by the addressee the letter becomes a contract.

Letter of intent: A letter signifying an intention to enter into a formal agreement, usually setting forth the material terms of the proposed agreement.

Liabilities: Debts or obligations of the firm owed to others. They may be subdivided as current liabilities (due within one year) and long-term liabilities (due beyond one year). See also *Contingent liability*.

Liability insurance: A contract under which an insurance company agrees to protect a person or entity against claims arising from a real or alleged failure to fulfill an obligation or duty to a third party who is an incidental beneficiary. See also *Commercial general liability insurance; Completed operations insurance; Contractor's general liability insurance; Contractor's professional liability insurance; Employer's liability insurance; Owner's liability insurance; Professional liability insurance; Property damage insurance; Public liability insurance; and Special hazards insurance*.

Licensed architect: See *Architect*.

Licensed contractor: A person or entity authorized by the Authority Having Jurisdiction to engage in construction contracting. The US Government and some states require the licensing of construction contractors.

Licensed engineer: See *Professional engineer*.

Licensure (architect): A person may not practice architecture or be called an architect within a state without a license issued by the Authority Having Jurisdiction in that state. Licensure signifies to the public that the licensee has completed the education, experience, and examination necessary to practice architecture independently.

Lien: See *Mechanic's lien*.

Lien waiver: A sworn statement from the contractor, subcontractor or supplier that acknowledges receipt of payment and waives or releases claims for work performed through a specified date or up to a stated amount.

Life cycle cost: The capital and operational cost of a construction item or system during the estimated useful life of the building.

Limit of liability: The maximum amount an insurance company is obligated to pay in case of loss.

Limitation of liability: Monetary limit of the legal liability of a person or entity to another based on an agreement or established by statute.

Line of credit: An agreement between a bank and a firm whereby the bank agrees to lend the firm funds up to a maximum amount. The firm may borrow, as needed, as much as it requires up to the maximum and pays interest only on the amount borrowed and outstanding. Some or all of the amount borrowed may also be repaid.

Liquid assets: Items that have a readily ascertainable market value and can be relatively easily converted to cash without significant loss of value. Items such

as cash, notes receivable, marketable securities, and certificates of deposit are typical liquid assets.

Liquidated damages: A sum established in a construction contract, usually as a fixed sum per day, as the predetermined measure of damages to be paid to the owner because of the contractor's failure to complete the work within a stipulated time; not enforceable as a penalty.

Liquidity: The ability to convert an asset into cash with relative speed and ease and without significant loss in value.

Loss: Excess of expense over revenues during an accounting period.

Loss of use insurance: See *Business income coverage*.

Low bid: Bid stating the lowest price proposed by two or more bidders for performance of the work, including selected alternates, if any.

Lowest responsible bidder: Bidder who submits the lowest bona fide bid and is considered by the owner and the architect to be fully responsible and qualified to perform the work for which the bid is submitted.

Lowest responsive bid: The lowest bid that is responsive to and complies with the requirements of the bidding documents.

Malpractice: Breach of a professional duty by one rendering professional services, where the breach is the proximate cause of injury, loss, or damage to another.

Margin: The degree of difference; in financial reporting, the profit margin is the difference between revenues and expenses. ("Margin" has a different meaning in the commodities and securities markets.)

MasterFormat™: A system owned and created by the Construction Specifications Institute for classifying building products and systems by materials and trades (e.g., concrete, masonry, thermal and moisture protection, etc.). See also *UniFormat*.

MasterSpec©: A master guide specification system owned by the American Institute of Architects and published by ARCOM for use on building and construction projects and as design firms' office masters. Not to be confused with MasterFormat™.

Means and methods: The approach to or manner of construction, including amount of labor, material, and equipment necessary to implement the selected technique adopted by the contractor to perform work. See also *Contractor's Work Plan*.

Measured drawings: Drawings prepared in the process of measuring a building for future renovation or as historic documentation. They are created from on-site measurements.

Mechanic's lien: An encumbrance on real property granted by statute to secure a priority or preference of payment for the performance of labor, or the furnishing of materials to buildings or other improvements. The validity of a mechanic's lien depends upon an affirmative demonstration that each statutory prerequisite for the creation of such an encumbrance has been satisfied.

Mediation: A voluntary, confidential process often mandated by contract whereby a neutral third party assists the parties to a dispute in achieving resolution.

Meeting minutes: A written record of project meetings that can include topics discussed and decisions made. Meeting minutes are considered "official business records" and may be introduced as evidence in a court proceeding.

Memorandum of insurance: See *Certificate of insurance*.

Merger: The combination of two businesses in which one company survives and the other loses all or part of its identity. ("Consolidation" is the complete fusion of two companies to form one entirely new company. "Acquisition" is a general term used to indicate the combining of one business enterprise with another.)

Metes and bounds: A method of describing real property using physical features of the local geography along with directions and distances.

Minor changes in the work: Changes in the construction work that do not involve an adjustment in the contract sum or an extension of the contract time and that are not inconsistent with the intent of the contract documents. Minor changes are effected by written order issued by the architect.

Modification (to the contract documents): (1) A written amendment to the contract signed by both parties; (2) a change order; (3) a construction change directive; (4) a written order for a minor change in the work issued by the architect.

