

RECEIVED

JUL 17 2009

**PUBLIC SERVICE
COMMISSION**

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SOUTH KENTUCKY RURAL)
ELECTRIC COOPERATIVE CORPORATION)
FOR A CERTIFICATE OF CONVENIENCE AND)
NECESSITY TO CONSTRUCT A NEW) CASE NO. 2008-00371
HEADQUARTERS FACILITY IN SOMERSET,)
KENTUCKY)

RESPONSES TO DATA REQUESTS FROM HEARING

Comes South Kentucky Rural Electric Cooperative Corporation, (“South Kentucky”) by counsel, and tenders herewith responses to data requests which were made upon it at the July 7, 2009 hearing of this matter. The items requested and responses thereto (by way of exhibit) are as follows:

REQUEST NO. 1: Square footage, number of floors and number of employees for the Pulaski County Judicial Center and the Pulaski County Public Library.

Response: See Exhibit 1 attached hereto.

REQUEST NO. 2: Annual meeting notices, advertising, agenda, annual report and CEO reports to members.

Response: See Exhibit 2 attached hereto.

REQUEST NO. 3: Communications to members on the building project.

Response: See Exhibit 3 attached hereto.

REQUEST NO. 4: Net plant investments for calendar years 2007 and 2008.

Response: See Exhibit 4 attached hereto.

REQUEST NO. 5: Property Valuation Administrator’s assessments for current properties.

Response: See Exhibit 5 attached hereto.

REQUEST NO. 6: Appraisals for existing Somerset headquarters building and the cooperative farm on West Highway 80.

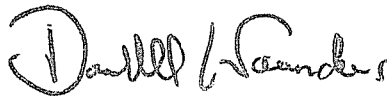
Response: See Exhibit 6 attached hereto.

REQUEST NO. 7: Citation for Red Flag Regulations.

Response: See Exhibit 7 attached hereto.

REQUEST NO. 8: Contract with D.W. Wilburn, Inc.

Response: See Exhibit 8 attached hereto.



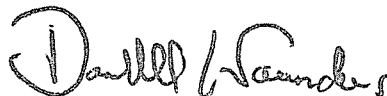
DARRELL L. SAUNDERS, P.S.C.
ATTORNEY AT LAW
700 MASTER STREET
P.O. BOX 1324
CORBIN, KENTUCKY 40702
TELEPHONE: (606) 523-1370
FAX NUMBER: (606) 523-1372

ATTORNEY FOR SOUTH KENTUCKY RURAL
ELECTRIC COOPERATIVE CORPORATION

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing was this 17th day of July, 2009, deposited in the regular United States mail, all postage prepaid and addressed for delivery to Mr. Quang D. Nguyen, Staff Attorney, Public Service Commission, 211 Sower Blvd., P.O. Box 615, Frankfort, KY 40602-0615.

Original to: Public Service Commission, 211 Sower Blvd., P.O. Box 615, Frankfort, KY 40602-0615.



ATTORNEY FOR SOUTH KENTUCKY RURAL
ELECTRIC COOPERATIVE CORPORATION



8 July 2009

Allen Anderson
South Kentucky RECC
925-929 North Main Street
Somerset, KY 42503

Re: New Pulaski County Judicial Center
Somerset, Kentucky

Dear Mr. Anderson,

Per your request, the new 83,000 square foot Judicial Center referenced above is four (4) stories including the basement. It will employ 80-100 people.

Please let me know if I can be of any further assistance.

Sincerely,

Dennis Bopp



McCLOREY & SAVAGE • ARCHITECTS • LTD.

5757 Marlemont Ave. Suite 101 • Cincinnati, Ohio 45227-4216 • Telephone (513) 527-8640 Fax (513) 527-8681

July 8, 2009

Mr. Allen Anderson
South Kentucky RECC
925 - 929 North Main Street
Somerset, KY 42501

Re: Pulaski County Public Library

Dear Mr. Anderson,

Per your request, the 45,750 square foot Pulaski County Public Library Building is three stories (including the basement) and currently employs 33 people.

Please let me know if I can be of further assistance.

Sincerely,
McClorely & Savage Architects, LTD

Robin J. Savage, Partner



Annual Meeting 2009

Featuring

“America’s Funniest Professor”

Carl Hurley

Thursday, June 4, at the Co-op Farm

For more information, call
606-451-4137

Registration - 4 p.m. EDT
Business Meeting - 7 p.m.

May 2009



Annual Meeting 2009

Featuring

“America’s Funniest Professor”

Carl Hurley

Thursday, June 4, at the Co-op Farm

For more information, call
606-451-4137

Registration - 4 p.m. EDT
Business Meeting - 7 p.m.

June 2009

Annual Meeting

2009

Visit www.skrecc.com for more information about the Co-op Connections Program.

Editor
Joy Bullock

President & CEO
Allen Anderson

Board of Directors
Richard Stephens, *Chairman*
Charles Gore, *Vice Chairman*,
KAEC Board Member
Tom Estes, *Secretary/Treasurer*
William Shearer
Glen Massengale
John Pruitt, Jr.
Jerry Purcell

DISCOVERING SOUTHERN KENTUCKY is a supplement to *Kentucky Living* magazine and is published by the Kentucky Association of Electric Cooperatives, Louisville, KY, and by South Kentucky Rural Electric Cooperative Corporation, P.O. Box 910, Somerset, KY 42502, (606) 678-4121 with offices in: Albany (606) 387-6476; Monticello (606) 348-6771; Russell Springs (270) 343-7500; Whitley City (606) 376-5997.

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Address all correspondence to: DISCOVERING SOUTHERN KENTUCKY, P.O. Box 910, Somerset, Kentucky 42502.

SK South Kentucky
RECC
A Touchstone Energy Cooperative



Featuring
"America's Funniest Professor"

**Carl
Hurley**
Thursday
June 4
Co-op Farm

Registration - 4 p.m. EDT
Business Meeting - 7 p.m.

6 p.m. Opening Act:
Jason Catron Gospel

3/4 mile west of Fishing
Creek Bridge on KY 80
near Nancy, Kentucky, in
Pulaski County

- Free bucket and light bulbs for all registering members
 - Prizes for all ages
- Information about SKRECC and our many services
- Face painting, rides, and fun for the kids

*Bring your family for an evening
filled with fun & entertainment!*

All offices of
SKRECC will be
CLOSED for Annual
Meeting

SK South Kentucky
RECC
A Touchstone Energy Cooperative

O F F I C I A L N O T I C E

71st Annual Membership Meeting

2009



Presented by
*South
 Kentucky*
RECC

Starring Carl Hurley,
 Comedian

With Opening Act
 Gospel Singer
 Jason Catron

Registration - 4 p.m.

Business Meeting - 7 p.m. EDT

Thursday, June 4, at the Co-op Farm

3/4 mile west of Fishing Creek Bridge on KY 80 near Nancy, KY, in Pulaski County

- Free bucket and lightbulbs for all registering members
- Prizes for all ages
- Information about South Kentucky RECC and our many services
- Free health screenings
- FREE games, rides, and fun for kids of all ages

All offices of SKRECC will be CLOSED for Annual Meeting

J U N E 4 , 2 0 0 9

4 May 2009

Annual Meeting 2009

Visit www.skrecc.com for more information about the Co-op Connections Program.



Featuring
"America's Funniest Professor"

**Carl
Hurley**
Thursday
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Co-op Farm

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6 p.m. Opening Act:
Jason Catron Gospel

3/4 mile west of Fishing
Creek Bridge on KY 80
near Nancy, Kentucky, in
Pulaski County

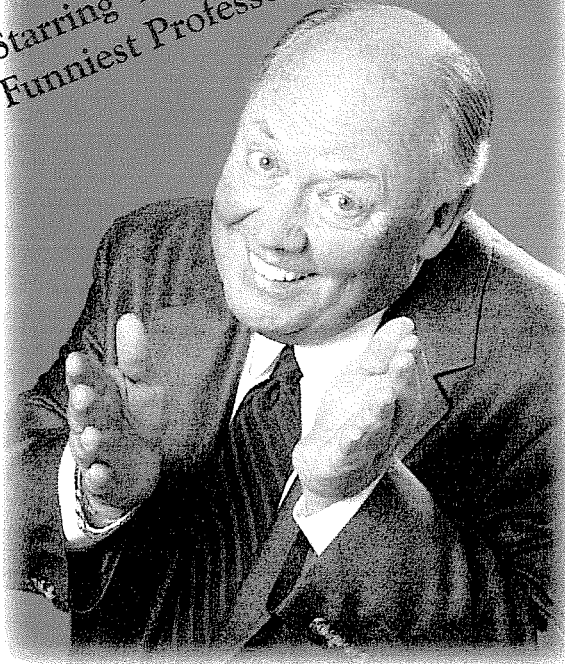
- Free bucket and light bulbs for all registering members
- Prizes for all ages
- Information about SKRECC and our many services
- Face painting, rides, and fun for the kids

Bring your family for an evening filled with fun & entertainment!

All offices of
SKRECC will be
CLOSED for Annual
Meeting



Starring "America's
Funniest Professor"



Annual Meeting 2009

Featuring:

Carl Hurley

6 p.m. Opening Act:
Jason Catron Gospel

Registration - 4 p.m. EDT
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Thursday,
June 4
Co-op Farm

3/4 mile west of Fishing Creek
Bridge on KY 80 near Nancy,
Kentucky, in Pulaski County

- Free bucket and lightbulbs for all registering members
- Prizes for all ages
- Information about South Ky RECC and our many services
- Rides and fun for the kids

Bring your family for an evening filled with fun & entertainment!

All offices of SKRECC
will be CLOSED for
Annual Meeting



South Kentucky RECC wants to invite all its friends to the annual meeting on Thursday June 4, at the co-op farm on West Highway 80 in Pulaski County. Registration begins at 4 p.m. and there'll be free buckets of light bulbs for registering members, prizes for all ages, and best of all, Carl Hurley will be taking center stage. (Carl Hurley "It's a thermos... chili and iced tea"

South Kentucky RECC's annual meeting, June 4, at the co-op farm. (Laughter fades) All offices will be closed that day.



925-929 North Main Street
Post Office Box 910
Somerset, KY 42502-0910
Telephone 606-678-4121
Toll Free 800-264-5112
Fax 606-679-8279
www.skrecc.com

For Immediate Release
May 20, 2009

For More Information, contact:
Joy Bullock

It will be sure to “tickle your funny bone” with Carl Hurley, “America’s Funniest Professor”, taking center stage at the 71st Annual Meeting of South Kentucky Rural Electric Cooperative Cooperation to be held Thursday, June 4th at the co-op farm on West Hwy. 80 in Pulaski County.

The event will include a host of informative and educational exhibits for South Kentucky RECC members to visit, including health booths, civic organizations, local industry and businesses; and many others. For the children’s entertainment, there will be free rides, tattooing, and prizes. This year’s opening act will be gospel singer Jason Catron.

Registration for members will begin at 4 p.m. with the opening act scheduled to perform at 6.

The primary purpose for the Annual Meeting is the business meeting, which starts around 7 p.m. The cooperative’s bylaws provide that each year there shall be an Annual Membership Meeting for the election of directors and for reports from SKRECC officers and leadership. The following Directors have been presented by the nominating committee for re-election. They are: John Pruitt, District 1, and Bill Shearer, District 5.

South KY RECC will also recognize the Washington Rural Electric Youth Tour recipients and the 12 \$1,000 senior scholarship winners.

There will be prizes for adults and children, including televisions, digital cameras and a computer.

For more information about the 71st SKRECC Annual meeting, call 606-451-4137. All South Kentucky RECC offices will be closed that day.

Amy Acton

From: Dallas Hopkins
Sent: Thursday, July 09, 2009 8:54 AM
To: Amy Acton
Subject: RE: Voice Mail

Amy,

We called 13,330 members. The members we called were only inside the Somerset services area. If we called members outside this area, SKRECC would incur long distance charges.

Here is the text.

Hello, this is South Kentucky RECC calling to invite you and your family to attend the 2009 annual meeting Thursday June 4 at the coop farm on west Highway 80. Registration begins at 4:00 pm with all registering members receiving a free bucket, compact fluorescent light bulbs and information about the coop. Carl Hurly America's funniest professor is the feature entertainment. For more information call the annual meeting hotline 606-451-4137.

71st Annual 2009 Membership

June 4, 2009

Meeting Agenda

4:00 p.m. Member Registration

6:00 p.m. Entertainment — Gospel Singer: Jason Catron

7:00 p.m. Welcome Members and Guests — CEO Allen Anderson

Presentation of Colors — SKRECC Employee Linemen
(Please stand for the National Anthem)

National Anthem — Jason Catron

Invocation — Charles Gore, Director-District 2 -Vice-Chairman

Introduction of SKRECC's Board of Directors — CEO Allen Anderson

Introduction of the Moderator of the Business Meeting — CEO Allen Anderson

Business Meeting begins —Darrell Saunders, Co-op Attorney

- Moderator declares a quorum present.
- Reads official notice and proof of mailing.
- Reads minutes of 2008 Annual Meeting, or hears motion to dispense with reading of the minutes.
- Presents financial report.
- Reads Nominating Committee Report of nominations of Directors in Districts 1 and 5.

The following have been nominated: District 1 - John Pruitt
District 5 - Bill Shearer

CEO's Report—Allen Anderson

Adjourn Business Meeting—Darrell Saunders, Co-op Attorney

Introduction of Special Guests — CEO Allen Anderson

Ron Sheets, President, Kentucky Association of Electric Cooperatives

Bob Marshall, President/CEO, East Kentucky Power Cooperative

Special Presentation — CEO Allen Anderson

2009 Senior Scholarship Recipients Presentation

2009 Washington Youth Tour Winner Recognition

Prize Drawings* — Dennis Cannon *You must be present to win.

Featured Entertainment — Humorist/Comedian Carl Hurley

Children's Entertainment — children's rides and face painting

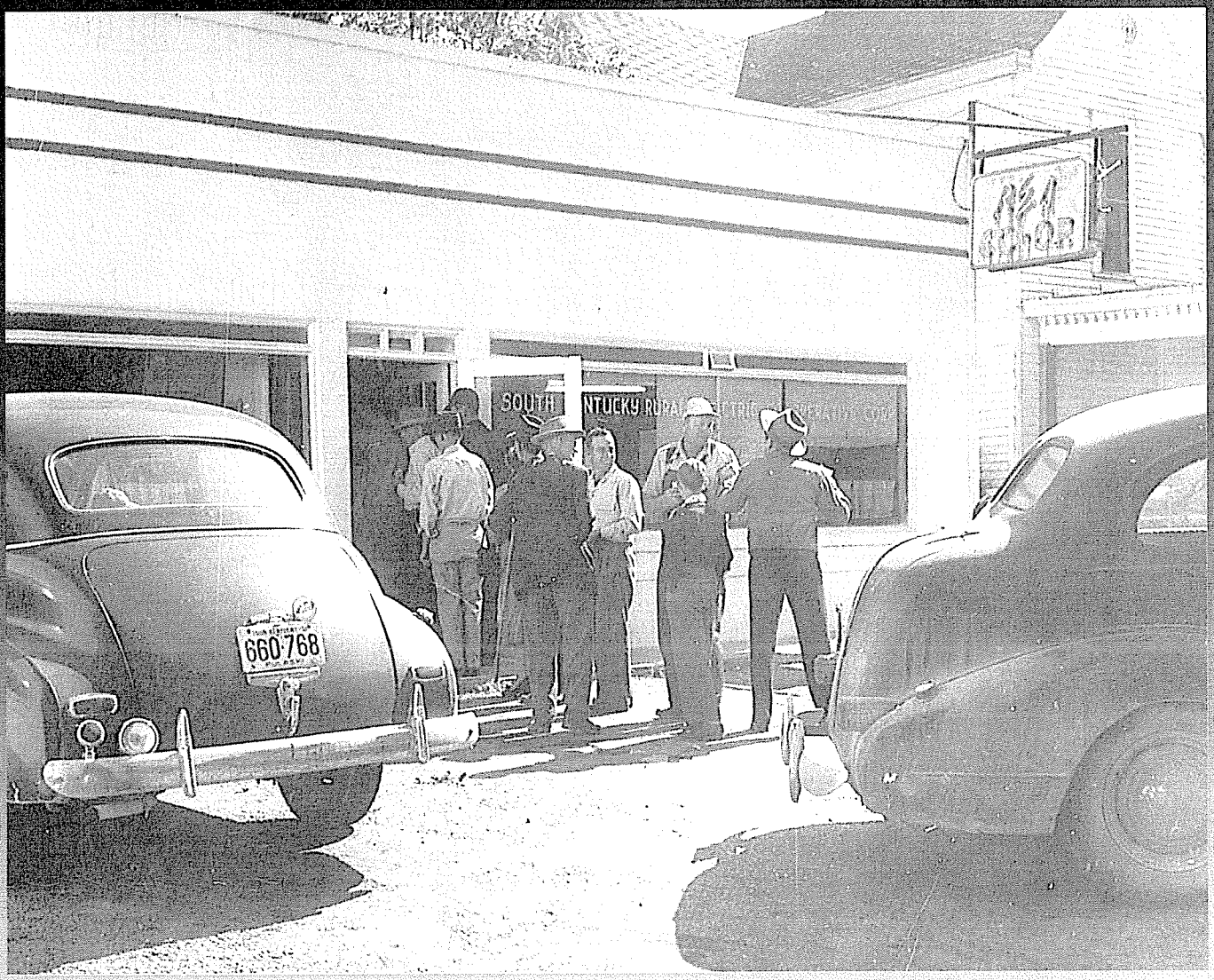
(this will be taking place on the meeting grounds throughout the evening)



"America's
Funniest Professor"

Carl Hurley

70 Years As Your Co-op



South Kentucky RECC Annual Report 2008

70 Years as Your Co-op

“Brothers and sisters, I want to tell you this. The greatest thing on earth is to have the love of God in your heart, and the next greatest thing is to have electricity in your house.”

—Farmer giving witness in a rural Tennessee church in the early 1940s (Excerpt from the book *The Next Greatest Thing* by the National Rural Electric Cooperative Association).

South Kentucky RECC has been providing the “next greatest thing” since October 8, 1938, when 10 area farmers met at the county agent’s office in Monticello, Kentucky, to bring electricity to rural south-central Kentucky. For 70 years, South Kentucky RECC has provided electricity to its members at a competitive rate and with exceptional service.

As we present the 2008 annual report to our membership, we look back, as well as to the present, to see what a huge difference 70 years can make and how the co-op has maintained the values it held so dear when it started in 1938—doing its best for its friends and neighbors.

Then and Now: Our Membership

After that group of farmers met to start South Kentucky RECC, membership drives were held in Wayne, Clinton, Pulaski, Russell, and McCreary counties, and members were recruited. Eight months later on June 10, 1939, the project, having been deemed feasible, was granted a loan by the Rural Electrification Administration started under President Franklin Roosevelt. Engineers were then employed and lines were built.

Lines were energized for the first time on January 23, 1940. Because of the war, growth was slow in the begin-

ning, and the co-op started with only 559 members, most of which just used electricity for lighting.

Today, the co-op has grown to serve 66,249 members in parts of 11 Kentucky and two Tennessee counties.

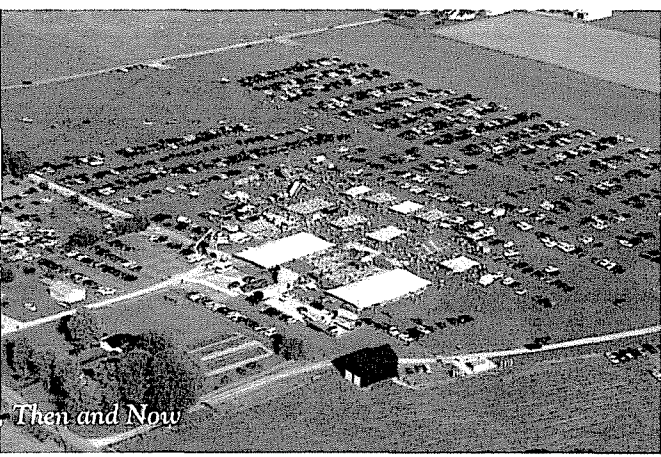
The electric load has also grown with electricity now considered a necessity rather than a luxury as it was 70 years ago. Used today for more than just lights, electricity keeps our appliances, televisions, computers, heating and cooling equipment, and many, many other things running. Most of our members have never known a life without electricity.

While growth overall has slowed tremendously, this report shows that the co-op gained nearly 4,000 members last year. The major contributor to the co-op’s growth was the purchase of the Monticello Electric Plant Board (MEPB), which was completed at the end of 2007 and took effect in 2008.

In 2003, MEPB’s contract with their power provider, Tennessee Valley Authority, allowed for an option for utilities to discontinue service with them. The Monticello Electric Plant Board decided the time was right to look elsewhere, and South Kentucky RECC, being a local provider of electricity, made them a proposal to purchase the facility and to provide power as well as all the other available services that SKRECC provides to its members. The year 2007 saw MEPB and Monticello’s City Council vote unanimously in favor of the sale. In November, then, it was on the ballot, and the citizens of Monticello voted to allow the sale by a large margin, making Monticello the second town in the co-op’s service territory to be served by SKRECC (Albany is also served by the co-op).

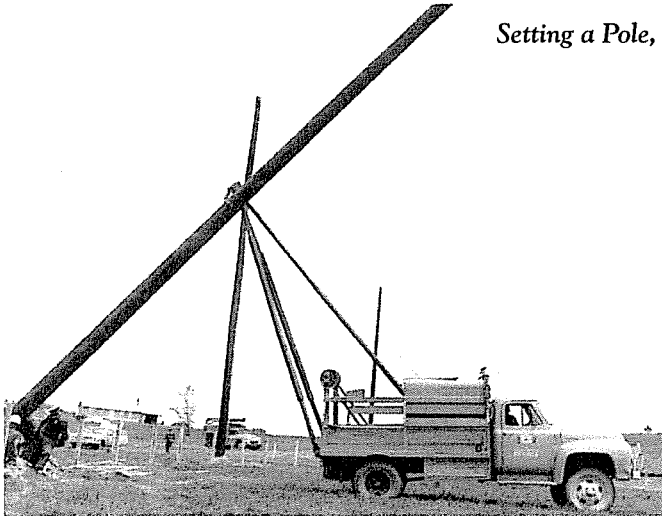
Then and Now: Our Services

When South Kentucky RECC first started, the only service it could offer to its members was electricity—and



Annual Meeting Then and Now

Setting a Pole, Then and Now



then people would have to wait sometimes for months to receive that service.

By the 1950s, though, the co-op had begun offering more than just electricity. Members could now get help when planning wiring, as well as plumbing, electric, and heating information. This was a time when the co-op began its school appliance program, putting electric appliances in the schools in an effort to "acquaint students with modern conveniences." In the same vein, the co-op employed a home economist to teach members how to use their electric appliances and had a consumer loan program to make it easier for members to purchase appliances.

In the 1960s, the co-op employed a rural community development director who helped South Kentucky RECC members get water to their homes. This encouraged the purchase of electric washing machines and electric dryers.

Today, your co-op continues to lead the way with the services it provides to its members. From helping members build the most energy-efficient homes possible to reducing the amount of electricity that members use, SKRECC offers many opportunities for members to get assistance.

There are programs like Tune-Up, which is targeted to SKRECC members who have electric heat pumps and furnaces. Tune-Up is offered for a nominal fee of \$75 for homes and manufactured homes and consists of air-infiltration testing, sealing ductwork, cleaning indoor and outdoor coils on your electric heat pump or furnace, changing filters, measuring airflow, checking the accuracy of thermostats, and checking the compressor operation. This program can produce significant savings in heating and cooling costs and actually values for about \$400.

Button-Up is another program offered by South Kentucky RECC to our members whose homes are at least five years old and use electricity as their primary heat source. Our energy advisors will come into your home, upon appointment, and conduct a heat loss calculation and make recommendations on improvements to your insulation. And the two best things you can do to lower your heating and cooling costs are to increase the amount of insulation and reduce heat loss through the floor, walls, and ceilings of your home. Members can receive \$20 for every 1,000 BTUs your heating load is lowered from the installation of more

insulation.

Electric thermal storage, or ETS, heaters are available for purchase. ETS is a low-cost, safe, clean, reliable off-peak heating option. ETS heaters convert electricity into heat and stores that heat in specially designed bricks. When you are ready to use the heat, fans blow it out into the room. Electric thermal storage heaters use electricity during off-peak hours at a special, discounted off-peak rate.

In addition, South Kentucky RECC is offering a \$100 incentive for members who are changing their gas or fuel oil furnace to an electric heat pump with a minimum efficiency of a 13 SEER (Seasonal Energy Efficiency Ratio) and 8 HSPF (Heating Season Performance Factor) or a geothermal heat pump.

South Kentucky RECC's energy advisors are available at any of our five locations to assist members with free energy advice for existing homes or new construction.

Among the other programs that South Kentucky RECC offers to its members is the Co-op Connections Card Program, which offers members savings at participating businesses and pharmacies for members who do not have prescription insurance coverage. To date, there are more than 100 businesses and pharmacies in the SKRECC service territory, and thousands more across the state and nationwide that offer discounts to our members. Visit our Web site, www.skrecc.com, for a complete listing of local businesses, as well as a link to the state and national savings.

The People Fund is a program established by South Kentucky RECC, which allows members to round up their electric bill to the nearest dollar. That money is used in the form of grants for non-profit organizations. Thousands of dollars in People Fund grants have been given to organizations in our area.

Finally, South Kentucky RECC will be introducing a program in the near future to members to help them earn some financial benefit while helping the co-op be more efficient. Direct Load Control (DLC), a voluntary program already in use by some electric co-ops, will allow the co-op to install control mechanisms on water heaters and/or air conditioning systems. By regulating these systems for short periods of time, the co-op could significantly reduce

its peak power consumption, without people noticing any loss of comfort in their homes. Members would earn some financial benefit for participating.

Then and Now: Our Communities

In all of its 70 years, South Kentucky RECC has realized the importance of helping to grow our communities. In addition to putting the member first then, as we do now, the co-op's board and management knew that economic development was going to be important to the South Kentucky RECC service territory—the more industry that developed, the more electric the co-op sold, and the more industry that developed, the better for our members in terms of jobs and finances.

Early in the 1960s, Governor Bert Combs appointed SKRECC Manager Sam Hord to the Economic Development Commission in Kentucky. The commission dealt with industrial, agricultural, and economic development in the state.

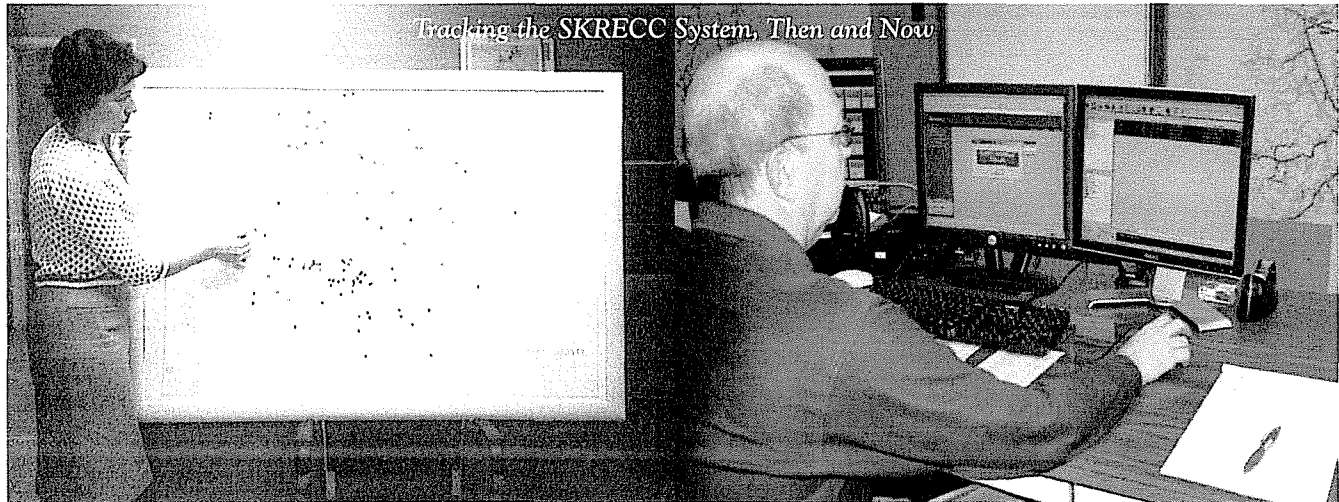
Today, we have come full circle. What SKRECC's board did more than 40 years ago is uncannily similar to the direc-

obtained USDA Rural Economic Development Loan and Grant funds to build a new senior citizens' center in Russell Springs and assisted in the development of the Regional High Growth Training Center in Somerset that is designed to train linemen to fill the demand in the future as more and more linemen reach their retirements. These projects, as well as Albany & Monticello Downtown Revitalization, McCreary County Industrial Park, Russell County Industrial Park, Lake Cumberland Area Development District Expansion, and Otter Creek Girls Academy, reaffirm that electric cooperatives can and should be involved, thereby improving the quality of life for their communities.

Then and Now: Our Technology

Probably the most obvious area in which the co-op has evolved over its 70 years has been in the area of technology.

In the beginning, South Kentucky RECC relied on hand-drawn maps to keep track of its service territory. Eventually, the co-op developed a large territorial map, which was located on the wall of the dispatch center. Push pins identified



tion South Kentucky RECC's management and its board of directors have taken with the creation and implementation earlier in the 2000s of the office of economic development. And though we have taken economic development a step farther than they did in the 1960s, we realize today as they did, the importance of having a good economic base in our area for the members, their communities, and the co-op.

Since 2001, SKRECC has had a hand in helping create more than 700 jobs in our area. Assuming, from the conservative point of view, that all these employees were earning just the current minimum hourly wage of \$6.55, this would account for more than \$10 million in new employee earnings in our region annually.

In 2008, Bennie Garland, who heads the co-op's office of economic development, worked on nine projects to help our area. Among these projects, the co-op has

critical components and equipment located on the system.

Then in 1998, the co-op hired a firm to undertake the task of mapping the system and developing a computerized electronic mapping system for the computer. That company, Osmose, numbered and global positioned every pole and meter in the SKRECC territory. The data became part of the co-op's Outage Management System (OMS) in 2003, which organizes outage calls to determine the size and breadth of outages. This enables South Kentucky RECC to be able to respond to outages much more quickly, and in many instances, employees have already determined the cause and location of the outage, leading to shorter restoration times.

In 2008, South Kentucky RECC took OMS one step farther with the installation of a new Interactive Voice Response, or IVR, System. This system allows members to conduct co-op business 24 hours a day, seven days a week. IVR

How We've Grown...

1938	1948	1958	1968	1978	1988	1998	2008
SKRECC is Started	5,939 Members	16,233 Members	20,500 Members	33,034 Members	40,814 Members	53,615 Members	66,249 Members

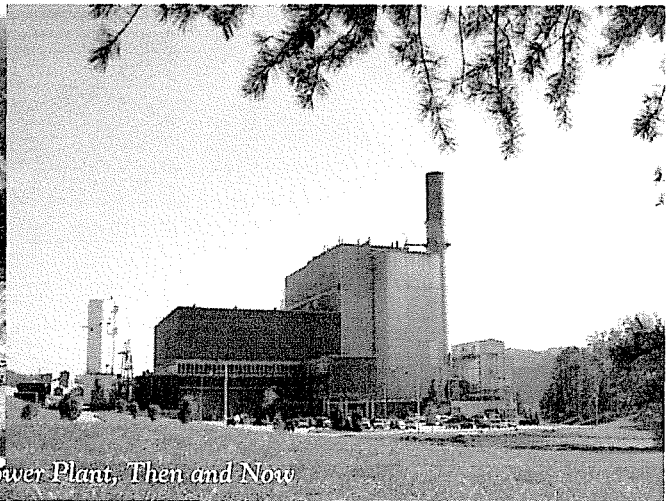
is able to answer numerous member calls reliably during an outage situation; it can collect data in order to analyze and assist in rectifying an outage situation; and it allows members to complete routine transactions, such as paying their bill, on their timeline.

In addition, IVR has become a useful link between SKRECC and its members. The co-op can contact members about a number of issues ranging from their billing to annual meeting, and if a member's information is correct, the IVR has the ability to automatically associate their call with an outage. This is then directly tied into the Outage Management System.

Then and Now: Our Environment

In the early years of South Kentucky RECC, people were not even aware of any environmental concerns unless it referred to the amount of rain they needed for their crops. They hadn't heard about the effects of greenhouse gases and carbon emissions, nor were they concerned with exhausting the earth's natural resources.

That has all changed. With the increases in population



John Sherman Cooper Power Plant, Then and Now

and the many innovations that came out of the industrial age, including the creation of the automobile, on through our current technological age, we are becoming more aware of the effects we are having on our environment.

Regulations have become stricter, too, over the past decade, with new rules to limit the amount of gases that industries can emit into our atmosphere.

As a result of the new government regulations, South Kentucky RECC's power provider, East Kentucky Power Cooperative, has to invest millions of dollars to construct additional pollution-control equipment at its power plants, including the John Sherman Cooper Power Plant in Pulaski County.

Beginning in 2010, EKPC will be spending nearly \$324 million to add pollution-control equipment, including construction of a flue-gas desulfurization unit, or "scrubber," on Cooper Unit #2. Scrubbers remove sulfur from the emissions of coal-fueled power plants. EKPC also plans to add a selective catalytic reduction device and pulse jet fabric filter to reduce emissions of nitrogen oxide and particulate matter from the same unit.

Cooper Power Plant's two units went online in 1965 and 1969 for a total cost of a little more than \$44 million, which means that the required upgrades will cost nearly \$300 million more than what it cost to build the plant that helps provide electricity to 500,000 homes, farms, and businesses in Kentucky. This is only one example demonstrating the cost of all these new regulations.

The costs of these environmental upgrades due to new governmental regulations are passed on to South Kentucky RECC members and other EKPC co-ops' members. This is the line item that shows up on their bills as the "environmental surcharge."

Other areas that South Kentucky RECC is working to help the environment are with the distribution of compact fluorescent light bulbs (CFLs) and through "green" power.

Since 2002, South Kentucky RECC has distributed more than 63,000 CFLs to its members at annual meeting and other events. If every American home replaced their five most frequently used light fixtures with CFLs, it would save close to \$8 billion each year in energy costs and would prevent greenhouse gases equivalent to the emissions of

about 10 million cars.

SKRECC's green power comes from the six landfill gas plants that East Kentucky Power has constructed across the state. As organic waste decays in a landfill, it creates methane gas. This gas is extracted from the landfill through a gas well collection system, converted, and used to generate electricity. These five plants eliminate 29,881 tons of methane per year and reduce carbon dioxide emissions by 88,235 tons. Members can purchase blocks of this power for \$2.75/block.

As you can see, many aspects of South Kentucky RECC have changed and grown over these last 70 years; however, one thing has not changed. South Kentucky RECC was formed to provide reliable electric service to its member-owners at a competitive rate, and the co-op continues to strive to meet its founders' goal today. SKRECC's mission remains being "for people, not profit" and to provide reliable service to its members at an affordable cost and to be committed to the growth of our local communities.

Board of Directors

CEO AND BOARD OF DIRECTORS

MEMBERS BY COUNTY

Adair	587
Casey	1,667
Clinton	6,765
Cumberland	20
Laurel	7
Lincoln	1,203
McCreary	6,254
Pulaski	27,260
Rockcastle	77
Russell	9,784
Wayne	12,431
Pickett, TN	169
Scott, TN	25

ACCOUNTS BILLED

1998	53,615
2008	66,249
23.5 percent increase	

AVERAGE RESIDENTIAL KWH USAGE

1998	996
2008	1,123
13 percent increase	

MILES OF LINE

1998	5,889
2008	6,685
13.5 percent increase	

MEMBERS PER MILE

1998	9.10
2008	9.91
9 percent increase	



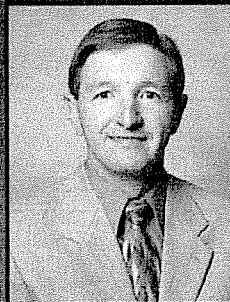
Allen Anderson
C.E.O.



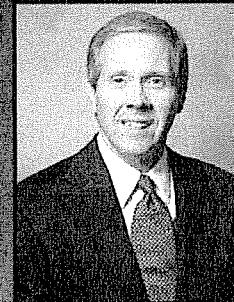
Richard G. Stephens
Chairman
District #6



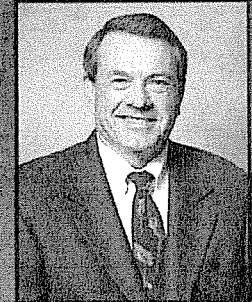
Charles L. Gore
Vice Chairman
KAEC Representative
District #2



Tom Estes
Secretary/Treasurer
EKP Representative
District #7



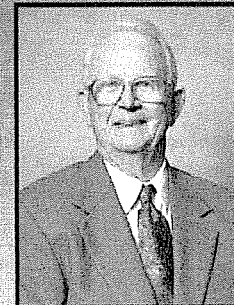
John T. Pruitt Jr.
District #1



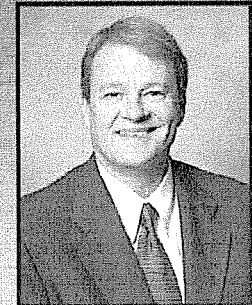
Jerry Purcell
District #3



Glen Massengale
District #4



William J. Shearer
District #5



Darrell Saunders
Attorney

Our Mission:
South Kentucky RECC was formed for people, not profit. Its mission is to reliably provide electricity and related services to its members at a competitive price, and improve the quality of life in its communities.

Our Vision:
South Kentucky RECC's goal is to become a cornerstone of ALL of our communities; to be recognized as an industry leader in service, professionalism, and competitiveness; and to be the energy provider of choice within our service boundaries.

2008 Statement of Earnings

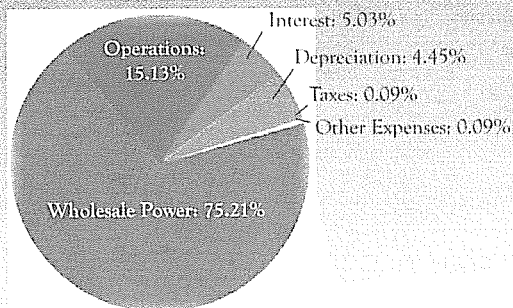
Operating Revenue	\$116,879,487
Cost of Electric Service	
Cost of Electricity Purchased From East Kentucky Power	\$87,103,118
Cost of Operating the Distribution System	\$17,516,417
Depreciation Expense	\$ 5,158,391
Interest Expense on Loans	\$ 5,820,569
Public Service Commission Assessment	\$ 102,734
Other Expenses	\$ 109,290
Total Cost of Electric Service	\$115,810,519
Gross Margins from Electric Service	\$ 1,068,968
Non-Operating Income	\$294,240
Net Margins (Deficit)	\$ 1,363,208

Balance Sheet As of December 31, 2008

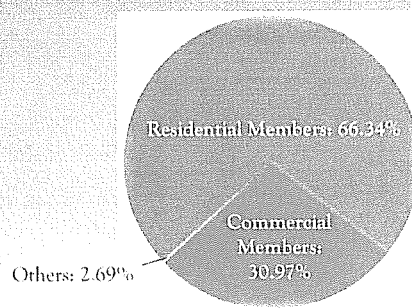
Assets:	
Total Poles, Wires, and Other Equipment	\$186,345,885
Less Accumulated Depreciation	(\$36,625,210)
Net Value of Poles, Wires, and Other Equipment	\$149,720,675
Investments in Associated Organizations	\$27,358,347
Cash	\$3,040,473
Accounts and Notes Receivable from Members	\$12,707,832
Material in Inventory	\$2,063,445
Prepaid Expenses	\$188,311
Other Assets	\$940,516
Total Assets	\$196,019,599
Liabilities and Members' Equity:	
Consumer Deposits	\$934,610
Members and Other Equities	\$53,136,813
Long-Term Notes Payable	\$110,271,676
Notes and Accounts Payable Owed to Vendors	\$24,800,603
Other Liabilities	\$6,875,897
Total Liabilities and Members' Equity	\$196,019,599

2008 FINANCIAL INFORMATION

MAJOR COSTS



REVENUE SOURCES



WELCOME MEMBERS AND GUESTS

- Big thanks for the performance of Jason Catron for his gospel music performance. Jason's hometown Monticello, Kentucky and son of Mayor of Monticello, Kenneth Catron and his wife, Betty.
- Welcome all members to the 71st South Kentucky RECC Annual Membership Meeting.
- I would like to welcome many guests we have in the audience. (List Attached)
- This is one of the largest electric cooperatives annual meetings in the country. We always look forward to this event and the opportunity to show the members our appreciation for your business and for giving us the opportunity to serve you for the past 71 years.
- Publically want to thank all our very dedicated employees (Kelly green shirts) for their work in preparation for this meeting and throughout this past year.

REMEMBER OUR TROOPS AND VETERANS

- Each year I remind everyone to please remember all of our active troops and veterans. It is the dedication and service of these individuals and their families that allows us the freedom we enjoy today. We should never take our freedom for granted.

**PRESENTATION OF COLORS, NATIONAL ANTHEM,
AND INVOCATION**

At this time we have a special presentation by our very own South Kentucky RECC Lineman.

Please stand for the presentation of colors and remain standing for the National Anthem, performed by Jason Catron, and the invocation by South Kentucky RECC Director, Charles Gore.

South Kentucky RECC Lineman:

Glen Barney Singleton
Jon Slavey
Dennis Reynolds
Chris Cain
Jack Willis

Eddie Black – American Flag
Bart Adkins – Kentucky Flag

INTRODUCTION OF BOARD OF DIRECTORS

- I would like to extend my thanks to the 7 Board of Directors, who represent this membership. They are very dedicated and have the best interest of our members at heart.

- INTRODUCTION
 - Board Chairman/District 6 – Resides in McCreary County
 - Rick Stephens and his Wife Patti

 - Vice Chairman and our Representative to the KAEC Board/District 2 – Resides in Russell County
 - Charles Gore and his Wife Louella

 - Secretary/Treasurer and our Representative to the EKPC Board/District 7 – Resides in Casey County
 - Tom Estes and his Wife Teresa

 - Board of Directors Members
 - District 5/ - Resides in Clinton County
 - William Shearer and his Wife Barbara

 - District 4/ Resides in Wayne County
 - Glen Massengale and his Wife June

 - District 3/ Resides in Northern Pulaski
 - Jerry Purcell and his Wife Sue

 - District 1/Resides in Southern Pulaski

- John Pruitt and his Wife Carol
- Board Attorney
 - Darrell Saunders and his Wife Susan
- My Wife – Patti Anderson
- Please join me in expressing our appreciation for the many hours of dedication these men and ladies contribute to making South Kentucky RECC the GREAT electric cooperative it is today.

INTRODUCTION OF THE MODERATOR

- Darrell Saunders – Coop Attorney
 - BUSINESS MEETING BEGINS
 - Moderator Declares a Quorum Present
 - 1% of Members = 536
 - Reads Official Notice and Proof of Mailing
 - Reads Minutes of 2008 Annual Meeting, or Hears Motion to Dispense with Reading of the Minutes
 - Presents Financial Report
- CEO's Report
- ADJOURN BUSINESS MEETING

CEO REPORT 2009

I plan to touch briefly on items from Our 2008 Annual Report which was in the May 2009 Issue of Kentucky Living

Take the time to review that report and if you have any questions or need additional information please contact me at the Somerset Office.

FINANCIALS for 2008

- Total Operating Revenue \$116,879,487
- Cost of Purchased Power \$87,103,118 75.21%
- Total Assets \$196,019,599
- Net Margins \$1,363,208.00
- 2008 Budgeted Margins \$1,400,000.00
- We feel 2008 was a good year considering the state of the economy.
- We met budget and all our financial requirements with a solid \$1,363,208.00 margins.
- We experienced very good growth in KWH sales and in the number of accounts served primarily due to the addition of the 3400 member Monticello Electric Plant Board purchase in December of 2007. Without that purchase our growth would have been about $\frac{3}{4}$ % in accounts served and basically flat in kWh sales.

- We know everyone is feeling the pressure financially from the economic conditions of this country. We are doing everything we can to hold costs down and to be as helpful and compassionate as possible with all of our members during these times.
- We know the cost of electricity is everyone's concern. We will continue to do everything we can to provide reliable service while controlling cost.

CLIMATE CHANGE

- One of the biggest threats we are faced with in holding the cost of electric rates is the new climate change legislation being discussed in Washington.
- This bill includes very aggressive emission reduction of carbon dioxide (CO₂) of 20% below 2005 levels by 2020.
- One source of many sources of CO₂ comes from the burning of coal.
- Kentucky receives 95% of its electricity from coal fired plants.
- Many improvements have been and continue to be made to improve the coal fired plants and lower emissions from those plants.
- EKPC now has two of the cleanest coal burning plants in the nation.
- We are very committed to a clean environment but we must go about this task in a way that is affordable and allows for new technology to be developed to allow us to continue to use Kentucky's most valuable resource – COAL.
- The climate change legislation has the potential if we don't take action to raise the average electric bill of all Kentuckians by 26% - 68%.
- We know this tax would be devastating to all of us.

- Please visit TENT #7 – Our Energy, Our Future Booth – and sign a card of support for a more reasonable and affordable climate change bill

STIMULUS PROGRAMS ON ENERGY EFFICIENCY

- South Kentucky RECC is being very proactive to partner with various local governmental bodies to make applications of requests for stimulus dollars to help our members improve their homes by making them more energy efficient. We hope to be successful in bringing some of these dollars to you and we will keep you informed as this develops. Review the JUNE issue of Kentucky Living for more details on the stimulus programs.

RELIABILITY

- South Kentucky RECC was very blessed not to have any major storms in 2008.
- Especially blessed that the February 2008 Ice Storm, basically, missed us while most all of our neighbors were devastated with damages.
- We sent most of our work force to assist our neighbors to restore their power.
- Some people were without power for 4 weeks.

AUTOMATED ANSWERING SYSTEM/IVR

- South Kentucky RECC continues to improve our service and reliability by completing in 2008 the purchase and installation of a new automated answering service to make it possible to take larger volumes of calls during emergencies.
- We answer as many calls as we possibly can with our employees, but all over flow goes to the automated system.
- With this new system we increased from 13 incoming telephone lines up to 105 total lines.
- The automated system will inform you if your outage is one that has already been reported and if a work crew has been assigned to it.
- This is the best technology available at this time to handle large volumes of emergency calls.

