

Message from the President

The dry and mild winters of the past couple of years seem to be catching up with us in 2013; it was a long winter, and April has brought us a wet spring. It is often said that everything averages out over time, and it does seem that most of what we do does fit under the bell curve of statistics. The unpredictable elements of our paving business, in the middle of this great country, can often prove distracting for us with regards to how to best move forward on our important individual and company goals. The work we do is well defined by not being well defined, by highs and lows that often seem beyond our control, producing a continuous series of beginnings and endings.

Nothing impacts the projects we deliver more than the weather. Our business is a seasonal one and our pace reflects those seasons. Every year we start early in the spring, in an attempt to get ahead of the schedule a bit. We want a steady pace, but rarely are we able to begin this in the Spring; it is most often two steps forward and one back. Thus, when summer arrives with dry weather, we find ourselves increasing our daily production hours and working more and more Saturdays; the pace quickens. A Superintendent of ours, now gone, once said, "I like to push hard until it gets real hot, ease up a bit through July and August, and then push real hard again up until the snow flies," an obvious strategy. When the snow does fly, the pace completely shifts away from our projects. Vacations and equipment overhaul become the priorities, and these we can schedule with a steady pace.

While our engineering and estimating staff see a pretty constant day-to-day rhythm with regards to contract administration work throughout the year, the same cannot be said of the bidding experience. As with building a project, there is a beginning and an ending to each bid, but they come in almost monthly cycles all year long versus the seasonal cycle of our construction efforts. And like those of us on our projects, the estimating process begins slow and quickens to an almost frantic pace, all in a matter of weeks. And then the bids are read, the snow flies so to speak, and it is over.

Most of us embrace this life, the ebb and flow of what we do, the challenge, the beginnings and endings, success or failure, win or lose. It is very much like team sport. But we do have goals that transcend this winning or losing analogy, goals for ourselves personally and as a company. We repeat every year at our Supervisors' meetings that when it comes to safety, if our efforts on a project begin to deviate from our ability to keep everyone safe, we must stop, regroup, analyze what is needed to proceed with safety, and then proceed. There can be no highs and lows in this effort, regardless of the pace.

Like safety, our commitment to our personal goals of saving for our retirement requires a steady and sustained effort. It is no coincidence that these two topics are key points of discussion at our annual meetings and dinners; it seems human nature to avoid what seems to offer no immediate satisfaction, and seems unneeded at present. Like safety, we believe our

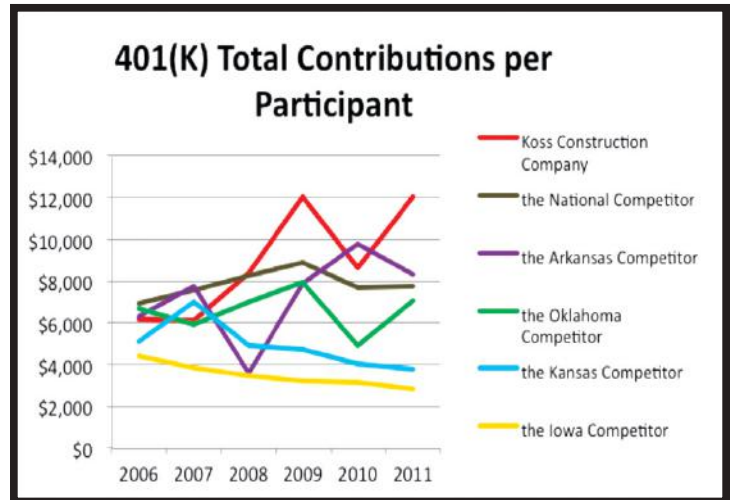
(cont. on page 2)



Message from the President

(cont. from page 2)

ability to save for retirement should be a shared goal, a goal for us as individuals and for us as a company. Our policy manual details our 401(k) retirement savings plan along with the Safe Harbor match the company offers: you save 5% of your pre-tax wages and the company will match this with 4% from the company treasury. The company has further incentivized this program with a profit-sharing discretionary contribution made at year end to the accounts of participating employees. We believe the pace of this retirement savings plan can provide for a very substantial retirement nest egg for any of us that participate. But we must each take ownership of our retirement planning, get involved by contributing to our own accounts. Unlike so much of our business and our individual jobs, building this nest egg takes steady and methodical effort over decades. Consider that an employee making \$50,000 per year in 2008 and contributing 5% (pre-tax!) into the Fidelity Freedom 2040 Fund, and doing so for the past five years, would have an account balance of over \$50,000 today. About \$13,300 of this would be from the money the employee invested from their paychecks, \$28,000 would be from the company treasury, and the balance would be investment income. It



is a goal of Koss Construction to sustain this effort with you.