Multiple prime contracts: Two or more separate owner-contractor contracts for work on a construction project (e.g., separate prime contracts might be for site work, general construction, mechanical, plumbing, electrical, etc.). See also *Prime contract*.

Multiplier: The relevant factor by which an architect's direct personnel expense, direct salary expense, or reimbursable expense is multiplied to determine compensation for professional services.

Named insured: Any person or organization specifically designated for coverage on the declarations page of an insurance policy, as distinguished from others who, although unnamed, may be afforded coverage under some circumstances.

NCARB certification: A register of licensed architects that have met the highest professional standards established by the 54 registration boards that regulate the practice of architecture in the U.S. and its territories. Certification facilitates

reciprocal registration among all 54 National Council of Architectural Registration Boards (NCARB) Member Boards and 11 Canadian provincial associations.

Negligence: Failure to exercise due care under the circumstances. Legal liability is imposed on a person or entity that is negligent when such negligence causes damage to some other person to whom the negligent actor owes a duty recognized by law.

Negligence per se: An act or omission regarded as negligence without the need for argument or proof because it violates a standard of care defined by statute or is so beyond reasonable behavior that it is negligence on its face.

Negligent act or omission: In law, an act or omission involving a failure to exercise due care.

Net multiplier: The ratio of Net Operating Revenue (NOR) to Total Direct Labor, indicating the return on every dollar of Direct Labor.

Net operating revenue: Represents the net dollars remaining after deducting invoiced Outside Consultant fees and expenses and all reimbursable and direct (non-reimbursable) project-related expenses.

Net profit: The dollar amount remaining after deducting from Net Operating Revenue all direct and indirect labor and indirect expenses, before any distributions are made or applicable taxes are paid. In accrual-accounting, it is the excess of revenues over expenses during an accounting period. In cash-accounting, it is referred to as 'Taxable Income' based on the excess of cash received over cash disbursements.

Net working capital: Current assets less current liabilities (this definition is used by some financial managers as "working capital").

Net worth: The value of the owners' equity (investment) in the firm—basically, book value (assets minus liabilities); in a proprietorship, the proprietor's capital account; in a partnership, the total of the partners' capital accounts; in a corporation, the total of capital stock (par value paid) plus paid-in capital (capital contributed in excess of par value) plus retained earnings.

Non-collusion affidavit: Statement by a bidder under oath that the bid was prepared without collusion of any kind.

Nonconforming work: Work that does not fulfill the requirements of the contract documents. Sometimes called "defective work."

Non Disclosure agreement: Also known as a confidentiality agreement, confidential disclosure agreement, proprietary information agreement, or secrecy agreement, is a legal contract between at least two parties that outlines confidential material, knowledge, or information that the parties wish to share

with one another for certain purposes, but wish to restrict access to or by third parties.

Non-expense items: Expenditures affecting only the assets, liabilities, or net worth of the firm, including all those that cannot be charged to a reimbursable, direct, or indirect expense account. Most often these expenditures are for the purchase of a capital asset.

Non-reimbursable (direct) expenses: Project-related expenses that are not able to be invoiced per the fee basis and terms of the project contract.

Notice of claim: A timely and written notice of events that could give rise to a claim or of intent to assert a claim. Many insurance providers have specific requirements for establishing a notice of claim.

Notice to bidders: A notice informing prospective bidders of the opportunity to submit bids on a project and setting forth the procedures for doing so.

Notice to proceed: Written owner's directive issued to the contractor, authorizing the contractor to proceed with the work and establishing the date for commencement of the work.

Nuisance settlement: A settlement in which the defendant pays the plaintiff purely for economic reasons - without the settlement the defendant would spend more money in legal fees and expenses caused by protracted litigation.

Observations of the work: That part of the architect's contract administration services in which the architect visits the site to become generally familiar with the progress and quality of the portions of the work completed, and to determine in general if the work observed is being performed in a manner indicating it will be in accordance with the contract documents when fully completed.

Occupancy permit: See *Certificate of occupancy*.

Occupational accident: Accident occurring in the course of one's employment and caused by inherent or related hazards.

Occurrence (insurance terminology): An event that triggers coverage under an occurrence policy.

Occurrence policy: An insurance policy that covers acts or omissions occurring during the policy term, regardless of when a claim against the insured is first asserted, even if the policy is no longer in existence; usually relates to general liability insurance. See also *Claims-made policy*.

Open bidding: Method of soliciting bids in which a public notice inviting bids is published and bids are accepted from all who submit them; most frequently used to conform to legal requirements pertaining to public projects and usually published in newspapers of general circulation in those political subdivisions

from which the public funds are derived or where the project is located. See also *Invited bidders*.

Opening of bids: See *Bid opening*.

Or equal: See *Approved equal*.

Organizational expense: Expenses incurred in organizing a corporation (e.g., attorney's and accountant's fees, incorporation taxes and fees, printing of stock certificates). These expenses are accounted for as intangible assets and are amortized over a period of years because it is generally felt that benefits of the expenses are felt over several years.

Other conditions (of the contract for construction): See *Special conditions*.

Outline specifications: An abbreviated set of specification requirements normally included with schematic design or design development documents.

Outstanding stock: The total shares of a corporation fully paid for and held by shareholders.