FACILITIES

- We provide full service office centers in our 5 centrally located office districts.
- These facilities have all been upgraded beginning in 2006 to provide all the services necessary to meet the needs of our members.
- The Somerset Office is still in the final review stages with our hope and expectations to have it completed over the course of the next two years

**LINEMAN TRAINING SCHOOL/HIGH GROWTH
TRAINING CENTER**

- It is up and operational.
- There have been 50 students that have received certification for completing either phase I or phase II of the IV Phase Training Program.
- 23 of the 50 students who have completed the program have already become employed
- South Kentucky RECC is proud to have been one of the founding partners in this project.

ECONOMIC AND COMMUNITY DEVELOPMENT

- South Kentucky RECC continues the commitment to our local communities.
- We continue to help our communities by providing support in economic development and job creation. We know as these communities grow and prosper so will South Kentucky RECC and its members.

Thank you – again – for your attendance and we look forward to serving you in 2009!

INTRODUCTION OF SPECIAL GUEST

- INTRODUCTION
 - Ron Sheets President/KAEC and UUS
 - Bob Marshall/President & CEO/EKPC
- SPECIAL PRESENTATION
 - Ron Sheets – KAEC and UUS 31 Years
 - Bob Marshall – 39 Plus Years in Utility Industry
- 2009 SENIOR SCHOLARSHIP RECIPIENTS PRESENTATION
- 2009 WASHINGTON YOUTH TOUR WINNER RECOGNITION
- PRIZE DRAWINGS – DENNIS CANNON – YOU MUST BE PRESENT TO WIN
- FEATURED ENTERTAINMENT – CARL HURLEY
- CHILDREN’S ENTERTAINMENT
- (CHILDREN’S RIDES AND FACE PAINTING WILL BE TAKING PLACE ON THE MEETING GROUNDS THROUGHOUT THE EVENING)

Exhibits
1-30

2003

ANNUAL REPORT
South Kentucky Rural
Electric Cooperative

1938

1958

BUILDING FOR THE FUTURE...

1978

1998

2018

A supplement to *Kentucky Living*

2038

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SKRECC: BUILDING FOR THE FUTURE...

In this year's annual report, South Kentucky Rural Electric Cooperative has a major announcement to make: the co-op is moving.

All five South Kentucky RECC buildings, including the central office in Somerset and the district offices in Whitley City, Russell Springs, Monticello, and Albany, will be replaced over the next 18 months or so by new, more modern, and more convenient facilities—*built in the same communities*—that will carry the co-op into the dynamic years of growth and technological advancement that lie ahead.

The decision to undertake a project that includes purchasing real estate, building new structures, and moving staff in five places did not come easily. However, once the board of directors and co-op management had examined growth trends and indicators for the co-op's future, the conclusion was irrefutable: inevitably, South Kentucky RECC must grow to serve a membership that is rapidly increasing, and expansion of the current facilities no longer is feasible.

The main office in Somerset was constructed in 1951. There have been seven additions to the building since then, and the co-op has also developed the yard to accommodate more trucks, more storage space for more equipment, more parking for staff, and a higher volume of traffic at the drive-up windows. The Somerset property

has simply run out of room.

The district offices face similar problems on a smaller scale. Plus, demands on those buildings have increased as SKRECC has decentralized services in order to be more responsive to the needs of members throughout the 13-county territory. Line-construction and line-maintenance workers, material warehouse facilities, pole yards, transformer docks, member services representatives, and billing clerks now can be found in the district offices.

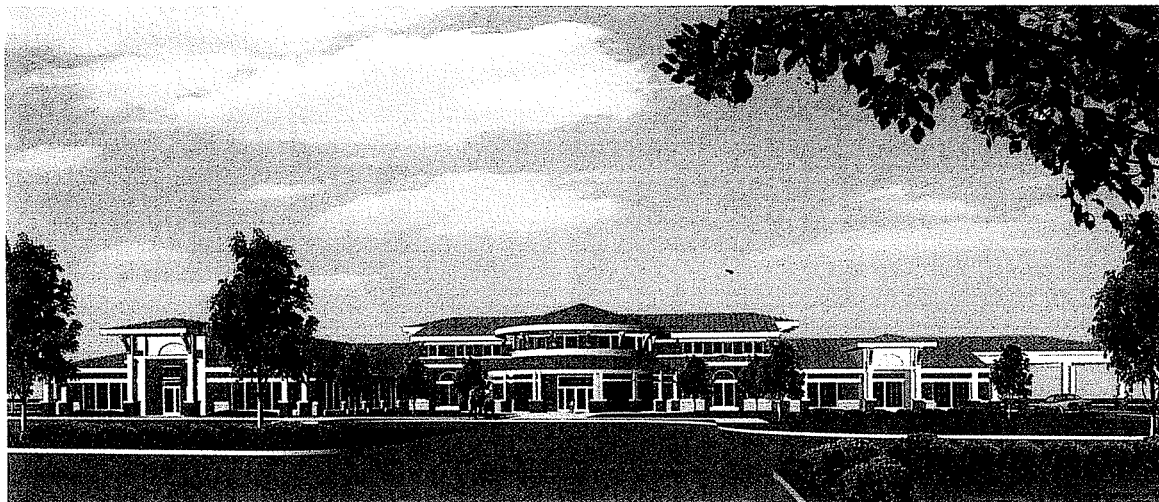
In summary, growth for South Kentucky RECC is a fact of life, and the co-op must upgrade and modernize to keep up with the demands.

The space problem has been gradually worsening for years, but to get a better sense of what the future holds, the board of directors hired a consultant in October 2002 from the National Rural Electric Cooperative Association in Arlington, Virginia. The consultant analyzed the co-op's history, and applied regional demographic information to project membership growth over the coming 20 years. He then compared the results with present staffing and office resources.

Here's the story they told.

In 1951, when South Kentucky RECC moved into its headquarters on Main Street in Somerset, co-op membership stood at 10,178 farms, homes, schools, stores, and businesses. Fifty years later (2001), Lake Cumberland had made south-

Design of the proposed new South Kentucky RECC office to be located in Somerset.



central Kentucky something of a destination area, there was more industry in the area, and population had expanded. The co-op had grown by more than 500 percent, to include 56,857 members. SKRECC employed 156 full-time workers.

The consultant then projected forward to 2018.

"The consultant's report says that by then we'll have 82,000 consumers and 205 to 215 full-time employees," says South Kentucky CEO Allen Anderson. "The present facility wasn't even designed to accommodate a company of the size we are today. We've stretched our usage here as far as we can stretch it, and we've got a lot of growth ahead of us."

Growth isn't the only reason that the co-op needs new offices. Technology has changed. In 1951 it was telephones and typewriters. Today it's multiple phone lines and extensions, scores of computer stations, Internet and intranet cable, and the technology that supports advanced systems like global positioning (GPS) and South Kentucky's state-of-the-art outage-management system, which was installed in 2003.

"With older facilities like we have, it's harder and harder to adapt them to new technologies," says Anderson. "They're not wired for it, and not laid out and constructed in a way that you can keep adding more systems and connections."

These technologies are not frivolous investments. They are necessary for the co-op to provide the electric services and rapid response modern consumers expect. This isn't the South Kentucky RECC of 1951—and just

as important, today's co-op isn't the South Kentucky RECC we will see in 2018. That was an important part of the board's thinking.

"We are not only responsible for the co-op's operations today, but we're responsible to the co-op and its members in the years ahead," says Anderson. "We're member-owned, and we're not going anywhere. These new facilities represent a strong affirmation of our commitment to our communities to be a cornerstone in these communities and our commitment to continue improving services for our members."

The new buildings will also improve South Kentucky's ability to perform one of its oldest, most traditional functions: providing community rooms that are available to local groups and organizations.

"We've provided this service for about as long as the co-op has existed," says Anderson. "It reflects our vision of the

co-op as being a functioning, central part of the community, rather than just a business that happens to be located here. But these rooms have become inadequate for many of the functions people want to use them for, and the parking isn't adequate. Consequently we've had to restrict those rooms to after-business use.

"That's one of the many things that will change for the better as we move into new facilities."

Financing the project

Purchasing real estate in five locations and constructing five office/warehouse complexes will be a costly investment. The board of directors has projected total costs at about \$15 to \$18 million. Some savings will be realized through efficiencies, by doing the projects all at once.

An undetermined portion of project costs will eventually be recouped by selling the current properties. These include not just the buildings in Somerset, Monticello, Russell Springs, Albany, and Whitley City, but the 65-acre co-op "farm" in Pulaski County where

South Kentucky RECC holds its popular annual meetings. There will be enough acreage at the new Somerset site to stage the family-oriented annual meeting there, as well as being available year-round for community use and other outdoor events.

"Financially," says

Anderson, "we felt this was the best time to get this project under way, because interest rates are unusually low, and we must plan ahead to service future needs."

South Kentucky RECC has not raised members' electric rates since 1989. No rate increases are anticipated for at least two years, and possibly longer. The debt structure, money recouped from property sales, and the co-op's financial health will enable the co-op to undertake this project with minimal impact on consumers.

Look for ongoing information on the co-op's construction projects in public places, such as libraries, in *Kentucky Living Magazine*, and in local newspapers. SKRECC has held community meetings in recent months, which included informing people about this newly planned and important project, and will continue to do so. As this project progresses, members will be given the opportunity

"We are not only responsible for the co-op's operations today, but we're responsible to the co-op and its members in the years ahead"
--Allen Anderson, CEO

T O D A Y

to see what has taken place and will also be given the opportunity to comment on the project.

Groundbreaking at all five locations is expected this summer. District offices may actually be completed in 2004. Completion of the main office and warehouse complex is expected sometime in 2005.

The People Fund

February saw the introduction of a new program for South Kentucky RECC—The People Fund, which provides co-op members a way to contribute, with just the smallest of sacrifices, to the well-being of their communities.

The People Fund pools voluntary contributions from co-op members to make grants to non-profit organizations doing humanitarian or charitable work in South Kentucky RECC's service territory. Local organizations will apply to an eight-member board that will administer the fund, and the board members will choose where the grants might have the greatest impact. Certain rules govern the board's decisions. For example, the fund will not make contributions toward people's electric bills; and all contributions will go to local causes. (While fund recipients normally will be community groups or organizations, the board will consider donations to families or individuals who have suffered a catastrophic illness or household disaster.)

Perhaps the most appealing aspect of the fund is the way co-op members can contribute to it. They can do so merely by authorizing South Kentucky RECC to "round-up" their monthly electric bills to the next-higher dollar. In some months, that could be as little as a penny. For example, if the normal tally for your electricity usage came to \$78.99, the co-op would send you a bill for \$79 and donate the extra penny to The People Fund.

At most, your contribution in any month would be 99 cents. Most contributions would fall closer to the middle.

The beauty of this system is that if enough South Kentucky RECC members join The People Fund program,

their small, almost unnoticeable contributions can add up. With a co-op membership now approaching 60,000, monthly contributions to the fund could reach some \$15,000 if only half the members joined up (assuming an average contribution of 50 cents). Even with the relatively small grants contemplated by The People Fund board—perhaps \$5,000 at most—it's enough money to make a difference in people's lives.

That's why the slogan for The People Fund is "Change for Change."

"Great things can be accomplished for less than the price of a cup of coffee each month," says Ruby Patterson, South Kentucky's Member Services and Marketing Team Leader, who sits on the fund's eight-member board.

Local, charitable giving is a practice encouraged by Touchstone Energy, a national alliance of rural electric cooperatives, which South Kentucky RECC joined in 1997. It is also central to the Cooperative Principles adopted in 1995 by the International Cooperative Alliance.

The first South Kentucky RECC member to sign up for The People Fund was CEO Allen Anderson. The co-op's board of directors and more than 100 co-op employees quickly followed suit.

Says Anderson, "We feel we have a special responsibility that goes beyond our main purpose, which is providing low-cost, reliable electric service. The People Fund is an excellent way to help those in need. None of the money collected for The People Fund goes into operations. The administrative and operational costs of the program are covered by SKRECC through its already internal overhead. Every dime of that money will go back into our communities."

The co-op established a non-profit tax-exempt corporation, the South Kentucky Rural Electric Trust, to administer the program (donations to the fund are tax-deductible). The directors of the Trust include several South Kentucky RECC member-services representatives, whose jobs at the co-op provide them insight each day into things that are happening in the community.

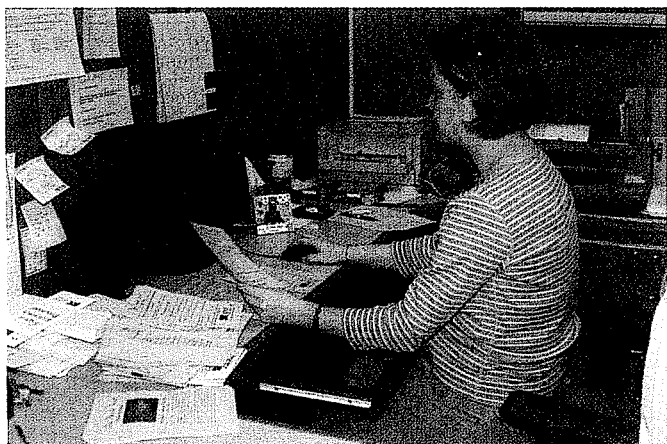
It will take time for word to get out about the fund, for its membership to grow, and to accumulate significant resources. Once established, fund directors will meet quarterly to review grant applications and approve donations.

Members interested in signing up for The People Fund are encouraged to contact South Kentucky RECC. Organizations that believe they might qualify as grant recipients are encouraged to inquire.

Your Co-op Electric Rates

When industry officials coined the term "too cheap to meter" in the 1960s, they were talking about nuclear-generated electricity. As everyone knows, nuclear energy never lived up to the claim.

Electricity is not free, and cannot be. The infrastructure required to generate power, transport it long distances over high-voltage transmission lines, reduce the voltage at substations, and distribute it to homes, farms, schools, businesses, and factories represents a massive public and private investment. (In September and October of 2003, South Kentucky RECC presented a two-part series in *Kentucky Living*



Auburn Cook, Marketing Records Coordinator, enters some of the nearly 1,200 People Fund forms received in the past month.

titled "Where Power Comes From," which described the enormous job of making sure the system is ready when you flick on your lights.)

Time and experience have shown that the best deal, financially, for electric power is not nuclear energy, but coal. And the places with ready access to this fuel are the places with the lowest-cost power.

More than anywhere else in the country, that place is Kentucky. The Bluegrass State has the lowest electric rates in the United States.

At last count (and depending *how* you count) there were some 34 electric utilities operating in Kentucky, including rural electric co-ops, investor-owned utilities, and municipal utilities. The average residential electricity rate among all those utilities, as of August 2003, was 5.8 cents per kilowatt-hour (kWh). No other state was lower than 6 cents/kWh (the lowest were Washington and West Virginia, both at 6.2 cents).

But what about South Kentucky RECC? Where do its rates fall, in comparison to Kentucky's 30-some other utilities?

Your co-op's present residential rate average is 5.6 cents/kWh, which ranks South Kentucky in the lower one-third of electric cooperatives in the state. This represents a significant accomplishment, because it is hard for a rural electric utility to maintain low rates. Building and maintaining an electric distribution system in rough and remote terrain, where rights-of-way go across mountains and through forests, where power lines are highly susceptible to damage, and where there are fewer farms, homes, and businesses to defray the costs, puts co-ops at a financial disadvantage. On the other hand, co-ops don't have to build in a profit margin for investors.

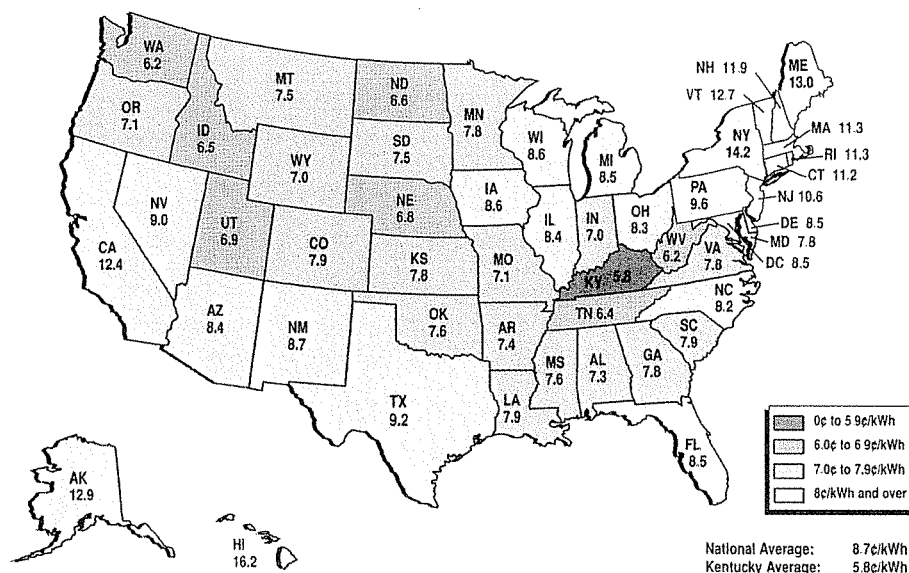
South Kentucky RECC, therefore, provides residential electricity at rates that compare favorably within Kentucky. And Kentucky has the lowest rates in the nation.

This is why, when people express concern about their electric bills, South Kentucky RECC has two responses. The first is to ask people to consider their consumption. The second is to offer home energy audits to help members figure out whether they are inadvertently wasting power because of deficiencies or problems in their home energy systems.

Consumption: The average co-op member today uses 35 times as much electric power as our predecessors in 1940. This is not surprising, considering the many new uses we have for electricity. In 1940 the average South Kentucky RECC member consumed 32 kWh per month. By 2003 average monthly residential usage had climbed to 1,130 kilowatt-hours.

Kentucky's Residential Electric Rates Rank Lowest In The Nation*

THE NATIONAL AVERAGE IS 50% HIGHER THAN KENTUCKY'S



*Source: U.S. Department of Energy Data, Estimated U.S. Electric Average Revenue per Kilowatt-hour, August 2003

South Kentucky RECC has not had a rate increase since 1989. Growth is the main reason the co-op has been able to hold the line against rate increases.

What has not increased, in the last 15 years, are South Kentucky RECC's electric rates. They have held fast since 1989. "It's not the price of electricity that's gone up," says CEO Anderson. "It's the consumption of electricity." Care and conservation in electricity usage can help people lower their electric bills.

Energy audits: South Kentucky RECC performs approximately 500 free energy audits each year. Audits frequently are triggered when someone calls to voice concern about a high electric bill. At other times people ask specifically for the service. The co-op employs four energy advisors, who visit homes (when invited) to examine the structure itself and the electrical equipment, talk to residents about their energy usage, and make recommendations.

South Kentucky RECC also offers the Button-Up program to help qualifying members make weatherization improvements, and Tune-Up, for refurbishing electric heating systems.

Even in Kentucky electricity costs money. As a member-owned cooperative, South Kentucky RECC is not interested in selling more power to increase profits, because "profits" don't exist for co-ops. Instead, the goal is to provide the best service at the lowest rates, and where possible, help members reduce their electric bills.

"We're trying to be the best stewards of our members' money that we can be," says Anderson. "That's been our role since the cooperative was founded in Wayne County in 1938."

It will continue to be South Kentucky RECC's goal for the years ahead.

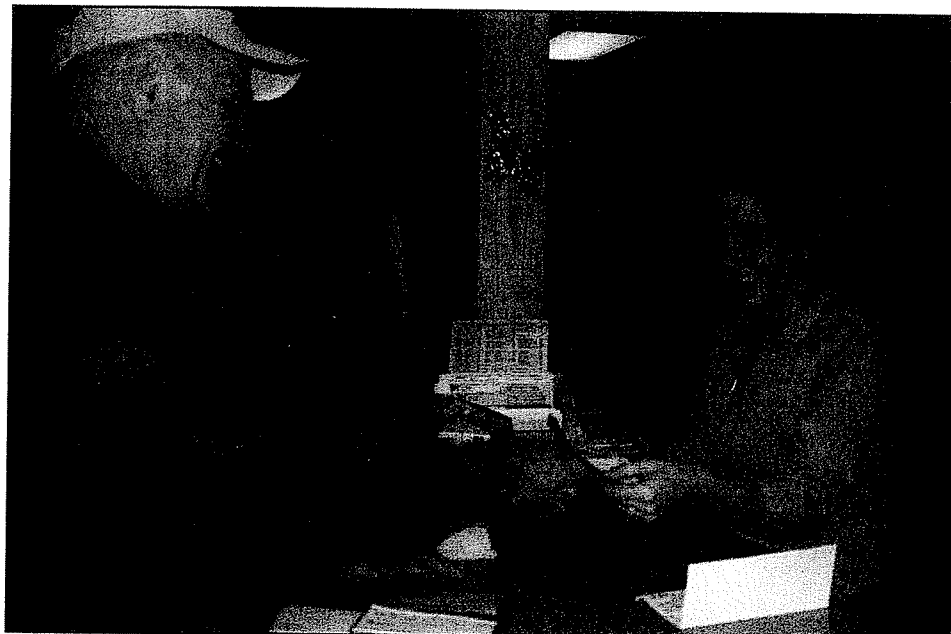
June 3, 2004

66th Annual Membership 2004 Meeting Agenda

- 5:00 p.m. Member Registration
- 6:00 p.m. Entertainment — The Calvary Echoes
- 7:00 p.m. Welcome Members and Guests — CEO Allen Anderson
Presentation of Colors — American Legion/Veterans of Foreign Wars
(Please stand for the National Anthem)
National Anthem
Invocation — Charles Gore, Director-District 2
Introduction of SKRECC's Board of Directors — CEO Allen Anderson
Introduction of Special Guests — CEO Allen Anderson
 Ron Sheets, President, Kentucky Association of Electric Cooperatives
 Roy Palk, President & CEO, East Kentucky Power Cooperative
Introduction of the Moderator (Co-op Attorney Darrell Saunders) of the Business Meeting — CEO
 Allen Anderson
Business Meeting begins —Darrell Saunders, Co-op Attorney
- Moderator declares a quorum present.
 - Reads official notice and proof of mailing.
 - Reads minutes of 2003 Annual Meeting, or hears motion to dispense with reading of the minutes.
 - Presents financial report.
 - Reads Nominating Committee Report on the election of board members for Districts 4 and 7. The following have been nominated:
 - District 4...Glen Massengale
 - District 7...Tom Estes
- New Business:
 CEO's Report—Allen Anderson
- Old Business
- Adjourn Business Meeting
- 2004 Senior Scholarship Recipients Presentation
- 2004 Washington Youth Tour Winner Recognition
- Prize Drawings* — Dennis Cannon *You must be present to win.
- Featured Entertainment — Mel Tillis
- Children's Entertainment — Rick Arnold, children's rides, and face painting
(this will be taking place on the meeting grounds throughout the evening)



Mel Tillis



Delivering The

Best



SK South Kentucky
RECC
A Touchstone Energy Cooperative

**Annual
Report
2004**

SKRECC: Del

A well-managed company puts the interests of its customers first. Without their support any success is fleeting, so decision makers put themselves in their customers' places and ask themselves, "How would this decision affect me and my family?"

This is where South Kentucky Rural Electric Cooperative Corporation has an advantage.

"We don't have to try to guess how decisions would affect us," says Chief Executive Officer Allen Anderson. "We know firsthand. The majority of our employees, the Board of Directors, all of the management staff, and I, myself, are members of this cooperative and are served by it just like it serves all the other members. We pay the same price for our electricity as each member does. Every decision affects us in exactly the same way it affects the 60,000 homes, farms, schools, factories, offices, and businesses that buy their power from this electric cooperative."

Your 2004 Annual Report is about "Delivering the Best"—the best RATES, the best MEMBER SERVICES, the best in electric RELIABILITY, and the best COMMUNITY SERVICES, all brought to you by the best electric utility EMPLOYEES. The BEST is a lofty goal, but we strive to reach it every day at South Kentucky RECC.

And we don't have to imagine how important reliable, affordable electric power and support services are for our members. We know it—firsthand.

Delivering the BEST: RATES

Because you live in Kentucky (or, for our members in Tennessee, because you are served by an electric co-op in Kentucky), you have the BEST electric rates in the nation. Kentucky's average residential rates are *less than half* the average residential rates in California, New York, and the six New England states, and well below those of most other states.

Within Kentucky itself, South Kentucky RECC's rates almost perfectly match the statewide average. This is an accomplishment, because rural utilities have higher per-

capita costs than those serving the state's population centers. Urban utilities may serve hundreds of customers per mile of line. This is called "density," and it matters because high density means more people sharing the cost of the electric infrastructure. At South Kentucky RECC, our density is 9.4 members per mile of line.

Urban utilities also counterbalance their residential accounts with large commercial and industrial accounts. Factories and commercial centers reduce rates for everyone because they use large amounts of electricity and the revenues they provide help offset more of the power company's costs of doing business.

South Kentucky RECC has commercial and industrial accounts, too, and they are very important members of our co-op. Dennis Holt, a veteran employee of the co-op, has the responsibility of making regular visits to these accounts to make sure we are meeting all their needs. We also have our own Economic Development office, ably led by SKRECC contract employee Bennie Garland, to recruit and support more of these accounts—not only because they are a large customer of the co-op, but because they provide jobs and stimulate economic growth in our area.

Still, we are primarily a residential co-op: 92.3 percent of our membership is residential, with 6.5 percent commercial and industrial (the balance consists mostly of street and highway lighting). Yet this small minority of commercial/industrial accounts provides 29 percent of our revenue, because most commercial accounts are large users of electricity. Without them, our residential rates would have to be higher.

On the "expense" side of the ledger, it is important to note that more than 70 percent of South Kentucky RECC's total costs of electric service are for "purchased power"—mostly, power generated and sold to us by East Kentucky Power Cooperative (EKPC).

As our membership has grown—we presently deliver electricity to 60,515 meters in rural areas of 11 Kentucky and two Tennessee counties—we have developed an extensive infrastructure of electrical distribution equipment. Based in Somerset, we also operate four district offices and maintain

"The Board of Directors and all of our management staff are members of this co-op, too. We pay the same price for our electricity, and every decision affects us in exactly the same way it affects all the members."

Allen Anderson, CEO

Delivering the Best

6,407 miles of power line and its rights-of-way. (To put that in perspective, if South Kentucky's power lines were stretched end-to-end they would reach from Lexington, KY, to Anchorage, Alaska, and back; and with 30-foot-wide rights-of-way along much of our overhead system, we are taking care of more than 22,000 acres to prevent trees and other vegetation from causing outages.)

However, as large as our system has become, "operations"—line maintenance and construction, wages and salaries, operating a fleet of vehicles, building maintenance, taxes, property insurance, workers' compensation, health insurance, etc.—account for just under 20 percent of the co-op's costs. Interest, depreciation, taxes, and other fixed costs account for 10 percent.

Which means that 70 percent goes toward purchased power, and maintaining low rates requires controlling the wholesale power costs. As an owner/member of EKPC (along with 16 other Kentucky co-ops), SKRECC participates with the other member co-ops in making sure EKPC remains as a reliable economic source of power for our members.

"East Kentucky is a good power supplier," says Allen Anderson, "but we feel we are the member-representative there. Our purpose is to work for the best value we can attain for our members."

South Kentucky RECC has not had a base rate increase since 1989—there have only been some pass-through wholesale fuel charge adjustments. Besides working to control wholesale power costs, the two factors most responsible for that accomplishment are growth in our membership and growth in consumption.

However, since the terrorist attacks of September 11, 2001, growth and consumption have increased at a much slower rate, and realistically, significant growth in those areas cannot be solely relied upon to cover increasing expenses. And for another reason entirely—an "environmental surcharge" recently approved by the Kentucky Public Service Commission—the members of SKRECC and all other co-ops served by East Kentucky Power Cooperative will soon see an additional surcharge on their electric bills. The surcharge reflects additional costs of power production imposed by required measures to protect the air and environment. (We will present further information on the environmental surcharge, and its impact on SKRECC members, soon in these pages.)

While the surcharge—a line item on forthcoming bills—will raise members' costs, the co-op's own rates appear safe at least this year.

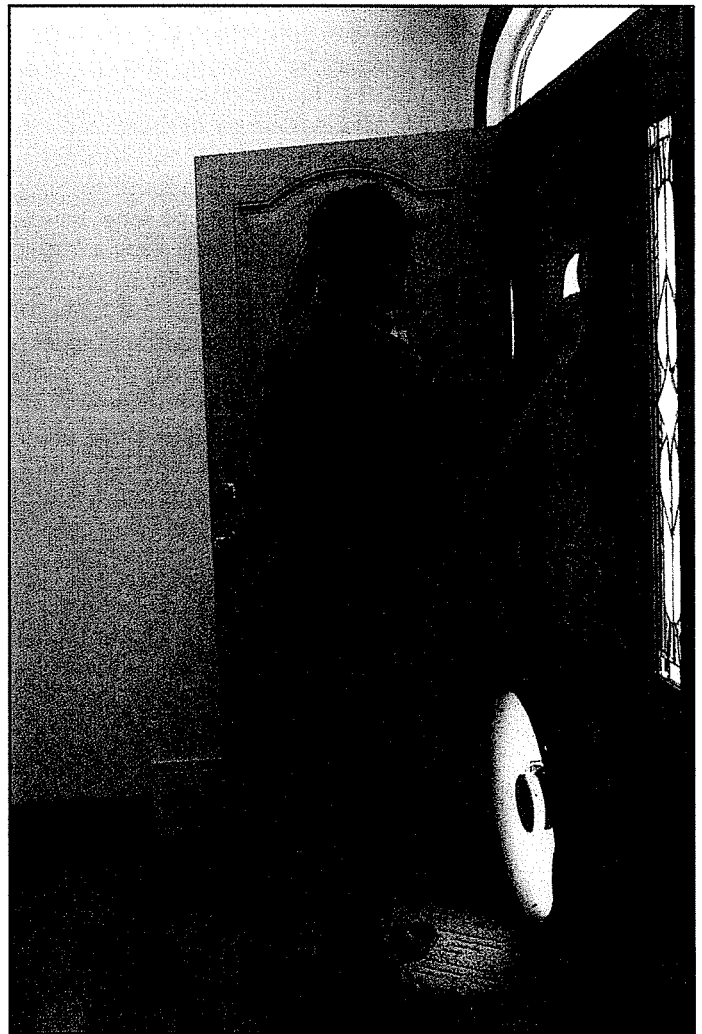
"We will hold the line in 2005, for the 16th year," says Anderson, "and we are trying hard to avoid a rate increase in 2006."

Providing the BEST in rates is your co-op's primary goal.

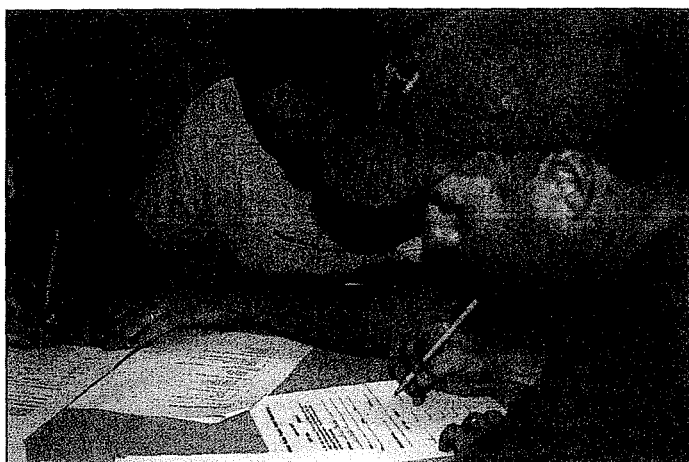
Delivering the BEST: MEMBER SERVICES

Investor-owned utilities (IOUs) are buying and selling each other in the international corporate marketplace, but South Kentucky RECC remains wholly owned by its member-owners. Delivering the BEST in member services means maintaining South Kentucky RECC's traditional close ties to the member.

IOUs close their field offices to cut costs; South Kentucky has actually been developing its district offices (in Whitley City, Monticello, Russell Springs, and Albany) to be more convenient and responsive to local members. Each office has a maintenance crew to repair and maintain



Part of SKRECC's BEST Member Service is helping members find ways to save electricity. Energy Advisor Jeff Girdler performs a blower door test that will determine the amount of air infiltration that this home is allowing.



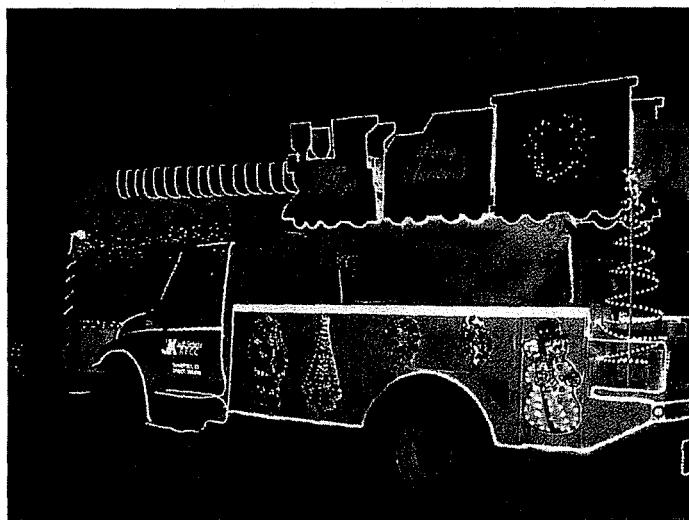
Part of SKRECC's BEST Employees includes ongoing training for linemen and others.

the lines and restore outages, member-services staff to help people with efficient use of electricity and billing concerns, and a warm, friendly, personable cashier for convenient bill paying. Members can also conveniently use the night deposit boxes at each location, or pay online, by mail, by bank draft or credit card draft, and by phone with a credit card.

The BEST member services also include FREE member services. SKRECC offers no-cost energy audits for homes and businesses, and high-bill audits to help people learn why their electric bills have risen and take corrective measures. These services sometimes result in the member's enrollment in "Button-Up," a home-weatherization program that helps pay for energy-efficiency improvements, and "Tune-Up," which improves the operation of their electric forced-air heating units.

These and other demand-side management (DSM) programs help folks reduce their energy consumption resulting in a lower electric bill from their co-op. By the end of 2004, SKRECC had Buttoned-Up 1,624 members' homes, and Tuned-Up 1,359 homes. (EKPC shares in the cost of these DSM programs.)

No electric utility can completely prevent outages. South Kentucky RECC's response to this fact of life has been to



Part of SKRECC's BEST Community Service is participating in local parades.

upgrade its response capabilities and make sure members who are experiencing outages can reach us by phone to provide the information that helps our crews quickly make the necessary repairs.

Our Outage Management System (OMS) software organizes input from co-op personnel and from calls by members reporting outages. It helps dispatchers identify the areas affected, and can actually pinpoint devices on the lines—such as specific fuses, reclosers, and substation breakers—where problems may be occurring.

The Call Research Center (CRC) kicks in to provide added help when the co-op's own employees are experiencing a high volume of outage-complaint calls. CRC employees can field calls from SKRECC members and enter the information into the co-op's OMS database.

Even with CRC, South Kentucky's phone resources can become overwhelmed during severe and widespread outages. But with the addition of these cutting-edge technologies in 2003, SKRECC's member services rank among the BEST of any electric utility.

Delivering the BEST: RELIABILITY

However, providing the BEST in system reliability requires major efforts to reduce and manage outages, and also assure consistent power quality. To achieve this, a utility must know its system intimately, upgrade its materials, and maintain its right-of-way. It's a never-ending job.

SKRECC implemented a Geographic Information System (GIS) in 2001. Now, every pole, meter, and all elements of the system's infrastructure are precisely mapped. This assists South Kentucky RECC in maintenance, upgrading, planning, and outage response.

Utility equipment—from wooden poles to "conductor" (wires)—can become worn and outdated, and should be replaced. The co-op's 2004-2006 work plan earmarks some \$4 million for replacing wire and related materials. Reclosers, which restore the flow of electricity after momentary interruptions (avoiding prolonged outages), are serviced on a five-year cycle. Our linemen are now replacing some 3,700 outdated lightning arresters with a modern, more reliable design.

The co-op constantly revises its "sectionalizing" plans. By adding fuse points at precise locations, "sectionalizing" reduces the number of members affected by outages. Advanced sectionalizing, in conjunction with GIS mapping, translates to fewer people inconvenienced, and shorter outage durations.

South Kentucky RECC monitors every one of the thousands of power poles on its system. The PSC requires visual inspections every two years. The co-op adds a four-year cycle for more detailed inspection, including hammer soundings to detect rot, and minor repairs to the poles and attachments. Deteriorating poles are scheduled for replacement.

Finally, providing the BEST in system reliability also means maintaining a clear right-of-way (ROW) in those 22,000-plus acres of land. Overgrown ROWs lead directly to outages.

Lately, this job has been harder than usual. Kentucky's countryside was ravaged between 1999 and 2002 by the southern pine beetle infestation. To protect power lines, SKRECC employees and contractors felled 400,000 trees

weakened or killed by the insects. More recently, Kentucky has experienced unusual amounts of precipitation (2004 was the second-wettest year in recorded history); as a result, SKRECC has had to pour more resources and manpower into ROW maintenance, sometimes going back to places that were cleared just months earlier. Under these pressures, the co-op is trying to compress its eight-year reclearing cycle to six years.

South Kentucky RECC spends \$2 million-plus a year on ROW maintenance, and Chief Operating Officer Carol Wright says it's money well-spent. Wright, who worked for two of the state's largest electric utilities before coming to South Kentucky, says, "From my experience, SKRECC's right-of-way program is the BEST and most effective I have seen."

Delivering the BEST: EMPLOYEES

In all respects, Allen Anderson says, South Kentucky RECC *strives* to be the best it can be. But when it comes to employees, Anderson has no doubts.

"We've got the BEST," says the CEO. "Since we are member-owned, we try to hire people who really care about the members, and care about providing the services members need. We feel we have been successful in doing that."

Longevity speaks volumes. SKRECC has a staff of 156 employees. Among them, they have approximately 2,600 years of co-op experience! The average employee has been with the co-op for 17 years.

South Kentucky RECC revised its employment practices a few years ago, replacing departments with a team concept and empowering this very experienced group of workers to make judgments and decisions on their own. The administration and Board of Directors believe this model encourages creativity, employee responsibility, efficient problem-solving, and, most importantly, better, quicker service to the member.

SKRECC actually has nine fewer positions than in recent years. Technology enables the company to serve its growing membership and infrastructure with fewer employees, yet the co-op must be sufficiently staffed to maintain standards of service excellence.

Thankfully, this balancing act is made easier by having the BEST, most proven and committed co-op employees.

Delivering the BEST: COMMUNITY SERVICES

Wherever you go in SKRECC's 13-county service territory, you'll find co-op employees providing the BEST community services through their personal involvement and commitment.

An electric utility has a unique responsibility to help communities and citizens use electricity safely. Our representatives can be found in schools, teaching youngsters about electric power, safety around wires and outlets, and the safe use of appliances. We train fire departments and rescue services whose personnel could be first on the scene at an emergency where power lines pose a potential hazard.

The co-op sponsors student trips to Frankfort, KY, and Washington, D.C., and awards college scholarships to high school seniors everywhere *our power lines reach*. We support other organizations that are improving life in the area, such as the Air Evac Lifeteam in Albany (SKRECC members qualify for discounts with the emergency helicopter service). South Kentucky RECC donated appliances and a cell tower to



Part of SKRECC's BEST Employees is assisting other co-ops during major outages. Employees, above, went to Florida last year to help with hurricane relief.

Foothills Academy in Clinton County, a residential treatment facility for at-risk teenage boys. SKRECC's Community Development office is one of its most significant services, providing know-how and technical assistance to businesses and industries seeking to bring jobs and other benefits to the area.

Our employees also do their part in community service—some of which is on their own time. They are members of local chambers of commerce, service clubs, historical societies, educational programs; they organize and participate in county fairs and farm days, fund-raisers for cancer research and heart disease, the United Way, the March of Dimes, youth sports leagues, and the Master Musicians Festival. Together, they create floats and exhibits to represent the co-op in parades and other events throughout our 13 counties.

They do all this in the pursuit of another "BEST": helping the cities, towns, and neighborhoods where our South Kentucky RECC members live and work to become the very BEST communities they can possibly be.



Part of SKRECC's BEST Community Service is participating in programs such as a food drive for God's Food Pantry.

2005

A Year of
Helping Our
Neighbors,
Working
Safely,
and
Building for
the Future

**Annual
Report
2005**



It has been an eventful year for South Kentucky Rural Electric Cooperative Corporation – a year that reveals we have much to be thankful for. Our neighbors in Louisiana and Mississippi suffered a devastating storm, Hurricane Katrina, which claimed hundreds of lives, destroyed thousands of homes, separated family members, cost people their jobs and livelihoods, and reduced their electric systems to tangled piles of poles and wires.

Meanwhile, we at South Kentucky RECC got through our 68th year as a rural electric co-op without so much as a major outage-causing storm.

We sent help to the stricken Gulf Coast area. Two different crews, a total of 23 men, and a three-man chainsaw crew spent two weeks each in Taylorsville, Mississippi, helping Southern Pines Electric Power Association put its system back together. Southern Pines is a co-op of 60,000 members, some 40,000 of whom were without power following the storm. Of course volunteers of all kinds, from all over the country, went to the aid of the people and communities battered by Katrina. But electric co-ops are uniquely prepared to help each other

bill of every resident, farm, store, school, factory, or office served by those 16 Kentucky co-ops. This new charge is in addition to the fuel adjustment clause, which has been a part of your electric bill since the 1970s.

These charges were fairly significant – around \$10.00 per month, on average, for the residential consumer. But we live in Kentucky, which customarily has either the lowest or the second-lowest electric rates in the country (that distinction sometimes changes back and forth between Kentucky and West Virginia), and so \$10 is a larger percentage of the average electric bill here where base rates are lower than it would be in other states where base rates are higher.

Yet those are costs that must be paid. To meet mandated federal clean air standards, EKPC has invested more than \$200 million in technology to decrease sulfur, nitrogen, and particulate emissions from the burning of coal. The company, which is cooperatively owned by South Kentucky RECC and the other distribution co-ops it serves, has installed precipitators to capture and contain ash before it can escape through the flue stacks at all three of its coal-burning plants –

2005: A Year of Helping Our Neighbors, Working Safely, and Building for the Future

because they generally build to the same standards, using comparable equipment and techniques, as required by the federal Rural Utilities Service. So the hurricane tragedy touched our lives here at South Kentucky, as it did in one way or another for most Americans.

But we also must acknowledge in this annual report events in the past year, and in the coming year, that will have a more direct effect upon our members. These “events” have to do with your monthly electric bill. Compared to hurricanes and floodwaters, an increase in electric costs is a totally different kind of concern. We all know that electricity is a necessity in modern life and it is critically important for us to keep electric rates as low as possible while providing good reliable service.

That was the case in 2005, when the Kentucky Public Service Commission (PSC) authorized East Kentucky Power Corporation (EKPC), which provides wholesale power to South Kentucky RECC and 15 other electric distribution co-ops, to add a new environmental surcharge to the monthly

including, locally, the John Sherman Cooper Power Station in Burnside – and advanced technologies such as selective catalytic reduction (SCR) units for reducing nitrogen oxide emissions. But further investments will be necessary.

Power-generation companies in Kentucky have had the option of imposing the environmental surcharge, subject to PSC approval, since 1993. EKPC resisted, until continuing to absorb these costs became unmanageable. So as of August, the new environmental charge began appearing on the electric bills of the 474,000 retail customers in 89 Kentucky counties (plus a few in Tennessee) served by the co-ops that get EKPC power. For the co-ops, including South Kentucky RECC, the charges are a “pass-through,” which means that part of our members’ payment gets forwarded, in its entirety, to EKPC.

However, that is not the case with the next increase you will see. In November, South Kentucky RECC reached the painful conclusion that we had no choice but to ask for a rate increase, after holding steady for an amazing 17 years without an increase. This increase, too, will be modest – 9% for

residential members. We know, first hand, what this will mean to our members, because all of the directors of this co-op, and the vast majority of its employees, are South Kentucky members, too, and pay the same electric rates as everyone else.

If the regulatory process proceeds as expected, the new rates will show up on members' bills at the end of the summer, possibly August or September.

Business costs multiply

No one with bills to pay needs to be told how the cost of everything has gone up since 1989 -- everything, that is, except retail electricity if you are a member of South Kentucky RECC. Two of the major cost increase categories for our co-op are property taxes (on buildings, lots, and electric infrastructure in 13 counties), which have risen 624 percent since 1989, and insurance (property and liability insurance, vehicle insurance, and workers compensation), up 500 percent between 1989 and 2004. Diesel costs for SKRECC's truck fleet are now 548 percent greater than in 1989.

All these increases include load growth, so a better example may be to share the unit price increases on the major components of your electrical service. For example, power poles have doubled in price, wire costs 63 percent more than in 1989, and transformers at least 25 percent more. We have been very fortunate to have experienced a lot of growth, which is great for the future, but expensive initially. By the end of 2005 our membership had grown to 61,696. Serving more people, and serving them better, requires building more electric infrastructure (poles and wires) and improving all our office facilities in Whitley City, Monticello, Albany, Somerset, and Russell Springs, so that we can provide more efficient and responsive services to folks in our most remote reaches of our service territory. But it is this growth that has helped us avoid a rate increase for 17 years because it lowered our per-capita overhead costs.

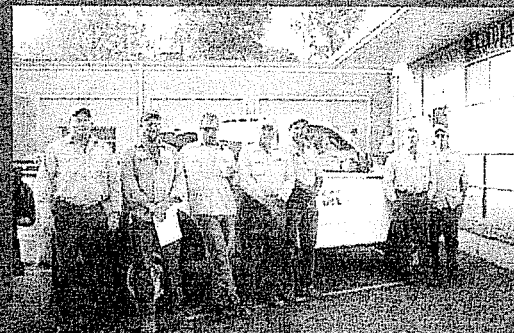
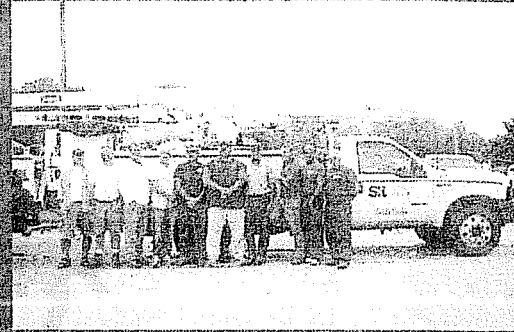
One major component of your cost is purchased (or wholesale) power. While wholesale power cost has been increasing to SKRECC, the cost we charge to our member has remained the same since 1989, helping to create the need now for the rate adjustment.