Rest assured 2013 will have its highs and lows, and when it is done the snow will fly and we'll simply find ourselves in the process of a new beginning again. Take pride in being a Hard Roader throughout this year and keep a steady hand on those things you can control, those goals we share that require sustained effort and commitment.

Investing in Your Retirement

The Fidelity Prime Money Market Fund's objective is to obtain income while also preserving capital and providing liquidity. Historically, money markets have earned on average 2% to 4% a year but this has not been the case over the last few years. As a result of the low interest rate environment, The Fidelity Prime Money Market has returned considerably lower than the historical averages. When inflation is taken into consideration, the "real returns" are actually negative. The reason for this is inflation erodes the purchasing power of money over time and negative "real returns" occur when the rate of inflation is greater than an investment's rate of return.

There is an alternative investment, the Fidelity Advisor Stable Value Portfolio, that has a similar objective to the Fidelity Prime Money Market and it has provided a slightly higher yield over the long term. The stable value portfolio takes on a little more investment risk than the money market by investing in a diversified portfolio of high quality short term bonds. Also, the Fidelity Advisor Stable Value's portfolio is "wrapped" with insurance contracts to help maintain a steady rate of return. The stable value portfolio, like the prime money market fund, tries to maintain \$1 unit value but this is not guaranteed.



If you have a balance in the Fidelity Prime Money Fund of your portfolio, you should have received a letter from Allen Payne recently. In this letter it informs the participant how much money he/she has in the Fidelity Prime Money Fund and how you can transfer the balance to another account; such as the Fidelity Advisor Stable Value Portfolio if so elected.

In August 2012, the Columbia Strategic Investor Fund changed its name to the Columbia Global Dividend Opportunity Fund to better reflect the fund's investment objective. That objective is to generate a high level of income by investing globally in companies that have a consistent history of paying dividends. Please keep in mind that the fund can invest in any economic sector and will hold up to 40% of its assets in foreign securities that may include emerging markets.

As you know, changes in the stock market occur regularly. Since stock market fluctuations can impact the funds that you have invested in the retirement plan, the plan trustees would like to remind you to review your accounts periodically to ensure that your investments and allocations are still in line with your retirement goals. If you have additional questions, please call our 401(k) representatives at 913-344-2539.

Paving Awards

The Missouri / Kansas chapter of the ACPA held their annual workshop and Awards lunch during the first week of March. Koss Construction Company representatives made several trips to the front to receive numerous awards for projects completed in Kansas.

DIVIDED HIGHWAYS (RURAL) - K-61, Reno County, Kansas (Koss #57)

STATE & PRIMARY ROADS - K-47, Neosho & Wilson Counties (Koss #68 & K#69)

OVERLAYS I-70, Ellsworth County, Kansas (K#73 & K#74)

SMOOTHEST DAYS PAVING K-61, Reno County, Kansas (Koss #57)



The Kansas Department of Transportation and the Kansas Contractors Association annually have an Awards program for Partnering Excellence on projects. The winner for the over \$3MM Category in District Five:

K-61, Reno County, Kansas (Koss #57) Koss Construction Company and the KDOT Hutchinson Construction Office

Congratulations to all who contributed to these Award winning projects. There is not much better than the pride associated with completing quality pavements. Check our website for previous year's award winning projects:

<http://www.kossconstruction.com/completed-projects/awards>

FLEET PROGRAM

Commercial Motor Vehicles

A Commercial Motor Vehicle (CMV) is defined as a vehicle, or a combination vehicle and trailer, rated at greater than 10,000lb GVWR. Note that this is the Gross Vehicle Weight Rating, not actual weight of the vehicle or trailer. This weight rating can be found on the driver's door area of most pickups and typically on a placard on most trailers.

Operation of a CMV has numerous requirements, including:

- Driver must have valid license and medical card (see below)
- Driver must complete a Motor Vehicle Driving Record (MVR)
- Maintain a logbook if outside a 100 air mile radius of assigned project
- Copy of the current Annual Inspection in the vehicle
- Emergency equipment in the vehicle
- Driver must complete the daily vehicle inspection report

In addition to the above DOT requirements, the company expects:

- Drivers responsible for cleanliness, upkeep, obeying safety rules, and completing pre-trip walk around inspection.
- Driver will be responsible for paying fines assessed due to driver neglect



Dot Physical Requirements

Reminder all Koss employees who drive a vehicle that has a GVWR over 10,001 pounds or combination of truck and trailer GVWR equals 10,001 pounds combined is required by law to have a current DOT physical card. The physical cards expire every two years. Ask your office manager to schedule a DOT physical or contact Sam Bartley or Tom Rodgers at the Pauline shop.