Overhead expense: See *Indirect expense*.

Overhead rate: The ratio of total indirect expenses to total direct labor.

Owner: A person or entity who retains services for building design and contracts for construction or acquisition of furniture, furnishings, and equipment; so called because this person or entity typically owns or is the lessee of the site or building premises.

Owner-architect agreement: A document that sets forth the contract between owner and architect for professional services.

Owner-contractor agreement: A document that sets forth the contract between owner and contractor for performance of the work for construction of the project or portion thereof.

Owner-Controlled Insurance Program (OCIP): A single insurance policy purchased and controlled by the owner of a construction project that provides coverage for other participants in the project. Depending on its language, coverage typically extends to the owner, contractor, and subcontractors over a specified amount, and may extend to design professionals.

Owner's liability insurance: Insurance to protect the owner against claims arising from its ownership of property. See also *Commercial general liability insurance*.

Owner's representative: The person designated as the official representative of the owner in connection with a project.

Parti: A scheme or concept for the design of a building.

Partial occupancy: Occupancy by the owner of a portion of the project prior to completion of the entire project.

Partnership: An association in which two or more persons or entities conduct an enterprise as co-owners.

Patent defect: A “visible” defect in materials, equipment, or completed work that reasonably careful observation could have discovered. See also *Latent defect*.

Payment bond: A bond in which the contractor and the contractor's surety guarantee to the owner that the contractor will pay for labor and materials furnished for use in the performance of the contract. Persons entitled to the benefits of the bond are defined as claimants in the bond. A payment bond is sometimes referred to as a “labor and material payment bond.”

Payment request: See *Application for payment*.

Payroll journal: A book of “original entry” similar to cash journals, used to record the details of the firm's payroll expenses.

Payroll taxes: Mandatory taxes for FICA, FUTA, SUTA, Medicare and Workers Compensation that are based on the payroll.

Peer review: The evaluation of work performance by other people in the same field in order to maintain or enhance the quality of the work or performance in that field, to determine if the work meets specific criteria, or to provide suggestions for improvement.

Pension plan: A plan established and maintained by an employer for the benefit of the firm's employees by which contributions are systematically accumulated based on actuarial assumptions and invested during the employment of personnel; pension benefits are payable to its member employees over a period of years after retirement. Funding of a pension plan is not discretionary based on profits, as are profit-sharing plans. Pension plans are subject to regulatory control.

Percentage fee: Compensation based on a percentage of construction cost; applicable to either construction contracts or professional service agreements.

Performance: The successful completion of a contracted duty.

Performance bond: A bond in which the contractor and the contractor's surety guarantee to the owner that the work will be performed in accordance with the contract documents.

Performance specifications: A set of specified performance-related requirements to be satisfied by the contractor or subcontractor.

Permit: See *Building permit*, *Certificate of occupancy*, and *Zoning permit*.

Personal injury: Physical or mental injury to a human being.

Personal injury liability coverage: Personal injury insurance includes coverage for injuries or damage to others caused by specified actions of the insured, such as false arrest, malicious prosecution, willful detention or imprisonment, libel, slander, defamation of character, wrongful eviction, invasion of privacy, or wrongful entry. Occasionally the term “personal injury” will include bodily injury by definition in an insurance policy.

Petty cash: An amount of cash on hand for disbursements that are too small to justify the use of checks.

Phase (of professional services): An increment or phase of project delivery established by the architect for professional services.

Plan deposit: See *Deposit for bidding documents*.

Plat: A map showing planned or actual features of an area.

Post-occupancy evaluation: An evaluation by an architect of the performance of a building. Application varies widely in scope, as an evaluation may take place at any time after the building is occupied and may address one or more aspects of the performance of a building.

Post-occupancy services: (1) Under traditional forms of agreement between owner and architect, services rendered by the architect after issuance of the final certificate for payment or, in the absence of a final certificate for payment, more than 60 days after the date of substantial completion of the work; (2) under designated services forms of agreement, services necessary to assist the owner in the use and occupancy of the facility.

Power of attorney: A document authorizing a person or entity to act as another's agent.

Preconstruction (design-build): Preliminary design and budgeting phases of a design-build project.

Pre-design services: Services of the architect provided prior to the customary basic services, including services to assist the owner in establishing the program, financial and time requirements, and limitations for the project.

Preliminary drawings: Drawings prepared during the early stages of the design of a project.

Premium: The amount paid by an insured for coverage provided by an insurance company.

Prequalification of bidders: The process of investigating the qualifications of prospective bidders on the basis of their experience, availability, and capability for the contemplated project, and then approving qualified bidders.

Prime contract: A contract between owner and contractor for performance of the work or designated portion thereof, or between owner and architect for design

services, where some architectural services may be subcontracted to other architects. See also *Subcontract*.

Prime contractor: Any contractor on a project having a contract directly with the owner. See also *Subcontractor*.

Prime professional: Any person or entity having a contract directly with the owner for professional services. See also *architect of record*.

Principal: In architecture firms, most often a proprietor or any individual who has an equity position in the firm (owns shares in a corporation or is a partner in a partnership). Sometimes limited to owners holding a certain percentage of the business; sometimes expanded to include anyone in a significant leadership role in the firm.