So last fall your Board of Directors concluded the time had become necessary to file for a rate increase. As South Kentucky RECC CEO Allen Anderson put it, "We're proud that in this day and time, with all prices of everything skyrocketing, we were able to go 17 years without asking for any base-rate increase. This is an accomplishment that not many companies can say; we managed the co-op carefully and delayed seeking an increase for as long as we possibly could, because we know how difficult it is for our members, both from a financial and competitiveness standpoint. But we have an obligation to run this co-op in a businesslike fashion, and we have responsibilities to our creditors. We've reached a point in time where we have no choice but to ask the state Public Service Commission for a rate adjustment."

How much will the increase be?

There will be two components to the coming electric-bill increase: a higher "customer charge," and rate increases (your cost per kilowatt-hour of usage) for nearly all rate classes.

All electric accounts have a monthly customer charge.



South Kentucky RECC sent several crews to Taylorsville, Mississippi to help with restoration efforts following Hurricane Katrina in 2005.

The flat monthly customer charge may vary from one rate class to another, but everyone within a rate class pays exactly the same customer charge each month. It reflects a return on the investment of the basic costs of providing the equipment necessary to get power from the electric lines to the customer's meter. Since 1989 that charge for a residential account has been \$5.60. The co-op now proposes to raise it to \$8, an increase of \$2.40 per month.

The kilowatt-hour (kWh) increase will be different for different classifications of service. Utilities divide their customers into several classes, such as residential (which include farms), small commercial, and large power. Some of these classes are divided into further sub-classes.

By far the biggest class served by South Kentucky RECC is residential. Ninety-two percent—or 56,955 of the co-op's nearly 62,000 meters—fit into this category. For them, the cost of a kWh of power will increase from .06111 cents (just over six cents) to .06461 cents (just under six-and-a-half cents per kWh). The average South Kentucky residential member uses 885 kWh per month. That member will pay, under the new rates, about \$2.49 more for the same amount of electric power.

The full increase will be a combination of these two factors: the \$2.40 customer-charge increase and the less-than-half-a-cent/kWh increase. If the PSC approves the adjustments SKRECC has requested, the total impact on an average residential consumer will be around \$5.50 per month or approximately 18 cents more per day.

It took the co-op four months to compile the documentation required by the Public Service Commission to make application for a rate increase. That included a meticulously researched cost-of-service study for each rate class so that the exact cost to serve each rate class could be determined. The research was conducted with the assistance of an outside consultant to ensure an objective analysis.

In the end, the PSC will allow rates that enable SKRECC to recover its costs and enough margins to pay the interest on the debt two times or a TIER of two. In keeping with the co-op's status as a consumer or member-owned nonprofit cooperative, your Board of Directors honors a present agreement with the PSC to return all revenues of the co-op in excess of a Two TIER to the members as a patronage refund

each year.

In other words, profit is not built into South Kentucky's rates.

SKRECC formally filed its application with the PSC on March 17. The approval process usually takes about six months.

Helping our members save

We understand that any time cost increases everyone must reshuffle their budgets. Any increase makes it tough on all of us, but especially on those with low or fixed incomes. This is why we urge people to check with South Kentucky RECC on how to reduce their electricity usage and how to utilize electricity more efficiently. This practice can ease the impact of any increases on anyone's budget.

Energy-efficiency programs like Button-Up and Tune-Up, and home energy audits, have helped hundreds of co-op members use less electricity while making their homes more comfortable.

The Button-Up program is designed for making electrically-heated homes more efficient and comfortable. This program accomplishes this purpose through payment of incentives to the member to add insulation to their home. When you Button-Up, South Kentucky RECC will pay an incentive of \$20 for every 1,000 BTUs your heating load is lowered.

Tune-Up is another home efficiency program for SKRECC members who have electric heat pumps and furnaces. It is offered at a cost of \$35 to qualifying members. Tune-Up consists of air-infiltration testing, sealing ductwork, cleaning indoor and outdoor coils, changing filters, measuring air flow, checking the accuracy of your thermostat, and checking the compressor operation. The tests we do may also show you things you can do to your home to lower your energy costs. Results from tests of this program showed Tune-Up can produce a savings of \$170/year in heating and cooling costs. Of course, your exact savings will vary according to your home and heating system.

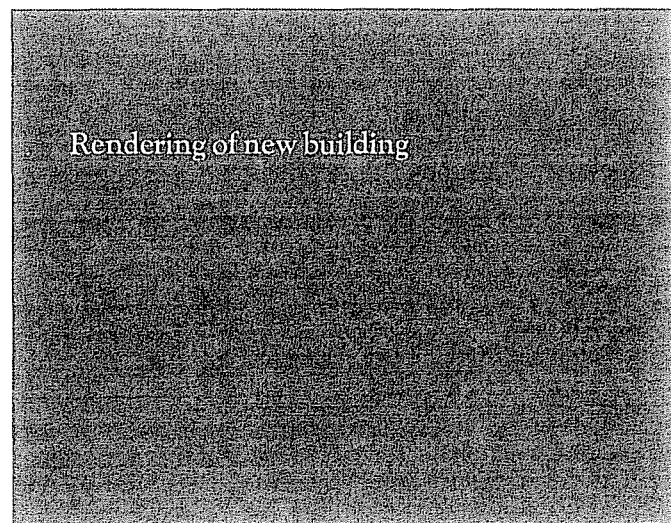
For people who have an especially hard time paying higher bills in certain seasons, leveled billing is available. Leveled billing is based on the average number of kilowatt-hours used in the past 12 months. This means that the payment amount will be only slightly different each month. Members' accounts can be set up on leveled billing at any time the account has a zero balance, and unlike other types of accounts there is no settlement month.

The co-op also sells Electric Thermal Storage heaters—highly insulated units that retain and distribute heat over a long period of time. Because of their heat-storage capacity, these units use less expensive off-peak power, and the co-op passes those savings on to you. Not only do you receive a 40% discount on the electricity used by the heater, but you will receive a \$50 per KW installation rebate from South Kentucky RECC.

There are any number of ways to reduce electricity consumption and costs. Please call the co-op to ask for help, which can often be provided cost-free. And tell your neighbors if you think these opportunities would benefit them.

Call Center

Your co-op is always on the lookout for ways to improve our service to members. We abide by cost constraints (or else



we couldn't have operated for 17 years without a rate increase) but we know that some investments make an enormous difference for our members.

In that spirit, we will soon be rolling out our new call center, which will enable us to provide comprehensive, personal service to people with questions about billing, electric usage, maintenance, and most inquiries without being placed on hold or being transferred. The call center will also separate the functions of telephone calls from "walk-in" service, which have traditionally been provided by the same personnel.

This new member service is based on an expanded computer data bank, and telephone attendants trained to operate it while on the phone with co-op members. They will take incoming calls and have the resources to respond to virtually any inquiry without switching the call to another employee and risking losing the caller in a maze of recordings and message systems. You'll speak to a real person when you call South Kentucky RECC. Usually, you already do, but our call center technology will provide more efficient and responsive telephone transactions.

And meanwhile, other member-services representatives will be free to wait on walk-in members without interruptions from the telephone.

The call center equipment is being installed this summer, and should be ready for operation early in the fall.

New Construction

The 2003 annual report announced that South Kentucky RECC was building for the future; it told that all five of SKRECC's offices would be replaced by new facilities in those communities.

Construction began in 2005 with the Whitley City district office, with completion expected at the end of June.

CEO Allen Anderson said there were several factors that lead to the construction of that office first.

"The Whitley City office that we occupy now was opened in the 1960s. In 40 years we have experienced a lot of growth, making our current facility inadequate, with no room to expand. And, the new construction on Highway 27 took a large portion of that facility's parking area, making it even more difficult for our members to do business there.

"We are excited that this process has gotten underway, and we look forward to continuing it in our other communities. The new buildings will help us be able to provide better service to our members, and that is what it is all about—serving our members as reliably and efficiently as possible."

Construction on the other district offices—in Albany, Monticello, and Russell Springs—is slated to get underway shortly after the Whitley City office is completed, probably in early July.

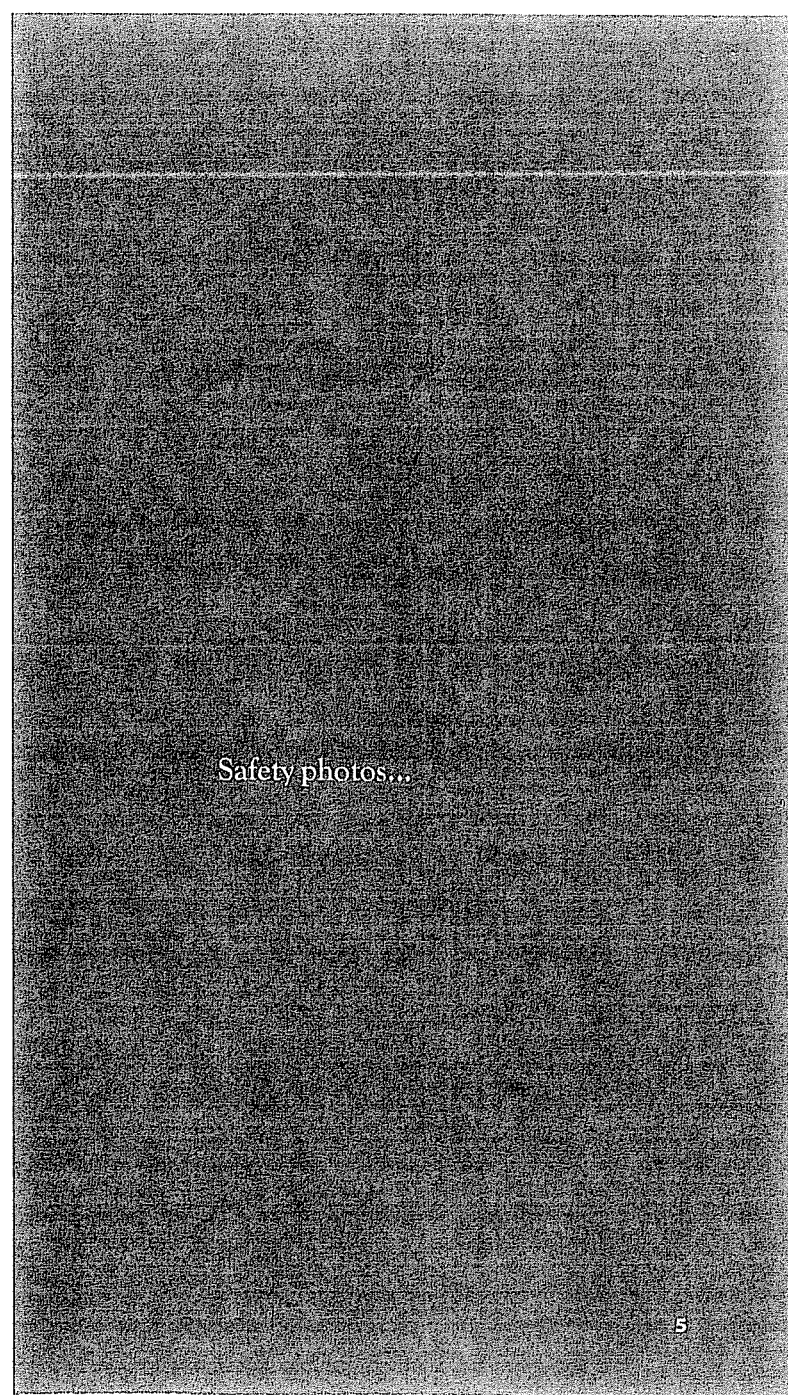
Our Safety Accomplishment

We began this report by acknowledging that South Kentucky RECC has much to be thankful for, despite the necessity of a rate increase. One thing to be thankful for, and proud of, is our safety record—and that may be one of our most important accomplishments of all. Working with electricity involves risks, and the only way to minimize them is with constant attention to safety.

Our co-op completed 2005 with zero lost-time accidents. When added to the consecutive safe hours of 2004 and early 2006, that gave South Kentucky 150,000 man-hours of work without lost time due to accident or injury. If we achieve 500,000 hours we will qualify for a Governor's Award. Look for an update in a future Kentucky Living issue.

"It's something to be proud of," said CEO Allen Anderson, "especially considering that we sent 23 of our employees to help in Mississippi after the hurricane. Working among destruction and in unfamiliar surroundings, people can be exposed to potentially unknown dangerous situations. But safety—public safety and safety for our employees—is something we constantly stress in our organization. The big thing is—all employees going home to their family each night without injury."

As our 68th year ends and our 69th begins, by working safe and as a team, we stand ready to meet our members growing needs.



Safety photos...

Board of Directors

CEO AND BOARD OF DIRECTORS

MEMBERS BY COUNTY

Adair	552
Casey	1,623
Clinton	6,755
Cumberland	19
Laurel	8
Lincoln	1,185
McCreary	6,364
Pulaski	26,665
Rockcastle	65
Russell	9,489
Wayne	8,779
Pickett, TN	166
Scott, TN	26

ACCOUNTS BILLED

1995	49,946
2005	61,696
	<i>24 percent increase</i>

AVERAGE RESIDENTIAL KWH USAGE

1995	952
2005	1,119
	<i>18 percent increase</i>

MILES OF LINE

1995	5,646
2005	6,475
	<i>15 percent increase</i>

MEMBERS PER MILE

1995	8.85
2005	9.53
	<i>8 percent increase</i>



Allen Anderson
Head Coach/CEO



Richard G. Stephens
*President
EKP Representative
District #6*



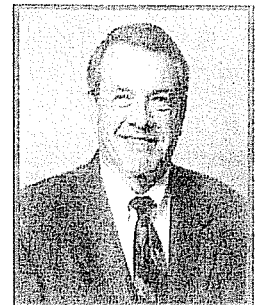
Charles L. Gore
*Vice President
KAEC Representative
District #2*



Tom Estes
*Secretary/Treasurer
District #7*



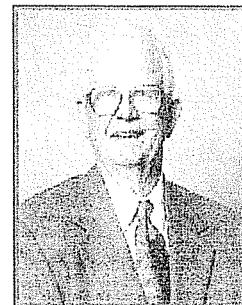
John T. Pruitt Jr
District #1



Jerry Pincell
District #3



Glen Massengale
District #4



William J. Shearer
District #5



Darrell Saunders
Attorney



*Our Mission:
South Kentucky
REOC was formed
for people, not
profit. Its mission is
to reliably provide
electricity and
related services to its
members at a
competitive price,
and improve the
quality of life in its
communities.*

2005 Statement of Earnings

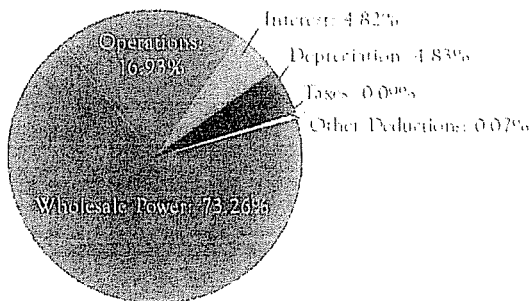
Operating Revenue	\$82,653,632
Cost of Electric Service	
Cost of Electricity Purchased From East Kentucky Power	\$61,613,266
Cost of Operating the Distribution System	\$14,240,112
Depreciation Expense	\$ 4,058,801
Interest Expense on Loans	\$ 4,052,871
Public Service Commission Assessment	\$ 78,215
Other Expenses	\$ 60,568
Total Cost of Electric Service	\$84,103,639
Gross Profit (Loss) from Sales of Electricity	\$(1,450,007)
Non-Operating Income	\$227,713
Total Profit (Patronage Capital)	\$(1,222,294)

Balance Sheet As of December 31, 2004

Assets:	
Total Poles, Wires, and Other Equipment	\$147,346,709
Less Accumulated Depreciation	(\$31,777,953)
Net Value of Poles, Wires, and Other Equipment	\$115,568,756
Investments in Associated Organizations	\$24,749,501
Cash	\$1,175,559
Accounts and Notes Receivables from Members	\$9,730,433
Material in Inventory	\$1,713,501
Prepaid Expenses	\$218,412
Other Assets	\$786,557
Total Assets	\$153,942,719
Liabilities and Members' Equity:	
Consumer Deposits	\$619,565
Members and Other Equities	\$48,611,452
Long-Term Notes Payable	\$85,344,263
Notes and Accounts Payable Owed to Vendors	\$10,976,046
Other Liabilities	\$8,391,393
Total Liabilities and Members' Equity	\$153,942,719

2005 FINANCIAL INFORMATION

MAJOR COSTS



REVENUE SOURCES

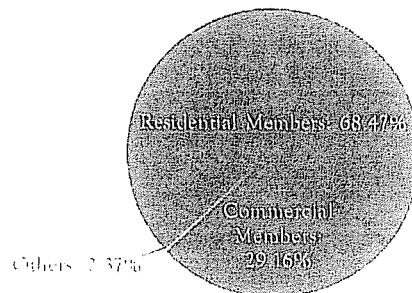


Exhibit 3
19-30

South Kentucky RECC Annual Report 2006

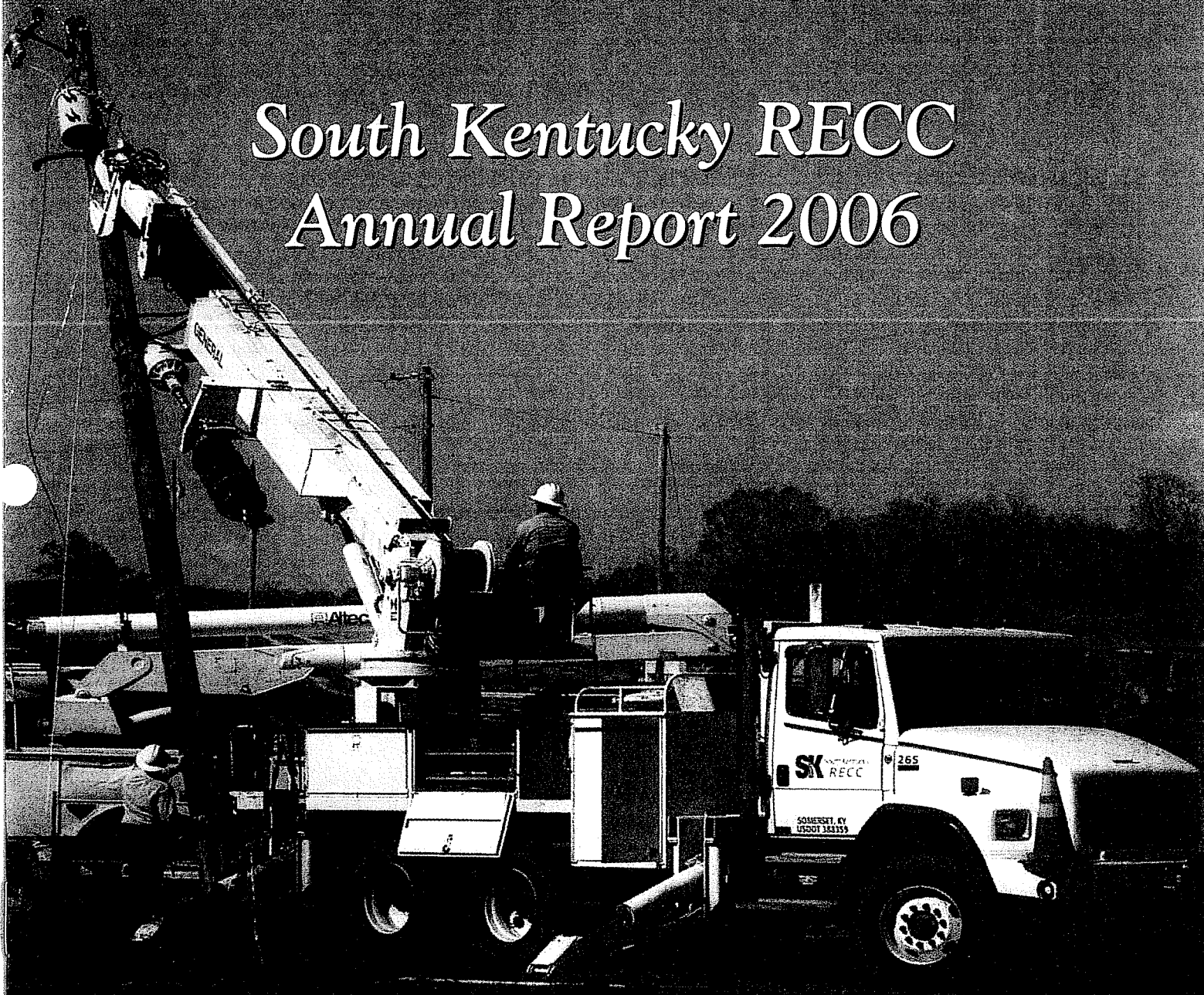


Exhibit 3
20-30

Annual Report 2006: South Kentucky RECC Covers "New Ground" With Office Construction Projects and a Possible Expansion

Rural electric cooperatives like South Kentucky RECC were created during the 1930s for one specific and important purpose: to provide electric power to rural Americans, who were not being served by the electric companies of the day because it wasn't profitable to build power lines into the countryside for the comparatively few customers who lived there. Consequently, many rural Americans were still living very much as they had lived in the 1800s, and the American dream was passing them by.

Cooperatively-owned utilities proved to be the answer, because they removed the profit motive. Rural electric co-ops are free to concentrate on providing reliable electric service, at rates members can afford to pay.

Times have changed since 1938, when South Kentucky RECC was founded. Yet one thing hasn't changed: financially, it is still easier to operate an electric utility when the costs of building, repairing, maintaining and improving power lines and the rights-of-way surrounding them are shared among a greater number of residents.

That's one reason for excitement, as we present this 2006 Annual Report to the members of South Kentucky RECC. The co-op has been in very productive and amicable negotiations with the Monticello Electric Plant Board (MEPB) and the city of Monticello, which could allow South Kentucky RECC an opportunity to purchase the assets of the Monticello utility and taking in its 3,500 customers as new co-op members before the end of 2007.

The parties involved in the negotiations thus far have concluded that this transaction would have long-term benefits for everyone. Here's how:

- **South Kentucky RECC** would add to its predominantly rural service territory the city of Monticello, thus gaining greater average density (calculated as the number of electric consumers per mile of line). It would also acquire several commercial loads, which typically purchase more electricity than residences (system-wide, SKRECC is about 92 percent residential); the revenue from those accounts would help the co-op stabilize its costs for everyone.

- **SKRECC's present members**, no matter where they live, stand to benefit because of these advantages to their electric cooperative. Remember, in a member-owned non-profit cooperative, decisions are not made or driven by profit. The goals are made to enhance the co-op's financial stability, improve services, and spread costs, which also allows for overall better service to the members. Coming off a year (2006) when South Kentucky RECC had to raise its electric rates for the first time since 1989, members can appreciate a move that could help forestall the need for future increases.

- **The City of Monticello** would receive a total of \$4.686 million from the sale of its municipally-owned utility. The city would receive this money from annual payments with interest spread over a 30-year period (assets include the electric distribution system, territorial rights, a substation, real estate, transportation equipment, office equipment, and furniture). This capital presumably would benefit all taxpayers by delaying the need for possible tax increases for the citizens of Monticello and allow the city to accomplish the things that would have a positive impact on their community. They also could benefit from the co-op's economic development office, which has successfully attracted industry and jobs to other communities in South Kentucky's service area.

- **Monticello's electric consumers** would become members of South Kentucky RECC with the \$25 membership fee being paid for each Monticello Electric Plant Board customer by the city of Monticello. Members of MEPB would have access to many more resources than are available through their present power provider, SKRECC being a much larger company can bring economies of scale to the provision of electricity, especially important during power failures. South Kentucky RECC has emergency aid agreements with all of the Kentucky cooperatives, as well as all other Touchstone Energy® cooperatives across the country. SKRECC has better access to a continuous flow of electrical supplies through its association with United Utility Supply and the Kentucky Association of Electric Cooperatives. Plus, SKRECC offers a number of services for its members, such as providing electrical inspections and advice through its five-member inspection department, home energy audits to help people use electricity more efficiently, and provide guidance for new construction projects in terms of efficient heating systems and insulation levels, and more. The city's residents would become full members of the co-op, entitled to have a vote and have a voice in any membership business meeting and to earn patronage capital each year that SKRECC earns margins (profits) over its costs.

• **Monticello's electric employees**—12 in number—would not have anything to lose in this acquisition and much to gain. The skills of these employees would be welcome, as the co-op faces the impending retirement of a number of senior employees in coming years. This is one of the things that make the timing of this opportunity so crucial. The Monticello Electric Plant Board employees are actually needed and will become part of a much larger, growing company that will offer many more opportunities for their future growth and development.

Origins of the proposal

Like co-ops, municipal utilities are a form of public power. In this region, most municipals, in the past, have purchased their power exclusively from the Tennessee Valley Authority (TVA). However, as of November 2003, MEPB's TVA contract allowed an option for utilities being presently served by the power supplier, upon a 5-year notice, to discontinue service with them.

The Monticello Electric Plant Board took the TVA up on the offer to explore their options for power by giving the 5-year notice to TVA. In November 2003, MEPB sent out Requests for Proposals (RFPs) to other potential power providers. This attracted the interest of South Kentucky RECC. The co-op serves about 62,000 members including the rural areas surrounding Monticello, and because of growth, the need for more substations, a plan for a new district office, employee needs, and co-op interest in the Monticello community, SKRECC CEO Allen Anderson began sharing the co-op needs and interests with MEPB Superintendent Gary Dishman. Both parties began seeing the many synergies with the possibility of the two companies coming together.

The parties undertook negotiations, and in January 2007 the MEPB Board of Directors voted unanimously in favor of presenting the city of Monticello with a resolution outlining the sale of MEPB to South Kentucky RECC for \$4.686 million to be paid to the city with interest over a 30 year period. In February 2007, the Monticello City Council unanimously agreed to the proposal, which included the amount and stipulated conditions.

That leaves it up to the citizens of Monticello, and how they will vote on the issue on the November 6, 2007 ballot. The Kentucky Public Service Commission (PSC) must also approve the transaction. Primarily, the PSC will focus on the question of whether the co-op would be subsidizing the Monticello purchase with its membership's money. To be approved, South Kentucky RECC's investment must be economically viable and pay for itself, and co-op officials believe that is the case.

By this time next year we hope to report that South Kentucky RECC is serving its second small town located in the county where South Kentucky RECC was founded in 1938 (the co-op already serves Albany). That will mark a new and promising era for the 69-year-old cooperative.

Homecoming

It was there and then in Monticello, Wayne County, that a visionary group of farmers, rural merchants, and business folks, in places like Slat, Susie, Mill Springs, and Touristville, recruited sometimes-doubtful local residents to participate in this seemingly risky scheme—cooperative ownership of a

company that would put power poles on their property and electric lights in their homes. People had to put up a hard-earned minimum of \$2.50 a month to join.

It was a difficult sell. But the incorporators—Lloyd Dunnington, Walter Dalton, Ray Oats, G.P. Rice, John D. McKechnie, A.V. Stearns, Herschel Henninger, and Foxie Dunagan—were successful, and the papers were signed above the Monticello Bank on October 8, 1938. Article III of the incorporation papers made it official: "The principal office of the Corporation [was to be located at] Monticello, in the County of Wayne, Commonwealth of Kentucky."

During the 1940s the co-op migrated to Somerset, although SKRECC has remained the power provider for Susie and Slat and the rest of rural Wayne County. So somehow it seems right that South Kentucky RECC may have the opportunity to serve the good citizens of Monticello, and their families, schools, and businesses located within Wayne County.

New central and district buildings

Another major development to give an updated report on is the progress on the planned construction of new office/warehouse facilities throughout SKRECC's territory. These new facilities will replace the current facilities in Somerset, Russell Springs, Albany, and Whitley City.

The Whitley City office was completed in August 2006 and is now operational. A new facility to serve Wayne County members has been put on hold, pending the outcome of the Monticello Electric Plant Board proposal. If that is successful, the co-op will utilize the current MEPB office avoiding the need for construction in Monticello—another potential benefit of that transaction.

The Russell Springs and Albany facilities are both under construction with an expected completion date of August and November 2007 respectively. The Somerset facility is well into the design stage with an expected completion date of 2009.

The current facilities date from the 1950s and '60s, and have become inadequate for today's growing needs. Despite modifications, none are fully handicap-accessible, which is required under the Americans with Disabilities Act. The drive-through windows are heavily utilized, and are intended



The new Whitley City office was completed in August 2006. All the new South Kentucky RECC district offices will be the same floor plan and size.

for the convenience of our members. Through growth and poor design of the drive-through windows, we are experiencing longer lines causing the service to be less than desirable by the co-op. In most cases, the offices are not as inviting or designed to be as "customer-friendly" as the co-op insists they be.

Above all, though, the co-op has outgrown these spaces. When they were constructed South Kentucky RECC served about 10,000 members total throughout its 13-county service area. Its membership now exceeds 62,000. Creating adequate working space to accommodate the employees, parking, equipment, new technology, and resources needed to serve a growing membership that size will make for a more well-organized company, that is much more convenient and accessible to the member.

All the new sites will combine office and warehouse space, improving inter-departmental communication and efficiencies. They will provide indoor shelter for higher cost vehicles and equipment, protecting them and prolonging their lifespan. District facilities will be fully stocked with materials and equipment to serve local demand, enabling prompt response and reducing transportation costs and "windshield time."

The co-op recognized the need for this project quickly approaching several years ago, and hired a consulting firm to do a needs assessment, objectively evaluate the current facilities, project future co-op growth, and provide a second opinion as to where facilities should be located and even if new facilities were the best decision. The decision was that the district offices should remain in their host communities, where each equitably serves about 10,000-12,000 members (the Somerset office serves 20,000-25,000). These locations, better equipped, will advance the co-op's goal of providing members everywhere with the same quality of service. The decision also was that building all new facilities and selling the existing ones would be the most economic approach.

The Kentucky Public Service Commission has already approved the individual construction projects that have come before it, including the Whitley City, Russell Springs, and Albany facilities construction projects, ensuring that expenditures were fully justified and that the co-op's needs to serve the membership for the next 30 years were acceptable. All district office facilities will be the same floor plan and the same size.

The status of the projects is as follows:

McCreary County. The office that serves the southeast part of our territory remains in Whitley City, very close to the former SKRECC facilities. Construction is complete, and the facility became operational August 2006.

Russell County. The district office in the northwest will be moved from Russell Springs to a new location on Highway 127 between Russell Springs and Jamestown, just north of Russell County High School. Construction began in March 2007 with plans to be completed by August 2007.

Clinton County. The new southwestern office site excavation started in April 2007 with a

planned completion date of November 2007. The office/warehouse will be north of downtown Albany at the intersection of Highway 127 and Snow Road.

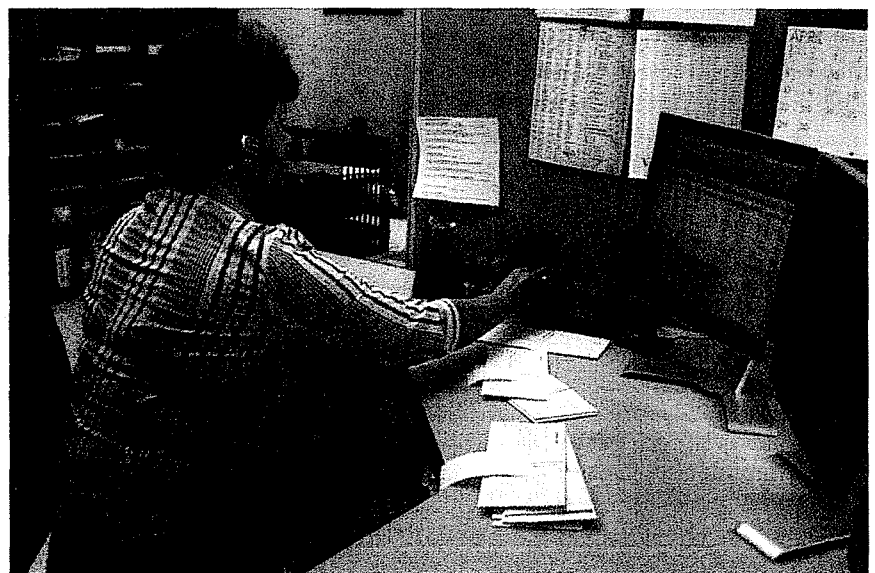
Pulaski County. Relocating South Kentucky RECC's main office in Somerset to a new site on the outskirts of town—off the new and as-yet uncompleted Highway 27—will be the biggest part of the project. Plans are to make application to the PSC for approval for the need to construct a new Somerset facility with hopes of having that final approval and ground broken before the end of 2007. Construction could take up to two years. The Somerset office design, as well as all of the new district offices, includes a large, modern community room, which like the present room can be used not only for co-op training and conference purposes but by members and the general public as well.

Eventually, South Kentucky RECC will have valuable assets to sell—its present properties, including the former farmland used for the annual membership meeting. (The new headquarters will have sufficient property to hold the event on-site.) They are considered quite marketable, which will allow the co-op to recoup some of its investment in the buildings that should house South Kentucky RECC for 30-plus years into the future.

Call Center a major benefit to member services

Here's a much-needed improvement your co-op made in 2006 without waiting for the completion of new buildings. It launched its "call center," an improved telephone and computer system that provides quick, comprehensive services to South Kentucky RECC members, with a corresponding savings in time and efficiencies for employees whose primary job responsibilities are to meet the needs of all our walk-in members and also those that prefer to do business by phone.

The days of calling the co-op with questions about anything—your bill, a service problem, requests for home energy audits, new service connections, energy-related products, etc.—and waiting to be transferred to the right department, are over. Now, the "right department" is the call



South Kentucky RECC's new call center was put into place August 2006. It provides quick, comprehensive service to co-op members who telephone with questions or want to make a payment by phone or anything else they may call for.

center itself. Trained call center employees operate a computer data system that enables them to respond to most inquiries for the convenience of our members.

SKRECC has always limited its use of automated phone systems, but this call center utilizes our professional employees and takes that effort to the next level. Callers do receive an initial automated answer that enables them to go directly to the dispatch center to report an outage, or dial their party's extension. Otherwise, though, they stay on the line and are quickly connected to a professional South Kentucky RECC call center employee who helps them from beginning to end without the need to transfer the call in most situations.

The call center was one of SKRECC's signal accomplishments in 2006, improving information and communication with its members, to reduce the number of busy signals, and to ensure our members get the service they deserve. It has also yielded other benefits. Calls are easily transferred among all five South Kentucky RECC offices, so if an office is experiencing a high volume of incoming calls attendants at another office can relieve the burden, usually without the caller even being aware. (If a caller wants to speak to someone at his or her district SKRECC office, that connection, of course, can be made.)

Launched last June in Somerset, the call center was gradually expanded to the other district offices as more employees were trained and the installation completed. It was fully up and running by August, when it became operative at Whitley City.

Funding for daily work

And, finally, South Kentucky RECC has commenced operations under its new three-year work plan.

America's rural electric co-ops sustain their systems through operations loans provided by the federal Rural Utilities Service (RUS). Each three-year plan requires extensive research and careful drafting by the operations staff to ensure that the RUS will approve the work proposals and

money request. South Kentucky launched its \$29 million, 2007-2009 plan in January.

There are no new special projects in the work plan—the "special" things on SKRECC's plate, such as moving into new offices and relocating power lines to accommodate highway construction, lie outside the work plan's scope. But a glance at the plan provides insight into what "normal" operations are like for this growing, 63,000-member, 13-county co-op.

Forty-two percent of the \$29 million will go to new service extensions, as people build homes and businesses in co-op territory. SKRECC will upgrade 153 miles of power line—replacing old copper wire in some places, switching to larger conductor (wire) elsewhere to carry additional load, and going from single-phase to three-phase power (look for three wires on the poles instead of one) where that higher level of service is needed. Line upgrades will cost about \$6.6 million.

The plan also covers testing, replacing, and improving line equipment—the transformers, voltage regulators, capacitors, and fuses that maintain power quality and sectionalize the system to confine outages to smaller areas. The work plan foresees replacing some 2,400 poles over the course of three years, at a cost of \$3 million.

It takes diligence, dedication, and expertise to run an electric system as large as SKRECC's. Unfortunately, it is costly to meet the growing needs of our members, and we must continue to make upgrades to the system for better reliability. Our costs have drastically risen over the past 17 years, and with our commitment to continue to improve service, these are some of the reasons why the co-op finally had to resort to the 8.4-percent rate increase the Public Service Commission approved in 2006 and which SKRECC instituted in September.

That increase ended the co-op's 17-year run of maintaining steady retail electric prices, but anyone would be hard pressed to find another cost that stayed the same over that period. SKRECC is very proud of those 17 years without an increase and now we are dedicated in building another good run. We know how critically important it is to our members to keep rates as low as possible.

South Kentucky RECC will now continue its quest to be a good steward of our members' money and assets while remaining very committed to making the necessary investments in facilities, equipment, growth expansion, and employees. These investments will help the co-op give members the best electric service at the most stable prices possible.

South Kentucky RECC's mission remains being "for people, not profit" and to provide reliable service to its members at an affordable cost and be committed to the growth of local communities.



A large portion of South Kentucky RECC's new work plan is for new service extensions. Here, an SKRECC construction crew begins setting poles and establishing service in a new Wayne County subdivision.

South Kentucky RECC *Annual Report 2007*

“Building on a Solid Foundation”

Building on a Solid Foundation

People often assume that an electric utility's only job is maintenance—tending to the power lines that go past their homes and restoring power after outages. That's basically true; South Kentucky RECC's primary obligation is to make sure that when people flip a switch they have light.

And for South Kentucky RECC, basic maintenance is a big responsibility, because SKRECC serves a large territory. It serves 66,000 members in 13 counties in Kentucky and Tennessee; it maintains 6,600 miles of poles and wires (think of a power line stretching from Somerset, Kentucky, to Anchorage, Alaska, and back), and those lines are loaded with sophisticated electrical equipment that must be kept in order. The right-of-way (ROW) along that system, which must be kept clear of vegetation that could cause an outage, is equivalent to 30,000 acres.

Any way you slice it, that's an enormous job. So yes, South Kentucky RECC does place a lot of emphasis on maintenance; however, there is much more to the co-op than just electric poles and electric lines.

South Kentucky RECC is also in the business of "building": building reliability while it builds new power lines and ROW to accommodate a growth rate averaging 1.47 percent each of the last six years. In 2007, SKRECC extended its system by an additional 60 miles to serve new members. As the state and local highway departments straighten, widen, and relocate roadways, South Kentucky RECC must move and rebuild its system to accompany those changes.

Meanwhile, the co-op is in the midst of a major construction project of its own, building new facilities to serve its members locally more conveniently and efficiently.

Then there are other forms of "building," such as building trust and relationships with SKRECC's current members and with the 3,418 folks (plus their families and employees) who became new co-op members last December, when SKRECC purchased the assets of the Monticello Electric Plant Board and became the electricity supplier for the city of Monticello. And building other relationships, too, with mayors, county judges, community and economic development organizations, area non-

profits, and local groups so that South Kentucky RECC can better serve those communities and lend its resources to help them grow, provide new jobs, and improve their economies.

SKRECC also works hard to "build value." The state, the region, and the country are facing hard economic times, so SKRECC dedicates itself to increasing value to its members for all the services they receive from the co-op. The co-op does this by helping people use electricity more efficiently so their energy dollar goes farther, and responding quickly and effectively to their questions and concerns. As a member-owned, nonprofit utility started by rural neighbors in Wayne County in 1938, South Kentucky exists solely to serve its members, not to make profits for shareholders. "Building value" is central to that mission.

Your 2007 South Kentucky RECC annual report therefore is devoted to the theme of "building," and the many ways your electric co-op continues to work, to build itself into an even better co-op, so it can continue to meet its members' needs into the future, and help its members and their communities build a solid future for themselves and their families.

Building Facilities

South Kentucky RECC's bottom-line obligation is to provide electricity to its membership. As people construct new homes, SKRECC needs to build power lines to serve them. As stated above, SKRECC built 60 miles of new line for this purpose in 2007.

But for a utility, building never really ends. Poles get old; conductor (wire) needs to be upgraded as communities grow and their power demands increase. In 2007, South Kentucky replaced 727 poles and 61 miles of conductor.

The biggest construction project on SKRECC's agenda, though, is the replacement of its facilities throughout the service territory. The project grew out of a 2002 study that projected SKRECC's growth 15 years into the future, and an in-depth assessment of its facilities and infrastructure to determine its preparedness to handle that growth in the future.

South Kentucky RECC hired a professional planner with the National Rural Electric Cooperative Association for this research and analysis. Upon its completion, SKRECC's board of directors concluded, after deliberation, that the wisest course would be to decentralize and make an investment now in new facilities to better serve each district into the future.

In 2006, SKRECC completed its office in McCreary County. Similarly, in 2007 staff moved into a newly completed Russell County office, and by this summer the co-op will have a new facility open in Clinton County. (SKRECC moved into the recently purchased Monticello Electric Plant Board office, which meets its needs without having to construct a new facility in Wayne County.)

Each facility has convenient drive-through windows, with more lanes, to better serve members paying their bills. There is improved parking, and people entering the buildings will find the services they need conveniently located. These new offices are all designed more efficiently from an operational and employee standpoint. The co-op has always provided community rooms where local groups can meet and hold functions; in the new buildings members will find those spaces to be larger and better equipped.

The newly constructed facilities combine offices with fully stocked warehouses, loading bays, and pole yards. A construction/maintenance crew is stationed in each district to enable

Building Facilities



The new Russell County office was completed last October. Clinton County's new facility will be open for business this month with an open house scheduled for this summer.

quick responses to local needs. And the facilities are designed with the future in mind: SKRECC expects them to serve co-op members for decades to come.

There is another reason for South Kentucky RECC's investment in better regional facilities. At a time when most utilities are reducing services and consolidating their operations, your co-op is going in the opposite direction—decentralizing, so that members can get more of what they need locally (including a friendly, familiar face behind the service counter).

The district offices are situated so that the trucks have quick access to major roadways, to reach any part of the service area quickly. This not only allows the co-op to provide better service, but also makes SKRECC more efficient by eliminating a great deal of road time and reducing outage time. By the same token, members will find the offices easily accessible.

Building Reliability

One of South Kentucky RECC's goals is to provide reliable electric service. System reliability can be measured—and, in fact, must be measured and reported to the state Public Service Commission.

In 2007, South Kentucky's system-wide "average customer reliability" was 99.957 percent, an extraordinary record for a rural electric system. The number means that, over the whole 66,000-member system, the average member had power 99.957 percent of the time. Some never lost their power, while others did for various periods. Any way you look at it, though, 99.9 percent reliability is an accomplishment.

That said, people nowadays have a more demanding standard of reliability.

"Reliability has taken on a different meaning with modern homes and the equipment people have," says SKRECC Chief Executive Officer Allen Anderson. "It used to be that a blink in the lights didn't matter. But now, if you have computers with data that could be lost, clocks that have to be re-set, appliances that need to be re-programmed, a minor blink can lead to very annoying inconveniences. And while we are proud of the 99.9 percent reliability, we still want to continue improving in this area."

So while actual outages are becoming less frequent (and shorter when they occur), SKRECC has more to do to achieve the kind of reliability the co-op expects and its members deserve.

One way this is accomplished is right-of-way maintenance. In 2007, South Kentucky re-cleared 700 miles of ROW, did spot-trimming at 1,374 locations, treated 1,160 cumulative acres with herbicide (where permitted), and bush-hogged another 206 acres to remove threats of overgrowth for several years. The co-op tries to stay on a seven-year cycle, meaning that all sections of right-of-way are revisited every seven years.

Another way to improve reliability is to properly install and maintain all line equipment, making certain that the equipment can properly perform the task it was designed to do through all weather conditions. An example of this is 1,100 lightning arres-

sors that SKRECC changed out in 2007 that were not performing properly. They were found to be a cause of some of the blink problems that were occurring.

Meanwhile, SKRECC is examining its newly acquired electric system in Monticello. The goal is to become thoroughly acquainted with the Monticello system and to integrate it with the co-op's. So far the co-op has identified 175 poles to replace. Citywide, SKRECC plans to change all the electric meters in order to get them into the same, PSC-approved cycle of random testing as the rest of the co-op's system.

South Kentucky RECC has also started entering the Monticello electric system into the co-op's computerized mapping system; that way, when crews answer a repair call, they'll know the proper location and what size poles, conductor, and transformers they'll find when they get there. The idea is to reduce the number and duration of outages in the city.

"We bought that system for the long haul," says Anderson, "and we're making significant investments to improve upon the good system that was already there."

Building Value

It's important to any company that its customers believe the money they pay for service brings good value in return. Electricity is still the best value, with Kentucky ranking number four in the nation with the lowest electricity costs; however, with costs rising, this becomes more of a challenge, but bringing good value is one of South Kentucky RECC's primary goals for improvement.

SKRECC wants to add value to the service its members receive. They do this by providing help quickly, technical assistance, financial incentives, and friendly, efficient service to enable members to get more from every electricity dollar spent.

One example that might seem small to people, until they understand its impact, is compact fluorescent light bulbs (CFLs). Today's CFLs are very efficient and customer-friendly. The savings they provide are dramatic. By installing one compact fluorescent of comparable lumens to a 60-watt incandescent bulb, a homeowner saves \$13.50 a year in electricity; put eight or 10 around your home and you could save \$100 or more. Plus, they last an average of seven years, 10 times longer than incandescents, which saves money on replacement.

CFLs also aid our environment by reducing the amount of greenhouse gases emitted, which decreases the greenhouse effect on our world.

Inspired by former Kentucky First Lady Glenna Fletcher's "Change A Light, Change The World" program, SKRECC has been giving CFLs away at its annual meeting for the last five years. SKRECC has now given away 54,484 CFLs; if each of them replaced a 60-watt incandescent bulb, co-op members by now have saved \$732,000 by reducing electricity consumption.

