

Message from the President

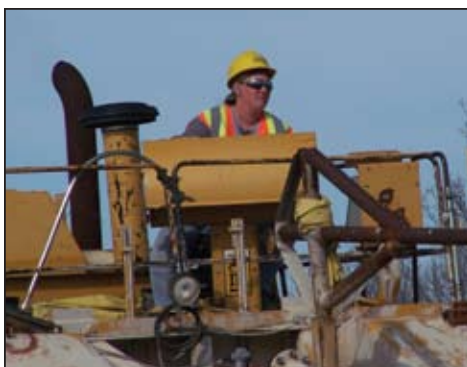
We like to say around here that we as a company are big enough to do what we choose to do and small enough to do what we say. What we choose to do is most often very evident, we're pavers. We are dedicated to the paving market; we construct pavements. And, mostly, we pursue large paving projects because this is what we have chosen to do. We invest in our people and our equipment fleet



to produce quality pavements very efficiently. Those who see us at work on projects, or even see us mobilizing to a project, can't help but notice our equipment fleet, our name proudly displayed on each

piece. From dual-lane autogrades and pavers to high production concrete and asphalt plants, we are equipped to produce our products at very high production rates.

But, the secret to our success is no secret at all; it is our people, those who call themselves Hard Roaders. The trucks delivering our products and equipment over the road always look exceptional because it is a priority for us. It is just a few men and women who are responsible for mobilizing and operating our plants over a three state region, and their dedication shows. Our quality control laboratories and field offices are effective in managing both the quality of our products and the quality of our management. Our engineers and administrative staff work together to know our costs for all of our products, and year in and year out they are accurate. From the subgrade to a finished smooth



pavement, we exceed our safety, quality, and production expectations more days than not. And all of this is possible because of the few men and women in this company who call themselves Hard Roaders.

That we do what we say is not always as evident, not as readily disseminated to our associates. This company is dedicated to providing benefits and a work environment for our staff that is commensurate with their dedication to the company. Our field offices are amongst the finest in the industry. In fact, you would be hard pressed to find anything even close to these offices when visiting highway projects around the country. Those who visit our headquarters in Topeka this year will notice a small but not insignificant construction project is underway here too. A total of eleven new offices are being added to our headquarters to accommodate our team of construction professionals.



Nothing has been as difficult to budget for over the past decade as the cost of health insurance. While fuel prices have been volatile, health insurance has simply been subject to seemingly never-ending hyperinflation. Health care costs have risen five times faster than wages across the country since 2000. Left unchecked, the family medical insurance in our program will cost in excess of \$40,000 per year by the close of the next decade! But, this benefit is critical to those at work in this company, and to their families at home. We have said we will do the best we can, and we have. In 2007 we added a dental plan to our program. And the company increased its participation in the premium cost of our plan from 80% to 85% of the cost.



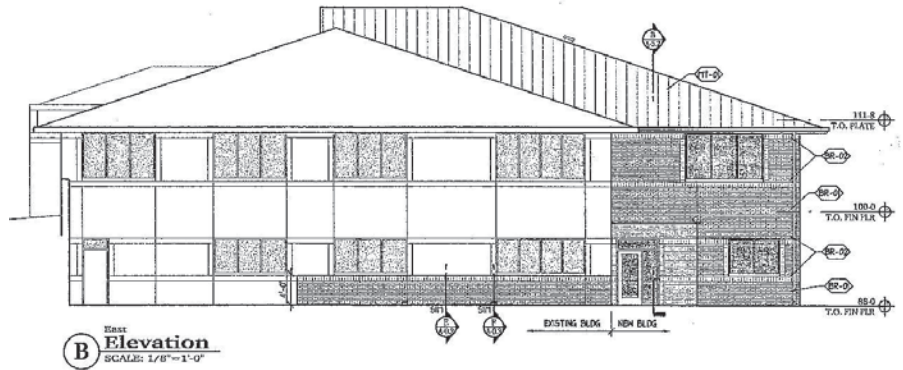
A successful day is doing what we say we will do: getting everyone home safely from our projects, producing a product we are proud of, and meeting our production expectations as Hard Roaders. It is clear that we are big enough to do what we choose to do *because* we do what we say we will. Let us strive for every day of 2010 to be a success.