Principal-in-charge: The architect charged with the responsibility for the firm's services in connection with a given project.

Prior acts coverage: See *Retroactive coverage*.

Privity of contract: The relationship between the parties to a contract. Parties without privity of contract are generally prevented from filing a legal action based on the contract. For the sale of goods, the requirement of privity has been relaxed under modern laws and doctrines of implied warranty and strict liability. Absent a state-specific exception, privity of contract is still required in suits for economic loss filed by third parties against design professionals.

Pro bono services: Literally “for the good,” referring to work or services performed without compensation.

Pro forma: Provided in advance in prescribed form. For example, a pro forma income statement is a projected or budgeted income statement (profit plan), which shows the effects of planned financial activity during a planning period as if the events had taken place as forecast. Pro formas are also commonly developed as part of real estate financial feasibility studies.

Pro rata: In proportion. For example, if three partners owned 30 percent, 30 percent, and 40 percent of a partnership and profits were distributed pro rata based on ownership, the profits would be distributed according to these percentages.

Product data: Illustrations, standard schedules, performance charts, instructions, brochures, diagrams, and other information furnished by the contractor to illustrate a material, product, or system for some portion of the work. See also *submittals*.

Product liability insurance: Insurance for liability imposed for damages caused by an occurrence arising out of goods or products manufactured, sold, handled, or distributed by the insured or others trading under the insured's name.

Occurrence must occur after possession of the product has been relinquished to others and after the product has been removed from the possession of the insured.

Professional: A person who is deemed to have specialized knowledge and skills acquired through education and experience to be used in advising or providing services to others.

Professional engineer: A designation reserved, usually by law, for a person professionally qualified and duly licensed to perform engineering services such as structural, mechanical, electrical, sanitary, civil, and so on.

Professional ethics: Statements of principles promulgated by professional societies or public agencies governing professional practice in order to guide members or licensees in their professional conduct.

Professional fee plus expenses: A method of compensation for professional services separating the services from identified costs for reimbursable expenses, consultant services, and similar items.

Professional fee: See *Fee*.

Professional liability insurance: Insurance coverage for the insured professional's legal liability for claims arising out of damages sustained by others allegedly as a result of negligent acts, errors, or omissions in the performance of professional services. Claims-made coverage typically purchased annually to cover all claims on all projects during the coverage period, (the "practice policy"). See also, *Project-specific insurance policy*.

Profitability: The quality or state of being able to produce profits (income) from revenues generated in delivering the firm's services.

Profit margin: See *Margin*.

Profit-sharing plan: A mechanism for distributing a portion of the firm's profits to employees during or soon after the period in which they are earned (current profit-sharing plan) or to provide a later benefit to the employees (deferred profit-sharing plan). One of the prime purposes of a profit-sharing plan is to increase interest in current profitable performance since contributions are made only if there are profits.

Program (architectural or facilities): A written statement setting forth design objectives, constraints, and criteria for a project, including space requirements and relationships, flexibility and expandability, special equipment and systems, and site requirements.

Program management: The science and practice of managing large private and public projects.

- Programming:** The research and decision-making process that defines the problem to be solved by design.
- Progress payments:** Payments made periodically during progress of the work based upon the amount of work performed.
- Progress schedule:** A diagram, graph, or other pictorial or written schedule showing proposed or actual times of commencement and completion of the various elements of the work.
- Project:** A planned undertaking in which the architect provides a service or set of services to achieve a desired objective or set of objectives for the client. A project may or may not ultimately include construction work or result in the creation of physical space.
- Project architect:** See *Project manager*.
- Project budget:** (1) The sum established by the owner as available for the entire project, which for building projects includes the budget for the cost of the work; land costs; costs of furniture, furnishings, and equipment; financing costs; compensation for professional services; costs of owner-furnished goods and services; contingency allowance; and similar established or estimated costs. (2) The resources allocated by a professional design firm for performance of its obligations with respect to a particular project. See also *Construction budget*.
- Project checklist:** A list used to record the actions taken by the architect, beginning before the agreement with the owner has been signed, continuing with the range of services to be provided to the owner. For building design and construction services, AIA Document D200–1995, Project Checklist, lists actions for predesign, design, and construction increments of work.
- Project closeout:** Requirements established in the contract documents for substantial and final completion, submittal of required documentation, acceptance, and final payment on a construction project.
- Project cost:** Total cost of the project, including construction cost, professional compensation, land costs, furnishings and equipment, financing, and other charges.
- Project delivery system:** The method selected to allocate roles, responsibilities, risks, and rewards among the parties accomplishing the design, preparation of construction documents, construction, and management of a construction project.
- Project expense:** See *Direct expense*.
- Project manager:** (1) A term frequently used interchangeably with “project architect” to identify the individual designated to manage the firm's services related to a given project. Normally these services include administrative

responsibilities as well as technical responsibilities. There also may be a designated principal-in-charge; (2) as to the contractor or construction manager, the term may refer to the individual designated by that entity to manage that entity's activities.

Project manual: The volume usually assembled for the construction work, which may include the bidding requirements, sample forms, conditions of the contract, and the specifications.

Project specific insurance policy: A professional liability insurance policy written to provide coverage for claims arising out of a specific project over the life of the project and an extended reporting period. Recent offerings include coverage for delivery options such as design-build and integrated project delivery.