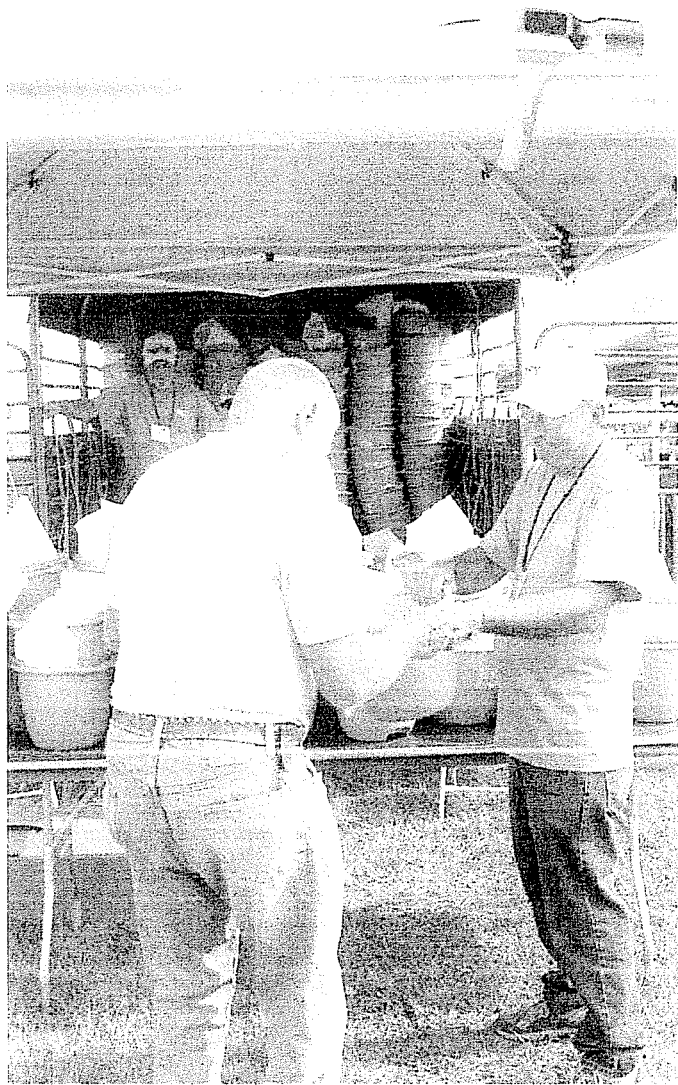
Why would SKRECC want to sell its customers less power?

There are several reasons. For one, SKRECC is a cooperative; its goal is not to make profits but to meet members' needs, in-

System reliability must be measured and reported to the Kentucky Public Service Commission.

In 2007, South Kentucky's system-wide "average customer reliability" was 99.957 percent.

Building Reliability



SKRECC member surveying team leader Walter West gives a bucket, which included two CFLs, to a member at the 2007 annual meeting.

cluding their need to save money. Another reason is that if people improve the electric efficiency of their homes and businesses, it is less costly for the co-op to purchase wholesale power. Peak power—the power provided to consumers at high-usage times—is the most expensive power for the co-op to buy. If South Kentucky RECC can encourage energy-efficiency measures among its members, it can reduce peak-power purchases and help to continue improving the environment we live in for generations to come.

For more than 30 years the co-op has offered free home energy audits, sending its energy advisors out to help members identify ways they can use less electricity without sacrificing comfort. “Tune-Up” is a weatherization program particularly geared to heat pumps; SKRECC has “tuned-up” some 1,400 homes, saving their owners about \$170 a year in energy costs (\$238,000 total savings since the program was instituted). “Button-Up” targets problems like air infiltration, which causes heating and cooling units to run more often. Co-op energy advisors have helped 1,700 members to reduce air infiltration, and in some cases the co-op helps pay for the improvements. SKRECC has saved members some \$300,000 with this program.

More programs like this are coming. In 2008, South Kentucky RECC expects to roll out Direct Load Control (DLC), a voluntary program already in use by some electric co-ops. Participating

members would allow the co-op to install control mechanisms on water heaters and/or air conditioning systems. By regulating these systems for short periods of time, the co-op could significantly reduce its peak power consumption, without people noticing any loss of comfort in their homes. Members would earn some financial benefit for participating.

Another program being considered is Real Time Pricing (RTP), which would be similar, except members would retain total control over their usage. They would be charged different rates for power at different times of day, providing an incentive to cut back on their usage during costly peak hours. This program is still in the planning stages and will be offered as a pilot project in the beginning of industries.

Obviously the co-op can't make people take advantage of these beneficial services, but those who do will find that their energy dollars can be managed more efficiently, as well as the positive impact they will have on the environment.

Building Relationships

South Kentucky RECC is known as a community-minded company whose employees participate actively in their communities. Parades, charity events, youth sports—you'll almost always find SKRECC present in some way. Co-op personnel serve on school boards and local development associations; they volunteer for (and contribute financially to) charitable organizations like the United Way and the March of Dimes. And in Pulaski County, Anderson happens to be the sitting president of the Chamber of Commerce.

Anderson believes that in difficult economic times, such participation and involvement by the company, its employees, and board members is critical.

“It seems like when resources aren't as available as usual, that's when people tend to work against each other,” Anderson observes. “Our goal is to build positive, productive relationships. We get to know the mayors of the towns we serve, and the county judges. It's tough times like these that really show how much we all need each other, in order to work our way toward recovery.”

What's in it for South Kentucky RECC?

Interactions with community leaders, volunteers, and other citizens reveal what people's concerns are. “You start thinking about how South Kentucky can make a difference and also improve itself and its communities,” Anderson explains. “It helps drive our thought process as to what we need to be doing differently.”

One of the relationships particularly important right now is the co-op's relationship with the people of Monticello. SKRECC's purchase of the municipal utility was a friendly acquisition, supported by the city council, and approved by the citizens in a vote last November.

“We're not new to these people,” Anderson explains, “but we are having to work through some difficulties that can be expected with a change of ownership. Our goal is to develop a trusting, caring, and long relationship with those residents, and that is what we're working to do. We want to be good listeners, and take people's feedback in a positive way and make this change work for everyone in a positive way. That's our mission in Monticello.”

Building for the Future

South Kentucky RECC has a duty to build for the future, preparing to serve tomorrow's membership and the communities where SKRECC has operated for 70 years. Among these needs is a telephone-answering system capable of handling the demands of an ever-growing membership, particularly when emergencies occur and thousands of members are without power.

To meet this challenge SKRECC has contracted with the Co-operative Response Center, whose offices in Tennessee are connected to SKRECC's computerized outage-management system. CRC takes calls during emergencies when the co-op's phone

“We’re building for the future and controlling our own destiny. We’re also helping to provide good jobs in our area.”

--SKRECC CEO Allen Anderson

lines are overwhelmed. But as the co-op continues to grow, these resources are not enough. The co-op has always prided itself on providing personal telephone service, but the addition of some automation is very likely in South Kentucky RECC's future.

SKRECC needs to be capable of handling a very large volume of calls. It will take a combination of all these new technologies to be able to accomplish this. We want to retain the personal touch while injecting enough automation to meet the demands of our members at critical times.

Another future need that is becoming obvious and immediate is for trained utility personnel. The co-op expects to lose around 10 people a year to retirement for several years to come. With a staff of 167, it would only take about eight years for SKRECC to lose half its workforce.

The problem is particularly acute with regard to line workers. Utility line work requires a breadth of knowledge and skills—understanding the principles of electricity, knowing how the regional grid operates, operating bucket and digger equipment, manually climbing power poles, working around transformers, fuses, and other equipment—and performing these jobs safely. It takes five to seven years to turn a motivated and intelligent worker into a skilled lineman. Furthermore, electric utilities, phone and cable companies, and contractors are all in competition for a limited pool of trained personnel. The problem will become more acute as veteran line workers retire.

South Kentucky RECC has taken a leadership role in addressing this problem, not just for itself but for all the varied utility companies in the region. SKRECC has been working with all Kentucky co-ops and other utilities, Somerset Community College, the Pulaski County Development Association, and other state and federal groups to create the “Regional High Growth Training Center”—a linemen-training school with a full curriculum of course work and an outdoors program to train young workers in a career that is in high demand.

This is no pipe dream. In 2007, SKRECC led fund-raising efforts that netted some \$2.5 million to finance construction of the school on eight acres in Pulaski County. The project went out to bid in March 2008, and the facility could be operational before the end of this year.

“This was a matter of recognizing a need and doing something about it,” says Anderson. “We’re building for the future and controlling our own destiny. We’re also helping to provide good jobs in our area.”

Finally, South Kentucky RECC is helping communities build their own futures.

In 2002 the co-op contracted Bennie Garland, an economic-

development specialist. Garland has been working with community and business leaders to attract new industries to the SKRECC area. In addition to his many years of experience and knowledge of funding sources, South Kentucky RECC, as a borrower of USDA funding through the federal Rural Utilities Service, has access to REDLG (Rural Economic Development Loan and Grant) program funds. The co-op can serve as a conduit, funneling these loans and grants to companies and development organizations for specific, approved projects.

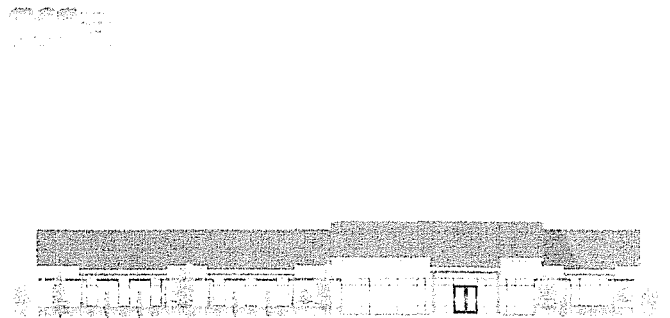
In 2007, these efforts generated approval of some \$3.3 million in REDLG funding. If the projects come to fruition, they could create more than 500 local jobs.

There aren't many electric utilities with a community economic-development arm. But South Kentucky RECC knows that its successes are tied to the growth and prosperity of its members and the region as a whole.

“Building for the Future” actually means *building the future*. In 2007, the co-op proved that it's serious about creating a future of promise for all of south-central Kentucky.



Work is under way on Coin Road in eastern Pulaski County on the new Regional High Growth Training Center. Roberts Construction has been awarded the bid on the project. Below is the architectural/engineering rendering of the completed facility.



Board of Directors

CEO AND BOARD OF DIRECTORS

MEMBERS BY COUNTY

Adair.....	578
Casey.....	1,638
Clinton.....	6,815
Cumberland.....	20
Laurel.....	7
Lincoln.....	1,199
McCreary.....	6,329
Pulaski.....	27,100
Rockcastle.....	77
Russell.....	9,671
Wayne.....	8,885
Pickett, TN.....	168
Scott, TN.....	27

ACCOUNTS BILLED

1997.....	52,100
2007.....	62,514
	20 percent increase

AVERAGE RESIDENTIAL KWH USAGE

1997.....	982
2007.....	1,116
	14 percent increase

MILES OF LINE

1997.....	5,813
2007.....	6,600
	14 percent increase

MEMBERS PER MILE

1997.....	8.96
2007.....	9.47
	6 percent increase



Allen Anderson
C.E.O.



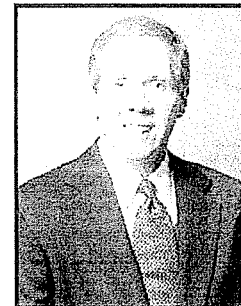
Richard G. Stephens
President
District #6



Charles L. Gore
Vice President
KAEC Representative
District #2



Tom Estes
Secretary/Treasurer
EKP Representative
District #7



John T. Pruitt Jr.
District #1



Jerry Purcell
District #3



Glen Massengale
District #4



William J. Shearer
District #5



Darrell Saunders
Attorney

Our Mission:
South Kentucky RECC
was formed for people,
not profit. Its mission is to
reliably provide
electricity and related
services to its members at
a competitive price, and
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in its communities.

Our Vision:
South Kentucky RECC's
goal is to become a
cornerstone of ALL of
our communities; to be
recognized as an industry
leader in service,
professionalism, and
competitiveness; and to
be the energy provider of
choice within our service
boundaries.

2007 Statement of Earnings

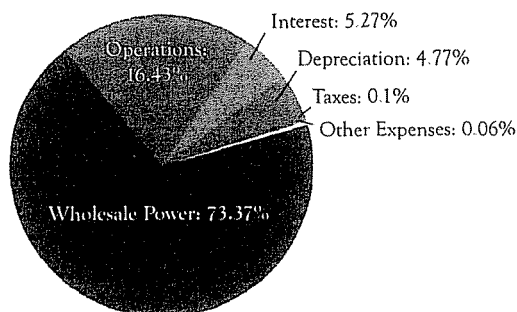
Operating Revenue	\$100,707,556
Cost of Electric Service	
Cost of Electricity Purchased From East Kentucky Power.....	\$72,907,681
Cost of Operating the Distribution System	\$16,325,333
Depreciation Expense.....	\$ 4,742,212
Interest Expense on Loans.....	\$ 5,231,781
Public Service Commission Assessment	\$ 95,498
Other Expenses.....	\$ 63,262
 Total Cost of Electric Service	 \$99,365,767
Gross Margins from Electric Service	\$ 1,341,789
Non-Operating Income.....	\$261,213
 Net Margins (Deficit)	 \$ 1,603,002

Balance Sheet As of December 31, 2007

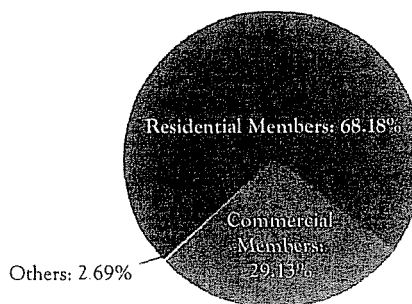
Assets:	
Total Poles, Wires, and Other Equipment.....	\$176,572,333
Less Accumulated Depreciation	(\$33,821,717)
Net Value of Poles, Wires, and Other Equipment.....	\$142,750,616
Investments in Associated Organizations.....	\$22,251,839
Cash	\$1,353,103
Accounts and Notes Receivable from Members.....	\$12,923,545
Material in Inventory.....	\$1,954,831
Prepaid Expenses	\$440,158
Other Assets.....	\$634,866
Total Assets	\$182,308,958
Liabilities and Members' Equity:	
Consumer Deposits	\$911,334
Members and Other Equities	\$49,003,974
Long-Term Notes Payable.....	\$106,988,410
Notes and Accounts Payable Owed to Vendors	\$16,599,701
Other Liabilities.....	\$8,805,539
Total Liabilities and Members' Equity	\$182,308,958

2007 FINANCIAL INFORMATION

MAJOR COSTS



REVENUE SOURCES



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South Kentucky RECC was formed for people, not profit. Its mission is to reliably provide electricity and related services to its members at a competitive price, and improve the quality of life in its communities.

Our Vision:
South Kentucky RECC's goal is to become a cornerstone of ALL of our communities; to be recognized as an industry leader in service, professionalism, and competitiveness; and to be the energy provider of choice within our service boundaries.

2007 Statement of Earnings

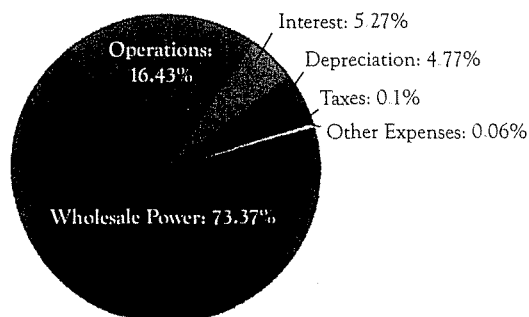
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Balance Sheet As of December 31, 2007

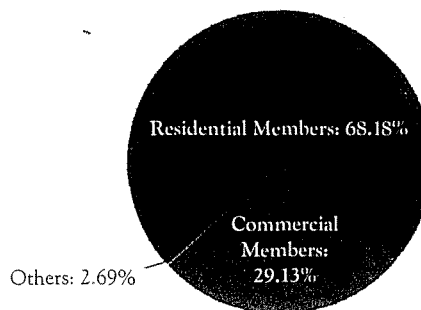
Assets:	
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Less Accumulated Depreciation	(\$33,821,717)
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2007 FINANCIAL INFORMATION

MAJOR COSTS



REVENUE SOURCES



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2008 Statement of Earnings

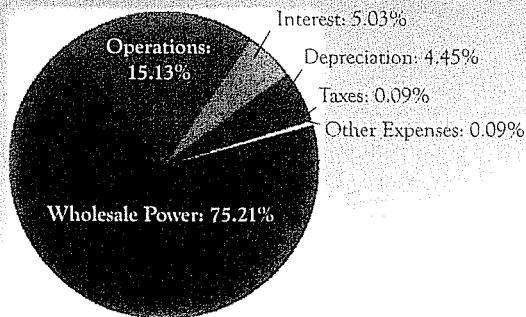
Operating Revenue	\$116,879,487
Cost of Electric Service	
Cost of Electricity Purchased From East Kentucky Power.....	\$87,103,118
Cost of Operating the Distribution System	\$17,516,417
Depreciation Expense	\$ 5,158,391
Interest Expense on Loans.....	\$ 5,820,569
Public Service Commission Assessment	\$ 102,734
Other Expenses.....	\$ 109,290
Total Cost of Electric Service	\$115,810,519
Gross Margins from Electric Service	\$ 1,068,968
Non-Operating Income.....	\$294,240
Net Margins (Deficit)	\$ 1,363,208

Balance Sheet As of December 31, 2008

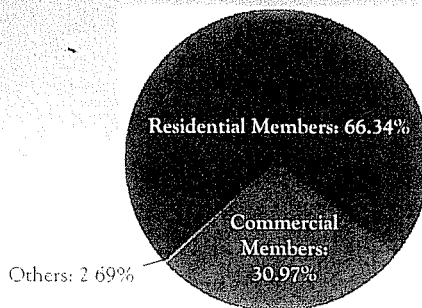
Assets:	
Total Poles, Wires, and Other Equipment.....	\$186,345,885
Less Accumulated Depreciation	(\$36,625,210)
Net Value of Poles, Wires, and Other Equipment.....	\$149,720,675
Investments in Associated Organizations	\$27,358,347
Cash	\$3,040,473
Accounts and Notes Receivable from Members.....	\$12,707,832
Material in Inventory	\$2,063,445
Prepaid Expenses	\$188,311
Other Assets.....	\$940,516
Total Assets	\$196,019,599
Liabilities and Members' Equity:	
Consumer Deposits	\$934,610
Members and Other Equities.....	\$53,136,813
Long-Term Notes Payable.....	\$110,271,676
Notes and Accounts Payable Owed to Vendors.....	\$24,800,603
Other Liabilities.....	\$6,375,897
Total Liabilities and Members' Equity.....	\$196,019,599

2008 FINANCIAL INFORMATION

MAJOR COSTS



REVENUE SOURCES



COMMONWEALTH OF KENTUCKY
 DEPARTMENT OF REVENUE
 OFFICE OF PROPERTY VALUATION
 PUBLIC SERVICE SECTION
 501 High Street, 4th Floor, Station 32
 Frankfort, KY 40620
 Phone (502) 564-8175 Fax (502) 564-8192

Exhibits
 1-1

CERTIFICATION OF PROPERTY ASSESSMENT
 TAX YEAR 2008

SOUTH KENTUCKY RECC
 JEFF GREER
 PO BOX 910
 SOMERSET, KY 42502-0910

GNC: 005830
 TYPE CO: RECC
 TAX TYPE: 035
 TAX ID:
 PRINT DATE: 09/03/2008

The Department of Revenue certifies this assessment to the County Clerk in accordance with KRS136.180. This assessment is subject to all tax levies as explained below.

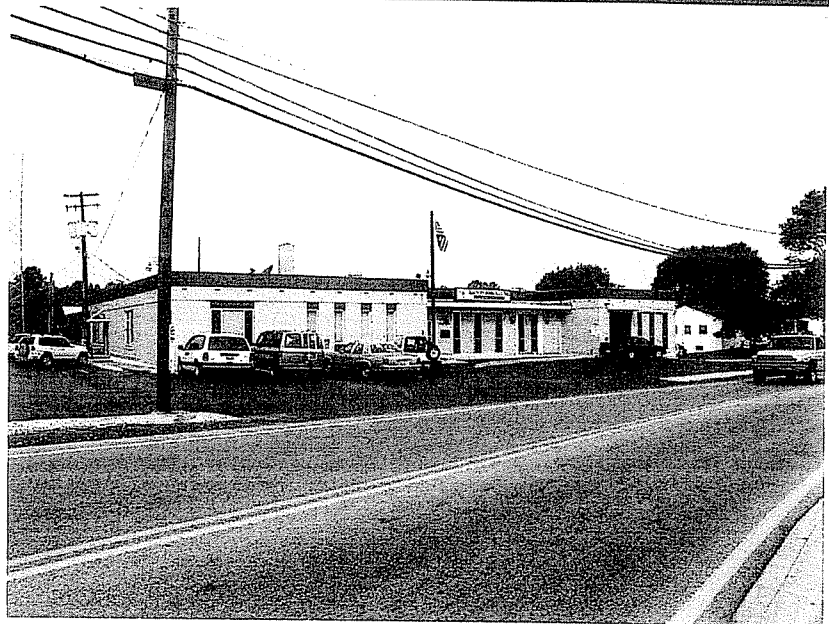
Original Certification Date: 9/3/2008

TAXING JURISDICTION	REAL ESTATE	TANGIBLE PERSONAL	TOTAL ASSESSMENT
PULASKI COUNTY			
GENERAL	2,855,804.00	37,867,209.00	40,723,013.00
SCHOOL			
PULASKI COUNTY GENERAL	1,001,145.00	32,509,243.00	33,510,388.00
SCIENCE HILL INDEPENDENT GENERAL	0.00	139,250.00	139,250.00
SOMERSET INDEPENDENT GENERAL	1,854,659.00	5,218,716.00	7,073,375.00
CITY			
SCIENCE HILL	0.00	139,250.00	139,250.00
SOMERSET	1,854,659.00	5,218,716.00	7,073,375.00

Somerset Offices

925-929 N Main Street
Somerset, Kentucky

Allen Anderson
Chief Executive Officer
South Kentucky
Rural Electric
Cooperative Corporation
PO Box 910
Somerset, Kentucky



**COMPLETE APPRAISAL
SUMMARY REPORT**

**Childers Financial
Services, Inc.
205 Parkers Mill Road
Somerset, Kentucky**

Phone: 606/678-4956

Fax: 606/679-8742

E-Mail

mark_vaught@charter.net

The following is a
Summary Report
of a
Complete Appraisal
of
S KY RECC Somerset Offices
925-929 N Main Street
Somerset, Kentucky
as of the
3rd of September 2004

CFS

Appraisal Summary

Subject Address:..... 925-929 N Main Street

City:..... Somerset

County:..... Pulaski

State:..... Kentucky

Zip Code:..... 42503

Cost Approach Value:..... Not Utilized

Income Approach Value:..... Not Utilized

Sales Comparison Approach Value:\$ 1,500,000

Client:..... South Kentucky RECC

Contact:..... Allen Anderson

Appraiser:..... Mark H. Vaught

Date of Appraised Value:.... 3 September 2004

Final Estimate of Value:..\$ 1,500,000

Childers' Financial Services, Inc.

205 Parkers Mill Road
Somerset, Kentucky 42501

Telephone 606/678-4956
Fax 606/679-8742
E-mail mhvaught@aol.com

9 September 2004

Mr. Allen Anderson
Chief Executive Officer
South Kentucky Rural Electric Cooperative Corporation
925-929 N Main Street
PO Box 910
Somerset, KY 42502

RE: South Kentucky RECC Offices – Somerset
925-929 N Main Street
Somerset, Kentucky 42503

Dear Allen:

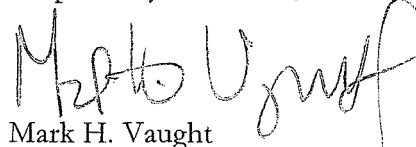
In accordance with your request, I have personally visited the above referenced property on the 3rd of September 2004. The purpose of the site visit was to appraise the property in order to estimate the fair market value of the subject property as of the 3rd of September 2004.

Based upon the examination and study made, I have formed the opinion that the fair market value of the subject property as of the 3rd of September 2004 is:

One Million Five Hundred Thousand Dollars
(\$1,500,000)

The following report represents, in detail, the appraisal and analysis of the data along with other materials upon which the estimate of value is predicated.

Respectfully submitted,



Mark H. Vaught

General Real Property
Appraiser # 2271

Appraisal Report

i. Subject Property:

The subject property is an improved tract of land containing 9.75 acres at the intersection of University Drive and North Main Street. The site is within the southwest quadrant of the intersection.

ii. Improvements:

Subject site is improved with eight buildings and two single-family residences. The residences are not included in the valuation process. Building No. One is a 21,597 square foot brick office building; Building No. Two is an 18,650 square foot warehouse with a 170' x 50' attached loading dock; Building No. Three is a 1946 square foot block building with a 31' x 31' loading dock; Building No. Four is a 788 square foot 3-bay garage; Building No. Five is a 2,952 square foot eight bay garage; Building No. Six/Seven is an 11,200 square foot nine bay garage with a 60 x 40 maintenance garage. Building No. Eight is a 5,600 square foot twelve-bay open sided garage. The site has had extensive grading to facilitate drainage. Approximately 4.0 acres is asphalted and the remainder is graveled. 90% of the site is under fence.

iii.	Cost Approach:	Not Utilized
iv.	Income Approach:	Not Utilized
v.	Sales Comparison Approach:	\$1,685,000
vi.	Final Estimate of Value:	\$1,500,000
vii.	Date of Appraisal: Effective Date of Appraisal:	3 September 2004 3 September 2004
viii.	Type of Appraisal: Type of Report:	Complete Appraisal Summary Appraisal Format
ix.	Intended Use:	To determine the market value of the present improvements.
x.	Intended User:	Allen Anderson Chief Executive Officer And members of the Board of Directors of South Kentucky RECC are the intended users specified in the report, along with any state or federally instrumentality so entitled.

xi. Appraiser(s):

Mark H. Vaught
Appraiser

Exhibit 6
6-87

Property Rights Appraised

The property rights herein appraised are fee simple. Fee simple ownership is defined as the best and highest level of ownership in real property, while fee simple ownership is the highest degree of ownership it does not guarantee the unrestricted exercise of the bundle of right associated with real property ownership.

The subject property is appraised assuming it to be free and clear with no encumbrances, encroachments, or restriction violations affecting the property. The subject is in an area which is presently not zoned. The subject and 4 adjoining properties are surrounded by the City of Somerset. The area is zoned commercial, residential and light industrial. The subject complements the existing businesses. There is a special use properties (school, YMCA) in the neighborhood as well

Scope of Appraisal

The scope of this appraisal will be to estimate the market value in an "as is" condition as of the date of site visit, the 3rd of September 2004.

To reach this valuation, the scope includes the following.

1. A site visit of the property. We/I do not warrant the structural integrity of existing structure(s), but unless otherwise noted, it is assumed to be of sound construction with all mechanical, plumbing and electrical systems in good working order. It is assumed that all proposed structure(s) will be constructed in a manner to pass all necessary building codes.
2. A search of the public record relative to the subject. This search encompasses, among other things, tax and assessment information, easement(s), both private as well as public, deed restrictions, zoning, conditional uses, variances, history of the property, etc.
3. A summary of neighborhood and regional area characteristics.
4. Analysis of physically possible uses, legally permissible uses, and all feasible uses in order to estimate the highest and best use of the subject property.
5. Research of public record for comparable sales and listings. Telephone verification, where possible, of all sales and listing with the buyer, seller or their representatives. Comparison of the comparable properties to the subject with consideration of such differences as legal encumbrances, financing terms, conditions of sale, market conditions, location, physical characteristics, availability of utilities, zoning and highest and best use.
6. The three recognized approaches to value, Cost, Sales Comparison and Income, will be developed unless sufficient supporting data is not available or the nature of this assignment precluded application of any approach.
7. The preparation of a narrative appraisal report in compliance with the Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Standards Board of the Appraisal Foundation. The appraiser has met the competency provision as required by USPAP and is capable of completing the appraisal assignment competently.

Purpose of the Appraisal & Definition of Market Value

The purpose of this appraisal is to estimate the market value of the subject property for present improvements, for Allen Anderson, CEO, South Kentucky RECC as of the 3rd day of September 2004. (This appraisal is completed following the guidelines of the Uniform Standards of Professional Appraisal Practice) For the purpose of this report, market value is defined as the most probable price, which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably, and assuming the price is not affected by undue stimulus.

Implicit in the definition of market value is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated.
2. Both parties are well informed or well advised, and each acting in what he considers his own best interest.
3. A reasonable time is allowed for exposure in the open market.
4. Payment is made in terms of U.S. dollars or in terms of financial arrangements comparable thereto.
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions* granted by anyone associated with the sale.

*Adjustments to the comparable sales must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar for dollar cost of the financing or concession, but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.

Statement of Limiting Conditions

Contingent And Limiting Conditions: The appraiser's certification that appears in the appraisal report is subject to the following conditions:

- The appraiser will not be responsible for matters of a legal nature that affect either the property being appraised or the title to it. The appraiser assumes that the title is good and marketable and, therefore, will not render any opinions about the title. The property is appraised on the basis of it being under responsible ownership.
- The appraiser has examined the available flood maps that are provided by the Federal Emergency Management Agency (or other data sources) and has noted in the appraisal report whether the subject site is located in an identified Special Flood Hazard Area. The map can be found in the Site Analysis Chapter. **Because the appraiser is not a surveyor, he or she makes no guarantees, expressed or implied, regarding this determination.**
- The appraiser will not give testimony or appear in court because he made an appraisal of the property in question, unless specific arrangements to do so have been made beforehand.
- The appraiser has estimated the value of the land in the cost approach at its highest and best use and the improvements at their contributory value. These separate valuations of the land and improvements must not be used in conjunction with any other appraisal and are invalid if they are so used.
- The appraiser has noted in the appraisal report any adverse conditions (such as, needed repairs, depreciation, the presence of hazardous wastes, toxic substances, etc.) observed during the site visit of the subject property or that he or she became aware of during the normal research involved in performing the appraisal. Unless otherwise stated in the appraisal report, the appraiser has no knowledge of any hidden or unapparent conditions of the property or adverse environmental conditions (including the presence of hazardous wastes, toxic substances, etc.) that would make the property more or less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, expressed or implied, regarding the condition of the property. The appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. **Because the appraiser is not an expert in the field of environmental hazards, the appraisal report must not be considered as an environmental assessment of the property. The appraisal is made under the assumption that there is no environmental contamination as of date of site visit.**
- The appraiser obtained the information, estimates, and opinions that were expressed in the appraisal report from sources that he considers to be reliable and believes them to be true and correct. The appraiser does not assume responsibility for the accuracy of such items that were furnished by other parties.
- The appraiser will not disclose the contents of the appraisal report except as provided for in the Uniform Standards of Professional Appraisal Practice.

- The appraiser has based his appraisal report and valuation conclusion for an appraisal that is subject to satisfactory completion, repairs, or alterations on the assumption that completion of the improvements will be performed in a workmanlike manner.

- The appraiser must provide his prior written consent before the lender/client specified in the appraisal report can distribute the appraisal report (including conclusions about the property value, the appraiser's identity and professional designations, and references to any professional appraisal organizations or the firm with which the appraiser is associated) to anyone other than the borrower; the mortgagee or its successors and assigns; the mortgage insurer; consultants; professional appraisal organizations; any state or federally approved financial institution; or any department, agency, or instrumentality of the United States or any state or the District of Columbia; except that the lender/client may distribute the property description section of the report only to data collection or reporting service(s) without having to obtain the appraiser's prior written consent. The appraiser's written consent and approval must also be obtained before the appraisal can be conveyed by anyone to the public through advertising, public relations, news, sales, or other media.

Appraiser's Certification

Appraiser's Certification: As required by Standards Rule 2-3
The Appraiser certifies and agrees that:

- I have taken into consideration the factors that have an impact on value in my development of the estimate of market value in the appraisal report. I have not knowingly withheld any significant information from the appraisal report and I believe, to the best of my knowledge, that all statements and information in the appraisal report are true and correct.
- I stated, in the appraisal report, only my own personal, impartial, unbiased, and professional analysis, opinions, and conclusions, which are subject only to the contingent and limiting conditions specified in this form.
- I have no present or prospective interest in the property that is the subject of this report, and I have no present or prospective personal interest or bias with respect to the participants in the transaction. I did not base, either partially or completely, my analysis and/or the estimate of market value in the appraisal report on the race, color, religion, sex, handicap, familial status, or national origin of either the prospective owners of the subject property or of the present owners or occupants of the properties in the vicinity of the Subject property.
- I have no present or contemplated future interest in the subject property, and neither my current or future employment nor my compensation for performing this appraisal is contingent on the appraised value of the property.
- I was not required to report a predetermined value or direction in value that favors the cause of the client or any related party, the amount of the value estimate, the attainment of a specific result, or the occurrence of a subsequent event in order to receive my compensation and/or employment for performing the appraisal. I did not base the appraisal report on a requested minimum valuation, a specific valuation, or the need to approve a specific mortgage loan.
- I performed this appraisal in conformity with the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place as of the effective date of this appraisal, with the exception of the departure provision of those Standards, which does not apply. I acknowledge that an estimate of a reasonable time for exposure in the open market is a condition in the definition of market value and the estimate I developed is consistent with the marketing times of commercial properties in the Market Area.
- I have personally inspected the interior and exterior areas of the subject property and the exterior of all properties listed as comparable sales in the appraisal report. I further certify that I have noted any apparent or known adverse conditions in the subject improvements, on the subject site, or on any site within the immediate vicinity of the subject property of which I am aware and have made adjustments for these adverse conditions in my analysis of the property value to the extent that I had market evidence to support them. I have also commented about the effect of the adverse conditions on the marketability of the subject property.

- I personally prepared all conclusions and opinions about the real estate that were set forth in the appraisal report. If I relied on significant professional assistance from any individual or individuals in the performance of the appraisal or the preparation of the appraisal report, I have named such individuals and disclosed the specific tasks performed by them in the reconciliation section of this appraisal report. I certify that any individual so named is qualified to perform the tasks. I have not authorized anyone to make a change to any item in the report; therefore, if an unauthorized change is made to the appraisal report, I will take no responsibility for it.
- I have no bias with respect to the property that is subject of this report or to the parties involved with this assignment.

Competency

- In accepting the assignment, I believe: (1) That I have the necessary appraisal experience to perform the assignment in compliance with USPAP regulations. (2) That I am familiar with the neighborhood, region enough to perform this assignment. (3) That Childers Financial Services research has amassed sufficient information in Somerset-Pulaski County and South Central Kentucky-that has been verified and analyzed-to produce sales comparable or similar enough to determine a value for the subject property through the sales comparison approach, and (4) enough information has been gathered from local and national resources to determine a value through the cost approach.

Appraiser:

Signature: Mark H. Vaught
Mark H. Vaught

Date Signed: 09-09-04

State License #: 2271

State: KY

Expiration Date of Certification or License: 6/30/05

Owner: South Kentucky Rural Electric
Cooperative Corporation

Property Postal Address: 925 North Main Street
Somerset, KY 42501

Person Contacted: Mr. Allen Anderson

Date of Contact: Various dates since 1 June 2004

Sales History:
(Three Year Minimum) The appraised property is
composed of ten tracts. Two
tracts are improved with single
family residences and are
not included in the appraisal.

Tract No. One
Deed Book 163 Page 195
This tract was conveyed to
South Kentucky Rural Electric
Co-operative Corporation by
Maria Elliot Adkins & B. L.
Adkins, her husband on 27
December 1948 and of record in
Deed Book 163 Page 195.

Being a part of the same
property conveyed to Maria
Elliot Adkins and Nannie
Groley et al by will and of

record in Will Book 9 Page 403
Nannie Groley et al conveyed
their interest to Maria Elliot
Adkins et al by deed dated 27
February 1947 and of record in
Deed Book 152 Page 25.

Tract No. Two

Deed Book 290 Page 411

This tract was conveyed to
South Kentucky Rural Electric
Cooperative Corporation by
Welbie Bray & Nettie Bray, his
wife on the 8th of April 1969 and
of record in Deed Book 290
Page 411

Being a part of the same
property conveyed to Welbie &
Nettie Bray by deed dated 31
July 1952 and of record in Deed
Book 185 Page 576.

Tract No. Three

Deed Book 299 Page 343

This tract was conveyed to
South Kentucky Rural Electric
Co-operative Corporation by
Barnett Eldridge & Mafre
Eldridge, his wife and Clarence
Vaught & Louise Vaught, his
wife on 28 February 1970 and of
record in Deed Book 299 Page
343.

Being a part of the same
property conveyed to Barnett
Eldridge & Mafre Eldridge and
Clarence Vaught & Louise
Vaught by deed dated 30 August
1968 and of record in Deed
Book 285 Page 527.

Tract No. Four

Deed Book 329 Page 088

This tract was conveyed to
South Kentucky Rural Electric
Cooperative Corporation by
Horace A. Withers & Georgia

Withers, his wife on 25 January 1972 and of record in Deed Book 329 Page 088.

Being the same property conveyed to Horace A. Withers & Georgia Withers, by deed dated 5 May 1954 and of record in Deed Book 193 Page 353 and by deed dated 2 September 1955 and of record in Deed Book 201 Page 125 and by deed dated 7 August 1958 and of record in Deed Book 218 Page 412.

Tract No. Five

Deed Book 387 Page 404

This tract was conveyed to South Kentucky Rural Electric Cooperative Corporation by Gerald & Bonnie Phelps, his wife on 13 October 1978 and of record in Deed Book 387 Page 404.

This being the same property conveyed to Gerald & Bonnie Phelps by deed dated 24 May 1965 and of record in Deed Book 263 Page 006.

Tract No. Six

(Improved with Single-Family Residence)

Deed Book 388 Page 145

This tract was conveyed to South Kentucky Rural Electric Cooperative Corporation by Larry Ross Martin & Katharyn Martin, his wife on 1 November 1978 and of record in Deed Book 388 Page 145

Being the same property conveyed to Larry Ross Martin & Katharyn Martin by deed dated 9 April 1971 and of record in Deed Book 323 Page 270.

Tract No. Seven
Deed Book 498 Page 562

This tract was conveyed to South Kentucky Rural Electric Cooperative Corporation by Rupert D. Burkett & Kara B Burkett, his wife on 4 February 1991 and of record in Deed Book 498 Page 562

Being a part of the same property conveyed to Rupert D. Burkett & Kara B. Burkett by deed dated 20 May 1962 and of record in Deed Book 242 Page 164 and by deed dated 26 July 1977 and of record in Deed Book 374 Page 146.

Tract No. Eight
Deed Book 299 Page 343

This tract was conveyed to South Kentucky Rural Electric Cooperative Corporation by Thelma Sowder, a widow on 4 February 1991 and of record in Deed Book 498 Page 565

Being a part of the same property conveyed to Thelma Sowder by deed dated 2 June 1962 and of record in Deed Book 242 Page 232.

Tract No. Nine
(Improved with Single-Family Residence)

Deed Book 546 Page 625

This tract was conveyed to South Kentucky Rural Electric Cooperative Corporation by Norma Petteet (formerly Norma Todd) and Harrison Childers, Co-Executors of the Estate of Goldia Childers, on 6 April 1994 and of record in Deed Book 546 Page 625.

Being the same property conveyed to Harrison Childers

& Goldia Childers, his wife, by deed dated 28 July 1962 and of record in Deed Book 243 Page 298. Said Harrison Childers having heretofore departed this life and fee title vested in Goldia Childers by virtue of the survivorship provisions of said deed.

Said Goldia Childers, a widow, having departed this life on 7 June 1992, and grantors being Co-Executors appointed in Will Book 30, Page 114.

Tract No. Ten

Deed Book 555 Page 304

This tract was conveyed to South Kentucky Rural Electric Cooperative Corporation by Brentie O. Bray & Joyce Dean Bray, his wife on 27 September 1994 and of record in Deed Book 555 Page 304.

Being same property conveyed to Brentie O. Bray & Joyce Dean Bray by deed dated 1 July 1991 and of record in Deed Book 551 Page 589.

All deeds and wills referenced above are located in the Pulaski County Court Clerk's Office.

Assessment:

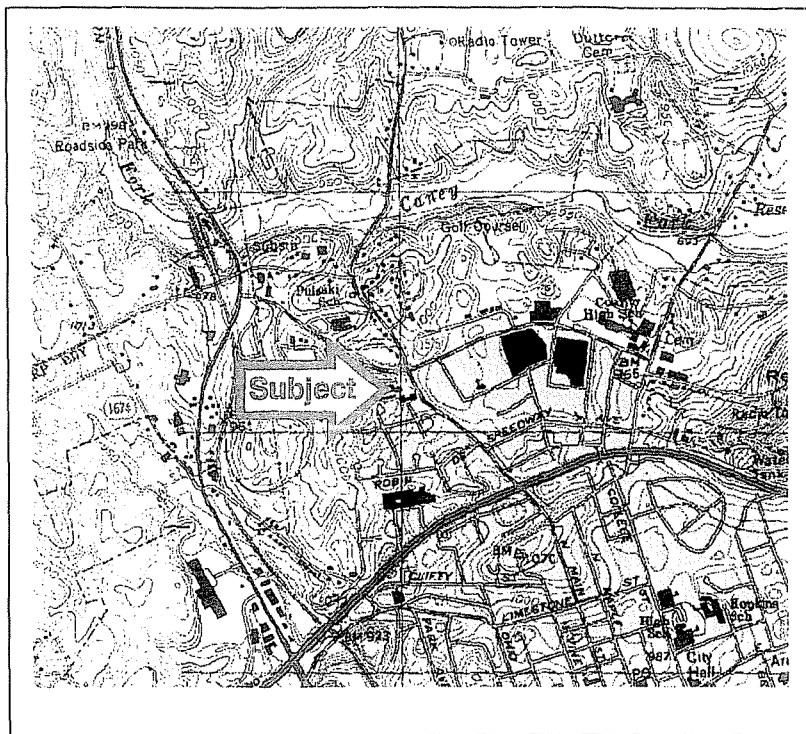
Franchise
Parcel No 060-6-1-12

Zoning:

B-2

Neighborhood Analysis

The subject neighborhood is that area along University Drive 39 from its intersection with KY 39 to Hwy. 27. The east boundary would be Pumphouse Road, and the west boundary would be US 27. The area includes the Huffaker Addition to the City of Somerset. The majority of properties in the area is single family residences, with some light industrial; Todd Truss and Ace Body Shop, Commercial; Modern Vending, Peoples Tobacco Warehouse, Farmers Tobacco Warehouse, H. T. Hackney, and Pepsi Cola Bottling Company, special purpose properties, Pulaski County High School, South Kentucky RECC Headquarters, Somerset Country Club and the YMCA. The area also has an apartment complex, and a condominium complex.



The diverse mix in the area is common for the area and does not effect the value or marketability of the property.

The area has no unfavorable factors. The subject is convenient to or contains schools, shopping and employment centers.

The subject neighborhood is provided electrical power by the Kentucky Utilities, Inc. and the city of Somerset provides the water service, public sewage and natural gas. Alltel provides telephone and cable television is provided by Charter Communication. There are no known or apparent adverse conditions in the neighborhood at the present time.

Site:

The subject property is on the south side of University Drive, at its intersection with North Main Street. The site contains 9.75 acres. The two residential tracts contain 0.693 acres, leaving 9.057 acre in the operational complex. The tract has over 420 feet of road frontage along North Main Street, and

over 595 feet of road frontage along University Drive. The site is at road grade, with topography that would be classified as rolling. The site has several entrance/exits onto North Main Street, and one entrance/exit onto University Drive.



Street Scene

This entrance is through a subservient easement. Visibility is good, so ingress and egress onto the site are not problems. Congestion is a problem at times. University Drive and North Main Street are publicly maintained asphalt roads. They are maintained by the Commonwealth of Kentucky. There are mercury vapor streetlights along University Drive and North Main Street. North Main Street has sidewalks, concrete curbs or gutters. There are no sidewalks, concrete curbs or gutters along University Drive.

The legal description for Tract # 1 is as follows:

A certain tract or parcel of land lying and being on the west side of highway # 27 (now North Main Street), north of Somerset, and in Pulaski County, Kentucky, and more particularly described as follows, to-wit

BEGINNING at a stone on the west side of US Highway # 27, Hines' corner; thence with the highway, a northerly direction, 180 feet to another stone on the west side of the highway, corner to the other property of first parties; thence an angle of $99^{\circ}15'$, with the property line of first parties, a westerly direction, 540-5/10 feet to a post; thence an angle of $80^{\circ}36'$, a southerly direction 150 feet, approximately parallel to U.S. Highway # 27, to a post; thence an angle of $102^{\circ}35'$, an easterly direction, passing along Roscoe Morris' line and then along Hines' line 546 feet to the beginning.

The legal description for Tract # 2 is as follows:

Part of three certain lots or parcels of land located, lying and being in Pulaski County, Ky., and being known as Lots 26, 27 & 28 in block "D" of the Elliot Sub-Division, plat of which is of record in Plat Book 1 Page 59, Pulaski County Clerk's Office, Kentucky. The land herein conveyed being the rear of back part of the above three named lots and bounded and described as follows;

BEGINNING at an iron pipe in South Ky. R. E. C. C. line and a corner of Thelma Sowder and Welby Bray; thence with Sowders line S 27 E 83 feet to an iron pipe; corner of Sowder, Shelton and Bray; thence with Shelton's Line S $80^{\circ}-30''$ W 83 feet to an iron pipe; thence through Bray's land N 11 W 78 feet to an iron pipe in South Ky. R. E. C. C. Line; thence with said line N $79^{\circ}-30''$ E 62 feet to the beginning corner.

The legal description for Tract # 3 is as follows:

A certain tract or parcel of land lying and being on the south side of Kentucky Highway # 39 (now University Drive), north of Somerset, and in Pulaski County, Kentucky, bounded and described as follows:

BEGINNING at a corner post in the right-of-way of Kentucky 39 near a right-of-way marker 50' southward from the center of Kentucky 39 and approximately 160' westward from the center of Kentucky 1247; thence S $23^{\circ}54'E$ 266.5 feet to a corner post; S $73^{\circ}07' W$ 362.8 feet to a 2" steel post; S $26^{\circ}14' E$ 150.4 feet to a 2" steel post; S $76^{\circ}32' W$ 198.9 feet to a power pole in the fence; thence leaving the fence N $14^{\circ}30' W$ 558.8 feet to a stake in the right-of-way of Kentucky 39; thence with the right-of-way of Kentucky 39 S $76^{\circ}45' E$ 194.5 feet; N $88^{\circ}36' E$ 200.1 feet; N $76^{\circ}00' E$ 120.4 feet to the beginning. Contains 4.28 acres as shown by plat of same attached hereto and made a part hereof reference.