CORPORATE OFFICE UNDER CONSTRUCTION

It was October 1998 when Koss relocated our headquarters from West Des Moines, Iowa to Topeka, Kansas. At that time we moved into a new building located on 5830 SW Drury Lane which had approximately 6300 square feet of office space and appeared to have ample room for the future. Over the last couple of years however, it has become apparent that we were in need of more space and a decision had to be made. After studying options it was determined that an office addition would be the best solution to our requirements.

Early this year planning for the building addition began with the selection of an Architect. Plans were drawn, revisions made, and specifications drafted until the project was ready for bid. On March 18, 2010 a letting was held and a building contractor was selected. A preconstruction meeting was held on March 25th, and contracts were executed. The construction commenced on March 29, 2010 and will continue through this summer.

When complete this project will increase our office space by approximately one third. This will include new offices, break room, storage area, conference room, and more parking. All which will give us room for the future and flexibility.



Architectural rendering of the East Elevation of the corporate office building. The building addition is the darker portion of the building on the right portion of this drawing.

If you have called the corporate office since construction has started, you probably have heard the background noise of the construction process. Progress often involves temporary discomforts. Not unlike the disruptions to the traveling public and local property owners when roadway improvements are made on our road construction projects, this project too will require some patience. By the end of this summer, for the first time in our almost 100 year company history we will join our construction, engineering, safety and compliance, and administrative staffs in a single facility allowing for improved communication and efficiency.

LOAD INSPECTION TRAINING CLASS



Sgt. Pauline Ferguson, Kansas Highway Patrol (far left) and Mike Pitts, Koss (far right) conduct a load inspection training class for Koss drivers.

Training continues to be a major emphasis for Koss Construction Company. Several in-house classes have been conducted by Koss staff, as well as sending employees to classes conducted by other organizations such as the Kansas Contractors Association.

2009 AWARDS

The 2009 construction season will be remembered as a challenging wet year, but several projects were completed and a few earned some well deserved recognition.

The three final contracts (K#41/50/51) on US-69 in Linn County won the Rural, 4-Lane Divided award in Kansas at the MO/KS ACPA competition. These projects also secured the District Four Partnering Award for projects over \$3MM. With Value Engineering saving the Department a significant amount of money, Contractor and owner working together to overcome numerous obstacles, including flooding rains, and a test section of two lift pavement on a side road, these projects are a testament to dedication and teamwork.

The Sunflower Division secured the General and Reliever Airports winner in Kansas at the MO/KS ACPA competition for the Scott City Airport project. See last Fall's Hardroader for details on a project that was completed on time and to the satisfaction (and appreciation) of the owner.

The Saline County, Kansas, I-70 project (K#49) was a National ACPA winner for Rural Divided Highways. The award was presented at the ACPA Convention in December and received by Tom Breyfogle and Robert Kennedy.