Project representative: The architect's representative at the project site who assists in the administration of the construction contract.

Project revenues: The value received (or anticipated to be received) based on invoiced fees to the client for services rendered (or to be rendered). Excludes reimbursable revenues, which are offset by reimbursable expenses.

Project work plan: (1) A strategy by which the firm intends to produce a project on time, within the client's budget, and within the firm's project budget; (2) the document spelling out the details of the strategy. See also *contractor's work plan*.

Property damage insurance: Insurance coverage for the insured's legal liability for claims for injury to or destruction of tangible property, including loss of use resulting therefrom, but usually not including coverage for injury to or destruction of property in the care, custody, or control of the insured.

Property insurance: Coverage for loss or damage to property. See also *Builder's risk insurance*, *Causes of loss—broad form*, *Causes of loss—special form*, *Extended coverage insurance*, and *Special hazards insurance*.

Proposal request: A document issued by the architect to the contractor after contract award that may include drawings and other information used to solicit a proposal for a change in the work; sometimes called “request for a change” or “bulletin.”

Proximate cause: The cause of an injury or of damages that, in natural and continuous sequence, unbroken by any legally recognized intervening cause, produces the injury and without which the result would not have occurred. Existence of proximate cause involves both (a) causation in fact, i.e., that the wrongdoer actually produced an injury or damages, and (b) a public policy determination that the wrongdoer should be held responsible.

Public authority: Local, state, or federal government body having jurisdiction over the work or project. See also *Authority Having Jurisdiction*.

Public liability insurance: Insurance covering liability of the insured for negligent acts resulting in bodily injury, disease, or death of persons other than employees of the insured and/or damage to property other than that owned by or within the care, custody, or control of the insured. See also *Commercial general liability insurance* and *Contractor's liability insurance*.

Public-Private Partnership (PPP or P3): (1) A contractual arrangement formed between public and private sector partners to renovate, construct, operate, maintain, and/or manage a public facility or system; typically the private sector partner provides some or all financing and the completed public facility returns cash flow to the private partner over a period of years, or (2) a description of this manner of project financing and development.

Punch list: See *Inspection list*.

Punitive damages: Damages in addition to proven loss (compensatory damages) that may be assessed against a defendant as punishment or as a deterrent to others.

Qualifications-based selection (QBS): The procurement of professional design services based on evaluating the qualifications of firms being considered prior to considering the price of the services. This approach is sometimes part of a two-step process that involves other criteria. See also *Best-value procurement* and *Cost-based selection*.

Qualified bid: A bid the bidder has conditioned or restricted in some manner.

Quantity survey: Detailed listing and quantities (bill of quantities) of all items of material, equipment, labor and overhead necessary to construct a project; Prepared by a Quantity Surveyor in the UK, and a Cost Engineer in the USA.

Quantum Meruit: A judicial doctrine that allows a party to recover losses in the absence of an agreement or binding contract based on the reasonable value of the services or materials provided.

Quotation: A contractor's or vendor's cost estimate for a given job or product. Sometimes shortened to "quote."

Reasonable care and skill: See *Standard of care*.

Record drawings: Construction drawings revised to reflect and represent the actual conditions of the project as it was constructed, usually based on marked-up prints, drawings, and other data furnished by the contractor to the architect. This term is preferable to *as-built drawings*. See *As-Constructed Drawings*.

Registered architect: See *Architect*.

Reimbursable expenses: Amounts expended for or on account of the project that, in accordance with the terms of the appropriate agreement, are to be reimbursed by the owner.

Reinsurance: An arrangement between two insurance companies whereby one assumes all or part of the risk of loss under the terms of a policy issued by the other.

Rejection of work (by the architect): The act of rejecting construction work that does not conform to the requirements of the contract documents or substitutions not properly approved.

Release of lien: An instrument executed by a person or entity supplying labor, materials, or professional services on a project that releases, in whole or in part, that person's or entity's mechanic's lien or right to assert a mechanic's lien against the project property.

Remedies: The legal means a party may have to obtain redress for a loss or injury or to prevent the occurrence of a loss or injury.

Request for information: A documented process of requesting information from the owner, architect or contractor on the project. Refer to AIA Document A716, Request for Information.

Request for payment: See *Application for payment*.

Request for qualifications: A document describing a project in enough detail so that potential providers of services or products can determine if they wish to compete. Building owners typically issue RFQs as part of a two-stage process in which an RFQ is followed by the issuance of a RFP.

Responsible bidder: See *Lowest responsible bidder*.

Restricted bid: See *Qualified bid*.

Restricted list of bidders: See *Invited bidders*.

Retainage: A sum withheld from the progress payments to the contractor and later paid in accordance with the terms of the agreement between owner and contractor.

Retained earnings: The portion of net income (income after income taxes) that is accumulated in a corporation and is not distributed as dividends.

Retroactive liability coverage: In a liability insurance policy, coverage for claims made during the policy period related to occurrences prior to the date of the policy; also referred to as “prior acts coverage.” Sometimes the retroactive coverage commences at a specific date referred to as the “retroactive date,” which is either the inception date of a claims-made policy or an agreed-upon date set earlier than the inception date.