The legal description for Tract # 4 is as follows:

TRACT I:

Certain lot or parcel of land lying and being in Pulaski County, State of Kentucky, and being known and designated as Lots 8, 9 and 10 in Block "B" of the Elliott Sub-division to the city of Somerset, Kentucky as shown by the plat of the same recorded in Plat Book 1 Page 59, Pulaski County Court Clerk's Office, Kentucky. There is excepted and not included a certain portion of Lot No. 8 and the same being a strip of land lying on south side of said lot, fronting 15 feet to Tarter Avenue and running back through parallel lines 75 feet to said adjoining Lot No. 7.

TRACT II:

A certain lot or parcel of land lying and being in and being in Elliott Sub-division, plat of which is of record in Plat Book 1 Page 59, said land being in Pulaski County, Kentucky, and said record among the records of Pulaski County, Kentucky, and herein tract being bounded and described as follows:

BEGINNING on the north corner of No. 5 lot, in Block "B"; thence north with Highway no. 27, 39 feet; thence northwest 109 feet to a stake; thence southeast 39 feet to a stake; thence northeast 123 feet to the place of the beginning.

TRACT III:

A certain tract or parcel of land located, lying and being in Pulaski County, State of Kentucky, in the Elliott sub-division to the City of Somerset, Kentucky and bounded and described as follows:

BEGINNING at the south corner of Lot No. 7 on Tarter Street; thence running with Tarter Street 47 feet 5 inches to a stake; thence in an eastern direction 75 feet to a stake; thence in a southern direction 47 feet 5 inches to a stake in line of Lot No. 6; thence in a western direction with line of Lot No. 6, 75 feet to the place of beginning.

The legal description for Tract # 5 is as follows:

A certain lot or parcel of ground lying and being in Pulaski County, Kentucky, and known and designated as Lot No. 5 in Block "B" of the Elliott Subdivision to the city of Somerset, Kentucky as shown by plat of same recorded in Plat Book 1 Page 59, Pulaski County Court Clerk's Office, Kentucky. There is reserved from this, a twelve (12) foot roadway from Highway No. 27 to the rear of Lot No. 5 along the north side of said Lot No. 5 for the benefit and use of all property in Block "B" of the said Elliot Subdivision

The legal description for Tract # 6 is as follows:

BEGINNING at an iron pin on the west side of Kentucky Highway No. 1247, North 20 feet 4 inches from the concrete wall of South Kentucky Rural Electric Co-Operative Corporation's corner; thence with the highway right of way North 22 degrees 30 minutes West 77 feet to an iron pin; thence with Childer's line South 74 degrees 41 minutes West 167 feet to an iron pin; thence with Reid's line south 22 degrees 50 minutes East 74 feet to an iron pin which is 20 feet 4 inches from the South Kentucky RECC concrete wall; thence North 75 degrees 42 minutes East 167 feet to the point of beginning.

The legal description for Tract # 7 is as follows:

BEGINNING at an iron pin, set this survey in the southwest line of lot 9, in an existing fence line and corner to Thelma Sowder; thence with the fence line S 27° 57' 27" East 63.31 feet to an old fence post corner, corner to lots 7, 15 and 23; thence with the old line of Lots 7 and 15, and an old fence line, N 80° 56' 51" E 65.46 feet to an iron pin set this survey; thence leaving the old line and crossing lots 7, 8 and a portion of lot 9, N 11° 53' 35" W 55.52 feet to an iron pin set this survey, and a corner to Sowder and Rupert Burkett; thence with the old line of Sowder and Burkett S 84° 00' 00" West 83.34 feet to the beginning, containing 0.10 acres more or less, and being a portion of lots 7, 8 and 9 of Block "D" of the Elliot Addition to Somerset, Kentucky as shown by Plat of the same recorded in Plat Book 1 Page 59, Pulaski County Clerk's Office, Kentucky.

The legal description for Tract # 8 is as follows:

BEGINNING at an iron pin an existing corner to RECC, in the right-of-way of Tarter Avenue, and being at the end of said right-of-way; thence S 79°30' 00" West 217.60 feet to an existing iron pin in the RECC fence line and a corner to lot 28; thence with the line of lot 28 and lot 12 S 27° 57' 27" East 68.03 feet to an iron pin set this survey in an old fence line, a corner to Rupert D. Burkett; thence with Burkett's line N 84° 00' 00" East 83.34 feet to an iron pin set this survey; thence a new line N 79° 30' 00" E 117.65 feet to an iron pin set this survey in the right-of-way of Tarter Avenue; thence with the new right-of-way N 24° 34' 07" W 8.24 feet to the point of beginning, containing 0.17 acres more or less, and being a part of lots 9, 10, 11 and 12 of Block "D" of the Elliot Addition to Somerset, Kentucky as shown by plat of the same recorded in Plat Book 1 Page 59, Pulaski County Court Clerk's Office, Kentucky.

The legal description for Tract # 9 is as follows:

A Certain tract of land located and being in Pulaski County, State of Kentucky, on the west side of Highway No. 27 just north of Somerset, Kentucky, and bounded and described as follows:

The beginning corner of this property is 145 feet from the southwest corner of C. R. Smith property located on the west side of Highway. 27 on the Stanford Road; thence with the Highway No. 27, S 22 E 110 feet to a stake; thence turning an angle 84 degrees and 27 minutes to the left 164 feet to a stake; thence parallel to the first line N 22 W 105 feet to a stake; thence 164 feet to the beginning.

The legal description for Tract # 10 is as follows:

Beginning at a set iron pin which said iron pin being a corner to Orville Simpson (171/248) and said iron pin being located on the east side of Hillcrest Avenue, and said iron pin being located N 7 deg. 58' 24" W 216.42 feet from the centerline of Hillcrest Avenue and Elliot Street right of way; thence leaving the line of South Ky R.E.C.C. (386/145); thence with the line of South Ky R.E.C.C. N 79 deg. 30' 00" East 156.20 feet to a set iron pin and said iron pin being a corner to South Ky. R.E.C.C (Lot # 12); thence still with said the line of South Ky R.E.C.C (Lots # 28, # 27, and # 26) S 12 deg. 29' 16" E 78.14 feet to an existing iron pin, corner to South Ky R.E.C.C. (Lot # 26) and said iron pin being located in the line of Simpson; thence leaving with the line of South Ky. R.E.C.C. and running with the line of Simpson and old fence line S 79 deg. 46' 28" W 132.74 feet to the point of beginning. Being the remainder of Lots Nos 26, 27 and 28, Block "D" Elliot Subdivision, plat of record in Plat Book 1 Page 59, now Plat Cabinet A, Slide 28 side 2, Pulaski County Court Clerk's Office, Kentucky.



Improvements

The subject site is improved with eight buildings and two single-family residences. The Single Family Residences are not included in the appraisal process.

Building No. One is a two-story office building containing 27,618 square foot gross building area, 21,597 above ground and 6,021 square feet below grade. The building was built in the early 60's and has been added on to several times with the last addition in 1992. The building is a brick building with a concrete foundation. The floor is concrete covered with vinyl tile, carpet and tile. The roof is of built up rubber. The walls also vary from plaster in the older part to drywall and paneling in the newer sections. The ceiling is an acoustic tile drop ceiling. The windows are casement. The doors vary from section to section and are of all makes including hollow core and solid doors. The subject is lighted with florescent lights. The subject is heated and cooled with heat pumps and four Geothermal ground-coupled units. There are over sixty rooms in the building with the vast majority being offices. There are specialty rooms also located in the building. They include dispatch rooms, vaults (three), conference rooms and community room. There is also a sales area in the front of the building. The building has an adequate number of restrooms to serve the occupants of the building. The building also has an elevator in the newer section.

Building No. Two is an 18,650 square foot warehouse originally built in 1976-77, with a major addition in 1989. The building is steel strand building with a concrete floor and footer system. The building has solid steel doors with wire-reinforced windows. Access to the warehouse is through a series of overhead doors. There is a large 170' x 50' loading dock. The warehouse has two small offices each serviced by a bath.

Building No. Three is a 1946 square foot block building with a 31' x 31' loading dock. The building has a concrete floor, casement windows, and solid doors. The building has a corrugated steel roof.

Building No. Four is a 788 square foot three-bay garage. It is of block construction with a corrugated steel roof and concrete floor. There are no garage doors for the bays.

Building No. Five is a 2,952 square foot eight-bay garage. It is of block construction with a corrugated steel roof and concrete floor. Each bay has a garage door. The floor is concrete.

Buildings No. Six/Seven is an 11,200 square foot nine-bay garage with a 60' x 40' maintenance garage. The maintenance garage has an office and a storage area. The garage area has gravel floors and is open on one side.

Buildings No. Eight is a 5,600 square foot twelve-bay garage. It has a gravel floor, and is open on two sides. .

Exhibit 6
27-87

In addition there are 2 single-family residences within the complex.

All buildings within the site are in an good to excellent state of repair with no maintenance needed.

There are three underground tanks of site for the storage of petroleum and diesel. They are the property of a third party.

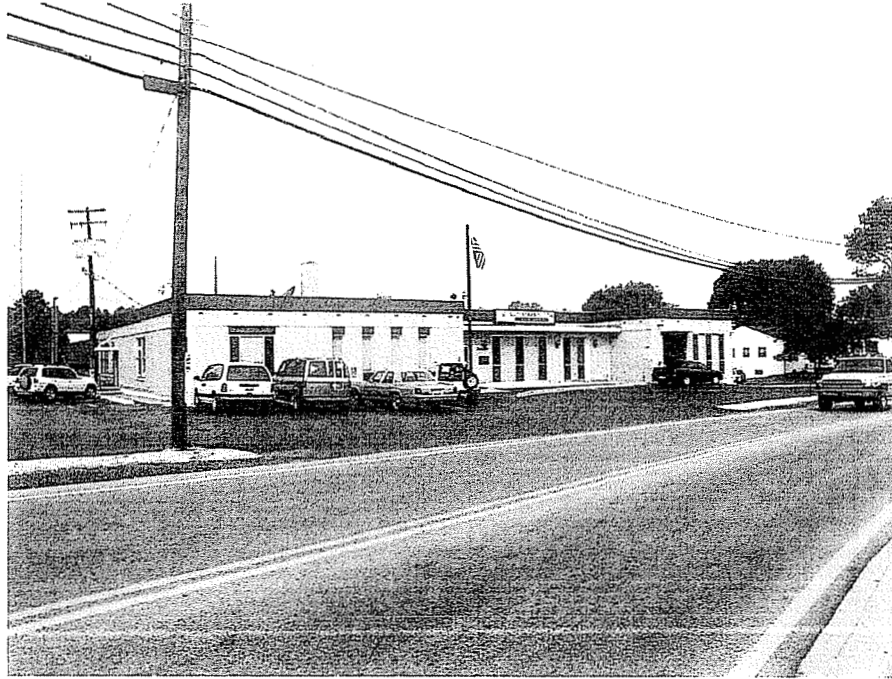
The parking lot is asphalt in and around the office building, and gravel in and around the service buildings. There is an small area that is sown grass and natural vegetation. .

The material and workmanship of the structure is of average quality.

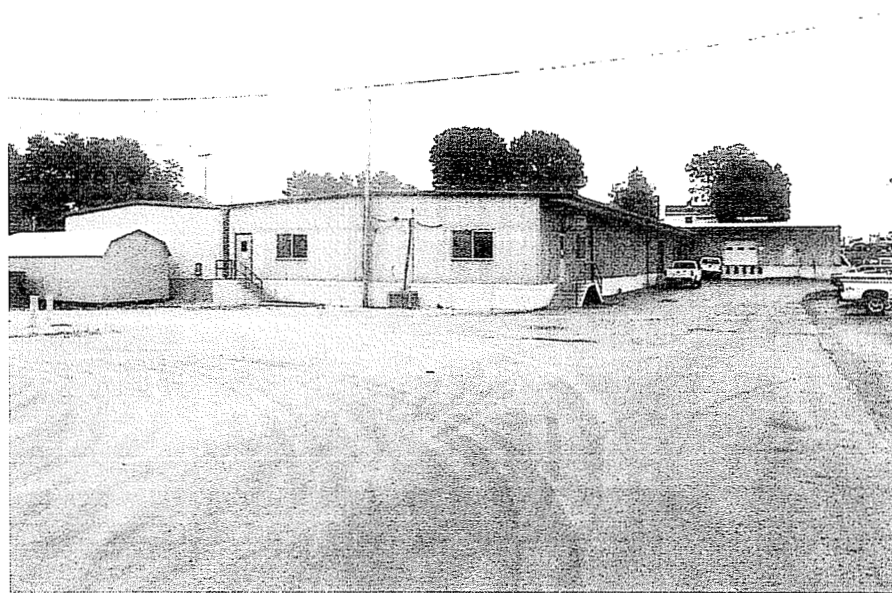
The subject is appraised in an "as is" condition as of the date of the site visit, the 3rd of September 2004.

Photographs of Building

Building No. One

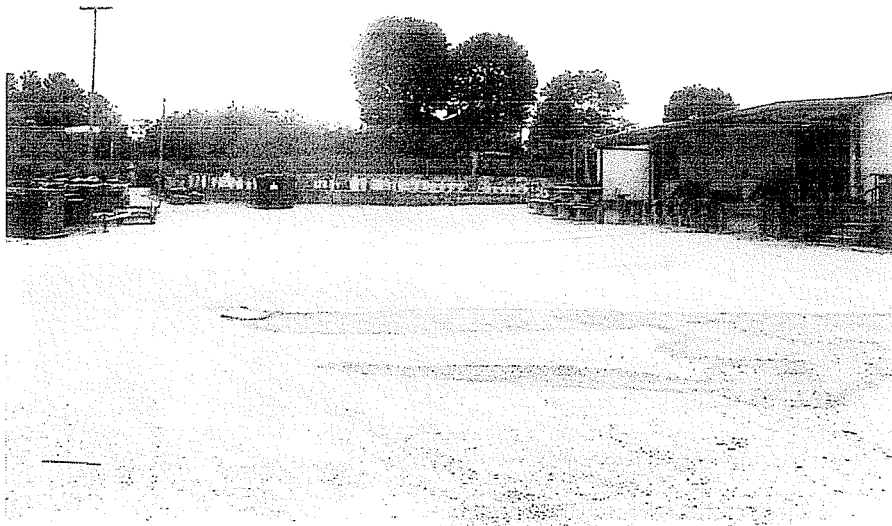


Building No. Two

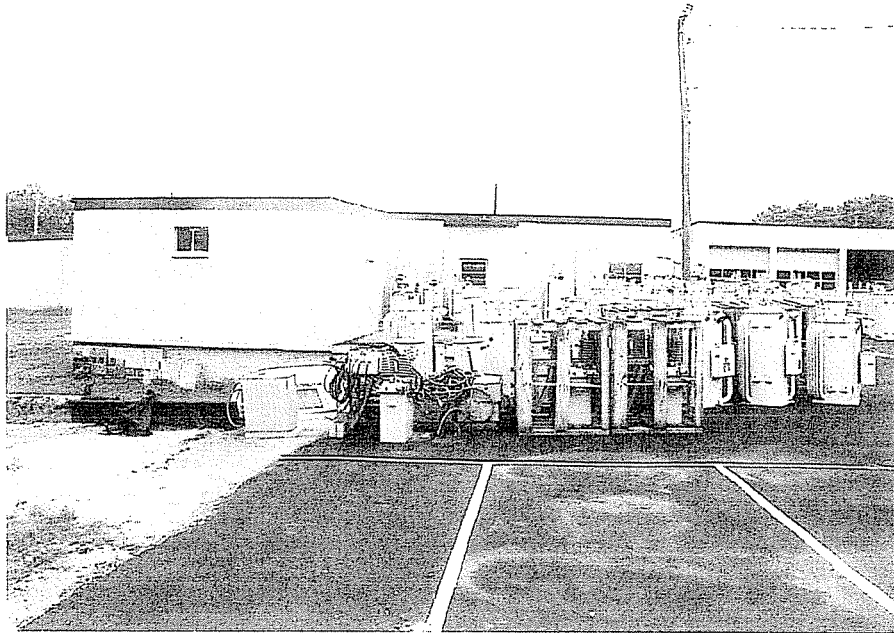


Building No. Two-Loading Dock

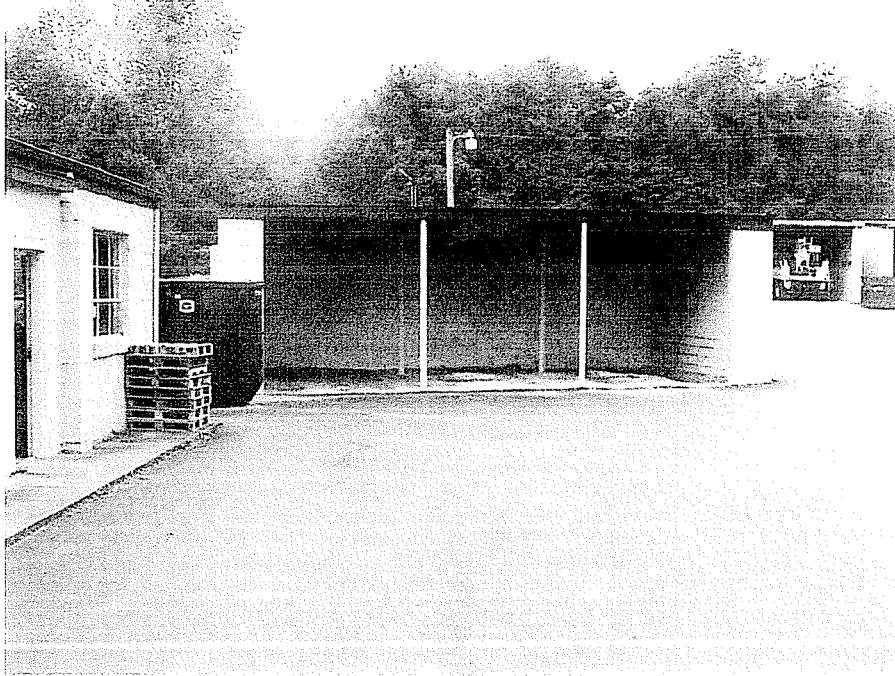
Exhibit 6
29-87



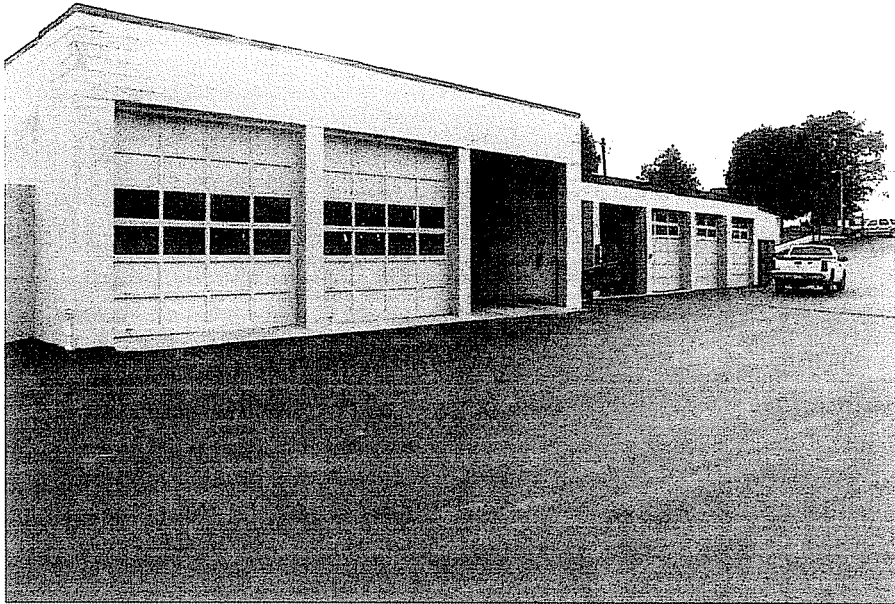
Building No. Three

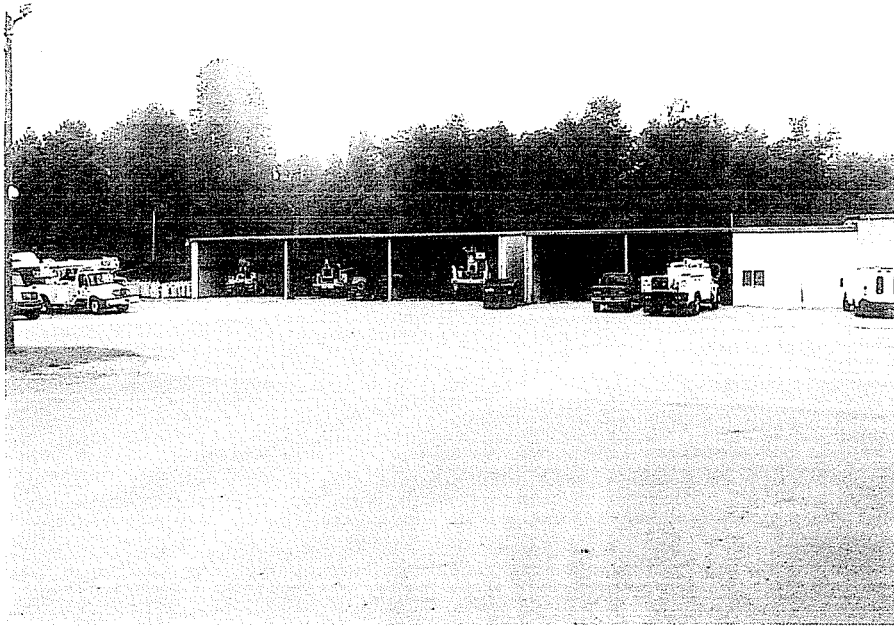


Building No. Four

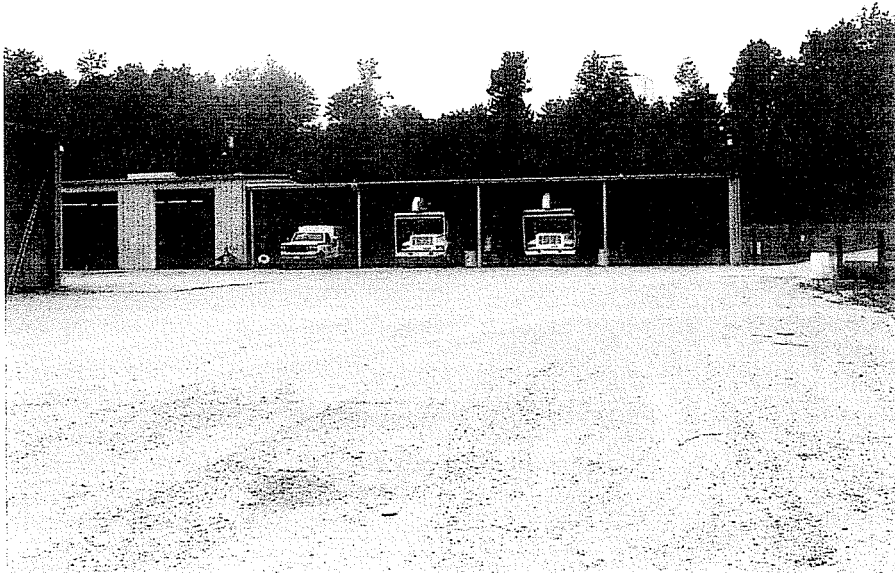


Building No. Five



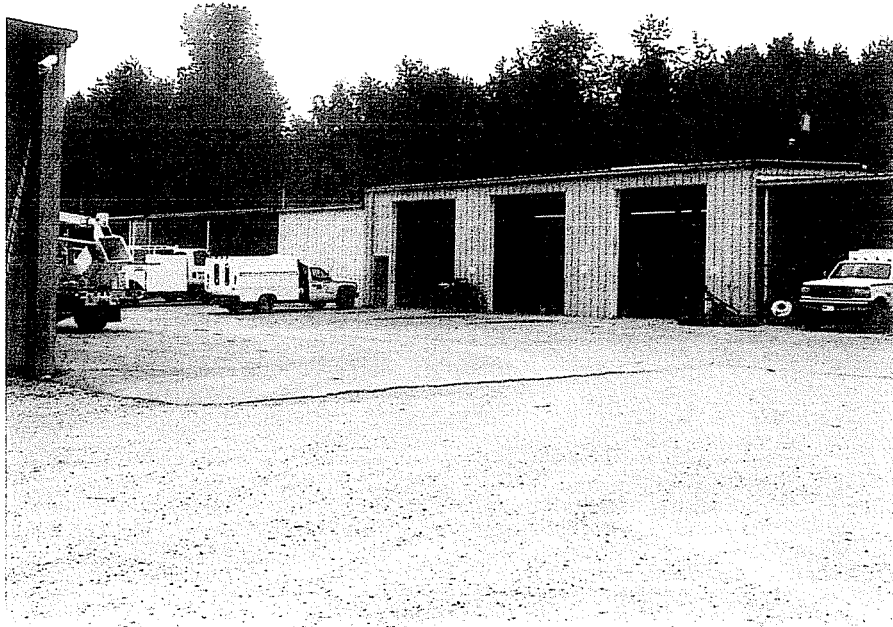


Building No. Six/Seven

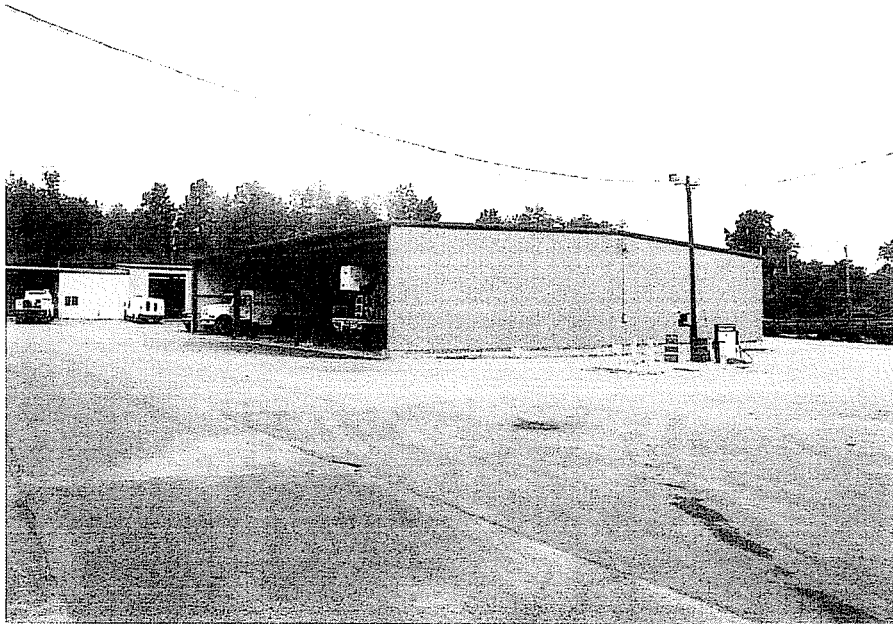


Building No. Six/Seven

Exhibit 6
32-87



Building No. Eight



Highest & Best Use

One of the major objectives of property analysis is to develop a conclusion about the highest and best, or most probable, use of the site and of the improved property. The information gathered and analyzed is all oriented toward that objective. Highest and best use is "that reasonable and probable use that supports the highest present value, as defined, as of the effective date of the appraisal". The highest and best use in the context of market value is the most probable use. Both the site and the improved property have a highest and best use at any given point in time. The highest and best use of the improved property may or may not be the same as the highest and best use of the site.

These definitions imply that ".....the determination of highest and best use results from the appraiser's judgment and analytical skill, i.e. that the use determined from analysis represents an opinion, not a fact to be found."

Highest and best use must be reasonable, probable, and proximate (likely to occur soon, if not immediately). It is not speculative or conjectural. It may or may not be the present use of either the site or the improved property.

Highest and best use can change over time as external market forces change. These forces include effective demand and all its components, public tastes and standards, land use regulations (especially zoning), and competition. In addition, the character of the subject property itself may change, thereby changing its highest and best use. This is why highest and best use is always estimated as of the valuation date. In some instances, highest and best use may anticipate the market, provided the conclusion is reasonable, probable, and proximate.

A property must have utility, reflected through market demand, to have a market function. Function, in turn, determines use, and use is a major determinant of value in the context of existing current market forces. Since market value is always the highest price that an informed and

prudent purchaser would pay, the use in terms of which market value is estimated is highest and best use.

In estimating highest and best use following property analysis, the appraiser goes through four considerations, which have been referred to:

1. POSSIBLE use (physical): What uses are physically possible on the subject site or in the subject improvements, given the physical characteristics revealed by property analysis?
2. PERMISSIBLE use (Legal): What uses are permitted under existing zoning and other land use regulations and controls, and under existing deed restrictions, for the subject property?
3. FEASIBLE use (Appropriate use): Among legally permitted and physically possible uses for the subject property, which are appropriate, given the characteristics revealed by market, neighborhood, and property analysis? Which uses produce any net return to the owner, or a positive net present value?
4. HIGHEST AND BEST use: Among appropriate or feasible uses for the subject property, which will produce the highest present value.

Present use of the property may differ from highest and best use of the site: "The existing use will continue, however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use.

The highest and best use of the subject site is in the retail/service area due to municipal zoning regulations, site size, utility availability and location.

Because value is the present worth of anticipated future benefits or income, the appraiser's task is to forecast the benefits and amenities that will be produced by the realty being appraised over its remaining economic life. Then the appraiser must forecast the manner in which the typical, informed purchaser will react to these anticipated future benefits. Real estate appraisal is always forward-looking from the date on which the value estimate is made, whenever that may be.

Forecasting involves making an estimate of future happenings or conditions. It consists of estimating what will most probably happen in the future, based in part on trends in the recent past, but tempered with analytical judgment. The appraiser making an estimate of value is, in fact, making a forecast of what will probably occur under stipulated market conditions. Prediction involves foretelling the future with an applied degree of accuracy or precision that is beyond the capacity of the appraiser. An estimate of value is simply that---an estimate. The appraiser has no mystic or occult powers to foresee the future with certainty.

Projection is a mechanical process of extrapolation or extending the experience of the past into the future via a mechanical formula. This may be simple straight-line projection or it may be based on a more complex formula. In either event, it is based on the presumption that the market will support the projections or forecasts.

Methods of Appraisal

There are generally three accepted approaches to market value. The cost approach or summation approach, which includes the valuation of raw land by comparison with recent sales of similar tracts being vacant plus the depreciated replacement cost of all improvements. The market data or comparison approach, which is the process of comparing recent sales of similar properties to that of the subject, making adjustment for measurable differences. The income approach, which is based upon the premise that the income stream that a property is able to produce, when capitalized, will give a direct indication of a properties value.

In this report, the sales comparison approach, cost approach, and income approach to value are all utilized for the estimation of current market value of the subject property. The market has been analyzed to provide an adjusted comparison of sales of this type of property. The sales comparison approach is relied upon to give a fair indication of the subject. The market is utilized to realize an estimated fair market value of the subject. The income approach to value is normally based upon the market rent of the subject and similar properties, but due to the type of property, the income stream of the business will be evaluated. The cost approach has been estimated then added to the market value of similar vacant land to estimate the subject utilizing the cost approach.

Land Valuation

In order to estimate the market value of the subject's 9.057-acres, a comparison has been made of recent sales of vacant land within the market area. Recent and similar sales were found and verified. The analysis of the site data has included consideration of various dissimilar features that influence value; such as size, location, physical utility and development potential of the sales presented. The following comparable sales are considered based on their comparative attributes of the subject. No time adjustments for data of sales are made as no appreciation can be abstracted from the marketplace.

Adjustments for cash equivalency are not required on any of the land sales. Purchasers typically have cash for the land or incorporate the land cost in their construction loans. Owner financing is not typical for these type of properties.

Sales Comparison Approach (Land)-Sale # 1³⁸⁻⁸⁷

Grantor: Stigall Heirs

Grantee/Grantor: James & Lois Noe

Grantee: Jerry S. Ikerd, Sr., As Trustee of the Jerry S. Ikerd and Brenda Ikerd Trust, UTD
October 24, 1996

Date of Sale: 9/14/01 ~ 9/14/01

Sales Price: \$374,000 ~ \$410,000

Size of Tract: 6.91 Acres ~ 6.91 Acres

\$ Per Acre: \$54,124.46/Acre ~ \$59,334.30/Acre

Location: UK Drive

Improvements: Vacant at time of sale

Data Source: Deed Book 683 Page 093,
Deed Book 683 Page 100, PVA
& Site Visit



Sales Comparison Approach (Land)-Sale # 2

39-87

Grantor: Randall C. & Joyce Pyles and Joseph L. & Annabelle Pyles.

Grantee: Country Host, LLC

Date of Sale: 9/24/03

Sales Price: \$270,000

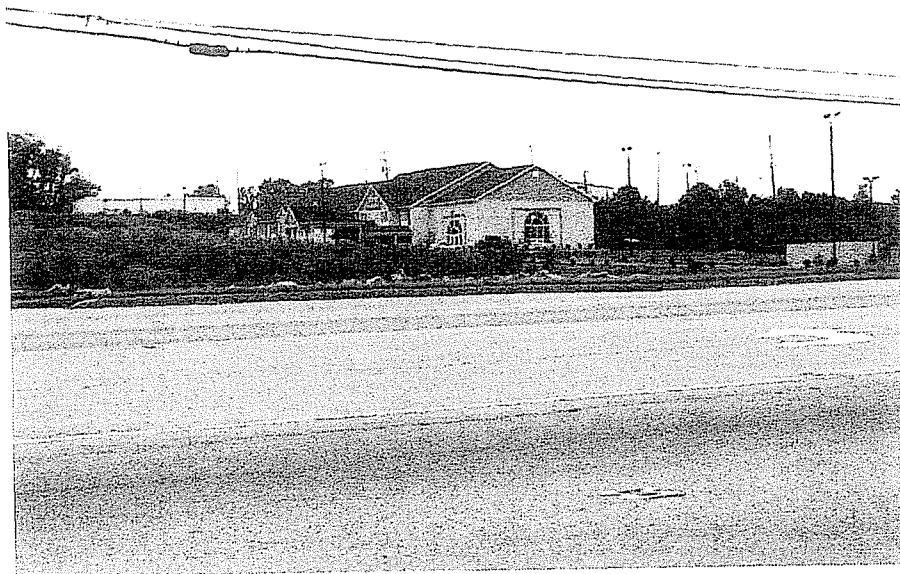
Size of Tract: 3.15 Acres

\$/Acre: \$85,826.00/Acre

Location: N US 27 Lot 1 Earl Shadoan Subdivision

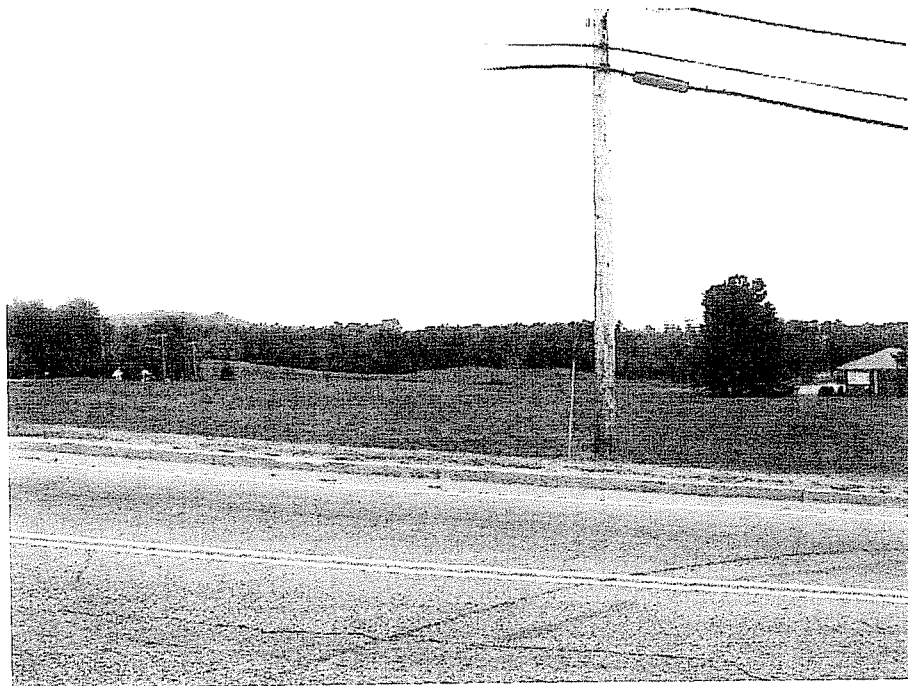
Improvements: Vacant at time of Sale

Data Source: Deed Book 724 Page 087, PVA & Site visit



Market Data Approach-(Land)-Sale # 3 #0-87

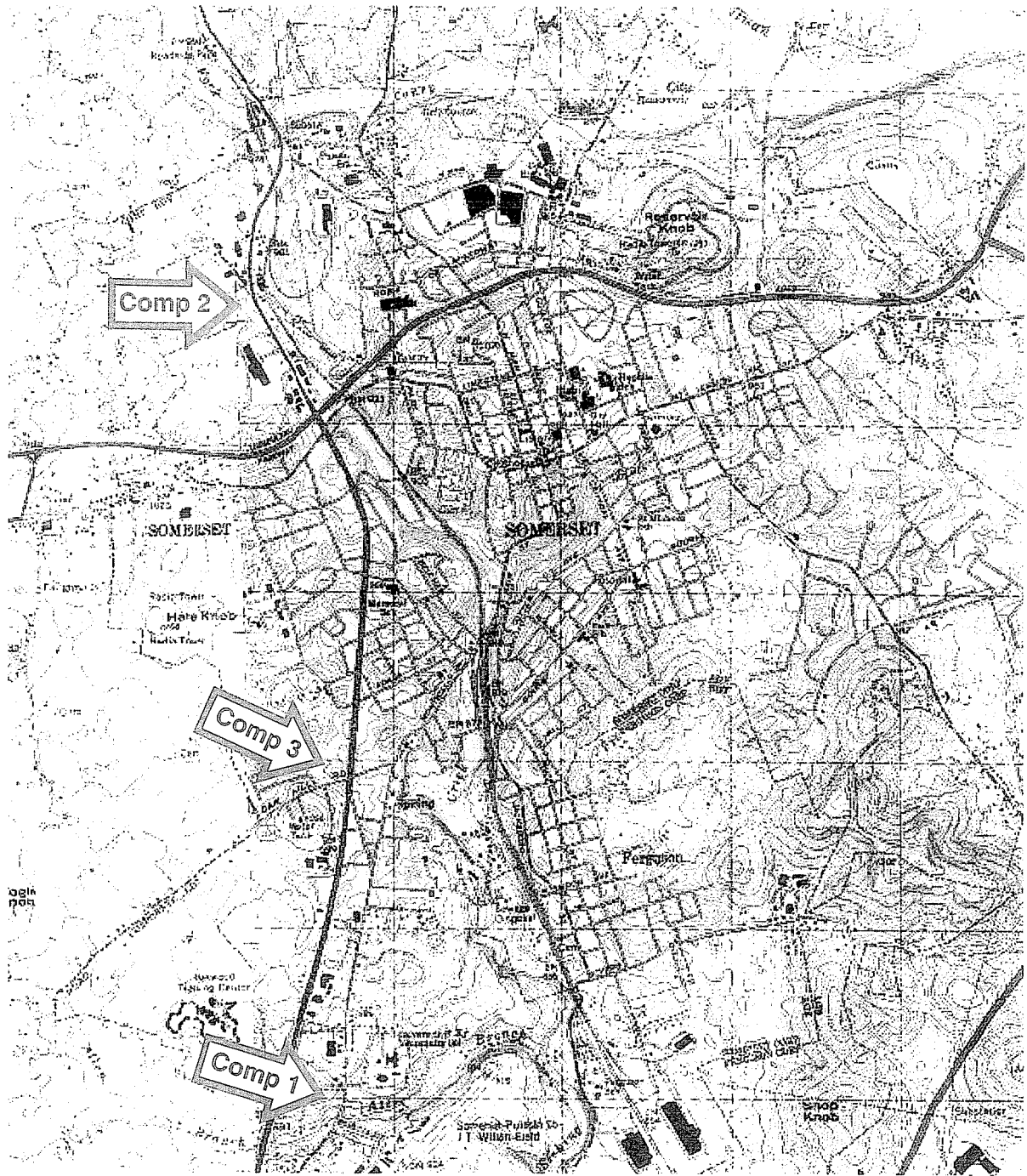
Grantor:	WBW Investments
Grantee/Grantor:	Jacob Verl & Betty Garner, Roy Garner and Jay McShurley
Grantee:	Oak Hill Enterprises, LLC
Date of Sale:	1/9/03 ~ 9/2/03
Sales Price:	\$170,880.00 ~ \$350,000.00
Size of Tract:	8.54 Acres ~ 8.54 Acres
\$/Acre:	\$20,000.00/Acre ~ \$40,962.50/Acre
Location:	Oak Hill Road 2-3 Miles Southwest
Improvements:	Vacant at time of Sale
Data Source:	Deed Book 722 Page 354 Deed Book 722 Page 359, appraisal records & site visit



Comparable Sales

Exhibit 6
41-87

Vacant Land



Correlation Grid

4287

The correlation grid recites four sales of properties most similar and proximate to subject and has been considered in the market analysis. They reflect a range in value in which the site value should fall within.

Item	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5
Address	N Main Street & University Dr	UK Drive	N US 27 Lot 1	Oak Hill Road		
Proximity		4-6 Miles South	1-2 Miles West	2-3 Miles Southwest		
Sales Price		\$374,000.00	\$410,000.00	\$270,000.00	\$170,880.00	\$350,000.00
Lot Size (Acres)	9.057	6.91	6.91	3.150	8.540	8.540
\$/Acre		\$54,124.46	\$59,334.30	\$85,714.29	\$20,009.37	\$40,983.61
Data Source		DB 683 Pg 093	DB 683 Pg 100	DB 724 Pg 087	DB 722 Pg 354	DB 722 Pg 359
Verified		Site Visit/PVA	Site Visit/PVA	Site Visit/PVA	Site Visit/PVA	Site Visit/PVA
Date of Sale		09/14/01	09/14/01	09/24/03	01/09/03	09/02/03
Location	Average (+)	Average (+)	Average (+)	Average (+)	Average (+)	Average (+)
Topography	Level-Rolling	Level-Rolling	Level-Rolling	Rolling	Level-Rolling	Level-Rolling
Indicated Value		\$490,205.23	\$537,390.76	\$776,314.32	\$181,224.86	\$371,188.56

The Market Data represents similar tracts from the same area and supports the value well. The distance from the subject, condition, location and improvements have been considered in the valuation process. All sales are closed.

Comparable # 1 sold for \$374,000 at auction (\$54,124.46 per acre). The closing was delayed several months due to complications arising over an entrance. An adjoining landowner purchased the tract during the delay for \$410,000 or \$59,334.30 per acre.

Comparable Sale # 2 sold for \$270,000 for 3.15 acres or \$85,826.00/Acre. It is located on North US 27 in the Earl Shadoan Subdivision. It has a 50' driveway to US 27, with the majority of the property lying behind the adjoining restaurant.

Comparable Sale # 3 was purchased in January 2003 for \$20,000 per acre, and sold in September 2003 for \$350,000 or \$40,983.61 per acre. The tract is 200-500 feet west of Hwy 27.

◦ **Summary:**

The per acre price of land ranges from \$20,000.00 to \$85,826.00 per acre. Taking all comparable sales into consideration and giving equal weight to all, a market value for the subject site as though vacant would be \$50,000 per acre. The land value can now be determined.

$$9.057\text{-acre} \times \$50,000/\text{acre} = \$452,850.00$$

Rounded to: \$450,000

The Sales Comparison Approach has indicated a Value of \$450,000

Sales Comparison Approach (Improvement)-Sale # 1

Grantor: State Farm Mutual
Auto Insurance Co., Inc.

Grantee: Ashwini & Prema Anand

Date of Sale: 7/30/03

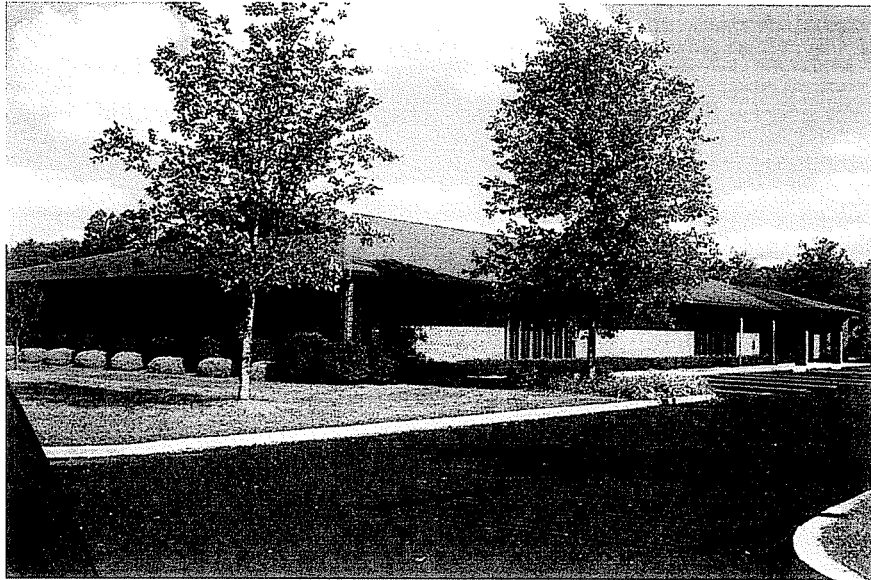
Sales Price: \$990,000.00

Size of Tract: 2.80 Acres
Estimated at \$250,000

Location: 1380 Hwy 192 East
London, KY

Improvements: 11,100 SF Office Building
W/1664 Attached Garage

Data Source: DB 559 Pg 491, PVA
& site visit



Sales Comparison Approach (Improvement)-Sale # 2

Grantor: Laurel County Public Library District of London, Kentucky

Grantee: First National Bank and Trust

Date of Sale: 5/5/03

Sales Price: \$655,000

Size of Tract: 0.4848 Acres

Location: 116 East Fourth Street
London, Ky.