For more information and complete Fleet Program, see the Employee Handbook.

Construction Stormwater

Any construction project that disturbs more than one acre of land is required to obtain coverage under a National Pollutant Discharge Elimination System (NPDES) permit as governed by the Environmental Protection Agency (EPA). In most cases, the EPA gives states the authority to administer the permit program. Some states require the contractor to be either the permit holder or at least a joint owner of the permit on highway construction projects. Contractors are also required to obtain NPDES coverage on Concrete and Asphalt plant sites if they are greater than one acre. The main focus of these permits is to insure that pollutants like sediment, debris, and chemicals do not leave the project and enter local waterways where it can destroy aquatic habitat and cause bank erosion.

Storm Water Pollution Prevention Plans (SWPPP) are required as part of the NPDES permit process. SWPPP's are documents that show what types of devices will be used and



where they will be placed on the project to insure pollutants are contained and do not leave the project site. SWPPP's must be regularly updated as the project progresses and must reflect current conditions on the projects they represent.

The EPA has made highway construction projects a point of emphasis the last couple of years and penalized several mid-western states with hefty fines for deficiencies ranging from lack of erosion

control devices, improper maintenance of devices or simply not keeping proper SWPPP documentation.

As a result of the EPA action, states are rewriting contract specifications with harsh penalties for non-compliance of proper erosion control. These specifications place responsibility squarely on the contractor to assure erosion control devices are correctly installed, functioning properly and all documentation is up to date. States that have implemented these new contract requirements have seen construction costs increase approximately ten percent.

Distracted Driving



You can't drive through town without seeing other drivers talking on cell phones, whether hand held or hands free. Now compound that talking on the phone with talking to other persons in the vehicle,

checking the GPS system, taking notes, or eating and drinking at the same time. Of course, it's well known that texting while driving is illegal. What's your major focus? Are you really multi-tasking or are you driving distracted?

Studies have shown that the average driver makes over 200 decisions per mile. These decisions revolve around other traffic, road conditions, pedestrians, as well as condition of their vehicle. When a driver decides to multi-task, their focus is divided. When this happens, the driver may not be scanning the horizon for potential problems such as a deer that will cross their path, traffic that has stopped, or any number of other possibilities. If this happens, it may be too late by the time the driver realizes that he is about to encounter a hazard causing an accident.

There have been accidents on Koss jobsites that resulted from distracted driving, such as a car following a dump truck into the construction and not realizing it was a closed "haul"

road. This resulted in the dump truck stopping so that it could empty its load and the car hitting the truck because she was using her cell phone. Another accident was when a driver was trying to back a truck up while he was arguing on his cell phone with his wife.

Not only is this distracted driving, but it is illegal to operate a cell in a Commercial Motor Vehicle, unless it has hands free operation. His attention was not on the backing function and he hit a parked vehicle that should not have been a factor, if his attention was on his driving.

Drivers that devote their full attention to driving will be better able to avoid distracted drivers and major accidents. Is it possible to drive while talking on the phone? The jury may still be out on this one. However, if you are in a congested area with lots of traffic, equipment movement, and people on foot, it is a good idea to park the vehicle and talk on the phone or call them back when you can safely stop.

Recently the National Transportation Safety Board has determined a medical helicopter crash near Moberly, Missouri on August 26, 2011 that killed four occupants was the first commercial aircraft accident which texting has been implicated. Therefore, not only can you be distracted while driving, but when operating a piece of construction equipment or flagging in a construction zone. Keep yourself and the people around you safe, focus on the task at hand.

Personnel News

Christopher R. Berroth has been promoted to Field Engineer. Chris is a 2011 graduate of Pittsburg State University's Construction Management program and is assisting Brad Pohlmeier in the Sunflower Division.

James D. Browning has joined the firm as a Grading Superintendent. Jim brings a wealth of construction experience to the company having worked in Nebraska and Arkansas for several of our competitors over the past three decades. Jim is assigned to the new White County, Arkansas project.

Erik W. Johnson has joined the firm as a Project Manager reporting to Tim Gerhardt. Erik is a 2012 graduate of Iowa State University's Construction Engineering program and is assisting with the management of our US-54 projects in Kingman and Pratt Counties, Kansas.

Charlie D. Milne has joined the firm as Cold Recycle Foreman reporting to Ted Weber and the Asphalt Division. Charlie brings better than twenty years of experience delivering hot and cold asphalt products throughout the Midwest.