Revenue: The value received from clients as a result of the firm rendering its services (operating revenues); the value received as capital gains from the sale of long-term (fixed) assets or from aspects of the business not central to the primary purpose, such as rents from rental properties or royalties from designs (non-operating revenues).

Risk: Exposure to the chance of injury or loss.

Risk management: The strategies and processes used to minimize the probability and severity of an unfavorable outcome at the lowest long-term cost to an individual or organization.

Salary: Regular payments to staff for services; also used to designate the regular withdrawals by a proprietor or by partners to pay for the value of the professional services they render to the firm.

Samples: Physical examples that illustrate materials, equipment, or workmanship, and establish standards by which the work will be judged. See also *submittals*.

Schedule (architect's): (1) Of drawings: a supplemental list, usually in chart form, of a project system, subsystem, or portion thereof; (2) of specifications: a detailed written list included in the specifications; (3) of tasks and deadlines.

Schedule (contractor's) (1) Of project construction schedule/progress schedule/master schedule: a baseline sequence of events for ensuring that a project is completed in a timely and cost-efficient manner. (2) of submittals: a sequence of required submittals closely coordinated and correlated with the project schedule.

Schedule of values: A statement furnished by the contractor to the architect reflecting the portions of the contract sum allocated to the various portions of the work and used as the basis for reviewing the contractor's applications for payment. This term is preferable to "contractor's breakdown."

Schematic design: Services in which the architect consults with the owner to ascertain the requirements of the building project and prepares schematic design studies consisting of drawings and other documents illustrating the scale and relationships of the building components for approval by the owner. The architect also submits to the owner a preliminary estimate of construction cost based on current area, volume, or similar conceptual estimating techniques.

Schematic design documents: Drawings and other documents illustrating the scale and relationship of project components.

Seal: (1) An embossing device, stamp, electronic image, or other device used by a design professional on drawings and specifications as evidence of registration in the state where the work is to be performed; (2) a device consisting of an impression upon wax or paper, or a wafer, which was formerly used in the execution of a formal legal document such as a deed or contract.

Separate contract: One of several prime contracts for design or the construction of the project.

Separate contractor: A contractor on a construction project, other than the contractor identified in the agreement between owner and contractor, who has a contract with the owner.

Settlement: An agreement ending a dispute or lawsuit. See also *nuisance settlement*.

Shop drawings: Drawings, diagrams, schedules, and other data specially prepared for the work by the contractor or a subcontractor, sub-subcontractor, manufacturer, supplier, or distributor to illustrate some portion of the work.

Site: Geographic location of the project, usually defined by legal boundary lines.

Site analysis services (of the architect): Services described in the schedule of designated services in some AIA documents necessary to establish site-related limitations and requirements for a building project.

Site observation: See *Observation of the work*.

Site observation report: Also referred to as a Field Observation Report. A written description of the architect's observations of the work during a visit to the project site.

Soil survey: See *Geotechnical investigation*.

Sole Proprietorship: A form of business organization that is owned entirely by one person.

Solvency: The ability of the firm to meet its financial obligations as they mature.

Sovereign immunity: A long-standing doctrine to the effect that government entities cannot be sued without their consent. Federal and state laws allow suits against government agencies under certain circumstances.

Special conditions: A section of the conditions of the contract, other than general conditions and supplementary conditions that may be prepared to describe conditions applicable to a particular project.

Special hazards insurance: Insurance coverage for damage caused by additional perils or risks to be included in the property insurance (at the request of the contractor or at the option of the owner). Examples often included are sprinkler leakage, collapse, water damage, and coverage for materials in transit to the site or stored off the site.

Specifications: A part of the contract documents contained in the project manual consisting of written requirements for materials, equipment, construction systems, standards, and workmanship.

Staff leveling: The process by which needs for staff generated by project services are matched to available sources or staff in an attempt to minimize either the unmet demand for services or the underutilization of staff.

Standard form of agreement: A document setting forth in printed form the general provisions of an agreement, with spaces provided for insertion of specific data relating to a particular project.

Standard of care: Usually defined as what a reasonably prudent architect, in the same community at the same time, facing the same or similar circumstances would do. It is the measure by which professional negligence is judged. The standard of care is established in the common law of each state, or may be written into the services agreement. Expert witness testimony is normally required to establish a breach of the standard of care.

Statement of account: A summary of outstanding invoices sometimes listed by number, date, and amount (rendered to but not paid by the client); total earned revenue; total paid; and total due are usually shown. Sometimes, outstanding invoices are listed by number, date, and amount.

Statute of limitations: A statute specifying the period of time within which legal action must be brought for legal relief after an alleged injury or damage has occurred. The lengths of the periods vary from state to state and depend upon the type of legal action.

Statute of repose: A statute limiting the time within which an action may be brought, without relation to whether injury has yet occurred or been discovered. The time begins when a specific event occurs, such as substantial completion of a project, and the statute of repose may extinguish the remedy even before a cause of action has accrued.

Statutory bond: A bond, the form or content of which is prescribed by statute.

Stipulated sum agreement: Contract in which a specific amount is set forth as the total payment for performance of the contract. Also called “fixed fee agreement.”