Improvements: 12,552 SF Library

Data Source: Deed Book 555 Page 618, PVA
& site visit



Sales Comparison Approach (Improvement)-Sale # 3

Grantor: HRH, Inc.
Grantee: Ephraim McDowell Health Resource
Date of Sale: 2/25/02
Sales Price: \$1,000,000.00
Size of Tract: 1.703 Acres
Location: 105-109 Daniel Drive
Danville, KY
Improvements: 9,118 SF Medical Bldg.
5,763 SF Basement
1,188 SF Building used as storage
Data Source: DB 391 Pg 307, PVA & Site Visit
PVA Parcel 041-000-129



Sales Comparison Approach (Improvement)-Sale # 4

Grantor: Union Planters Bank, NA
Grantee: Whitaker Bank, NA
Date of Sale: 3/19/04
Sales Price: \$1,500,000
Size of Tract: 0.742 Acre
Location: 100 N Main Street
Corbin, Kentucky
Improvements: Two Story Bank Building
29,700 SF GBA & 724 SF Drive Thru
Data Source: Deed Book 451 Page 318, Appraisal Records &
& Site Visit



Correlation Grid

The correlation grid recites three recent sales of properties most similar and proximate to subject and has been considered in the market analysis. The description includes a dollar adjustment reflecting market reaction to those items of significant variation between the subject and comparable properties. If a significant item in the comparable property is superior to or more favorable than the subject property, a minus (-) adjustment is made thus reducing the indicated value of the subject; if a significant item in the comparable is inferior to or less favorable than the subject property, a plus (+) adjustment is made thus increasing the indicated value of the subject.

Item	Subject	Comp 1	Comp 1	Comp 3	Comp 4
Address	N Main St Somerset	Hwy 192 E London	116 E 4th St London	Daniel Dr Danville	N Main St Corbin
Proximity		30 Miles E	30 Miles E	35 Miles NW	30 Miles SE
Sales Price		\$990,000.00	\$655,000.00	\$1,000,000.00	\$1,500,000.00
Land Cost		(\$350,000.00)	(\$300,000.00)	(\$200,000.00)	(\$400,000.00)
Adjusted Sales Price		\$640,000.00	\$355,000.00	\$800,000.00	\$1,100,000.00
Sales/Financing Concession		None	None	None	None
Data Source		Site visit/PVA	Site visit/PVA	Site visit/PVA	Site visit/PVA
Verified		DB 559 Pg 491	DB 555 Pg 618	DB 678 Pg 364	DB 451 Pg 318
Lot Size (Acres)	9.057	2.80	0.4848	1.703	0.742
Building Size (SF)	21,597	12,764	12,552	10,306	29,700
\$/SF		\$50.14	\$28.28	\$77.62	\$37.04
Age	10- 40 Yrs	11 Yrs	30 Yrs	10	40 Yrs
Adjustment		0.50	0.80	0.50	1.00
Adjusted \$/SF		\$25.07	\$22.63	\$38.81	\$37.04
Date of Sale		7/30/2003	5/5/2003	6/21/2001	3/19/2004
Quality	Avg	Avg	Good (\$10.00)	Good (\$10.00)	Good (\$10.00)
Design	Offices	Offices	Library	Medical	Bank
Adjustment				(\$10.00)	(\$10.00)
Basement	6,021 SF	0 SF	0 SF	5763	0 SF
Adjustment		\$5.00	\$5.00	\$0.00	\$5.00
Condition	Average	Average	Average	Average	Average
Adjusted \$/SF		\$30.07	\$27.63	\$28.81	\$32.04
Indicated Value per \$/SF		\$649,432.82	\$596,636.05	\$622,260.16	\$691,903.89
Rounded to:		\$650,000	\$595,000	\$625,000	\$690,000

Comments on the Market Data

The Market Data represents similar tracts from the most similar areas and supports the value well. The distance from the subject, site size, topography, utility, and desirability have been considered in the valuation.

- **Comparable Sale # 1** This comparable is a office building in London. It was the All-State Insurance Claims Offices. It has been purchased by a doctor who is remodeling the building into medical offices.
- **Comparable Sale # 2:** This comparable is two-story bank building in Downtown Corbin. The original structure dated back to the turn of the 20th century. Union Planters divested its banking operation in Knox/Whitely County and sold the banks to Whitaker Bank, NA.
- **Comparable Sale # 3:** This comparable is one-story medical office in Danville. It has a partial basement and smaller building utilized for storage.
- **Comparable Sale # 4:** This comparable is three-story library in London. It was purchased by an adjoining bank. It had small two off-street parking lots.

The Adjusted Market Values range from \$595,000 to \$690,000. Taking all comparable sales into consideration, and giving equal consideration to all, a market value of \$650,000 is indicated.

The Sales Comparison Approach has indicated a Value of \$650,000

Sales Comparison Approach (Improvement)-Sale # 5

Grantor: John T. Mandt, Master Commissioner
In the action
Donald Paul Withers et ux
vs.
Kentucky Seed Co., Inc. et al

Grantee: W. L. Sawyer, Frank H. Ikerd III and
Charles C. Adams

Date Of Sale: 8/14/02

Sales Price: \$250,000

Size of Tract: 2.679 Acres

Location: 306 McKee Street

Improvements: 7,561 SF metal building and
11,240 SF metal building

Data Source: Commissioner Deed Book 018 Page
164, Appraisal Records & site visit

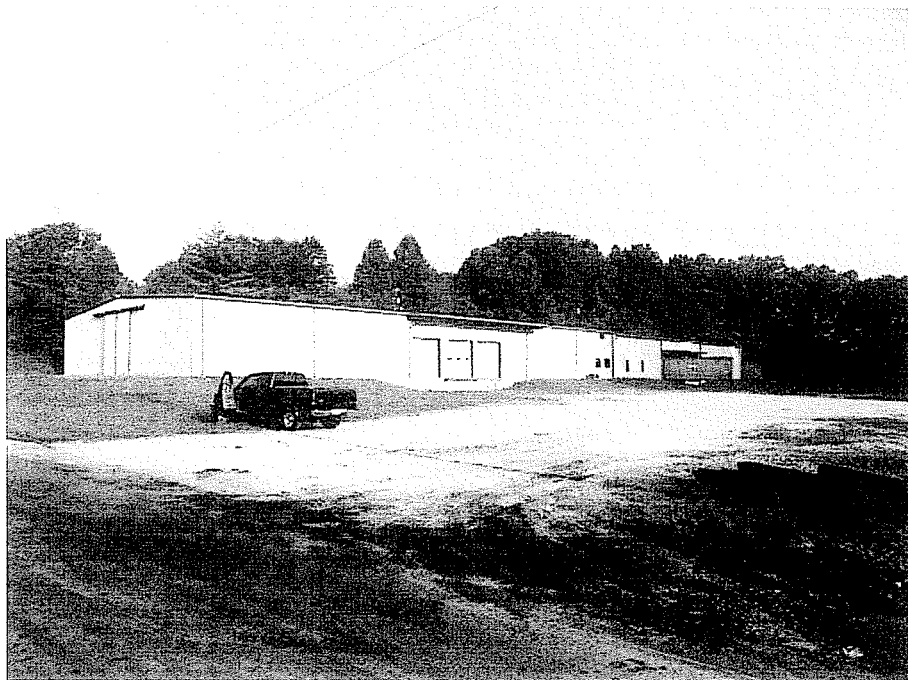
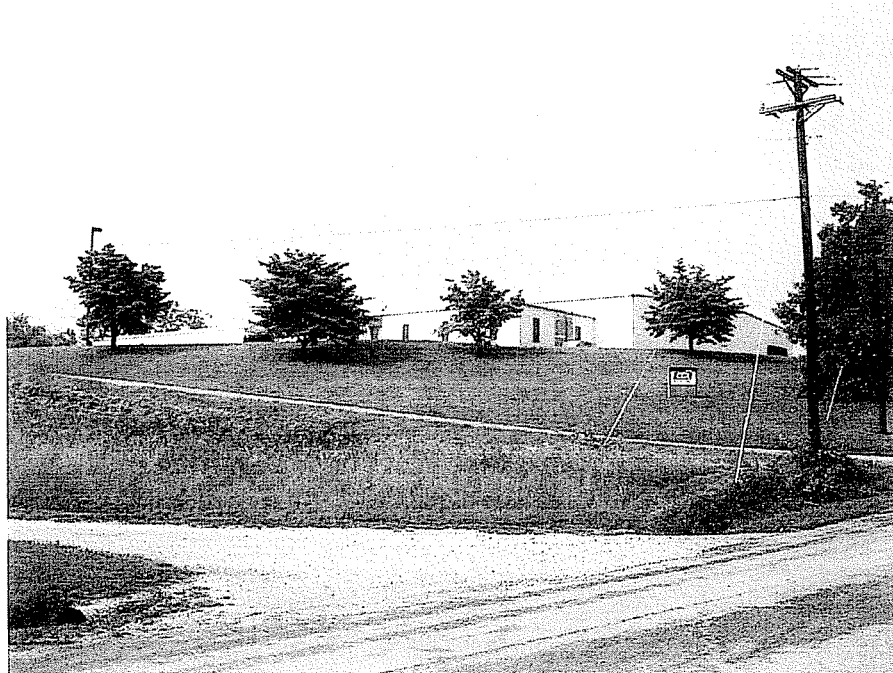


Exhibit 6
S1-87

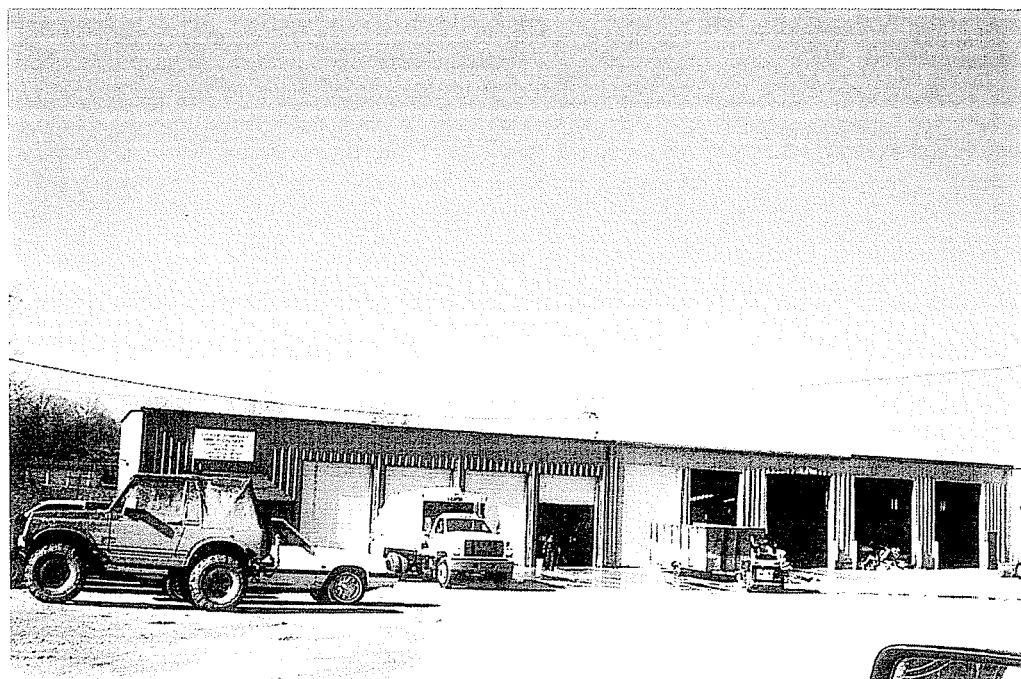
Sales Comparison Approach (Improvement)-Sale # 6

Grantor: CDR Manufacturing, Inc.
Grantee: New Life Industries, Inc.
Date of Sale: 5/25/04
Sales Price: \$560,000
Size of Tract: 8.011 Acres
Location: 825 Chappell's Dairy Road
Somerset, KY
Improvements: 18,625 SF Industrial Bldg.
1,800 SF Office
Data Source: Deed Book 738 Page 251,
PVA, and Site Visit



Sales Comparison Approach (Improvement)-Sale # 7

Grantor: USA Waste of Kentucky, LLC
Grantee: City of Somerset
Date Of Sale: 1/31/02
Sales Price: \$187,100
Size of Tract: 50,660 SF~1.16 Acre
Location: Clifty Road
Somerset, KY
Improvements: 10,707 SF Building
w/2,100 SF Basement
Data Source: Deed Book 690 Page 118, Appraisal
Files & Site Visit
PVA Parcel: 060-3-0-09



Correlation Grids

	Subject	Comp 5	Comp 6	Comp 7
Address	N Main St Bldg # 2 Somerset	McKee St Somerset	Chappell Dairy Rd Somerset	Clifty Rd Somerset
Proximity		1-2 Miles W	1-2 Miles W	1-2 Miles W
Sales Price		\$250,000.00	\$560,000.00	\$187,100.00
Land Cost		(\$40,000.00)	(\$160,000.00)	(\$50,000.00)
Adjusted Sales Price		\$210,000.00	\$400,000.00	\$137,100.00
Sales/Financing Concession		None	None	None
Data Source		Site visit/PVA	Site visit/PVA	Site visit/PVA
Verified		CDB 018 Pg 164	DB 738 Pg 251	DB 690 Pg 118
Lot Size (Acres)	9.057	2.68	8.0110	1.160
Building Size (SF)	18,650	18,801	18,625	10,707
\$/SF		\$11.17	\$21.48	\$12.80
Age	10-20 Yrs	17 Yrs	10 Yrs	20 Yrs
Adjustment		1.00	0.85	1.00
Adjusted \$/SF		\$11.17	\$18.26	\$12.80
Date of Sale		8/14/2002	5/25/2004	1/31/2002
Quality	Average	Average	Average	Average
Design	Warehouse	Warehouse	Warehouse/Off	Warehouse
Adjustment			(\$3.50)	\$0.00
Basement	0 SF	0 SF	0 SF	2100
Adjustment		\$0.00	\$0.00	(\$2.50)
Condition	Average	Average	Average	Avg (-)
				\$4.00
Adjusted \$/SF		\$11.17	\$14.76	\$14.30
Indicated Value per \$/SF		\$208,313.39	\$275,181.38	\$266,782.79
Loading Dock	8,500 SF	\$25,000.00	\$25,000.00	\$25,000.00
Value of the Whole		\$233,313.39	\$300,181.38	\$291,782.79
Rounded to:		\$235,000	\$300,000	\$290,000

Building 6/7

Item	Subject	Comp 5	Comp 6	Comp 7
Address	N Main St Bldg 6/7 Somerset	McKee St Somerset	Chappell Dairy Rd Somerset	Clifty Rd Somerset
Proximity		1-2 Miles W	1-2 Miles W	1-2 Miles W
Sales Price		\$250,000.00	\$560,000.00	\$187,100.00
Land Cost		(\$40,000.00)	(\$160,000.00)	(\$50,000.00)
Adjusted Sales Price		\$210,000.00	\$400,000.00	\$137,100.00
Sales/Financing Concession		None	None	None
Data Source		Site visit/PVA	Site visit/PVA	Site visit/PVA
Verified		CDB 018 Pg 164	DB 738 Pg 251	DB 690 Pg 118
Lot Size (Acres)	9.057	2.68	8.0110	1.160
Building Size (SF)	13,600	18,801	18,625	10,707
\$/SF		\$11.17	\$21.48	\$12.80
Age	10-20 Yrs	17 Yrs	10 Yrs	20 Yrs
Adjustment		1.00	0.85	1.00
Adjusted \$/SF		\$11.17	\$18.26	\$12.80
Date of Sale		8/14/2002	5/25/2004	1/31/2002
Quality	Average	Average	Average	Average
Design	Garage	Warehouse	Warehouse/Off	Warehouse
Adjustment			(\$3.50)	
Basement	0 SF	0 SF	0 SF	2100
Adjustment		\$0.00	\$0.00	(\$2.50)
Floor	Gravel	Concrete	Concrete	Concrete
Adjustment		(\$2.00)	(\$2.00)	(\$2.00)
Open Front		(\$2.00)	(\$2.00)	(\$2.00)
Condition	Average	Average	Average	Avg (-) \$4.00
Adjusted \$/SF		\$7.17	\$10.76	\$6.30
Indicated Value per \$/SF		\$97,506.81	\$146,268.46	\$85,744.02
Rounded to:		\$100,000	\$145,000	\$85,000

Building 8

Item	Subject	Comp 5	Comp 6	Comp 7
Address	N Main St Bldg 8 Somerset	McKee St Somerset	Chappell Dairy Rd Somerset	Clifty Rd Somerset
Proximity		1-2 Miles W	1-2 Miles W	1-2 Miles W
Sales Price		\$250,000.00	\$560,000.00	\$187,100.00
Land Cost		(\$40,000.00)	(\$160,000.00)	(\$50,000.00)
Adjusted Sales Price		\$210,000.00	\$400,000.00	\$137,100.00
Sales/Financing Concession		None	None	None
Data Source		Site visit/PVA	Site visit/PVA	Site visit/PVA
Verified		CDB 018 Pg 164	DB 738 Pg 251	dB 690 Pg 118
Lot Size (Acres)	9.057	2.68	8.0110	1.160
Building Size (SF)	5,600	18,801	18,625	10,707
\$/SF		\$11.17	\$21.48	\$12.80
Age	4-5 Yrs	17 Yrs	10 Yrs	20 Yrs
Adjustment		1.40	1.20	1.45
Adjusted \$/SF		\$15.64	\$25.77	\$18.57
Date of Sale		8/14/2002	5/25/2004	1/31/2002
Quality	Average	Average	Average	Average
Design	Garage	Warehouse	Warehouse/Off	Warehouse
Adjustment			(\$3.50)	
Basement	0 SF	0 SF	0 SF	2100
Adjustment		\$0.00	\$0.00	(\$2.50)
Floor	Gravel	Concrete	Concrete	Concrete
Adjustment		(\$2.00)	(\$2.00)	(\$2.00)
Open Front		(\$2.00)	(\$2.00)	(\$2.00)
Condition	Average	Average	Average	Avg (-)
				\$4.00
Adjusted \$/SF		\$11.64	\$18.27	\$12.07
Indicated Value per \$/SF		\$65,169.81	\$102,322.15	\$67,574.22
Rounded to:		\$65,000	\$100,000	\$70,000

Comments on the Market Data

The Market Data represents similar tracts from the most similar areas and supports the value well. The distance from the subject, site size, topography, utility, and desirability have been considered in the valuation.

Comparable Sale # 5 This comparable is a pair of warehouses on McKee Road that sold at master commissioner after the original buyer defaulted.

Comparable Sale # 6: This comparable is a smaller building in a small industrial park north of town off Clifty Road. It was purchased by an adjoining landowner for speculation due to the relocation of US 27 (within 1500 feet of building.)

Comparable Sale # 7: This comparable is a large metal building that housed the a refuse collection company. They also recycled the garbage on site. The property had a rank odor. It was on the market for over two years, when purchased by the city for their own garbage service.

Summary

Building No. Two

The Adjusted Market Values range from \$235,000 to \$300,000. Taking all comparable sales into consideration, and giving equal consideration to all, a market value of \$275,000 is indicated.

**The Sales Comparison Approach has indicated a Value of \$275,000
For Building No. Two**

Building No. Six/Seven

The Adjusted Market Values range from \$85,000 to \$145,000. Taking all comparable sales into consideration, and giving equal consideration to all, a market value of \$125,000 is indicated.

**The Sales Comparison Approach has indicated a Value of \$125,000
For Building No. Six/Seven**

Building No. Eight

The Adjusted Market Values range from \$65,000 to \$100,000. Taking all comparable sales into consideration, and giving equal consideration to all, a market value of \$75,000 is indicated.

**The Sales Comparison Approach has indicated a Value of \$75,000
For Building No. Eight**

Reconciliation

Through the use of comparable sales, it has been determined, that the value of the land is ranges between \$181,224.86 and \$776,314.32 with the fair market value being estimated at \$560,000. The value of the office building is \$650,000 based upon a range of adjusted sales prices of \$595,000 to \$690,000. Building No. Two has an estimated market value of \$275,000 based upon the comparables range of \$235,000 to \$300,000. Building No. Six/Seven has an estimated market value of \$125,000 based upon the comparables range of \$85,000 to \$145,000. Building No. Eight has an estimated market value of \$75,000 based upon the comparables range of \$65,000 to \$100,000.

No values were reported for Buildings 3, 4 or 5. The three buildings have a gross building area of 5,686 square feet. Due to their size, location, and functional utility, the next owner would probably raze the buildings to help traffic flow and parking availability.

Values using the various reported indicated values would be:

Bldg	Low End	High End	Indicated Market Value
Office	\$595,000.00	\$690,000.00	\$650,000.00
Bldg # 2	\$235,000.00	\$300,000.00	\$275,000.00
Bldg 6/7	\$85,000.00	\$145,000.00	\$125,000.00
Bldg 8	\$65,000.00	\$100,000.00	\$75,000.00
Land	\$371,188.56*	\$776,314.32	\$560,000.00
Total	\$1,351,188.56	\$2,011,314.32	\$1,685,000.00

*Garner-Oak Hill Properties used for the low end.

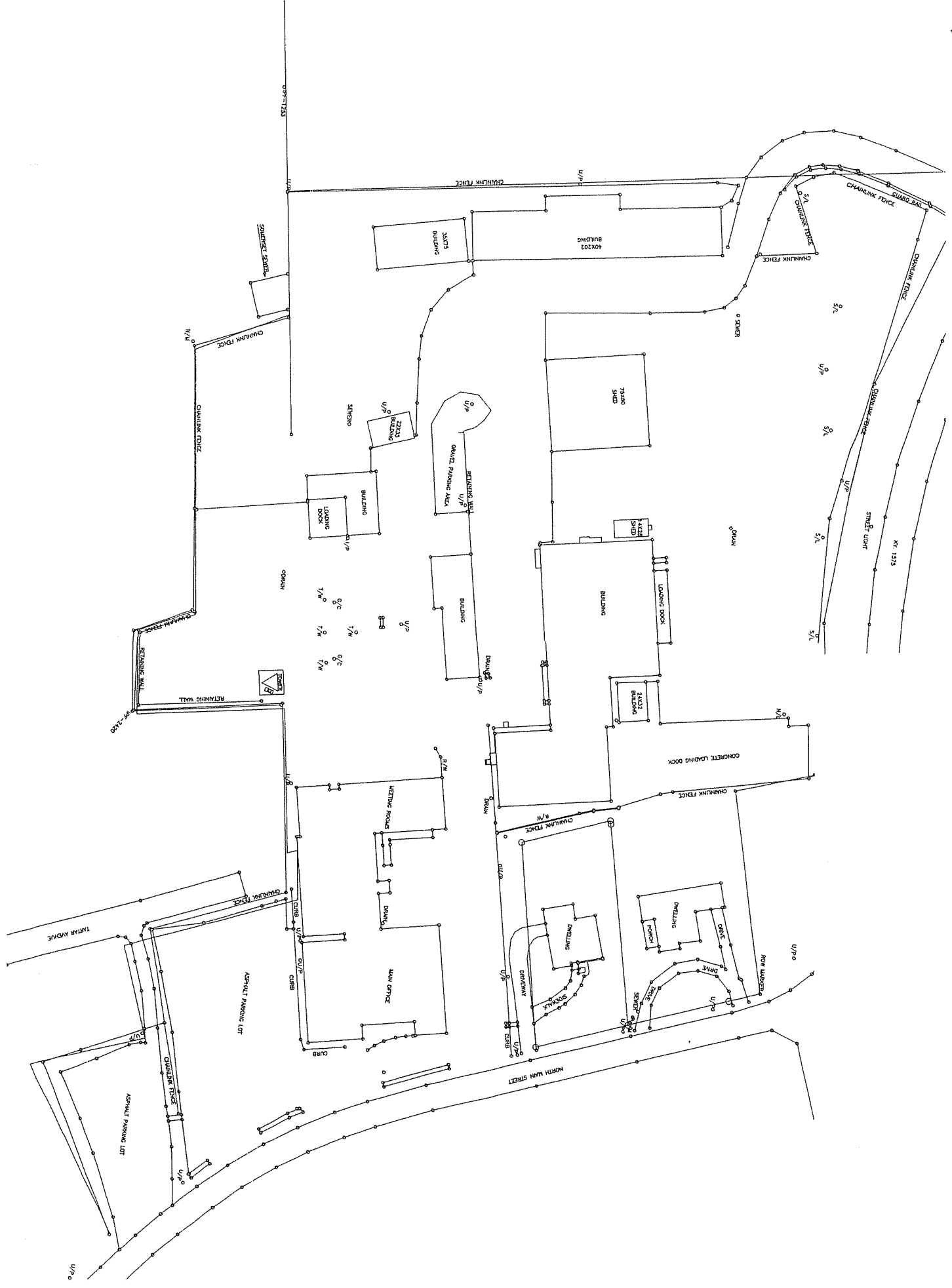
The properties, if they could be parceled out in such a way that they could be marketable, should be worth \$1,685,000. The estimated market time at this estimated market value would be in excess of one year, and as much as four years. The access to the service buildings, diminishes the marketability. The marketability of the tract as a whole is limited to a few potential clients. As such, this will hurt the overall market value. The market value of the tract as a whole is \$1,500,000, with a marketing/exposure time in excess of one year, most probably three to five years.

Cost Approach	Not Utilized
Income Approach	Not Utilized
Sales Comparison Approach	\$1,685,000
Final Estimate Of Value	\$1,500,000



Mark H. Vaught
General Real Property Appraiser
License # 2271

ADDENDA



General Underlying Assumptions

Legal Matters

The legal description used in this report is assumed to be correct, but it may not necessarily have been confirmed by survey. No responsibility is assumed in connection with a survey or for encroachments or overlapping or other discrepancies that might be revealed thereby. Any sketches included in the report are only for the purpose of aiding the reader in visualizing the property and are not necessarily a result of a survey.

No responsibility is assumed for an opinion of legal nature, such as to ownership of the property or condition of title.

The appraisers assume the title to the property to be marketable; that, unless stated to the contrary, the property is appraised as an unencumbered fee which is not used in violation of acceptable ordinances, statues or other government regulations.

Unapparent Conditions

The appraisers assume that there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable than otherwise comparable property. The appraisers are not experts in determining the presence or absence of hazardous substance, defined as all hazardous or toxic materials, water, pollutants or contaminants (including, but not limited to, asbestos, PCB, UFFI, or other raw materials or chemicals) used in construction or otherwise present on the property.

The appraisers assume no responsibility for the studies or analysis which would be required to conclude the presence or absence of such substance or for loss as a result of the presence of such substances. The client is urged to retain an expert in this field, if desired. The value estimate is based on the assumption that the subject property is not so affected.

Information & Data

Information, estimates, and opinions furnished to the appraisers and contained in the reports, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the appraisers can be assumed by the appraisers.

All mortgages, liens, encumbrances, and servitudes have been disregarded unless so specified within the appraisal report.

Contingent and Limiting Conditions

The certification of the appraiser appearing in the appraisal report is subject to the following conditions and to such other specific and limiting conditions as are set forth by the appraiser in the report.

1. The appraiser assumes no responsibility for matters legal in nature affecting the property appraised or the title thereto nor does the appraiser render any opinion as to the title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership.
2. Any sketch in the report may show approximate dimensions and is included to assist the reader in visualizing the property. The appraiser has made no survey of the property.
3. The appraiser is not required to give testimony or appear in court because of having made the appraisal with reference to the property in question, unless arrangements have been previously made therefore.
4. Any distribution of the valuation in the report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.
5. The appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The appraiser assumes no responsibility for such conditions, or for engineering which might be required to discover such factors.
6. Information, estimates, and opinions furnished to the appraiser and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the appraiser can be assumed by the appraiser.
7. Disclosure of the contents of the appraisal report is governed by the Uniform Standards of Professional Appraisal Practice (USPAP).
8. Neither all, nor any part of the contents of the report, or copy thereof (including conclusions as to the property value, the identity of the appraiser, professional designations, reference to the appraiser is connected), shall be used for any purposes by anyone but the client specified in the report, the borrower if the appraisal fee is paid by same, the mortgagee or its successors and assigns, mortgage insurers, consultants, any state or federally approved financial institutions, any department, agency, or instrumentality of the United States or any state or the District of Columbia, without the previous written consent of the appraiser; nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, or other media, without the written consent and approval of the appraiser.
9. On all appraisals, subject to satisfactory completion, repairs or alterations, the appraisal report and value conclusions are contingent upon completion of the improvements in a workmanlike manner.

Environmental Disclaimer

The value estimated in this report is based on the assumption that the property is not negatively affected by the existence of hazardous substances or detrimental environmental conditions. The appraiser is not an expert in the identification of hazardous substances or detrimental environmental conditions. The appraiser's routine inspection of and inquiries about the subject property did not develop any information that indicated any apparent significant hazardous substances or detrimental environmental conditions which would affect the property negatively. It is possible that tests and inspections made by a qualified hazardous substance and environmental expert would reveal the existence of hazardous materials and environmental conditions on or around the property that would negatively affect its value.

Certification

The appraiser certifies and agrees that:

1. The appraiser has no present or contemplated future interest in the property appraised; and neither the employment to make the appraisal, nor the compensation for it, is contingent upon the appraised value of the property.
2. The appraiser has no personal interest in or bias in respect to the subject matter of the appraisal report or the participants to the sale. The "estimated of market value" in the appraisal report is not based in whole or in part upon the race, color or national origin of the prospective owners or occupants of the property appraised, or upon the race, color or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.
3. The appraiser has personally inspected the property, both inside and out, and has made an exterior inspection of all comparable sales listed in the report. To the best of the appraiser's knowledge and belief, all statements and information in this report is true and correct and the appraiser has not knowingly withheld any significant information.
4. All contingent and limiting conditions are contained herein (imposed by the terms of the assignment or by the undersigned affecting the analyses, opinions, and conclusions Contained in the report).
5. This appraisal report has been made in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP), and is subject to, the requirements of the code of professional ethics and standards of the Uniform Standards of Professional Appraisal Practice (USPAP).
6. All conclusions and opinions concerning the real estate that are set forth in the appraisal report were prepared by the appraiser whose signature appears on the appraisal report, unless indicated as "review appraiser". No change of any item in the appraisal report shall be made by anyone other than the appraiser, and the appraiser shall have no responsibility for any such unauthorized change.

The subject property is appraised as though under responsible ownership and competent management.

Zoning and Licenses:

It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconforming use have been stated, defined and considered in the valuation.

It is assumed that the subject property complies with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the valuation.

It is assumed that the subject property complies with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the valuation.

It is assumed that the information relating to the location of or existence of public utilities that has been obtained through a verbal inquiry from the appropriate utility authority, or has been ascertained from visual evidence is correct. No warranty has been made regarding the exact location or capacities of public utility systems.

It is assumed that all licenses, consents or other legislative or administrative authority from local, state, or national governmental or private entity or organization have been, or can be, obtained or renewed for any use on which the value estimate contained in the valuation report is based.

General Limiting Conditions

The appraisers will not be required to give testimony or appear in court due to preparing the appraisal with reference to the subject property in question, unless prior arrangements have been made.

Possession of the report does not carry with it the right of publication. Out-of-context quoting from or partial reprinting of this appraisal report is not authorized. Further, neither all nor part of this appraisal report shall be disseminated to the general public by the use of media for public communication without the prior written consent of the appraisers signing this appraisal report.

Any copy that does not have an original signature of the appraiser is unauthorized and may have been altered, and is considered invalid.

Disclosure of the contents of this report is governed by the Standards and Statements of the Uniform Standards of Professional Appraisal Practice (USPAP). Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected) shall be disseminated to the public through advertising media, public relations media, new media, sales media or any other public means of communication without the prior written consent and approval of the author.

The distribution of the total valuation in this report, between land and improvements, is applicable only as a part of the whole property. The land value, or the separate value of the improvements, must not be used in conjunction with any other appraisal or estimate and is invalid if so used.

No environmental or concurrent impact studies were either required or made in conjunction with the appraisal report. The appraisers, thereby, reserve the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental or concurrent impact studies, research or investigation.

An appraisal related to an estate in land that is less than the whole fee simple estate applies only to the fractional interest involved. The value of this fractional interest plus the value of all other fractional interests may or may not equal the value of the entire fee simple estate considered as a whole.

The appraisal report related to a geographical portion of a larger parcel is applied only to such geographical portion and should not be considered as applying with equal validity to other portions of the large parcel or tract. The value for such geographical portions plus the value of all other geographical portions may or may not equal the value of the entire parcel or tract considered as an entity.

The appraisal is subject to any proposed improvements or additions being completed as set forth in the plans, specifications, and representations referred to in the report, and all work being performed in a good and workmanlike manner. The appraisal is further subject to the proposed improvements or additions being constructed in accordance with the regulations of the local, county, and state authorities. The plans, specifications, and representations referred to are an integral part of the appraisal report when new construction or new additions, renovations, refurbishing, or remodeling applies.

If the appraisal is used for mortgage loan purposes, the appraisers invite attention to the fact that

1. the equity case requirements of the sponsor have not been analyzed,
2. the loan ratio has not been suggested, and
3. the amortization method and term have not been suggested.

The function of this report is not for use in conjunction with a syndication of real property. This report cannot be used for said purposes and, therefore, any use of this report relating to syndication activities is strictly prohibited and unauthorized. If such an unauthorized use of this report takes place, it is understood and agreed that Childers' Financial Services has no liability to the client/and or third parties.

Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing general underlying assumptions and general limiting conditions. The appraisers' duties, pursuant to the employment to make the appraisal, are complete upon delivery and acceptance of the appraisal report. However, any corrections or errors should be called to the attention of the appraisers within 60 days of the delivery of the report.

Mark H. Vaught

General Real Property Appraiser Childers Financial Services, Inc.

205 Parkers Mill Road
Somerset, KY 42501
606/678-4956 ~ 606/679-8742-Fax ~ mark_vaught@charter.net

Experience

1994 – Present Childers Financial Services

Real Estate Appraiser

- Primary role is Commercial Real Estate Appraisal. Perform 2 – 3 appraisals a week in mostly South Central Kentucky (Pulaski and adjoining counties).
- General Real Property Appraiser–# 2271–1999 –Present
- Residential Real Property Appraiser–# 1627–1996-1999
- Associate 1994-1996

1979–1994 Frank Vaught Engineers

Instrument Man/Party Chief/Draftsman

- Worked on Road Construction and Survey Crew in South Central KY

Education

1996-1997 Wilson Education Group

- 208 Hours-12 Courses-of Real Estate/Appraisal Courses

1980-1981 University OF Kentucky

- 56 Hours

1966-1979 Somerset School System

Graduated 1979

Appraisal Activity Area

Pulaski County and adjoining counties is our **primary service area**.

Counties in which I have appraised property are as follows:

Adair, Allen, Anderson, Barren, Bath, Butler, Boyle, Clark, Clinton, Cumberland, Garrard, Hardin, Hart, Jefferson, Jessamine, Knox, Larue, Laurel, Lincoln, Madison, Marion, **McCreary**, Mercer, Owen, **Pulaski**, **Rockcastle**, Rowan, **Russell**, Scott, Taylor, Warren, **Wayne**, **Whitley** as well as the following cities in Tennessee: Celina, Cookeville, Gatlinburg, Jellico, Oneida, Sparta, and Tellico Village

Miscellaneous

1999-2002 Pulaski County PVA's Board of Assessment

1999-Present – Member– Somerset Planning and Zoning Board

1999- Present – Member– Somerset Board of Adjustments

Appraisal References

◦ **Branch Banking & Trust**

Somerset ~ 606/679-4375

Steve Abbott, Commercial Lending Officer

Linda Jasper, Private Banking

◦ **Monticello Banking Company**

Somerset ~ 606/451-0388

Regina Brinson, President/Sr. Executive Officer

Ralph Gibson, Loan Officer

Russell Springs ~ 270/866-7322

Scott Grider, President/Sr. Executive Officer

◦ **Citizens National Bank of Somerset**

Somerset ~ 606/679-6341

Jerry Claunch, Vice President

Joe Platt, Vice President

◦ **Cumberland Security Bank**

Somerset ~ 606/679-9361

Mike Simpson, President/CEO

Mark Ross, Vice President

Sharon Wheeldon, Vice President

◦ **Cumberland Valley National Bank & Trust Co.**

Somerset ~ 606/676-0784

C. V. Hansford, Executive Vice President/Branch Manager

◦ **Bank of McCreary County**

Whitley City ~ 606/376-5031

Jimmy Johnson, Vice President, Commercial Lending

Exhibit 6
69-87

Kentucky Real Estate Appraisers Board

2004 - 05

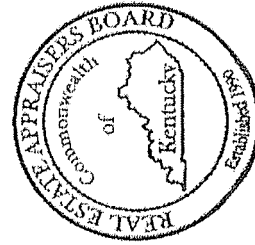
Hereby grants a

Certified General Real Property Appraiser
Certificate

License No. 002271

To
Mark H. Vaught
Childers Financial Services
205 Parkers Mill Road
Somerset, KY 42501

who has complied with the provisions of Chapter 324A of the Kentucky Revised Statutes IN WITNESS WHEREOF, we have caused the official seal to be affixed and attested for the year shown above.



C. W. Wilson, Chair
Russell Sloan, V. Chair
Maxine L. Smith
Jennifer Nickles
Loren C. Huff

Control No. 19261

THIS CERTIFICATE EXPIRES

June 30, 2005

Exhibit 6
70-87

ANDERSON
File No. 0407--035

07/06/2004

ATTN: ALLEN ANDERSON
SOUTH KY. RECC
925 NORTH MAIN STREET
SOMERSET, KY 42501

File Number: 0407--035

In accordance with your request, I have personally inspected and appraised the real property at:

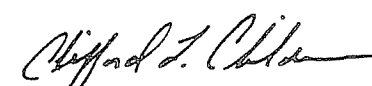
W. HIGHWAY 80
NANCY, KY, 42544

The purpose of this appraisal is to estimate the market value of the subject property, as vacant.
The property rights appraised are the fee simple interest in the site.

In my opinion, the estimated market value of the property as of July 6, 2004 is:

\$450,000
Four Hundred Fifty Thousand Dollars

The attached report contains the description, analysis and supportive data for the conclusions,
final estimate of value, descriptive photographs, limiting conditions and appropriate certifications.


CLIFFORD L. CHILDERS
COMPLETE APPRAISAL - SUMMARY REPORT

LAND APPRAISAL REPORT

Property Address **W. HIGHWAY 80** Census Tract **9903.00** File No. **0407--035**

City **NANCY** County **PULASKI** State **KY** Zip Code **42544**

Legal Description **DB 236/397; 271/195; & 280/453 PULASKI COUNTY COURT CLERK, KY**

Owner/Occupant **S KY RECC** Map Reference **199-PULASKI**

Market Price \$ **MKT VALUE** Date of Sale **N/A**

Loan charges/concessions to be paid by seller \$ _____

R.E. Taxes \$ **FRANCHISE** Tax Year **03** HOA \$/Mo. **NONE**

Lender/Client **SOUTH KY. RECC**

925 NORTH MAIN STREET, SOMERSET, KY 42501

LOCATION Urban Suburban Rural

BUILT UP Over 75% 25-75% Under 25%

GROWTH RATE Rapid Stable Slow

PROPERTY VALUES Increasing Stable Declining

DEMAND/SUPPLY Shortage In Balance Over Supply

MARKETING TIME Under 3 Mos. 3-6 Mos. Over 6 Mos.

NEIGHBORHOOD ANALYSIS

Employment Stability	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Convenience to Employment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Convenience to Shopping	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Convenience to Schools	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Adequacy of Public Transportation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Recreation Facilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Adequacy of Facilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Property Compatibility	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Protection from Detrimental Cond	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Police & Fire Protection	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
General Appearance of Properties	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Appeal to Market	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

PRESENT LAND USE %

Single Family	50%	Not Likely	<input checked="" type="checkbox"/>
2-4 Family	2%	Likely	<input type="checkbox"/>
Multi-Family	0%	In process	<input type="checkbox"/>
Commercial	5%	To: _____	<input type="checkbox"/>
Industrial	0%		<input type="checkbox"/>
Vacant	43%		<input type="checkbox"/>

LAND USE CHANGE Not Likely Likely In process

PREDOMINANT OCCUPANCY

Owner	<input checked="" type="checkbox"/>
Tenant	<input type="checkbox"/>
Vacant (0-5%)	<input checked="" type="checkbox"/>
Vacant (over 5%)	<input type="checkbox"/>

SINGLE FAMILY HOUSING

PRICE (\$000)	AGE (yrs)
30 Low	NEW
500 High	100
Predominant	
100 -	40

Note: Race or the racial composition of the neighborhood are not considered reliable appraisal factors. COMMENTS: **NEIGHBORHOOD IS LOCATED APPROXIMATELY 4 MILES WEST OF THE INTERSECTION OF US 27 AND KY 80, IN THE SARDIS COMMUNITY. THE AREA IS TYPICALLY MIXED WITH SINGLE FAMILY, LIMITED COMMERCIAL AND SOME 2-4 INCOME PROPERTIES. GOOD AREA OF THE COUNTY WITH NO KNOWN UNFAVORABLE FACTORS THAT WOULD ADVERSELY AFFECT MARKET VALUE. LAKE CUMBERLAND IS NEARBY.**

Dimensions **IRREGULAR PER ATTACHED DEEDS**

Site Area **74.6 AC** Corner Lot **N/A**

Zoning Classification **NOT ZONED** Zoning Compliance **N/A**

EST & BEST USE: Present Use **AGRI** Other Use **DEVELOPED**

UTILITIES

Electricity	<input checked="" type="checkbox"/> PUBLIC
Gas	<input type="checkbox"/> NOT AVAILABLE
Water	<input checked="" type="checkbox"/> PUBLIC
Sanitary Sewer	<input type="checkbox"/> SEPTIC
Storm Sewer	<input type="checkbox"/> NOT AVAILABLE

SITE IMPROVEMENTS Type

Street	ASPHALT	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Curb/Gutter	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Sidewalk	NO	<input type="checkbox"/>	<input type="checkbox"/>
Street Lights	NO	<input type="checkbox"/>	<input type="checkbox"/>
Alley	NO	<input type="checkbox"/>	<input type="checkbox"/>

Topography **LEVEL TO ROLLING**

Size **TYPICAL FOR AREA**

Shape **IRREGULAR**

Drainage **APPEARS ADEQUATE**

View **TYP/RES/AG**

Landscaping **TREES**

Driveway **GRAVEL**

Apparent Easements **TYPICAL UTILITY**

FEMA Flood Hazard Yes* _____ No

FEMA* Map/Zone 210197-0200B 7-90

Comments (Apparent adverse easements, encroachments, special assessments, slide areas, etc.): **NO APPARENT ADVERSE EASMENTS, ENCROACHMENTS, SPECIAL ASSESSMENTS, OR SLIDE AREAS. NO ZONING.**

The undersigned has recited three recent sales of properties most similar and proximate to subject and has considered these in the market analysis. The description includes a dollar adjustment, reflecting market reaction to those items of significant variation between the subject and comparable properties. If a significant item in the comparable property is superior to, or more favorable than, the subject property, a minus (-) adjustment is made, thus reducing the indicated value of subject; if a significant item in the comparable is inferior to, or less favorable than, the subject property, a plus (+) adjustment is made, thus increasing the indicated value of the subject.

ITEM	SUBJECT	COMPARABLE NO. 1	COMPARABLE NO. 2	COMPARABLE NO. 3
Address	W. HIGHWAY 80 NANCY	STYLESVILLE ROAD SOMERSET	HIGHWAY 761 NANCY	OLD MILL SPRINGS ROAD NANCY
Proximity to Subject				
Sales Price	\$ MKT VALUE	\$ 320,000	\$ 350,000	\$ 500,000
Price/	\$ _____	\$ 320000 _____	\$ 350000 _____	\$ 500000 _____
Data Source		DEED/GRANTEES/LENDER	DB 714 PG 522/APP REC	DB 730 PG 560/APP REC
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	DESCRIPTION	DESCRIPTION
Sales or Financing		CONV	CASH TO	CONV
Concessions		NONE	SELLER	NONE
Date of Sale/Time	N/A	6/2004	02/13/2003	01/14/2004
Location	SARDIS	STYLESVILLE	NAOMI	MILL SPRINGS
Size	74.6 AC/AG	38 AC/AG/RES	72.6 AC/AG-LAKE	78.22 AC/AG-LAKE
IMPROVEMENTS	BARN/FENCING	EQUAL	EQUAL	EQUAL
		\$8420/AC	\$4820/AC	\$6392/AC
Net Adj. (total)		<input checked="" type="checkbox"/> + <input type="checkbox"/> - \$ 0	<input checked="" type="checkbox"/> + <input type="checkbox"/> - \$ 0	<input checked="" type="checkbox"/> + <input type="checkbox"/> - \$ 0
Indicated Value of Subject		Gross: 0.0 Net: 0.0 \$ 320,000	Gross: 0.0 Net: 0.0 \$ 350,000	Gross: 0.0 Net: 0.0 \$ 500,000

Comments of Sales Comparison: **THE COMPARABLE SALES RANGE IN SALES PRICE FROM \$4820 PER ACRE TO \$8420 PER ACRE. BASED ON LOCATION, VIEW AND SIZE OF TRACTS AND MAKING MARKET ABSTRACTED ADJUSTMENTS, A VALUE OF \$6000.00 PER ACRE IS INDICATED. 74.6 ACRES x \$6000/AC= \$447600.00 SAY \$450,000.00.**

Comments and Conditions of Appraisal: **THE SUBJECT IS APPRAISED IN AN "AS IS" CONDITION.**

Final Reconciliation: **ALL APPROACHES TO VALUE WERE CONSIDERED BASED ON AVAILABLE DATA. THE COST AND INCOME APPROACHES WERE NOT USED DUE TO THERE BEING NO STRUCTURE IMPROVEMENTS OR SIMILAR RENTED PROPERTY TO ESTABLISH A GROSS RENT MULTIPLIER. THE COMPARABLE SALES ANALYSIS WAS GIVEN THE MOST CONSIDERATION.**

ESTIMATE THE MARKET VALUE, AS DEFINED, OF THE SUBJECT PROPERTY AS OF July 6, 2004 to be \$ **450,000**

I (We) certify: that to the best of my (our) knowledge and belief, the facts and data used herein are true and correct; that I (we) personally inspected the subject property and inspected all comparable sales cited in this report; and that I (we) have no undisclosed interest, present or prospective therein

Appraiser(s) Clifford L. Childers Review Appraiser _____ Did Did Not
CLIFFORD L. CHILDERS (if applicable) Inspect Property

U E E U
* * * * *

BOOK 230 PAGE 394

PLEASANT
ELLA MAY
ROBERT T. (T)
PLEASANT

THIS DEED OF CONVEYANCE MADE AND ENTERED INTO THIS 24TH DAY OF JULY 1961, BY AND BETWEEN ELLA MAY PLEASANT AND ROBERT PLEASANT, HER HUSBAND, OF SOMERSET, PULASKI COUNTY, KENTUCKY, PARTIES OF THE FIRST PART, AND SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION OF SOMERSET, KENTUCKY, PARTY OF THE SECOND PART, WITNESSETH: THAT FOR AND IN CONSIDERATION OF ONE (\$1.00) DOLLAR, AND OTHER GOOD AND VALUABLE CONSIDERATION THE RECEIPT OF WHICH IS HEREBY ACKNOWLEDGED IN FULL, THE PARTIES OF THE FIRST PART DO BY THIS INSTRUMENT AND THESE PRESENTS, GRANT, SELL, BARGAIN AND CONVEY UNTO THE PARTY OF THE SECOND PART, ITS SUCCESSORS AND ASSIGNS, THE FOLLOWING DESCRIBED REAL ESTATE, TO-WIT:

CONSISTING OF 74.6 ACRES, MORE OR LESS, LOCATED IN PULASKI COUNTY, KENTUCKY, SIX MILES WEST FROM SOMERSET AND MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING ON A STONE, ELBERT MUSE'S CORNER NEAR THE INTERSECTION OF HIGHWAY No. 80 ON THE SOUTH LINE OF THE COUNTY ROAD; THENCE WITH SAID ROAD SOUTH 72 DEGREES 30 MINUTES WEST 51.3 POLES TO A STONE ON SAME, EDD SHEPPARD'S CORNER; THENCE WITH HIS LINE SOUTH 18 DEGREES EAST 16 POLES TO A STONE; THENCE SOUTH 10 DEGREES WEST 43 POLES TO A BLACK OAK; SOUTH 45 DEGREES WEST 37.2 POLES TO A STONE AT DRY BRANCH, SHEPPARD'S CORNER; THENCE LEAVING SHEPPARD'S LINES WITH THE BRANCH AND ELBERT MUSE'S LINES AS FOLLOWS: SOUTH 56 DEGREES 30 MINUTES EAST 11 POLES; SOUTH 43 DEGREES 30 MINUTES EAST 12 POLES; SOUTH 42 DEGREES EAST 17.2 POLES; SOUTH 16 DEGREES 30 MINUTES EAST 9 POLES TO A STONE IN SAID BRANCH, WAYNE KEENEY'S CORNER; LEAVING THE BRANCH WITH WAYNE KEENEY'S LINES AS FOLLOWS: NORTH 73 DEGREES EAST 42 POLES TO A STONE, HIS CORNER AT THE GARNER LANE; THENCE WITH SAME AND KEENEY'S LINE NORTH 72 DEGREES EAST 6 POLES TO A STONE, HIS CORNER; THENCE NORTH 27 DEGREES 30 MINUTES WEST 2 POLES TO A STONE, HIS CORNER; NORTH 72 DEGREES EAST 79.25 POLES TO A STONE, HIS CORNER AT HIS DRIVEWAY; THENCE WITH THE WEST LINE OF SAME AND KEENEY'S LINE NORTH 11 DEGREES WEST 49.1 POLES TO A STONE IN KEENEY'S LINE, BILLY PLEASANT'S CORNER; THENCE WITH HIS LINE SOUTH 74 DEGREES WEST 12 POLES TO A STONE, HIS CORNER; THENCE WITH HIS LINE NORTH 11 DEGREES WEST 13-2/3 POLES TO A STONE, HIS CORNER IN WAYNE KEENEY'S AND BAKE YANDER'S

BOOK 230 PAGE 398

PLEASANT

(2)

LINE; THENCE WITH SAME SOUTH 74 DEGREES WEST 33.5 POLES TO A CEDAR, HIS CORNER; THENCE WITH THEIR LINE NORTH 16 DEGREES 30 MINUTES WEST 11.2 POLES TO A STONE, ELBERT MUSE'S CORNER; THENCE WITH HIS LINE SOUTH 76 DEGREES 30 MINUTES WEST 9.1 POLES TO A STONE, HIS CORNER; THENCE WITH HIS LINE NORTH 16 DEGREES 30 MINUTES WEST 12.1 POLES TO THE BEGINNING, CONTAINING 73.2 ACRES TO BE THE SAME MORE OR LESS AS SURVEYED BY CLAUD JASPER.