KOSS CONSTRUCTION COMPANY 2010 HONOR ROLL

30-YEAR ASSOCIATES

Rodney J. Stryker35

25-YEAR ASSOCIATES

Mark A. Newlin28

Kelly D. Moore.....27

G. Allen Payne 25

20-YEAR ASSOCIATES

Thomas L. Rodgers Jr.24

Trent E. Doyle.....23

Vernon R. Reed..... 22

Alfred D. Adams24

David Howard.....22

Abel G. Salinas 20

15-YEAR ASSOCIATES

Lydia Blixt.....19

Randy W. Brown.....18

Clinton R. Myers 16

Tim W. Gerhardt19

Steven D. Andris.....17

Mario R. Barrera 15

Jose Q. Jaquez.....19

Juan M. Ibarra17

Mark A. Haines 15

Thomas A. Breyfogle.....18

Pascual A. Ruiz.....16

Lynn D. Maxey 15

10-YEAR ASSOCIATES

Randy A. Caruthers14

Maurice R. Dunseth11

Pamela S. Koerth 10

Donald D. Hill.....14

Jennifer J. Fleming.....11

David K. Kenworthy..... 10

Jackie Bartley13

Douglas B. Hawkins.....11

Antonio Lopez..... 10

William S. Marquart.....13

Ronnie W. Hiser.....11

Michael S. Purkey 10

Jeff L. Jay12

Rick D. Shelton11

Jose I. Salinas 10

Daniel L. Vestal.....12

Wilber D. Turner.....11

Sandra L. Wilson..... 10

Dwayne H. Yearns12

Arnulfo Garcia10

Amador Beltran..... 11

Robert L. Kennedy.....10

5-YEAR ASSOCIATES

Manuel D. Aguilar9

Sergio Cervantes7

Steven L. Smith 6

George F. Cecrle9

Francisco Chavira7

Jeffrey S. Tatman 6

Salvador DeCasas9

Alberto Enriquez7

Victor D. Zarate 6

Ernesto M. Enriquez9

Tyson Funk.....7

Greta Barton 5

Ely Gardea9

Jose Garcia.....7

Alvaro DeLeon 5

Bruce Henderson9

Garry Kennedy7

Juan C Deleon-Perez 5

Dale Heronime9

Virginia Kurzen7

Jared Flint 5

Joe A. Kilburn.....9

Tyronn Rothchild.....7

Lisa Gilliland..... 5

Jamie Lalicker9

Rafael Silva.....7

Rebecca Harmon 5

David Michael Pitts.....9

Wesley Vaughn7

Ross Olsen..... 5

David C. Vestal.....9

Tony Andris6

Mike L. Payne..... 5

Raul Gonzalez8

Ruben Escamilla.....6

Edward D. Perez 5

Gary Haas8

John Guay.....6

Arthur D. Pitts..... 5

Freda Lewis8

John Hart.....6

Donald L. Smith 5

Ascencion Mendoza.....8

Michael Martin.....6

Jesse J. Stroup 5

Bradley J. Pohlmeier8

Tim C. Ossman.....6

Steven Tackett..... 5

George Roberts8

Alan E. Peimann6

Benjamin Carrillo.....7

Sergio Lechuga Ruiz6

PERSONNEL NEWS

David Vestal and **Brad Pohlmeier** are now Division Managers. Their responsibilities include managing all construction and products delivered by the division's personnel and equipment.

Brian Crawford's title has changed to Production Manager. This position reports to a Division Manager and is responsible to schedule, coordinate and record activities of their division.

Brice Goebel, Jason Tedder, Josh Moore and **Kelly Heitmann** have been promoted to Project Managers. Their positions are responsible for contract administration and job costing associated with managing their assigned projects.

Greta Barton and **Jamie Lalicker** have been promoted to Field Administrator.

Tom Breyfogle is working with the Asphalt Division as Construction Engineer and Project Manager.

John Harding was promoted to Lead QC Technician.

Clayton Pagenkopf has joined the company as a Project Manager assigned to our Finney County, Kansas, US-50 project. Clayton is a Pittsburg State University graduate with several years of experience in project management.

Sam Bartley has joined the company as Equipment Maintenance Foreman for the Sunflower Division. Sam has extensive experience in the construction and equipment industries in the Midwest.

Angela Ethridge has joined the company as the Field Administrator for the Asphalt Division. Angela has experience in the construction business.

Matthew Boyer has rejoined the company as Grade Foreman for the Sooner Division.