Strategic facilities plan: Plan that integrates facilities into the organization's strategic business plan and forecasts the supply and demand for physical space, options for acquiring space, location of the space, and budgets and schedules. Strategic facilities plans are based on goals set in business plans. See also *Business plan*.

Strict liability: Liability without proof of negligence but based on one or more conditional requirements.

Sub-bidder: A person or entity who submits a bid to a bidder for materials or labor for a portion of the work.

Subcontract: Agreement between a prime contractor and a subcontractor for performance of a portion of the work at the site. See also *Prime contract*.

Subcontractor: A person or entity who has a direct contract with the contractor to perform any of the work at the site. See also *Prime contractor*.

Submittals: Documents and physical samples prepared by the contractor, subcontractors, suppliers or manufacturers that describe in detail how the contractor will construct the work, submitted to the design professional for its review and processing. Submittals are closely scheduled and coordinated with the project construction schedule and include shop drawings, project data, physical samples and similar submittals, which can include coordination drawings, details, calculations and other supporting data as specified. See also *submittal schedule*.

Subpoena: A writ issued under the authority of a court or arbitrator to compel (1) the appearance of a witness for deposition, trial, or arbitration hearing, or (2) the surrender to the court of documents and records related to a project.

Subrogation: The substitution of one person for another with respect to legal rights such as a right of recovery. Subrogation occurs when a third person, such as an insurance company, has paid a debt of another or claim against another and succeeds to all legal rights that the debtor or person against whom the claim was asserted may have against other persons. Commonly, it means “to step into the shoes of.”

Substantial completion: The stage in the progress of the work when the work or designated portion thereof is sufficiently complete in accordance with the contract documents that the owner can occupy or use the work for its intended purpose.

Substitution: A material, product, or item of equipment accepted for use in place of that specified.

Sub-subcontractor: A person or entity who has a direct or indirect contract with a subcontractor to perform any of the work at the site.

Subsurface investigation: See *Geotechnical investigation*.

Successful bidder: The bidder chosen by the owner for the award of a construction contract. Also called “selected bidder.”

Successor: A person or entity who succeeds to a title, estate, or office.

Summary judgment: Upon a motion, the decision of a court made as a matter of law without hearing evidence, because the pleadings show no issue of material fact.

Summons: A legal citation served on a person named as a defendant in a legal action notifying him or her to appear before a court; also used to require

nonparty fact witnesses to appear for depositions or at the trial or arbitration hearings.

Superintendent: The contractor's representative at the site who is responsible for continuous field supervision, inspection, coordination, completion of the work, and, unless another person is designated in writing by the contractor to the owner and the architect, for the prevention of accidents.

Supervision (during construction): Direction of the work by the contractor's personnel.

Supplementary conditions: A part of the contract documents that supplements and may also modify, change, add to, or delete provisions of the general conditions.

Supplier: A person or entity who supplies materials or equipment for the work, including that fabricated to a special design, but who does not perform labor at the site.

Supply bond: A bond by which a surety guarantees that a supplier will furnish goods or materials.

Surety: A person or entity who guarantees, in writing, the performance of an obligation by another.

Surety bond: See *Bond*.

Survey: (1) Mapping the boundary, topographic, and/or utility features of a site; (2) measuring an existing building; (3) analyzing a building for use of space; (4) determining owner's requirements for a project; (5) investigating and reporting required data for a project.

Suspense date: The date something is due, is returned, ends or expires.

Sustainability: The concept of meeting present needs without compromising the ability of future generations to meet their needs.

Sustainable design: Design that seeks to avoid depletion of energy, water, and raw material resources; prevent environmental degradation caused by facility and infrastructure development over its life cycle; and create environments that are livable, comfortable, and safe and that promote productivity.

Tail coverage (insurance): An extended reporting period on a claims-made liability policy to cover claims made after the policy's expiration or cancellation date that arise from covered acts or omissions committed during the policy period (on or after the retroactive date and prior to the cancellation date). Tail insurance issues arise when an architect loses coverage because he or she leaves a practice, whether due to a change of job, change of location, retirement, separation, or the buy-out of a business shareholder, or when a firm closes its doors.

Termination (of contract): The canceling of a contract by one party, with notice to the other party. Either party may terminate for cause, because “cause” is equated to the other party’s material breach, or default, of the contract. Termination for convenience can be made, if permitted by the contract, without regard to whether contract obligations have been fulfilled.

Termination expenses: Expenses directly attributable to the termination of an agreement, including an amount allowing for compensation earned to the time of termination.

Third-party beneficiary: Someone who is not a party to a contract but has a direct interest in some or all of the terms and conditions of the contract.

Time and material (T&M contract): A contract whereby the owner is charged for all of the hours of work performed at a fixed hourly rate that includes overhead and profit, any direct expenses incurred, and material purchased during project delivery. Also referred to as “labor and materials”. Unlike cost-reimbursable contracts, a T&M contract does not ordinarily impose cost restrictions or goals on the contractor, or provide incentives for cost control or labor efficiency. See *Cost-reimbursable contract*.

Time extension: A time extension contract clause generally provides a remedy of extending contract performance time and provides relief to the contractor from responsibility for delayed completion under certain events.

Time impact analysis: A method of assessing and proving contractor delay claims using critical path method (CPM) scheduling.