SECOND TRACT: BEGINNING ON WAYNE KEENEY ROAD AT THE INTERSECTION OF THE COUNTY ROAD WITH KEENEY'S LINE, THENCE SOUTH 11 DEGREES EAST 18-2/3 POLES TO A STONE IN HIS LINE; THENCE SOUTH 74 DEGREES 00 MINUTES WEST 12 POLES TO A STONE; THENCE NORTH 11 DEGREES 00 MINUTES WEST 18-2/3 POLES TO A STONE IN KEENEY'S AND YANDER'S LINE; THENCE NORTH 74 DEGREES 00 MINUTES EAST 12 POLES TO THE BEGINNING, CONTAINING 1.4 ACRES, MORE OR LESS.



IT IS UNDERSTOOD THAT JOHN S. GOVER HAS A RIGHT OF WAY ACROSS SAID LANDS TO THE CRACKER NECK ROAD, RECORDED IN DEED BOOK 110, PAGE 442, PULASKI COUNTY COURT CLERK'S OFFICE, KENTUCKY.

BEING A PART OF THE SAME PROPERTY CONVEYED TO W. S. BROWN BY DEED DATED SEPTEMBER 18, 1908 FROM EMBERSON SMITH, ET AL, RECORDED IN DEED BOOK 68, PAGE 628, PULASKI COUNTY COURT CLERK'S OFFICE, KENTUCKY; THE SAID W. S. BROWN HAVING DIED INTESTATE ON MARCH 2, 1922 LEAVING AS HIS WIDOW, WILMOUTH BROWN, WHO IS NOW DECEASED, AND ELLA MAY PLEASANT, FIRST PARTY HEREIN, AS HIS ONLY HEIRS AT LAW, SEE AFFIDAVIT OF DESCENT OF RECORD IN DEED BOOK 107, PAGE 632, PULASKI COUNTY COURT CLERK'S OFFICE, KENTUCKY.



TO HAVE AND TO HOLD THE SAME, TOGETHER WITH ALL

APPURTENANCES THEREUNTO BELONGING, UNTO THE PARTY OF THE

SECOND PART, ITS SUCCESSORS AND ASSIGNS FOREVER, WITH

COVENANT OF GENERAL WARRANTY.

IN TESTIMONY WHEREOF, WITNESS THE SIGNATURES OF FIRST

PARTIES, THIS THE DAY AND YEAR FIRST ABOVE WRITTEN.



Ellen May Pleasant
Rose Pleasant

PLEASANT
3

BOOK 236 PAGE 399

STATE OF KENTUCKY)
COUNTY OF PULASKI) SCT.

I, PEGGY CUNDIFF, A NOTARY PUBLIC WITHIN AND FOR THE ABOVE COUNTY AND STATE, HEREBY CERTIFY THAT THE FOREGOING DEED OF CONVEYANCE FROM ELLA MAY PLEASANT AND ROBERT PLEASANT, HER HUSBAND, TO SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION, WAS THIS DAY PRODUCED TO ME BY THE SAID ELLA MAY PLEASANT AND ROBERT PLEASANT, HER HUSBAND, AND BY EACH OF THEM SIGNED AND ACKNOWLEDGED TO BE THEIR ACT AND DEED.

IN TESTIMONY WHEREOF, WITNESS MY SIGNATURE AND SEAL,

THIS JULY 24, 1961.



Peggy Cundiff
NOTARY PUBLIC, PULASKI CO., KY.

MY COMMISSION EXPIRES 9-20-63.

STATE OF KENTUCKY
PULASKI COUNTY SCT.
I, Darrell Hall, Clerk of Pulaski County Court, certify that the foregoing *Deed* was this *24* day of *July*, 1961, produced to me certified as above and filed for record. Wherefore I have recorded same, the foregoing and this certificate in my said office this *25* day of *July*, 1961, in *Deed* Book No. *236* Page *399*.
Att: DARRELL HALL, Clerk
By *Gladya Hall* D.C.

land forming part of farm (1.56 Acres)

WEDDLE
Kenneth
Pauline
FARM

DEED

BOOK 200 PAGE 133

THIS DEED OF CONVEYANCE MADE AND ENTERED INTO THIS 27TH DAY OF DECEMBER, 1967, BY AND BETWEEN KENNETH WEDDLE, A SINGLE MAN, AND PAULINE WEDDLE, A SINGLE WOMAN, PARTIES OF THE FIRST PART, AND SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION, A CORPORATION, PARTY OF THE SECOND PART, ALL PARTIES OF SOMERSET, PULASKI COUNTY, KENTUCKY, WITNESSETH: THAT WHEREAS THE PARTIES OF THE FIRST PART WERE FORMERLY MARRIED, AND DURING THE MARRIAGE, EXECUTED A DEED FOR THE PROPERTY HEREINAFTER DESCRIBED, TO SECOND PARTY, AND WHEREAS SAID DEED WAS MISPLACED AND NEVER RECORDED, NOW THEREFORE, FOR ONE (\$1.00) DOLLAR AND OTHER GOOD AND VALUABLE CONSIDERATION, PAID BY SECOND PARTY TO FIRST PARTIES, THE RECEIPT WHEREOF IS HEREBY ACKNOWLEDGED IN FULL, FIRST PARTIES DO BY THIS INSTRUMENT AND THESE PRESENTS, GRANT, SELL, BAR-GAIN, AND CONVEY, UNTO THE PARTY OF THE SECOND PART, ITS SUCCESSORS AND ASSIGNS, THE FOLLOWING DESCRIBED REAL-ESTATE TO WIT:

A CERTAIN TRACT OR PARCEL OF LAND LYING AND BEING IN PULASKI COUNTY, KENTUCKY, ON THE WATERS OF FISHING CREEK AND BEING MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A STONE, GOVER'S AND YANDER'S CORNER; THENCE WESTWARDLY WITH HIGHWAY No. 90 RIGHT OF WAY LINE, A DISTANCE OF 190 FEET TO A STONE; THENCE SOUTHWARDLY PARALLEL TO EAST PROPERTY LINE OF YANDERS, A DISTANCE OF 370 FEET TO A STONE, YANDERS AND SOUTH KY. R.E.C.C. LINE; THENCE EASTWARDLY WITH SOUTH KY. R.E.C.C. LINE, A DISTANCE OF 190 FEET TO A STONE, YANDERS, GOVER AND SOUTH KY. R.E.C.C. CORNER; THENCE NORTHWARDLY WITH GOVER'S LINE A DISTANCE OF 345 FEET TO THE POINT OF BEGINNING.

BEING THE SAME PROPERTY CONVEYED TO PARTIES OF THE FIRST PART, FROM ROBERT YANDERS AND VELNA YANDERS, HIS WIFE, BY DEED DATED NOVEMBER 15, 1963, AND RECORDED IN DEED BOOK 266, PAGE 509, PULASKI COUNTY COURT CLERK'S OFFICE, KENTUCKY.

TO HAVE AND TO HOLD THE SAME, TOGETHER WITH ALL THE APPURTENANCES THEREUNTO BELONGING, UNTO THE PARTY OF

Exhibit 6
76-87

WEDDLE
Kenneth
Pauline (B)
Cm

BOOK 280 PAGE 454
THE SECOND PART, ITS SUCCESSORS AND ASSIGNS FOREVER, WITH
COVENANT OF GENERAL WARRANTY.

IN TESTIMONY WHEREOF, WITNESS THE SIGNATURES OF
THE PARTIES OF THE FIRST PART, THIS THE DAY AND YEAR FIRST
ABOVE WRITTEN.

Kenneth Weddle
Pauline Weddle

STATE OF KENTUCKY
COUNTY OF PULASKI SGT

I, M. D. HARRIS, A NOTARY PUBLIC, WITHIN AND
FOR THE ABOVE COUNTY AND STATE, HEREBY CERTIFY THAT THE
FOREGOING DEED OF CONVEYANCE FROM KENNETH WEDDLE, A SINGLE
MAN, AND PAULINE WEDDLE, A SINGLE WOMAN, TO SOUTH KENTUCKY
RURAL ELECTRIC COOPERATIVE CORPORATION, WAS THIS DAY PRO-
DUCED TO ME BY THE SAID KENNETH WEDDLE, A SINGLE MAN, AND
PAULINE WEDDLE, A SINGLE WOMAN, AND BY EACH OF THEM SIGNED
AND ACKNOWLEDGED BEFORE ME TO BE THEIR VOLUNTARY ACT AND
DEED.

IN TESTIMONY WHEREOF, WITNESS MY SIGNATURE AND
SEAL, THIS THE 27TH DAY OF DECEMBER, 1967

M. D. Harris
M. D. HARRIS, NOTARY PUBLIC
KENTUCKY, STATE AT LARGE

NOTARY PUBLIC
M. D. HARRIS
COMMISSION EXPIRES: 9-20-71
THIS INSTRUMENT DRAFTED BY:
M. D. Harris
M. D. HARRIS
ATTORNEY AT LAW
SOMERSET, KENTUCKY

STATE OF KENTUCKY
COUNTY OF PULASKI SGT

I, Marshall Davenport, Clerk of the Pulaski County Court, certify that on the 8 day of January
1968 the foregoing deed was produced to me certified as above and lodged for record. Whereupon I have
recorded the same, together with this certificate, this 9 day of January, 1968, in Deed Book No
480 Page 453

Attest: MARSHALL DAVENPORT, Clerk
Greenda Miller

Farm Land Traded 1.56 Acres
to Land owned by
Kenneth + Pauline Weddle

WEDDLE
Kenneth + Pauline
Tracts 156

DEED

BOOK 271 PAGE 185

THIS DEED OF CONVEYANCE MADE AND ENTERED INTO THIS 5TH DAY OF MAY, 1966, BY AND BETWEEN SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION, A CORPORATION, PARTY OF THE FIRST PART, AND KENNETH WEDDLE AND PAULINE WEDDLE, HIS WIFE, PARTIES OF THE SECOND PART, ALL PARTIES OF SOMERSET, PULASKI COUNTY, KENTUCKY, WITNESSETH: THAT FOR ONE (\$1.00) DOLLAR, AND OTHER GOOD AND VALUABLE CONSIDERATION, PAID BY SECOND PARTIES TO FIRST PARTY, THE RECEIPT OF ALL OF WHICH IS HEREBY ACKNOWLEDGED IN FULL, THE PARTY OF THE FIRST PART, DOES BY THIS INSTRUMENT AND THESE PRESENTS, GRANT, SELL, BARGAIN AND CONVEY UNTO THE PARTIES OF THE SECOND PART, JOINTLY FOR THEIR LIFE-TIME WITH THE REMAINDER IN FEE SIMPLE, TO THE SURVIVOR OF EITHER OF THEM, THEIR HEIRS AND ASSIGNS, THE FOLLOWING DESCRIBED REAL-ESTATE, TO-WIT:

A CERTAIN TRACT OR PARCEL OF LAND LYING AND BEING IN PULASKI COUNTY, KENTUCKY ON THE WATERS OF FISHING CREEK, APPROXIMATELY SIX (6) MILES WEST OF SOMERSET, AND BEING MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A PIN ON THE SOUTH SIDE OF THE CRATE LEE ROAD AND ON THE WEST SIDE OF A PRIVATE ROAD LEADING TO THE GARNER FARM; THENCE S 15-35 E 274.4' TO A PIN, CORNER TO SOUTH KENTUCKY RECC; THENCE N 75-37 E 245.0' TO A PIN, CORNER TO SOUTH KENTUCKY RECC, A PRIVATE ROAD LEADING TO THE RECC FARM; THENCE WITH SAID PRIVATE ROAD N 14-34 W 274.4' TO A PIN AT THE CRATE LEE ROAD; THENCE WITH THE CRATE LEE ROAD S 75-37 W 250.0' TO THE BEGINNING, AND BEING 1.56 ACRES, MORE OR LESS.

BEING A PART OF THE PROPERTY CONVEYED TO SOUTH KENTUCKY RECC FROM ELLA MAY PLEASANT AND

REC- 271 198

WEDDLE
(Hick) 6/1/61
2

ROBERT PLEASANT, HER HUSBAND, BY DEED DATED JULY 24, 1961, AND RECORDED IN DEED-BOOK 236, PAGE 397, PULASKI COUNTY COURT CLERK'S OFFICE, KENTUCKY.

IT IS AGREED AND UNDERSTOOD BETWEEN THE PARTIES HERETO, THAT SECOND PARTIES SHALL HAVE THE RIGHT AND PRIVILEGE TO OBTAIN WATER FROM THE REMAINING LANDS OF FIRST PARTY UNTIL SUCH TIME AS A GENERAL WATER SYSTEM SHALL BE ESTABLISHED IN THE COMMUNITY OR THE PARTIES HERETO SHALL MUTUALLY AGREE ON AN ALTERNATIVE PLAN.

TO HAVE AND TO HOLD THE SAME TOGETHER WITH ALL THE APPURTENANCES BELONGING THERETO UNTO THE PARTIES OF THE SECOND PART, JOINTLY FOR THEIR LIFE-TIME, WITH REMAINDER IN FEE SIMPLE TO THE SURVIVOR OF EITHER OF THEM, THEIR HEIRS AND ASSIGNS FOREVER, WITH COVENANT OF GENERAL WARRANTY.

IN TESTIMONY WHEREOF, WITNESS THE SIGNATURE OF FIRST PARTY BY ITS PRESIDENT AND SECRETARY, THIS THE DAY AND YEAR FIRST ABOVE WRITTEN.



STATE OF KENTUCKY
SCT)
COUNTY OF PULASKI

Roy Hannah
PRESIDENT
SOUTH KENTUCKY RECC
C. E. Smith
SECRETARY
SOUTH KENTUCKY RECC

I, Tom L. Dodson, A NOTARY PUBLIC WITHIN AND FOR THE ABOVE COUNTY AND STATE HEREBY CERTIFY THAT THE FOREGOING DEED OF CONVEYANCE FROM SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION WAS THIS DAY PRODUCED TO ME BY ROY HANNAH, PRESIDENT OF SAID CORPORATION, AND C. E. SMITH, SECRETARY, AND THAT THE SEAL AFFIXED TO SAID

Exhibit 6
79-87

LOCATION MAP

Borrower: SOUTH KY. RECC	File No.: 0407--035
Property Address: W. HIGHWAY 80	Case No.: ANDERSON
City: NANCY	State: KY
Lender: SOUTH KY. RECC	Zip: 42544

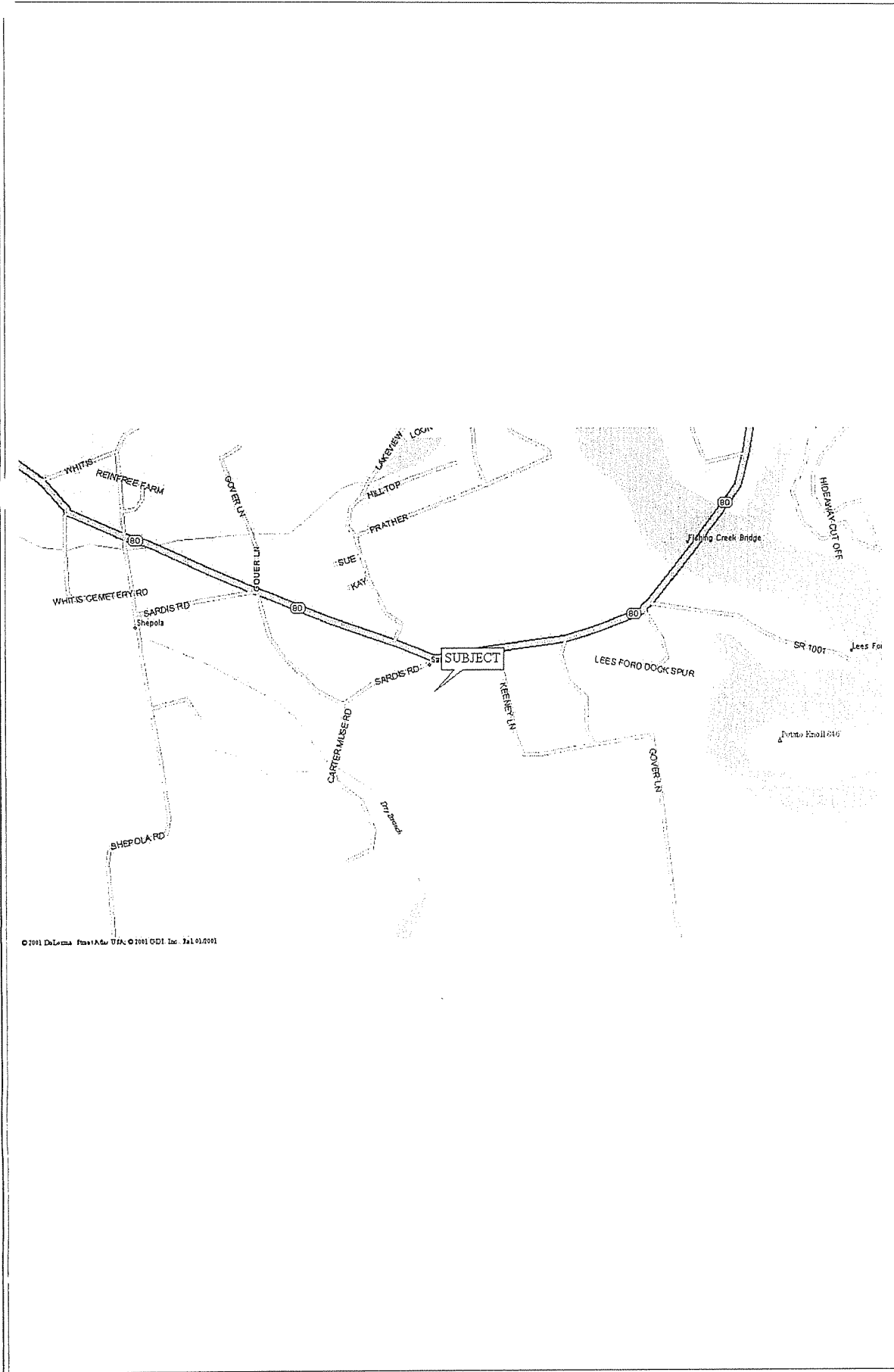
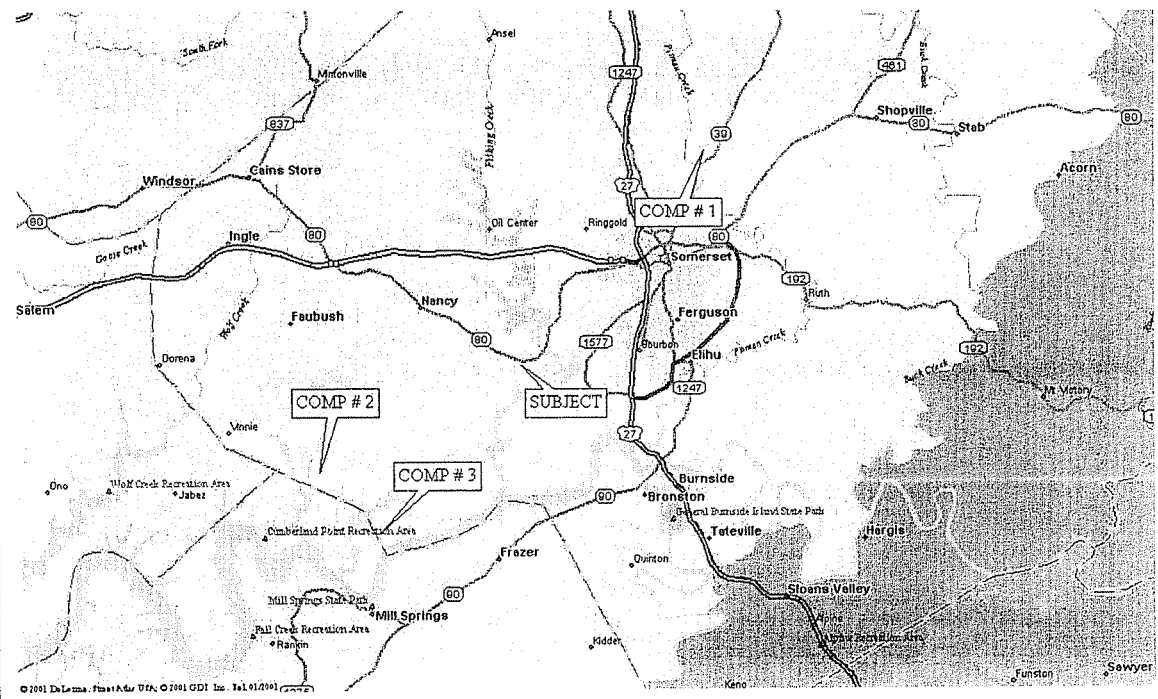


Exhibit 4
80-87

Borrower: SOUTH KY. RECC	File No.: 0407--035
Property Address: W. HIGHWAY 80	Case No.: ANDERSON
City: NANCY	State: KY
Lender: SOUTH KY. RECC	Zip: 42544



FIRREA / USPAP ADDENDUM

Borrower SOUTH KY. RECC
Property Address W. HIGHWAY 80
City NANCY County PULASKI State KY Zip Code 42544
Order/Client SOUTH KY. RECC

Purpose
THE PURPOSE OF THIS REPORT IS TO PROVIDE THE CLIENT AN OPINION OF VALUE WHERE THE BUYER AN SELLER ARE ACTING PRUDENTLY, IN TERMS OF CASH OR CASH EQUIVALENT, AND THE EXPOSURE IS IN A COMPETITIVE MARKET FOR A REASONABLE TIME PRIOR TO SALE.

Scope
THE APPRAISER HAS VISITED THE SUBJECT PROPERTY AND VERIFIED EXTERIOR DIMENSIONS. THE SOURCES FOR COMPARABLE DATA INCLUDE LOCAL PROPERTY VALUE ADMINISTRATORS, COUNTY COURT CLERK RECORDS, PROPERTY OWNERS, PREVIOUS APPRAISAL FILES, AND MULTIPLE LISTING SERVICES. CHRIS DILLINGHAM, JAMES MAYS, AND KEVIN DALTON ARE THE FULL TIME DATA RESEARCH PERSONS FOR CHILDERS FINANCIAL SERVICES AND HAVE PROVIDED SIGNIFICANT PROFESSIONAL ASSISTANCE IN THE DATA VERIFICATION USED IN THIS REPORT.

Intended Use / Intended User
THE INTENDED USER OF THIS REPORT IS NAMED CLIENT ON PAGE ONE OF THE APPRAISAL REPORT, ANY ASSIGN OR SUCCUSSOR ANY MANDATED STATE OR FEDERAL COURT OR REGULATORY AGENCY. THE INTENDED USE OF THIS REPORT IS TO ESTIMATE THE CURRENT MARKET VALUE FOR THE CLIENT TO ASSIST IN POSSIBLE SALE OF SUBJECT PROPERTY.

History of Property
Current listing information: SUBJECT IS NOT CURRENTLY LISTED FOR SALE NOR IS THERE ANY AGREEMENT OF SALE PENDING.

Prior sale: NO PRIOR SALE WITHIN THREE YEARS.

Exposure Time / Marketing Time
EXPOSURE TIME IS THE LENGTH OF TIME THE PROPERTY WOULD HAVE BEEN OFFERED ON THE MARKET PRIOR TO THE HYPOTHETICAL CONSUMMATION OF A SALE AT MARKET VALUE ON THE EFFECTIVE DATE OF THE APPRAISAL. MARKETING TIME IS THE AMOUNT OF TIME IT MIGHT TAKE TO SELL A PROPERTY INTEREST AT THE CONCLUDED MARKET VALUE LEVEL AFTER THE APPRAISAL DATE. THE ESTIMATED EXPOSURE AND MARKETING TIMES ARE ESTIMATED AT 3-6 MONTHS.

Personalty (non-realty) Transfers
NONE

Additional Comments
HIGHEST AND BEST USE IS AS A SINGLE FAMILY RESIDENTIAL SUBDIVISION DUE TO LOCATION.

Certification Supplement
1 This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or an approval of a loan
2 My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result or the occurrence of a subsequent event

Appraiser(s): Clifford L. Childers Supervisory Appraiser(s): _____
CLIFFORD L. CHILDERS

Effective date/Report date: 07/06/2004 Effective date/Report date: _____

APPRAISERS CERTIFICATION: The Appraiser certifies and agrees that:

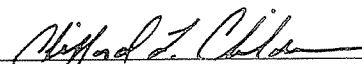
1. I have researched the subject market area and have selected a minimum of three recent sales of properties most similar and proximate to the subject property for consideration in the sales comparison analysis and have made a dollar adjustment when appropriate to reflect the market reaction to those items of significant variation. If a significant item in a comparable property is superior to, or more favorable than, the subject property, I have made a negative adjustment to reduce the adjusted sales price of the comparable and, if a significant item in a comparable property is inferior to, or less favorable than the subject property, I have made a positive adjustment to increase the adjusted sales price of the comparable
2. I have taken into consideration the factors that have an impact on value in my development of the estimate of market value in the appraisal report. I have not knowingly withheld any significant information from the appraisal report and I believe, to the best of my knowledge, that all statements and information in the appraisal report are true and correct.
3. I stated in the appraisal report only my own personal, unbiased, and professional analysis, opinions, and conclusions, which are subject only to the contingent and Limiting Conditions specified in this form.
4. I have no present or prospective interest in the property that is the subject to this report, and I have no present or prospective personal interest or bias with respect to the participants in the transaction. I did not base, either partially or completely, my analysis and/or the estimate of market value in the appraisal report on the race, color, religion, sex, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property.
5. I have no present or contemplated future interest in the subject property, and neither my current or future employment nor my compensation for performing this appraisal is contingent on the appraised value of the property.
6. I was not required to report a predetermined value or direction in value that favors the cause of the client or any related party, the amount of the value estimate, the attainment of a specific result, or the occurrence of a subsequent event in order to receive my compensation and/or employment for performing the appraisal. I did not base the appraisal report on a requested minimum valuation, a specific valuation, or the need to approve a specific mortgage loan.
7. I performed this appraisal in conformity with the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place as of the effective date of this appraisal, with the exception of the departure provision of those Standards, which does not apply. I acknowledge that an estimate of a reasonable time for exposure in the open market is a condition in the definition of market value and the estimate I developed is consistent with the marketing time noted in the neighborhood section of this report, unless I have otherwise stated in the reconciliation section.
8. I have personally inspected the subject property and the exterior of all properties listed as comparables in the appraisal report. I further certify that I have noted any apparent or known adverse conditions in the subject improvements, on the subject site, or on any site within the immediate vicinity of the subject property of which I am aware and have made adjustments for these adverse conditions in my analysis of the property value to the extent that I had market evidence to support them. I have also commented about the effect of the adverse conditions on the marketability of the subject property.
9. I personally prepared all conclusions and opinions about the real estate that were set forth in the appraisal report. If I relied on significant professional assistance from any individual or individuals in the performance of the appraisal or the preparation of the appraisal report, I have named such individual(s) and disclosed the specific tasks performed by them in the reconciliation section of this appraisal report. I certify that any individual so named is qualified to perform the tasks. I have not authorized anyone to make a change to any item in the report; therefore, if an unauthorized change is made to the appraisal report, I will take no responsibility for it.

SUPERVISORY APPRAISER'S CERTIFICATION: If a supervisory appraiser signed the appraisal report, he or she certifies and agrees that: I directly supervise the appraiser who prepared the appraisal report, have reviewed the appraisal report, agree with the statements and conclusions of the appraiser, agree to be bound by the appraiser's certifications numbered 4 through 7 above, and am taking full responsibility for the appraisal and the appraisal report.

ADDRESS OF PROPERTY APPRAISED: W. HIGHWAY 80, NANCY, KY, 42544

APPRAISER:

SUPERVISORY APPRAISER (only if required)

Signature: 
 Name: CLIFFORD L. CHILDERS
 Date Signed: 07/06/2004
 State Certification #: CERTIFIED GENERAL
 or State License #: 0615
 State: KY
 Expiration Date of Certification or License: 06/30/2005

Signature: _____
 Name: _____
 Date Signed: _____
 State Certification #: _____
 or State License #: _____
 State: _____
 Expiration Date of Certification or License: _____

Did Did Not Inspect Property

COMPLETE APPRAISAL - SUMMARY REPORT

DEFINITION OF MARKET VALUE: The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and each acting in what he considers his own best interest; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions* granted by anyone associated with the sale

*Adjustments to the comparables must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar for dollar cost of the financing or concession but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the Appraiser's judgment.

STATEMENT OF LIMITING CONDITIONS AND APPRAISER'S CERTIFICATION

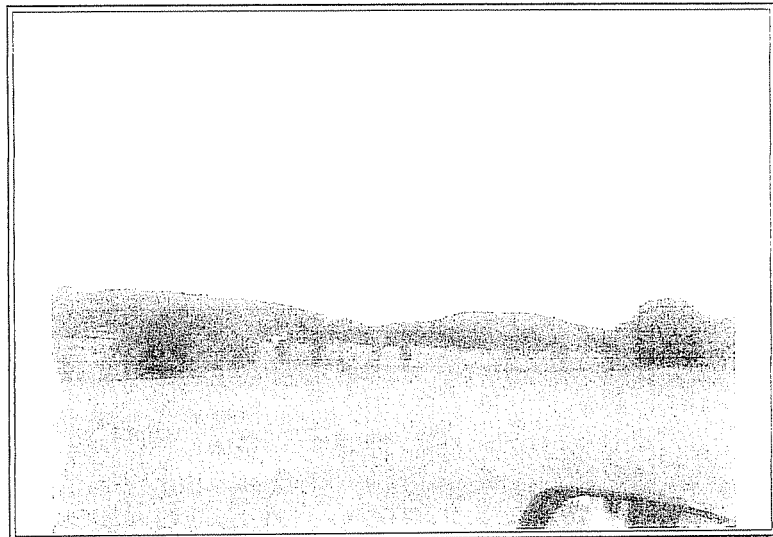
CONTINGENT AND LIMITING CONDITIONS: The appraiser's certification that appears in the appraisal report is subject to the following conditions:

1. The appraiser will not be responsible for matters of a legal nature that affect either the property being appraised or the title to it. The appraiser assumes that the title is good and marketable and, therefore, will not render any opinions about the title. The property is appraised on the basis of it being under responsible ownership.
2. The appraiser has provided a sketch in the appraisal report to show approximate dimensions of the improvements and the sketch is included only to assist the reader of the report in visualizing the property and understanding the appraiser's determination of its size.
3. The appraiser has examined the available flood maps that are provided by the Federal Emergency Management Agency (or other data sources) and has noted in the appraisal report whether the subject site is located in an identified Special Flood Hazard Area. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
4. The appraiser will not give testimony or appear in court because he or she made an appraisal of the property in question, unless specific arrangements to do so have been made beforehand.
5. The appraiser has estimated the value of the land in the cost approach at its highest and best use and the improvements at their contributory value. These separate valuations of the land and improvements must not be used in conjunction with any other appraisal and are invalid if they are so used.
6. The appraiser has noted in the appraisal report any adverse conditions (such as, needed repairs, depreciation, the presence of hazardous wastes, toxic substances, etc.) observed during the inspection of the subject property or that he or she became aware of during the normal research involved in performing the appraisal. Unless otherwise stated in the appraisal report, the appraiser has no knowledge of any hidden or unapparent conditions of the property or adverse environmental conditions (including the presence of hazardous wastes, toxic substances, etc.) that would make the property more or less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied, regarding the condition of the property. The appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the appraiser is not an expert in the field of environmental hazards, the appraisal report must not be considered as an environmental assessment of the property.
7. The appraiser obtained the information, estimates, and opinions that were expressed in the appraisal report from sources that he or she considers to be reliable and believes them to be true and correct. The appraiser does not assume responsibility for the accuracy of such items that were furnished by other parties.
8. The appraiser will not disclose the contents of the appraisal report except as provided for in the Uniform Standards of Professional Appraisal Practice.
9. The appraiser has based his or her appraisal report and valuation conclusion for an appraisal that is subject to satisfactory completion, repairs, or alterations on the assumption that completion of the improvements will be performed in a workmanlike manner.
10. The appraiser must provide his or her prior written consent before the lender/client specified in the appraisal report can distribute the appraisal report (including conclusions about the property value, the appraiser's identity and professional designations, and references to any professional appraisal organizations or the firm with which the appraiser is associated) to anyone other than the borrower, the mortgagee or its successors and assigns; the mortgage insurer; consultants; professional appraisal organizations; any state or federally approved financial institution; or any department, agency, or instrumentality of the United States or any state or the District of Columbia; except that the lender/client may distribute the property description section of the report only to data collection or reporting service(s) without having to obtain the appraiser's prior written consent. The appraiser's written consent and approval must also be obtained before the appraisal can be conveyed by anyone to the public through advertising, public relations, news, sales, or other media.

COMPARABLE PROPERTY PHOTO ADDENDUM

Borrower: SOUTH KY. RECC	File No.: 0407--035	
Property Address: W. HIGHWAY 80	Case No.: ANDERSON	
City: NANCY	State: KY	Zip: 42544
Lender: SOUTH KY. RECC		

Exhibit 6
8487



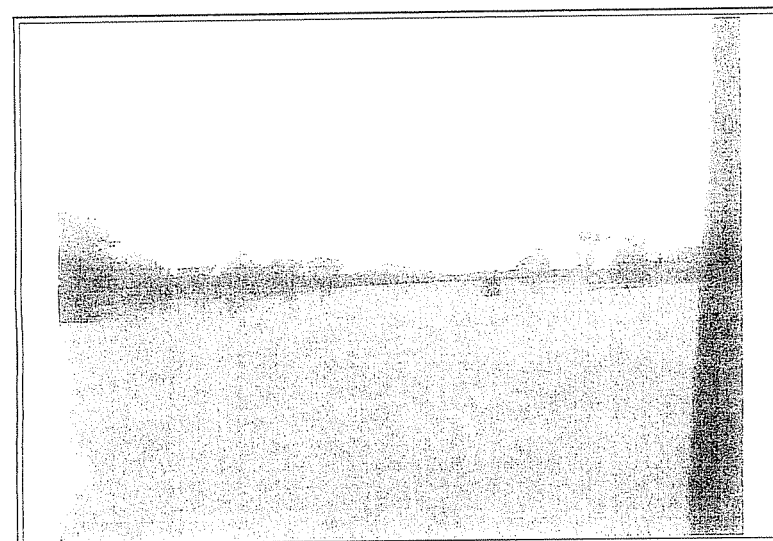
COMPARABLE SALE #1

STYLESVILLE ROAD
SOMERSET
Sale Date: 6/2004
Sale Price: \$ 320,000



COMPARABLE SALE #2

HIGHWAY 761
NANCY
Sale Date: 02/13/2003
Sale Price \$ 350,000

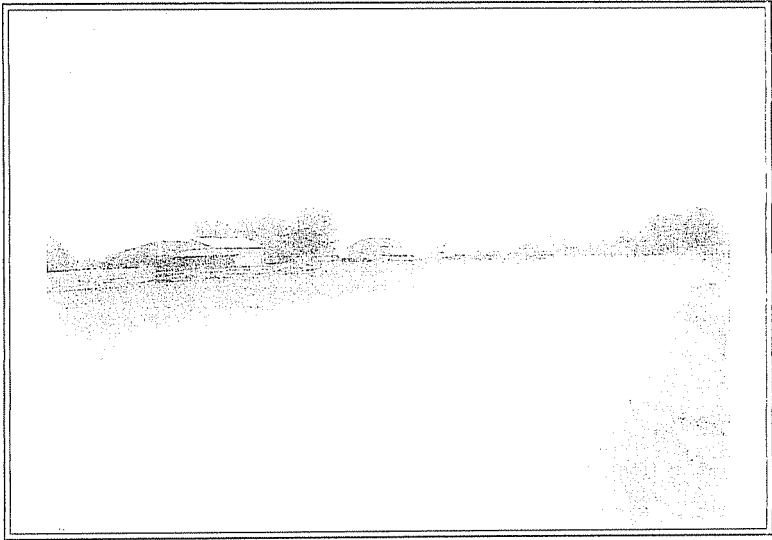


COMPARABLE SALE #3

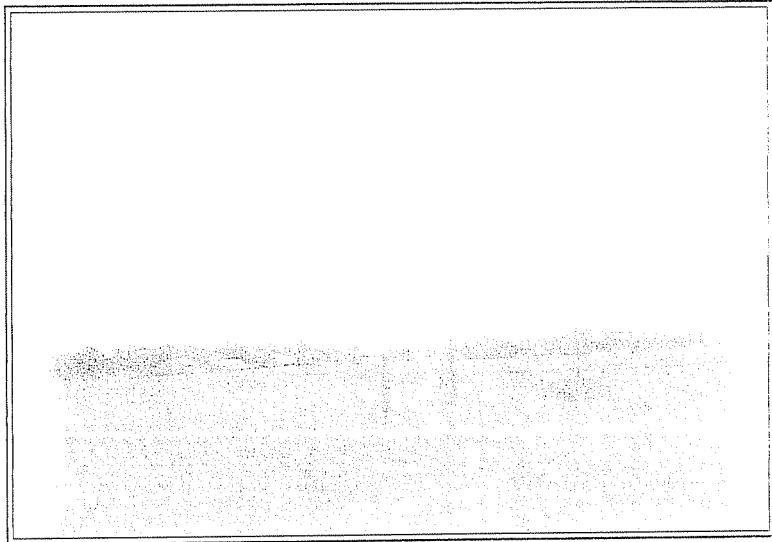
OLD MILL SPRINGS ROAD
NANCY
Sale Date: 01/14/2004
Sale Price: \$ 500,000

Borrower: SOUTH KY. RECC	File No.: 0407-035
Property Address: W. HIGHWAY 80	Case No.: ANDERSON
City: NANCY	State: KY
Lender: SOUTH KY. RECC	Zip: 42544

Exhibit 6
85-87



WEST TO EAST



NORTH TO SOUTH



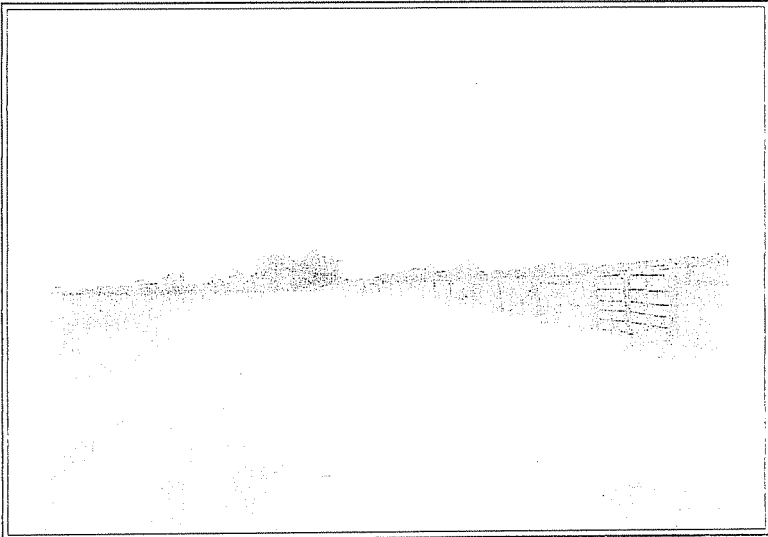
SOUTH TOWARD SARDIS ROAD

Borrower: SOUTH KY. RECC	File No.: 0407--035
Property Address: W. HIGHWAY 80	Cesa No.: ANDERSON
City: NANCY	State: KY
Lender: SOUTH KY. RECC	Zip: 42544

Exhibit 6
86-87



NORTHEAST TO SOUTHWEST



ALONG FRT VIEW



NORTHWEST TO SOUTHEAST

Borrower: SOUTH KY. RECC	File No.: 0407--035
Property Address: W. HIGHWAY 80	Case No.: ANDERSON
City: NANCY	State: KY
Lender: SOUTH KY. RECC	Zip: 42544

Exhibit 6
87-87



FRONT VIEW OF
SUBJECT PROPERTY

Appraised Date: July 6, 2004
Appraised Value: \$ 450,000



REAR VIEW OF
SUBJECT PROPERTY



STREET SCENE

RED FLAG RULES

On October 31, 2007 a Joint Committee of the OCC, Federal Reserve Board, FDIC, OTS, NCUA and the Federal Trade Commission authorized legislation which became Section 114 of the Fair and Accurate Credit Transaction Act of 2003 (FACTA) also known as the Red Flag Rules. This section requires that all organizations subject to the legislation develop and implement a written "Identity Theft Prevention Program" to detect, prevent and mitigate identity theft in connection with the opening of certain new and existing accounts.

The legislation is found at 15 USCA 1681 et seq. The Red Flags Rule is published at 16 C.F.R. Section 681.2.

	Dock Bumper Atlas	Total Package		\$301.00	\$301.00	\$300.00
Division Twelve						
	Floor Mats Atlas	Total Package		\$2,925.00	\$2,925.00	\$3,000.00
	C/S Group	Total Package		\$3,872.00		
	Kadee Industries	Total Package		\$3,985.00		
	Roller Shades Dixie Lite-Trol Company	Total Package		\$44,240.00	\$44,240.00	\$45,000.00
Division Thirteen						
	Office, Maintenance building	Total Package		\$1,156,577.00	\$1,234,903.00	\$1,100,000.00
	Ceco Building Systems	Material Only		\$852,261.00		
			(Fleet Canopy excluded by DW)			
Division Fourteen						
	Conveying Systems	Total Package		\$44,590.00	\$44,590.00	\$45,000.00
Division Fifteen						
	Mechanical	Total Package		\$2,429,570.00	\$2,429,570.00	\$2,250,000.00
	FREI Plumbing	Total Package		\$2,546,650.00		
	Epperson	Incomplete Package		\$2,654,831.00		
	Fire Protection	Total Package		\$2,929,570.00	\$500,000.00	\$500,000.00
			(budget number only; design not complete)			
Division Sixteen						
	Electrical	Total Package		\$1,874,132.00	\$1,874,132.00	\$1,700,000.00
	Fayette Electrical Service	Total Package		\$2,050,420.00		
	F.I.E Electrical Inc	Incomplete Package		\$1,625,675.00		
			(incomplete light package)			
Bond/Insurance				\$288,577.00		\$265,000.00
Design Fee's				\$883,240.00		\$830,000.00
5% Contractor's Fee				\$909,577.00		\$850,000.00
Total Budget				\$18,523,430.00		\$17,252,750.00
5% Contingency				\$866,264.00		\$862,000.00

AIA[®] Document A141[™] - 2004

Standard Form of Agreement Between Owner and Design-Builder

AGREEMENT made as of the _____ day of _____
in the year of _____
(In words, indicate day, month and year)

BETWEEN the Owner:
(Name, address and other information)

South Kentucky RECC
925-929 N. Main Street
Somerset, Kentucky 42503

606-678-4121

and the Design-Builder:
(Name, address and other information)

D. W. Wilburn, Inc.
153 Blue Sky Parkway
Lexington, Kentucky 40509

859-263-2720

For the following Project:
(Name, location and detailed description)

South Kentucky RECC
Somerset Office
Somerset, Kentucky 42503

This document has important legal consequences. Consultation with an attorney is encouraged with respect to its completion or modification. Consultation with an attorney is also encouraged with respect to professional licensing requirements in the jurisdiction where the Project is located.