Keys to Smoothness on US-59 in Franklin County Kansas

The users of our products, the taxpaying motorist, give little consideration to the quality of the pavement they spend so much of their lives riding upon. They do not understand the engineering, construction methods, quality assurance tests or man-hours needed to build a highway. The traveling public, however, will be critical if a highway is not smooth. At Koss, everyone works as a team in order to produce our smooth pavements. The recently completed project on US-59 in Franklin County, Kansas, is a fine example of everyone doing their part and sharing in the pride that comes with opening a new pavement to the public that is not just smooth, but is exceptionally smooth.

The first key was taking exceptional care in properly placing and maintaining the stringline, making sure that the machines were running true. To do this Koss employs an experienced stringline crew that prides itself in exceptional line precision. Ask those that set our string lines if it is science or art that is the key to their craft and they'll likely respond, "definitely a little of both."

Next, the grading crew provided a consistent and smooth grade which in turn increases the possibility of paving smooth numbers. Koss implements the use of automated grading equipment which can lay and trim base to the truest grade. After treating the subgrade with lime, it was covered by a four inch layer of

granular base. This base proved to provide an excellent foundation for the 8.5" concrete pavement.

The final piece to producing a smooth ride is the paving equipment itself. Koss added some new equipment to our fleet such as a new Guntert & Zimmerman paver and Rex Con plant. By investing in these pieces, it shows the company expects, and is committed to, having consistent and smooth pavements. An eager crew set up and readied the paver to run a full day without any stops, while the central mix plant produced consistent concrete, allowing for a uniform flow of material through the paver.

By focusing on these key elements of concrete paving practice, this project has become a proven smoothness winner. With an average profile index less than 13 inches per mile, which is exceptional, this project earned a smoothness bonus on nearly every segment of pavement. The outstanding ride this pavement has wouldn't have been possible without the teamwork and dedication of our employees that made this possible.

All members of the Sunflower crew's team played a vital role in the outcome of this project. For years to come, traveling motorists will appreciate the smoothness of this new highway, and the Koss team will be proud of their achievements in paving a fantastic project.



Communication is Key to Building Quality Pavements

The goal of statistical based pay specifications is to improve the overall quality of the product being produced. Quality in regards to statistical based pay is defined and measured by the reduction of variation around a target value.

To insure these quality goals are met we must have detailed communication with our suppliers to assure they provide raw materials that meet the specifications. It is also imperative that our supervisors directly responsible for production have a clear understanding of the specifications and the criteria that the products they produce will be measured by. These suppliers and supervisors must also recognize the impact of not meeting these quality goals and how that affects the overall success of the project.



Substandard quality is usually a failure in communication or execution. If we fail to communicate the expectations of our customers as stated in the specifications then we can have no real expectation of a successful project. However, our responsibility is not complete by merely communicating a specification. We must continuously monitor and make any necessary adjustments to our products during production to be sure we are zeroing in on those desired target values. We rely on

each individual to execute their responsibilities so that we can be collectively successful in doing what we said we would.

Quality pavement projects don't just happen by accident; they are the end result of many hours of planning, preparation and thoughtful execution.

EQUIPMENT DEPARTMENT SPRING UPDATE

Koss Construction Company has invested in quite an array of different equipment this year. For the Asphalt Division, a Roadtec Paver, Model RP 195 was purchased and is performing well at the Blackwell, Oklahoma project (Koss #935). A Volvo 118 DD roller, a Broce power broom and a new fuel lube bed from Elliott mounted on a Freightliner M2 truck have also been purchased. The Freightliner M2 truck will be used to maintain the Asphalt Division's growing fleet of equipment.

For the Concrete Division, two Ford F-750 mechanic trucks with eleven foot beds with hoists and air compressors were purchased. Also purchased was one Caterpillar motor grader 140M (with joy stick controls), a Broce power broom, a Caterpillar 416 box blade, a Bobcat model S175 skid steer,

a Husqvarna rider saw, three trailer mounted with portable air compressors, and two portable light towers.

Koss Materials purchased a Volvo model 180F loader, two cement storage silos (pigs), and one cement blower that is diesel powered.