Time of completion: Date established in the contract, by calendar date or by number of calendar or working days, for substantial completion of the work. See *Contract Time*.

Time utilization: See *Utilization ratio*.

Timely completion: Completion of the work or designated portion thereof on or before the date required.

Timely notice: Notice given within time limits prescribed by contract or in reasonably sufficient time to allow the party receiving notice to take appropriate action.

Tort: A violation of a duty or invasion of a right created by operation of law; a private or civil wrong or injury.

Trade discount: The difference between the seller's list price and the purchaser's actual cost, excluding discounts for prompt payment.

Turnkey: A construction process in which one party agrees to deliver to another party a fully completed project, ready for the other party's use and occupancy by “turning the key.”

Umbrella liability insurance: Insurance providing coverage in an amount above existing liability policies and sometimes providing direct coverage for losses not insured under existing policies; frequently specified deductible amounts are required.

Unbilled revenue: Revenue that has been earned but for which the client has not been given an invoice. See also *Work in process*.

Unearned revenue: Revenue from services the firm has a signed commitment to render but which the firm has not yet rendered.

Uniform Commercial Code (UCC): A model statute dealing with certain commercial transactions that has been adopted by every state except Louisiana. UCC provisions do not normally apply to professional services.

UniFormat™: A system for classifying building products and systems by functional subsystem (e.g., substructure, superstructure, exterior closure, etc.). UniFormat is published jointly by the Construction Specifications Institute (CSI) and Construction Specifications Canada. ASTM publishes a similar version as UniFormat II, ASTM standard E1557-09.

Unit price: Amount stated in the bid as a price per unit of measurement for materials or services as described in the bidding documents or in the proposed contract documents.

Unit price contract: A contract based on acceptance and incorporation of unit price quotations for the various portions of the project.

Universal design: The design of building environments to be usable by all people, with and without disabilities, to the greatest extent possible, without the need for adaptation or specialized design.

Unjust enrichment: A legal concept that one person should not be unjustly enriched at the expense of another. It prevents a party from receiving money or a benefit to which he or she is not entitled. Rather, the party is required to make restitution for the money or benefit unjustly received.

Upset price: See *Guaranteed maximum price*.

Utilization ratio: (1) Time utilization is a ratio of direct hours charged to projects to the total hours reported; (2) payroll utilization is the ratio of direct salary expense to total salary expense. Can be calculated for an individual, a group of individuals, or the entire firm.

Value analysis: An organized effort directed at analyzing systems, equipment, facilities, services, and supplies for the purpose of achieving essential functions at the lowest life cycle cost consistent with the required performance, reliability, quality, and safety. (Also referred to as “value management” or “value engineering.”)

Value-enhanced design: The process of analyzing the elements of a building design in terms of its cost-effectiveness, including the proposed substitution of less expensive materials or systems for those initially suggested or higher quality materials or systems for the same initial cost.

Vandalism and malicious mischief insurance: Insurance against loss or damage to the insured's property caused by willful and malicious damage or destruction.

Variance: (1) A limited waiver from the requirements of a zoning ordinance that may be granted because of special circumstances regarding the subject property; (2) an actual value less a budgeted or planned value.

Vicarious liability: Indirect liability imposed on a party resulting from the acts or omissions of another person or entity for whose conduct the party is responsible.

Vouchers: Forms of receipt or statements used to recognize the existence of an expense and to justify a cash outlay, serving as evidence of an obligation owed by the firm.

Waiver of lien: A document by which a person or entity who has or may have a right of mechanic's lien against the property of another relinquishes such right. See also *Release of lien*.

Waiver of subrogation: The relinquishment by an insured of the right of its insurance carrier to recover damages paid on behalf of the insured.

Warranty: Legally enforceable assurance of quality or performance of a product or work or of the duration of satisfactory performance.

Work (in the AIA documents): The construction and services required by the contract documents—whether completed or partially completed—including all labor, materials, equipment, and services provided or to be provided by the contractor to fulfill the contractor's obligations. The work may constitute the whole or a part of the project.

Work Changes Proposal Request: A request, typically prepared by the architect, to obtain price quotations needed for negotiating changes in the contract for construction. Refer to AIA Document G709-2001, Work Changes Proposal Request.

Work in process: Work the firm has under way for a client that has not been invoiced. Work in process is a current asset and may be carried at cost or at the value of expected revenue, in which case it can also be called “unbilled revenue.”

Workers' compensation insurance: Insurance covering the liability of an employer to employees for compensation and other benefits required by workers' compensation laws with respect to injury, sickness, disease, or death

arising from their employment. Previously referred to as “workmen's compensation insurance.”

Working capital: The minimum amount of liquid capital needed to maintain the flow of capital from cash to work in process (unbilled revenue) to accounts receivable and again to cash, plus an amount as contingency.

Working drawings: See *Drawings*.

Write off: The transfer of an amount previously regarded as an asset (e.g., an account receivable) to an expense account or to the profit-and-loss account.

Zero carbon: See *carbon neutral*.

Zoning: Local ordinances regulating the use and development of property through the use of standards for things such as minimum building setbacks, maximum heights, and minimum open spaces.

Zoning permit: A permit issued by appropriate government authority authorizing land to be used for a specific purpose; required prior to obtaining a building permit. See also *Building permit*.