Nicole A. Moneypenny has been promoted to Plant Foreman reporting to Brad Pohlmeier in the Sunflower Division. Nicole graduated from a Kansas Department of Transportation sponsored training program in 2008 and has been operating our concrete plants for the past five years.

Ted J. Weber has joined the firm as Manager of Cold Asphalt Products reporting to Kelly Moore in the Asphalt Division. Ted brings nearly three decades experience to the company managing cold asphalt production and recycling in the Midwest and internationally.

NEWS FROM THE FAMILIES OF HARD ROADERS!



Caleb catching Crappie.

If you have a good story or photo of a family member, or yourself, that you want to share, send it to **Tim Gerhardt** (twg@kossconstruction.com) at the Corporate office for possible inclusion in future Hard Roaders Outlooks.



Allen fishing in a hurricane (Sandy no less).



Angela's surprise family reunion in Arkansas.

Koss Construction Company

FOUNDER, GEORGE W. KOSS—1879-1955

2013 Honor Roll

30-YEAR ASSOCIATES



Mark A. Newlin 31
Kelly D. Moore 30

25-YEAR ASSOCIATES



G. Allen Payne 28
Alfred D. Adams 27
Thomas L. Rodgers Jr 27
Trent E. Doyle 26
David M. Howard 25
Vernon R. Reed 25

20-YEAR ASSOCIATES



Abel G. Salinas 23
Lydia Blixt 22
Tim W. Gerhardt 22
Jose Q. Jaquez 22
Thomas A. Breyfogle 21
Randy W. Brown 21
Steven D. Andris 20
Juan M. Ibarra 20
Joe A. Kiburn 20

15-YEAR ASSOCIATES



Pascual A. Ruiz 19
Clinton R. Myers 19
Mario R. Barrera 18
Mark A. Haines 18
Lynn D. Maxey 18
Randy A. Caruthers 17
Alvaro Deleon 17
Donald D. Hill 17
William S. Marquart 16
Bruce Henderson 15
Jeffrey L. Jay 15
Daniel L. Vestal 15
Dwayne H. Years 15

10-YEAR ASSOCIATES



Jackie D. Bartley 14
Maurice R. Dunseth 14
Jennifer J. Fleming 14
Douglas B. Hawkins 14
Ronnie W. Hiser 14
Ray D. Lalicker 14
Rick D. Shelton 14
Wilbur D. Turner 14
Arnulfo Garcia 13
Robert L. Kennedy 13
Pamela S. Koerth 13
David K. Kenworthy 13
Antonio Lopez 13
Michael S. Purkey 13
Jose I. Salinas 13
Sandra L. Wilson 13
Manuel D. Aguilar 12
George F. Cecrle 12
Salvador DeCasas 12
Ely Gardea 12
Dale Heronime 12
Jamie Lalicker 12
Arturo Marin 12
David C. Vestal 12
Raul Gonzalez 11
Ascencion Mendoza 11
Bradley J. Pohlmeier 11
George Roberts 11
Ronald L. Wilson 11
Benjamin Carrillo 10
Sergio Cervantes 10
Francisco Chavira 10
Tyson Funk 10
Jose I. Garcia 10
Garry Kennedy 10
Virginia Kurzen 10
Tyronn Rothchild 10

5-YEAR ASSOCIATES



Matthew Boyer 9
Jeffery Bray 9
Ruben Escamilla 9
John S. Hart 9
Alan E. Peimann 9
Sergio Lechuga Ruiz 9
Steven L. Smith 9
Jeffrey S. Tatman 9
Victor D. Zarate 9
Greta Barton 8
Juan C. Deleon-Perez 8
Rebecca A. Harmon 8
Mike L. Payne 8
Edward D. Perez 8
Steven Tackett 8
Russell Craft 7
Ray Little 7
Matthew Lyman 7
Alberth C. Ruiz 7
Stephanie Anderson 6
Armando V. Garcia 6
Carl Guess 6
Michael Huff 6
Janine Mohan 6
Miguel Caro 5
Favio Castillo 5
Joseph Erie 5
Jose L. Fernandez 5
Alberto Garcia 5
Angel Guevara 5
Jamie Guevara 5
Leopoldo Martinez 5
Nicole Moneypenny 5
Venancio Palacios 5
Juan Romero 5
Camilo Rutiaga-Nunez 5
Ramon Silerio 5
Monte Simmons 5
Dale Smith 5
Michael Welch 5

“THE STARS ON THE SLEEVE TELL THE STORY”

The number denotes completed years of service; does not include the 2013 season.