The Rex Con Model S concrete plant that was delivered in May of 2009 was utilized on Koss #56 in Franklin County, Kansas. This plant did an excellent job producing consistent concrete to the new G & Z 850 paver that was delivered at the same time. The combination of equipment and quality personnel on this project produced a quality product for the Kansas Department of Transportation. This combination of equipment and personnel are scheduled next for Koss #59 in Finney County, Kansas.



F750 Mechanic Trucks w/Beds & Hoists



Roadtec RP195 Asphalt Paver



Cat 140M Motor Grader



Volvo 180F Loader

WHEN ACCIDENTS HAPPEN

Accident reporting is an extremely important step in our safety program. All accidents should be reported to the appropriate supervisor so that they can complete an accident investigation immediately. This is important so the basic cause of the accident, how the employee was injured, and what has been done or needs to be done to correct the problem can be determined.

All accidents need to be reported. If an accident is relatively minor and will not require medical treatment, it is important to report this to the supervisor so that basic first aid can be performed, if necessary. The injured employee will be asked to complete an Employee Injury Report so that the cause of the accident can be determined. Additional training, a change in process, or an equipment modification may be needed if an accident cause can be determined. The employee will have the

opportunity to sign a Medical Treatment Waiver if they do not wish to go to the doctor.

In the event that an employee does require medical treatment and may need to be off work due to the injury, the company maintains workers compensation insurance to assist the injured employee. The company works very diligently with the insurance company and the medical clinics to obtain the best medical care for our employees. It is our common goal that an injured employee may return to work as soon as they are physically able to perform their work duties. During the time an employee is unable to work due to the injury, they need to keep in contact with their Foreman on a weekly basis as to how they are progressing. Questions regarding their claim or medical treatment should be directed to the Becky Harmon, Loss Prevention & Compliance Manager, at 785-806-0508.

Kansas Celebrates US-69 Highway

On July 22, 2009, dignitaries from across the State of Kansas gathered to celebrate the opening of the new four-lane US-69 highway from Louisburg to Ft. Scott, Kansas. Through multiple contracts beginning in 2003, US-69 was updated by Koss Construction Company to a controlled access four-lane divided highway from the Miami / Linn County line, south through the US-54 interchanges in Fort Scott. In just over six years Koss Construction oversaw construction of almost 40 miles of this new highway in nine separate contracts.

As a paver, this was exciting work. With just over 2,000,000 square yards of concrete pavement and eleven interchanges completed, from senior management to our skilled craftspeople, we enjoyed plenty of challenges and many successes. The south end of this project at Ft. Scott was a difficult urban section and was recognized as a finalist in the Divided Urban Highway category of the American Concrete Pavement Association's 2005 Paving Awards. The Missouri/Kansas Chapter of the ACPA recognized various individual projects on this corridor as the best and/or smoothest constructed in the state in 2005, 2006, 2007, 2008, and 2009. And, our staff was awarded two Partnering Awards along with the Kansas Department of Transportation staff involved with this construction.



The celebration last summer of this new highway gave due acknowledgment of the lives that will be saved as a result of these improvements, and the quality of the construction was noteworthy to many present. And, many were surprised and equally impressed with the local economic impact of the construction of this facility when this too was shared. The two Prime Contractors for all of the US-69 corridor projects reported just under 700 first-tier business partners were

involved in completing this work. These businesses are mostly Kansas enterprises, and this number does not reflect the business partners of these first-tier business partners. It was noted that just over 1,700 employees of Koss Construction worked on these projects with an average wage of just over \$18.00 per hour. Many of these employees also participated in the Koss Construction retirement savings program and the health insurance program supported by the company.

Kansas Department of Transportation Secretary Deb Miller commented, "when hundreds of workers spend millions of dollars with hundreds of Kansas businesses, it creates a ripple effect felt throughout the local and state economies." We couldn't agree more and we are proud to have been a noteworthy part of the southeastern Kansas community for much of the past decade.



Please visit our website at <http://www.kossconstruction.com>