REPRODUCTION

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The Owner and Design-Builder agree as follows.

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TABLE OF ARTICLES

- 1 THE DESIGN-BUILD DOCUMENTS
- 2 WORK OF THIS AGREEMENT
- 3 DATE OF COMMENCEMENT AND SUBSTANTIAL COMPLETION
- 4 CONTRACT SUM
- 5 PAYMENTS
- 6 DISPUTE RESOLUTION
- 7 MISCELLANEOUS PROVISIONS
- 8 ENUMERATION OF THE DESIGN-BUILD DOCUMENTS

TABLE OF EXHIBITS

- A TERMS AND CONDITIONS
- B DETERMINATION OF THE COST OF THE WORK
- C INSURANCE AND BONDS

ARTICLE 1 THE DESIGN-BUILD DOCUMENTS

§ 1.1 The Design-Build Documents form the Design-Build Contract. The Design-Build Documents consist of this Agreement between Owner and Design-Builder (hereinafter, the "Agreement") and its attached Exhibits; Supplementary and other Conditions; Addenda issued prior to execution of the Agreement; the Project Criteria, including changes to the Project Criteria proposed by the Design-Builder and accepted by the Owner, if any; the Design-Builder's Proposal and written modifications to the Proposal accepted by the Owner, if any; other documents listed in this Agreement; and Modifications issued after execution of this Agreement. The Design-Build Documents shall not be construed to create a contractual relationship of any kind (1) between the Architect and Owner, (2) between the Owner and a Contractor or Subcontractor, or (3) between any persons or entities other than the Owner and Design-Builder, including but not limited to any consultant retained by the Owner to prepare or review the Project Criteria. An enumeration of the Design-Build Documents, other than Modifications, appears in Article 8.

§ 1.2 The Design-Build Contract represents the entire and integrated agreement between the parties hereto and supersedes prior negotiations, representations or agreements, either written or oral.

§ 1.3 The Design-Build Contract may be amended or modified only by a Modification. A Modification is (1) a written amendment to the Design-Build Contract signed by both parties, (2) a Change Order, (3) a Construction Change Directive or (4) a written order for a minor change in the Work issued by the Owner.

ARTICLE 2 THE WORK OF THE DESIGN-BUILD CONTRACT

§ 2.1 The Design-Builder shall fully execute the Work described in the Design-Build Documents, except to the extent specifically indicated in the Design-Build Documents to be the responsibility of others.

ARTICLE 3 DATE OF COMMENCEMENT AND SUBSTANTIAL COMPLETION

§ 3.1 The date of commencement of the Work shall be the date of this Agreement unless a different date is stated below or provision is made for the date to be fixed in a notice issued by the Owner.

(Insert the date of commencement if it differs from the date of this Agreement or, if applicable, state that the date will be fixed in a notice to proceed.)

If, prior to the commencement of Work, the Owner requires time to file mortgages, documents related to mechanic's liens and other security interests, the Owner's time requirement shall be as follows:
(Insert Owner's time requirements.)

To be determined

§ 3.2 The Contract Time shall be measured from the date of commencement, subject to adjustments of this Contract Time as provided in the Design-Build Documents.
(Insert provisions, if any, for liquidated damages relating to failure to complete on time or for bonus payments for early completion of the Work.)

Not applicable

§ 3.3 The Design-Builder shall achieve Substantial Completion of the Work not later than _____ days from the date of commencement, or as follows:
(Insert number of calendar days. Alternatively, a calendar date may be used when coordinated with the date of commencement. Unless stated elsewhere in the Design-Build Documents, insert any requirements for earlier Substantial Completion of certain portions of the Work.)

To be determined upon and at completion of plans

ARTICLE 4 CONTRACT SUM

§ 4.1 The Owner shall pay the Design-Builder the Contract Sum in current funds for the Design-Builder's performance of the Design-Build Contract. The Contract Sum shall be one of the following:
(Check the appropriate box.)

- Stipulated Sum in accordance with Section 4.2 below;
- Cost of the Work Plus Design-Builder's Fee in accordance with Section 4.3 below;
- Cost of the Work Plus Design-Builder's Fee with a Guaranteed Maximum Price in accordance with Section 4.4 below.

(Based on the selection above, complete either Section 4.2, 4.3 or 4.4 below.)

§ 4.2 STIPULATED SUM

§ 4.2.1 The Stipulated Sum shall be _____ Dollars (\$ _____), subject to additions and deductions as provided in the Design-Build Documents.

N/A

§ 4.2.2 The Stipulated Sum is based upon the following alternates, if any, which are described in the Design-Build Documents and are hereby accepted by the Owner:

N/A

§ 4.2.3 Unit prices, if any, are as follows:

N/A

§ 4.2.4 Allowances, if any, are as follows:

(Identify and state the amounts of any allowances, and state whether they include labor, materials, or both.)

N/A

§ 4.2.5 Assumptions or qualifications, if any, on which the Stipulated Sum is based, are as follows:

N/A

§ 4.3 COST OF THE WORK PLUS DESIGN-BUILDER'S FEE

§ 4.3.1 The Cost of the Work is as defined in Exhibit B.

N/A
§ 4.3.2 The Design-Builder's Fee is:

(State a lump sum, percentage of Cost of the Work or other provision for determining the Design-Builder's Fee and the method of adjustment to the Fee for changes in the Work.)

N/A

** § 4.4 COST OF THE WORK PLUS DESIGN-BUILDER'S FEE WITH A GUARANTEED MAXIMUM PRICE

§ 4.4.1 The Cost of the Work is as defined in Exhibit B, plus the Design-Builder's Fee.

§ 4.4.2 The Design-Builder's Fee is: _____
(State a lump sum, percentage of Cost of the Work or other provision for determining the Design-Builder's Fee and the method of adjustment to the Fee for changes in the Work.) Five percent of contractors cost

including design fees (excludes all costs such as office related costs/over-head). Total project cost is to be determined, estimates for total job cost

§ 4.4.3 GUARANTEED MAXIMUM PRICE to be submitted as plans develop w/ total job cost

§ 4.4.3.1 The sum of the Cost of the Work and the Design-Builder's Fee is guaranteed by the Design-Builder not to exceed Dollars (\$ _____), subject to additions and deductions by changes in the Work as provided in the Design-Build Documents. Such maximum sum is referred to in the Design-Build Documents as the Guaranteed Maximum Price. Costs which would cause the Guaranteed Maximum Price to be exceeded shall be paid by the Design-Builder without reimbursement by the Owner.

(Insert specific provisions if the Design-Builder is to participate in any savings.)

To be determined

§ 4.4.3.2 The Guaranteed Maximum Price is based on the following alternates, if any, which are described in the Design-Build Documents and are hereby accepted by the Owner:

Not applicable at this time

§ 4.4.3.3 Unit Prices, if any, are as follows:

Not applicable at this time

§ 4.4.3.4 Allowances, if any, are as follows:

(Identify and state the amounts of any allowances, and state whether they include labor, materials, or both.)

Not applicable at this time

§ 4.4.3.5 Assumptions, if any, on which the Guaranteed Maximum Price is based, are as follows:

(Identify the assumptions on which the Guaranteed Maximum Price is based.)

Not applicable at this time

§ 4.5 CHANGES IN THE WORK

§ 4.5.1 Adjustments of the Contract Sum on account of changes in the Work may be determined by any of the methods listed in Article A.7 of Exhibit A, Terms and Conditions.

§ 4.5.2 Where the Contract Sum is the Cost of the Work, with or without a Guaranteed Maximum Price, and no specific provision is made in Sections 4.3.2 or 4.4.2 for adjustment of the Design-Builder's Fee in the case of Changes in the Work, or if the extent of such changes is such, in the aggregate, that application of the adjustment will cause substantial inequity to the Owner or Design-Builder, the Design-Builder's Fee shall be equitably adjusted on the basis of the Fee established for the original Work, and the Contract Sum shall be adjusted accordingly.

ARTICLE 5 PAYMENTS

§ 5.1 PROGRESS PAYMENTS

§ 5.1.1 Based upon Applications for Payment submitted to the Owner by the Design-Builder, the Owner shall make progress payments on account of the Contract Sum to the Design-Builder as provided below and elsewhere in the Design-Build Documents.

§ 5.1.2 The period covered by each Application for Payment shall be one calendar month ending on the last day of the month, or as follows:

§ 5.1.3 Provided that an Application for Payment is received not later than the 1st day of month, the Owner shall make payment to the Design-Builder not later than the 1st day of the follow month. If an Application for Payment is received by the Owner after the application date fixed above, payment shall be made by the Owner not later than days after the Owner receives the Application for Payment.

~~§ 5.1.4 With each Application for Payment where the Contract Sum is based upon the Cost of the Work or the Cost of the Work with a Guaranteed Maximum Price, the Design-Builder shall submit the most recent schedule of values in accordance with the Design-Build Documents. The schedule of values shall allocate the entire Contract Sum among the various portions of the Work. Compensation for design services shall be shown separately. Where the Contract Sum is based on the Cost of the Work with a Guaranteed Maximum Price, the Design-Builder's Fee shall be shown separately. The schedule of values shall be prepared in such form and supported by such data to substantiate its accuracy as the Owner may require. This schedule of values, unless objected to by the Owner, shall be used as a basis for reviewing the Design-Builder's Applications for Payment.~~

§ 5.1.5 With each Application for Payment where the Contract Sum is based upon a Stipulated Sum or Cost of the Work with a Guaranteed Maximum Price, the Design-Builder shall submit the most recent schedule of values in accordance with the Design-Build Documents. The schedule of values shall allocate the entire Contract Sum among the various portions of the Work. Compensation for design services shall be shown separately. Where the Contract Sum is based on the Cost of the Work with a Guaranteed Maximum Price, the Design-Builder's Fee shall be shown separately. The schedule of values shall be prepared in such form and supported by such data to substantiate its accuracy as the Owner may require. This schedule of values, unless objected to by the Owner, shall be used as a basis for reviewing the Design-Builder's Applications for Payment.

§ 5.1.6 In taking action on the Design-Builder's Applications for Payment, the Owner shall be entitled to rely on the accuracy and completeness of the information furnished by the Design-Builder and shall not be deemed to have made a detailed examination, audit or arithmetic verification of the documentation submitted in accordance with Sections 5.1.4 or 5.1.5, or other supporting data; to have made exhaustive or continuous on-site inspections; or to have made examinations to ascertain how or for what purposes the Design-Builder has used amounts previously paid on account of the Agreement. Such examinations, audits and verifications, if required by the Owner, will be performed by the Owner's accountants acting in the sole interest of the Owner.

§ 5.1.7 Except with the Owner's prior approval, the Design-Builder shall not make advance payments to suppliers for materials or equipment which have not been delivered and stored at the site.

§ 5.2 PROGRESS PAYMENTS - STIPULATED SUM

§ 5.2.1 Applications for Payment where the Contract Sum is based upon a Stipulated Sum shall indicate the percentage of completion of each portion of the Work as of the end of the period covered by the Application for Payment.

§ 5.2.2 Subject to other provisions of the Design-Build Documents, the amount of each progress payment shall be computed as follows:

- .1 Take that portion of the Contract Sum properly allocable to completed Work as determined by multiplying the percentage completion of each portion of the Work by the share of the Contract Sum allocated to that portion of the Work in the schedule of values, less retainage of percent (5 %) on the Work, other than services provided by design professionals and other consultants retained directly by the Design-Builder. Pending final determination of cost to the Owner of Changes in the Work, amounts not in dispute shall be included as provided in Section A.7.3.8 of Exhibit A, Terms and Conditions;
- .2 Add that portion of the Contract Sum properly allocable to materials and equipment delivered and suitably stored at the site for subsequent incorporation in the completed construction (or, if approved in advance by the Owner, suitably stored off the site at a location agreed upon in writing), less retainage of percent (5 %);
- .3 Subtract the aggregate of previous payments made by the Owner; and
- .4 Subtract amounts, if any, for which the Owner has withheld payment from or nullified an Application for Payment as provided in Section A.9.5 of Exhibit A, Terms and Conditions.

§ 5.2.3 The progress payment amount determined in accordance with Section 5.2.2 shall be further modified under the following circumstances:

- .1 add, upon Substantial Completion of the Work, a sum sufficient to increase the total payments to the full amount of the Contract Sum, less such amounts as the Owner shall determine for incomplete Work, retainage applicable to such work and unsettled claims; and
(Section A.9.8.6 of Exhibit A, Terms and Conditions requires release of applicable retainage upon Substantial Completion of Work with consent of surety, if any.)
- .2 add, if final completion of the Work is thereafter materially delayed through no fault of the Design-Builder, any additional amounts payable in accordance with Section A.9.10.3 of Exhibit A, Terms and Conditions.

§ 5.2.4 Reduction or limitation of retainage, if any, under Section 5.2.2 shall be as follows:

(If it is intended, prior to Substantial Completion of the entire Work, to reduce or limit the retainage resulting from the percentages inserted in Sections 5.2.2.1 and 5.2.2.2 above, and this is not explained elsewhere in the Design-Build Documents, insert here provisions for such reduction or limitation.)

Reductions are to be made based on cost to complete.

§ 5.3 PROGRESS PAYMENTS – COST OF THE WORK PLUS A FEE

§ 5.3.1 Where the Contract Sum is based upon the Cost of the Work plus a fee without a Guaranteed Maximum Price, Applications for Payment shall show the Cost of the Work actually incurred by the Design-Builder through the end of the period covered by the Application for Payment and for which Design-Builder has made or intends to make actual payment prior to the next Application for Payment.

§ 5.3.2 Subject to other provisions of the Design-Build Documents, the amount of each progress payment shall be computed as follows:

- .1 Take the Cost of the Work as described in Exhibit B;
- .2 Add the Design-Builder's Fee, less retainage of N/A (%). The Design-Builder's Fee shall be computed upon the Cost of the Work described in the preceding Section 5.3.2.1 at the rate stated in Section 4.3.2; or if the Design-Builder's Fee is stated as a fixed sum in that section, an amount which bears the same ratio to that fixed-sum Fee as the Cost of the Work in the preceding section bears to a reasonable estimate of the probable Cost of the Work upon its completion;
- .3 Subtract the aggregate of previous payments made by the Owner;
- .4 Subtract the shortfall, if any, indicated by the Design-Builder in the documentation required by Section 5.1.4 or resulting from errors subsequently discovered by the Owner's accountants in such documentation; and
- .5 Subtract amounts, if any, for which the Owner has withheld or withdrawn a Certificate for Payment as provided in the Section A.9.5 of Exhibit A, Terms and Conditions.

§ 5.3.3 Retainage in addition to the retainage stated at Section 5.3.2.2, if any, shall be as follows:

N/A

§ 5.3.4 Except with the Owner's prior approval, payments for the Work, other than for services provided by design professionals and other consultants retained directly by the Design-Builder, shall be subject to retainage of not less than N/A (%). The Owner and Design-Builder shall agree on a mutually acceptable procedure for review and approval of payments and retention for Contractors.

§ 5.4 PROGRESS PAYMENTS – COST OF THE WORK PLUS A FEE WITH A GUARANTEED MAXIMUM PRICE

§ 5.4.1 Applications for Payment where the Contract Sum is based upon the Cost of the Work Plus a Fee with a Guaranteed Maximum Price shall show the percentage of completion of each portion of the Work as of the end of the period covered by the Application for Payment. The percentage of completion shall be the lesser of (1) the percentage of that portion of the Work which has actually been completed; or (2) the percentage obtained by dividing (a) the expense that has actually been incurred by the Design-Builder on account of that portion of the Work for which the Design-Builder has made or intends to make actual payment prior to the next Application for Payment by (b) the share of the Guaranteed Maximum Price allocated to that portion of the Work in the schedule of values.

§ 5.4.2 Subject to other provisions of the Design-Build Documents, the amount of each progress payment shall be computed as follows:

- .1 Take that portion of the Guaranteed Maximum Price properly allocable to completed Work as determined by multiplying the percentage of completion of each portion of the Work by the share of the Guaranteed Maximum Price allocated to that portion of the Work in the schedule of values. Pending final determination of cost to the Owner of changes in the Work, amounts not in dispute shall be included as provided in Section A.7.3.8 of Exhibit A, Terms and Conditions;
- .2 Add that portion of the Guaranteed Maximum Price properly allocable to materials and equipment delivered and suitably stored at the site for subsequent incorporation in the Work, or if approved in advance by the Owner, suitably stored off the site at a location agreed upon in writing;
- .3 Add the Design-Builder's Fee, less retainage of five percent (5 %). The Design-Builder's Fee shall be computed upon the Cost of the Work described in the two preceding sections at the rate stated in Section 4.4.2 or, if the Design-Builder's Fee is stated as a fixed sum in that section, shall be an amount that bears the same ratio to that fixed-sum fee as the Cost of the Work in the two preceding sections bears to a reasonable estimate of the probable Cost of the Work upon its completion;
- .4 Subtract the aggregate of previous payments made by the Owner;
- .5 Subtract the shortfall, if any, indicated by the Design-Builder in the documentation required by Section 5.1.4 to substantiate prior Applications for Payment, or resulting from errors subsequently discovered by the Owner's accountants in such documentation; and
- .6 Subtract amounts, if any, for which the Owner has withheld or nullified a Certificate for Payment as provided in Section A.9.5 of Exhibit A, Terms and Conditions.

§ 5.4.3 Except with the Owner's prior approval, payments for the Work, other than for services provided by design professionals and other consultants retained directly by the Design-Builder, shall be subject to retainage of not less than zero (0 %). The Owner and Design-Builder shall agree on a mutually acceptable procedure for review and approval of payments and retention for Contractors.

§ 5.5 FINAL PAYMENT

§ 5.5.1 Final payment, constituting the entire unpaid balance of the Contract Sum, shall be made by the Owner to the Design-Builder no later than 30 days after the Design-Builder has fully performed the Design-Build Contract, including the requirements in Section A.9.10 of Exhibit A, Terms and Conditions, except for the Design-Builder's responsibility to correct non-conforming Work discovered after final payment or to satisfy other requirements, if any, which extend beyond final payment.

ARTICLE 6 DISPUTE RESOLUTION

§ 6.1 The parties appoint the following individual to serve as a Neutral pursuant to Section A.4.2 of Exhibit A, Terms and Conditions:

(Insert the name, address and other information of the individual to serve as a Neutral. If the parties do not select a Neutral, then the provisions of Section A.4.2.2 of Exhibit A, Terms and Conditions, shall apply.)

Local courts

§ 6.2 If the parties do not resolve their dispute through mediation pursuant to Section A.4.3 of Exhibit A, Terms and Conditions, the method of binding dispute resolution shall be the following:

(If the parties do not select a method of binding dispute resolution, then the method of binding dispute resolution shall be by litigation in a court of competent jurisdiction.)

(Check one.)

- Arbitration pursuant to Section A.4.4 of Exhibit A, Terms and Conditions
- Litigation in a court of competent jurisdiction
- Other *(Specify)*

§ 6.3 ARBITRATION

§ 6.3.1 If Arbitration is selected by the parties as the method of binding dispute resolution, then any claim, dispute or other matter in question arising out of or related to this Agreement shall be subject to arbitration as provided in Section A.4.4 of Exhibit A, Terms and Conditions.

ARTICLE 7 MISCELLANEOUS PROVISIONS

§ 7.1 The Architect, other design professionals and consultants engaged by the Design-Builder shall be persons or entities duly licensed to practice their professions in the jurisdiction where the Project is located and are listed as follows:

(Insert name, address, license number, relationship to Design-Builder and other information.)

Tate Hill Jacobs Architects
John L Carman & Associates
Brown + Kubican PSC
GRW Engineers, Inc.

§ 7.2 Consultants, if any, engaged directly by the Owner, their professions and responsibilities are listed below:

(Insert name, address, license number, if applicable, and responsibilities to Owner and other information.)

None

§ 7.3 Separate contractors, if any, engaged directly by the Owner, their trades and responsibilities are listed below:

(Insert name, address, license number, if applicable, responsibilities to Owner and other information.)

None at this time

§ 7.4 The Owner's Designated Representative is:

(Insert name, address and other information.)

Allen Anderson
925-929 N. Main Street
Somerset, Kentucky 42503

§ 7.4.1 The Owner's Designated Representative identified above shall be authorized to act on the Owner's behalf with respect to the Project.

§ 7.5 The Design-Builder's Designated Representative is:
(Insert name, address and other information.)

Doug Wilburn
153 Blue Sky Parkway
Lexington, Kentucky 40509

§ 7.5.1 The Design-Builder's Designated Representative identified above shall be authorized to act on the Design-Builder's behalf with respect to the Project.

§ 7.6 Neither the Owner's nor the Design-Builder's Designated Representative shall be changed without ten days written notice to the other party.

§ 7.7 Other provisions:

None

§ 7.7.1 Where reference is made in this Agreement to a provision of another Design-Build Document, the reference refers to that provision as amended or supplemented by other provisions of the Design-Build Documents.

§ 7.7.2 Payments due and unpaid under the Design-Build Contract shall bear interest from the date payment is due at the rate stated below, or in the absence thereof, at the legal rate prevailing from time to time at the place where the Project is located.

(Insert rate of interest agreed upon, if any.)

Six percent (6%)

(Usury laws and requirements under the Federal Truth in Lending Act, similar state and local consumer credit laws and other regulations at the Owner's and Design-Builder's principal places of business, the location of the Project and elsewhere may affect the validity of this provision. Legal advice should be obtained with respect to deletions or modifications, and also regarding requirements such as written disclosures or waivers.)

ARTICLE 8 ENUMERATION OF THE DESIGN-BUILD DOCUMENTS

§ 8.1 The Design-Build Documents, except for Modifications issued after execution of this Agreement, are enumerated as follows:

§ 8.1.1 ^{To be determined} The Agreement is this executed edition of the Standard Form of Agreement Between Owner and Design-Builder, AIA Document A141-2004.

§ 8.1.2 The Supplementary and other Conditions of the Agreement, if any, are as follows:
(Either list applicable documents below or refer to an exhibit attached to this Agreement.)

See Attachment I

§ 8.1.3 The Project Criteria, including changes to the Project Criteria proposed by the Design-Builder, if any, and accepted by the Owner, consist of the following:
(Either list applicable documents and their dates below or refer to an exhibit attached to this Agreement.)

To be developed thru design

§ 8.1.4 The Design-Builder's Proposal, dated _____, consists of the following:
(Either list applicable documents below or refer to an exhibit attached to this Agreement.)

Not applicable

§ 8.1.5 Amendments to the Design-Builder's Proposal, if any, are as follows:
(Either list applicable documents below or refer to an exhibit attached to this Agreement.)

Not applicable

§ 8.1.6 The Addenda, if any, are as follows:
(Either list applicable documents below or refer to an exhibit attached to this Agreement.)

None

§ 8.1.7 Exhibit A, Terms and Conditions.
(If the parties agree to substitute terms and conditions other than those contained in AIA Document A141-2004, Exhibit A, Terms and Conditions, then identify such terms and conditions and attach to this Agreement as Exhibit A.)

See attached schedule of design fees to be paid as applicable by percentage as noted on the schedule (Attachment I)

§ 8.1.8 Exhibit B, Determination of the Cost of the Work, if applicable.
(If the parties agree to substitute a method to determine the Cost of the Work other than that contained in AIA Document A141-2004, Exhibit B, Determination of the Cost of the Work, then identify such other method to determine the Cost of the Work and attach to this Agreement as Exhibit B. If the Contract Sum is a Stipulated Sum, then Exhibit B is not applicable.)

Cost of work to be determined thru competitive subcontractor bidding and in house estimates on work to be self-performed on concrete, carpentry, doors and hardware.


§ 8.1.9 Exhibit C, Insurance and Bonds, if applicable.
(Complete AIA Document A141-2004, Exhibit C, Insurance and Bonds or indicate "not applicable.")

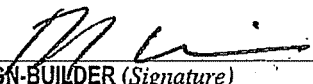
Design/Builder will furnish 100% Payment and Performance bonds for the amount of contractors work, when amounts are established. Design/Builder to furnish builders risk and General Liability Insurance prior to start of work.

§ 8.1.10 Other documents, if any, forming part of the Design-Build Documents are as follows:
(Either list applicable documents below or refer to an exhibit attached to this Agreement.)

- Attachment #2 - Example of Bid Tabulation format
- Attachment #3 - Example of Estimation Detail Sheet format
- Attachment #4 - Example of Schedule of Values Breakdown format

This Agreement is entered into as of the day and year first written above and is executed in at least three original copies, of which one is to be delivered to the Design-Builder and one to the Owner.


OWNER (Signature)


DESIGN-BUILDER (Signature)

Allen Anderson, President & CEO
(Printed name and title)

Doug Wilburn, President
(Printed name and title)

CAUTION: You should sign an original AIA Contract Document, on which this text appears in RED. An original assures that changes will not be obscured.



AIA[®] Document A141[™] – 2004 Exhibit A

Terms and Conditions

for the following PROJECT:

(Name and location or address)

South Kentucky RECC
Somerset Office
Somerset, Kentucky 42503

THE OWNER:

(Name and address)

South Kentucky RECC
925-929 N. Main Street
Somerset, Kentucky 42502

THE DESIGN-BUILDER:

(Name and address)

D. W. Wilburn, Inc..
153 Blue Sky Parkway
Lexington, Kentucky 40509

TABLE OF ARTICLES

- A.1 GENERAL PROVISIONS
- A.2 OWNER
- A.3 DESIGN-BUILDER
- A.4 DISPUTE RESOLUTION
- A.5 AWARD OF CONTRACTS
- A.6 CONSTRUCTION BY OWNER OR BY SEPARATE CONTRACTORS
- A.7 CHANGES IN THE WORK
- A.8 TIME
- A.9 PAYMENTS AND COMPLETION
- A.10 PROTECTION OF PERSONS AND PROPERTY
- A.11 INSURANCE AND BONDS
- A.12 UNCOVERING AND CORRECTION OF WORK
- A.13 MISCELLANEOUS PROVISIONS
- A.14 TERMINATION OR SUSPENSION OF THE DESIGN-BUILD CONTRACT

This document has important legal consequences.

Consultation with an attorney is encouraged with respect to its completion or modification.

Consultation with an attorney is also encouraged with respect to professional licensing requirements in the jurisdiction where the Project is located.

ARTICLE A.1 GENERAL PROVISIONS

§ A.1.1 BASIC DEFINITIONS

§ A.1.1.1 THE DESIGN-BUILD DOCUMENTS

The Design-Build Documents are identified in Section 1.1 of the Agreement.

§ A.1.1.2 PROJECT CRITERIA

The Project Criteria are identified in Section 8.1.3 of the Agreement and may describe the character, scope, relationships, forms, size and appearance of the Project, materials and systems and, in general, their quality levels, performance standards, requirements or criteria, and major equipment layouts.

§ A.1.1.3 ARCHITECT

The Architect is the person lawfully licensed to practice architecture or an entity lawfully practicing architecture identified as such in the Agreement and having a direct contract with the Design-Builder to perform design services for all or a portion of the Work, and is referred to throughout the Design-Build Documents as if singular in number. The term "Architect" means the Architect or the Architect's authorized representative.

§ A.1.1.4 CONTRACTOR

A Contractor is a person or entity, other than the Architect, that has a direct contract with the Design-Builder to perform all or a portion of the construction required in connection with the Work. The term "Contractor" is referred to throughout the Design-Build Documents as if singular in number and means a Contractor or an authorized representative of the Contractor. The term "Contractor" does not include a separate contractor, as defined in Section A.6.1.2, or subcontractors of a separate contractor.

§ A.1.1.5 SUBCONTRACTOR

A Subcontractor is a person or entity who has a direct contract with a Contractor to perform a portion of the construction required in connection with the Work at the site. The term "Subcontractor" is referred to throughout the Design-Build Documents as if singular in number and means a Subcontractor or an authorized representative of the Subcontractor.

§ A.1.1.6 THE WORK

The term "Work" means the design, construction and services required by the Design-Build Documents, whether completed or partially completed, and includes all other labor, materials, equipment and services provided or to be provided by the Design-Builder to fulfill the Design-Builder's obligations. The Work may constitute the whole or a part of the Project.

§ A.1.1.7 THE PROJECT

The Project is the total design and construction of which the Work performed under the Design-Build Documents may be the whole or a part, and which may include design and construction by the Owner or by separate contractors.

§ A.1.1.8 NEUTRAL

The Neutral is the individual appointed by the parties to decide Claims and disputes pursuant to Section A.4.2.1.

§ A.1.2 COMPLIANCE WITH APPLICABLE LAWS

§ A.1.2.1 If the Design-Builder believes that implementation of any instruction received from the Owner would cause a violation of any applicable law, statute, ordinance, building code, rule or regulation, the Design-Builder shall notify the Owner in writing. Neither the Design-Builder nor any Contractor or Architect shall be obligated to perform any act which they believe will violate any applicable law, ordinance, rule or regulation.

§ A.1.2.2 The Design-Builder shall be entitled to rely on the completeness and accuracy of the information contained in the Project Criteria, but not that such information complies with applicable laws, regulations and codes, which shall be the obligation of the Design-Builder to determine. In the event that a specific requirement of the Project Criteria conflicts with applicable laws, regulations and codes, the Design-Builder shall furnish Work which complies with such laws, regulations and codes. In such case, the Owner shall issue a Change Order to the Design-Builder unless the Design-Builder recognized such non-compliance prior to execution of this Agreement and failed to notify the Owner.

§ A.1.3 CAPITALIZATION

§ A.1.3.1 Terms capitalized in these Terms and Conditions include those which are (1) specifically defined, (2) the titles of numbered articles and identified references to sections in the document, or (3) the titles of other documents published by the American Institute of Architects.

§ A.1.4 INTERPRETATION

§ A.1.4.1 In the interest of brevity, the Design-Build Documents frequently omit modifying words such as "all" and "any" and articles such as "the" and "an," but the fact that a modifier or an article is absent from one statement and appears in another is not intended to affect the interpretation of either statement.

§ A.1.4.2 Unless otherwise stated in the Design-Build Documents, words which have well-known technical or construction industry meanings are used in the Design-Build Documents in accordance with such recognized meanings.

§ A.1.5 EXECUTION OF THE DESIGN-BUILD DOCUMENTS

§ A.1.5.1 The Design-Build Documents shall be signed by the Owner and Design-Builder.

§ A.1.5.2 Execution of the Design-Build Contract by the Design-Builder is a representation that the Design-Builder has visited the site, become generally familiar with local conditions under which the Work is to be performed and correlated personal observations with requirements of the Design-Build Documents.

§ A.1.6 OWNERSHIP AND USE OF DOCUMENTS AND ELECTRONIC DATA

§ A.1.6.1 Drawings, specifications, and other documents including those in electronic form, prepared by the Architect and furnished by the Design-Builder are Instruments of Service. The Design-Builder, Design-Builder's Architect and other providers of professional services individually shall retain all common law, statutory and other reserved rights, including copyright in those Instruments of Services furnished by them. Drawings, specifications, and other documents and materials and electronic data are furnished for use solely with respect to this Project.

§ A.1.6.2 Upon execution of the Design-Build Contract, the Design-Builder grants to the Owner a non-exclusive license to reproduce and use the Instruments of Service solely in connection with the Project, including the Project's further development by the Owner and others retained by the Owner for such purposes, provided that the Owner shall comply with all obligations, including prompt payment of sums when due, under the Design-Build Documents. Subject to the Owner's compliance with such obligations, such license shall extend to those parties retained by the Owner for such purposes, including other design professionals. The Design-Builder shall obtain similar non-exclusive licenses from its design professionals, including the Architect. The Owner shall not otherwise assign or transfer any license herein to another party without prior written agreement of the Design-Builder. Any unauthorized reproduction or use of the Instruments of Service by the Owner or others shall be at the Owner's sole risk and expense without liability to the Design-Builder and its design professionals. Except as provided in Section A.1.6.4, termination of this Agreement prior to completion of the Design-Builder's services to be performed under this Agreement shall terminate this license.

§ A.1.6.3 Prior to any electronic exchange by the parties of the Instruments of Service or any other documents or materials to be provided by one party to the other, the Owner and the Design-Builder shall agree in writing on the specific conditions governing the format thereof, including any special limitations or licenses not otherwise provided in the Design-Build Documents.

§ A.1.6.4 If this Agreement is terminated for any reason other than the default of the Owner, each of the Design-Builder's design professionals, including the Architect, shall be contractually required to convey to the Owner a non-exclusive license to use that design professional's Instruments of Service for the completion, use and maintenance of the Project, conditioned upon the Owner's written notice to that design professional of the Owner's assumption of the Design-Builder's contractual duties and obligations to that design professional and payment to that design professional of all amounts due to that design professional and its consultants. If the Owner does not assume the remaining duties and obligations of the Design-Builder to that design professional under this Agreement, then the Owner shall indemnify and hold harmless that design professional from all claims and any expense, including legal fees, which that design professional shall thereafter incur by reason of the Owner's use of such Instruments of Service. The Design-Builder shall incorporate the requirements of this Section A.1.6.4 in all agreements with its design professionals.

§ A.1.6.5 Submission or distribution of the Design-Builder's documents to meet official regulatory requirements or for similar purposes in connection with the Project is not to be construed as publication in derogation of the rights reserved in Section A.1.6.1.

ARTICLE A.2 OWNER

§ A.2.1 GENERAL

§ A.2.1.1 The Owner is the person or entity identified as such in the Agreement and is referred to throughout the Design-Build Documents as if singular in number. The term "Owner" means the Owner or the Owner's authorized representative. The Owner shall designate in writing a representative who shall have express authority to bind the Owner with respect to all Project matters requiring the Owner's approval or authorization. The Owner shall render decisions in a timely manner and in accordance with the Design-Builder's schedule submitted to the Owner.

§ A.2.1.2 The Owner shall furnish to the Design-Builder within 15 days after receipt of a written request information necessary and relevant for the Design-Builder to evaluate, give notice of or enforce mechanic's lien rights. Such information shall include a correct statement of the record legal title to the property on which the Project is located, usually referred to as the site, and the Owner's interest therein.

§ A.2.2 INFORMATION AND SERVICES REQUIRED OF THE OWNER

§ A.2.2.1 Information or services required of the Owner by the Design-Build Documents shall be furnished by the Owner with reasonable promptness. Any other information or services relevant to the Design-Builder's performance of the Work under the Owner's control shall be furnished by the Owner after receipt from the Design-Builder of a written request for such information or services.

§ A.2.2.2 The Owner shall be responsible to provide surveys, if not required by the Design-Build Documents to be provided by the Design-Builder, describing physical characteristics, legal limitations, and utility locations for the site of this Project, and a written legal description of the site. The surveys and legal information shall include, as applicable, grades and lines of streets, alleys, pavements, and adjoining property and structures; adjacent drainage; rights-of-way, restrictions, easements, encroachments, zoning, deed restriction, boundaries, and contours of the site; locations, dimensions, and necessary data pertaining to existing buildings, other improvements and trees; and information concerning available utility services and lines, both public and private, above and below grade, including inverts and depths. All the information on the survey shall be referenced to a Project benchmark.

§ A.2.2.3 The Owner shall provide, to the extent available to the Owner and if not required by the Design-Build Documents to be provided by the Design-Builder, the results and reports of prior tests, inspections or investigations conducted for the Project involving structural or mechanical systems, chemical, air and water pollution, hazardous materials or environmental and subsurface conditions and information regarding the presence of pollutants at the Project site.

§ A.2.2.4 The Owner may obtain independent review of the Design-Builder's design, construction and other documents by a separate architect, engineer, and contractor or cost estimator under contract to or employed by the Owner. Such independent review shall be undertaken at the Owner's expense in a timely manner and shall not delay the orderly progress of the Work.

§ A.2.2.5 The Owner shall cooperate with the Design-Builder in securing building and other permits, licenses and inspections. The Owner shall not be required to pay the fees for such permits, licenses and inspections unless the cost of such fees is excluded from the responsibility of the Design-Builder under the Design-Build Documents.

§ A.2.2.6 The services, information, surveys and reports required to be provided by the Owner under Section A.2.2, shall be furnished at the Owner's expense, and the Design-Builder shall be entitled to rely upon the accuracy and completeness thereof, except as otherwise specifically provided in the Design-Build Documents or to the extent the Owner advises the Design-Builder to the contrary in writing.

§ A.2.2.7 If the Owner observes or otherwise becomes aware of a fault or defect in the Work or non-conformity with the Design-Build Documents, the Owner shall give prompt written notice thereof to the Design-Builder.

§ A.2.2.8 The Owner shall, at the request of the Design-Builder, prior to execution of the Design-Build Contract and promptly upon request thereafter, furnish to the Design-Builder reasonable evidence that financial arrangements have been made to fulfill the Owner's obligations under the Design-Build Documents.

§ A.2.2.9 The Owner shall communicate through the Design-Builder with persons or entities employed or retained by the Design-Builder, unless otherwise directed by the Design-Builder.

§ A.2.2.10 The Owner shall furnish the services of geotechnical engineers or other consultants, if not required by the Design-Build Documents to be provided by the Design-Builder, for subsoil, air and water conditions when such services are deemed reasonably necessary by the Design-Builder to properly carry out the design services provided by the Design-Builder and the Design-Builder's Architect. Such services may include, but are not limited to, test borings, test pits, determinations of soil bearing values, percolation tests, evaluations of hazardous materials, ground corrosion and resistivity tests, and necessary operations for anticipating subsoil conditions. The services of geotechnical engineer(s) or other consultants shall include preparation and submission of all appropriate reports and professional recommendations.

§ A.2.2.11 The Owner shall promptly obtain easements, zoning variances, and legal authorizations regarding site utilization where essential to the execution of the Owner's program.

§ A.2.3 OWNER REVIEW AND INSPECTION

§ A.2.3.1 The Owner shall review and approve or take other appropriate action upon the Design-Builder's submittals, including but not limited to design and construction documents, required by the Design-Build Documents, but only for the limited purpose of checking for conformance with information given and the design concept expressed in the Design-Build Documents. The Owner's action shall be taken with such reasonable promptness as to cause no delay in the Work or in the activities of the Design-Builder or separate contractors. Review of such submittals is not conducted for the purpose of determining the accuracy and completeness of other details, such as dimensions and quantities, or for substantiating instructions for installation or performance of equipment or systems, all of which remain the responsibility of the Design-Builder as required by the Design-Build Documents.

§ A.2.3.2 Upon review of the design documents, construction documents, or other submittals required by the Design-Build Documents, the Owner shall take one of the following actions:

- .1 Determine that the documents or submittals are in conformance with the Design-Build Documents and approve them.
- .2 Determine that the documents or submittals are in conformance with the Design-Build Documents but request changes in the documents or submittals which shall be implemented by a Change in the Work.
- .3 Determine that the documents or submittals are not in conformity with the Design-Build Documents and reject them.
- .4 Determine that the documents or submittals are not in conformity with the Design-Build Documents, but accept them by implementing a Change in the Work.
- .5 Determine that the documents or submittals are not in conformity with the Design-Build Documents, but accept them and request changes in the documents or submittals which shall be implemented by a Change in the Work.

§ A.2.3.3 The Design-Builder shall submit to the Owner for the Owner's approval, pursuant to Section A.2.3.1, any proposed change or deviation to previously approved documents or submittals. The Owner shall review each proposed change or deviation to previously approved documents or submittals which the Design-Builder submits to the Owner for the Owner's approval with reasonable promptness in accordance with Section A.2.3.1 and shall make one of the determinations described in Section A.2.3.2.

§ A.2.3.4 Notwithstanding the Owner's responsibility under Section A.2.3.2, the Owner's review and approval of the Design-Builder's documents or submittals shall not relieve the Design-Builder of responsibility for compliance with the Design-Build Documents unless a) the Design-Builder has notified the Owner in writing of the deviation prior to approval by the Owner or, b) the Owner has approved a Change in the Work reflecting any deviations from the requirements of the Design-Build Documents.

§ A.2.3.5 The Owner may visit the site to keep informed about the progress and quality of the portion of the Work completed. However, the Owner shall not be required to make exhaustive or continuous on-site inspections to check the quality or quantity of the Work. Visits by the Owner shall not be construed to create an obligation on the part of the Owner to make on-site inspections to check the quantity or quality of the Work. The Owner shall neither have control over or charge of, nor be responsible for, the construction means, methods, techniques, sequences or procedures, or for the safety precautions and programs in connection with the Work, since these are solely the Design-Builder's rights and responsibilities under the Design-Build Documents, except as provided in Section A.3.3.7.

§ A.2.3.6 The Owner shall not be responsible for the Design-Builder's failure to perform the Work in accordance with the requirements of the Design-Build Documents. The Owner shall not have control over or charge of and will not be responsible for acts or omissions of the Design-Builder, Architect, Contractors, or their agents or employees, or any other persons or entities performing portions of the Work for the Design-Builder.

§ A.2.3.7 The Owner may reject Work that does not conform to the Design-Build Documents. Whenever the Owner considers it necessary or advisable, the Owner shall have authority to require inspection or testing of the Work in accordance with Section A.13.5.2, whether or not such Work is fabricated, installed or completed. However, neither this authority of the Owner nor a decision made in good faith either to exercise or not to exercise such authority shall give rise to a duty or responsibility of the Owner to the Design-Builder, the Architect, Contractors, material and equipment suppliers, their agents or employees, or other persons or entities performing portions of the Work.

§ A.2.3.8 The Owner may appoint an on-site project representative to observe the Work and to have such other responsibilities as the Owner and the Design-Builder agree to in writing.

§ A.2.3.9 The Owner shall conduct inspections to determine the date or dates of Substantial Completion and the date of final completion.

§ A.2.4 OWNER'S RIGHT TO STOP WORK

§ A.2.4.1 If the Design-Builder fails to correct Work which is not in accordance with the requirements of the Design-Build Documents as required by Section A.12.2 or persistently fails to carry out Work in accordance with the Design-Build Documents, the Owner may issue a written order to the Design-Builder to stop the Work, or any portion thereof, until the cause for such order has been eliminated; however, the right of the Owner to stop the Work shall not give rise to a duty on the part of the Owner to exercise this right for the benefit of the Design-Builder or any other person or entity, except to the extent required by Section A.6.1.3.

§ A.2.5 OWNER'S RIGHT TO CARRY OUT THE WORK

§ A.2.5.1 If the Design-Builder defaults or neglects to carry out the Work in accordance with the Design-Build Documents and fails within a seven-day period after receipt of written notice from the Owner to commence and continue correction of such default or neglect with diligence and promptness, the Owner may after such seven-day period give the Design-Builder a second written notice to correct such deficiencies within a three-day period. If the Design-Builder within such three-day period after receipt of such second notice fails to commence and continue to correct any deficiencies, the Owner may, without prejudice to other remedies the Owner may have, correct such deficiencies. In such case, an appropriate Change Order shall be issued deducting from payments then or thereafter due the Design-Builder the reasonable cost of correcting such deficiencies. If payments due the Design-Builder are not sufficient to cover such amounts, the Design-Builder shall pay the difference to the Owner.

ARTICLE A.3 DESIGN-BUILDER

§ A.3.1 GENERAL

§ A.3.1.1 The Design-Builder is the person or entity identified as such in the Agreement and is referred to throughout the Design-Build Documents as if singular in number. The Design-Builder may be an architect or other design professional, a construction contractor, a real estate developer or any other person or entity legally permitted to do business as a design-builder in the location where the Project is located. The term "Design-Builder" means the Design-Builder or the Design-Builder's authorized representative. The Design-Builder's representative is authorized to act on the Design-Builder's behalf with respect to the Project.

§ A.3.1.2 The Design-Builder shall perform the Work in accordance with the Design-Build Documents.

§ A.3.2 DESIGN SERVICES AND RESPONSIBILITIES

§ A.3.2.1 When applicable law requires that services be performed by licensed professionals, the Design-Builder shall provide those services through the performance of qualified persons or entities duly licensed to practice their professions. The Owner understands and agrees that the services performed by the Design-Builder's Architect and the Design-Builder's other design professionals and consultants are undertaken and performed in the sole interest of and for the exclusive benefit of the Design-Builder.

§ A.3.2.2 The agreements between the Design-Builder and Architect or other design professionals identified in the Agreement, and in any subsequent Modifications, shall be in writing. These agreements, including services and

financial arrangements with respect to this Project, shall be promptly and fully disclosed to the Owner upon the Owner's written request.

§ A.3.2.3 The Design-Builder shall be responsible to the Owner for acts and omissions of the Design-Builder's employees, Architect, Contractors, Subcontractors and their agents and employees, and other persons or entities,

including the Architect and other design professionals, performing any portion of the Design-Builder's obligations under the Design-Build Documents.

§ A.3.2.4 The Design-Builder shall carefully study and compare the Design-Build Documents, materials and other information provided by the Owner pursuant to Section A.2.2, shall take field measurements of any existing conditions related to the Work, shall observe any conditions at the site affecting the Work, and report promptly to the Owner any errors, inconsistencies or omissions discovered.

§ A.3.2.5 The Design-Builder shall provide to the Owner for Owner's written approval design documents sufficient to establish the size, quality and character of the Project; its architectural, structural, mechanical and electrical systems; and the materials and such other elements of the Project to the extent required by the Design-Build Documents. Deviations, if any, from the Design-Build Documents shall be disclosed in writing.

§ A.3.2.6 Upon the Owner's written approval of the design documents submitted by the Design-Builder, the Design-Builder shall provide construction documents for review and written approval by the Owner. The construction documents shall set forth in detail the requirements for construction of the Project. The construction documents shall include drawings and specifications that establish the quality levels of materials and systems required. Deviations, if any, from the Design-Build Documents shall be disclosed in writing. Construction documents may include drawings, specifications, and other documents and electronic data setting forth in detail the requirements for construction of the Work, and shall:

- .1 be consistent with the approved design documents;
- .2 provide information for the use of those in the building trades; and
- .3 include documents customarily required for regulatory agency approvals.

§ A.3.2.7 The Design-Builder shall meet with the Owner periodically to review progress of the design and construction documents.

§ A.3.2.8 Upon the Owner's written approval of construction documents, the Design-Builder, with the assistance of the Owner, shall prepare and file documents required to obtain necessary approvals of governmental authorities having jurisdiction over the Project.

§ A.3.2.9 The Design-Builder shall obtain from each of the Design-Builder's professionals and furnish to the Owner certifications with respect to the documents and services provided by such professionals (a) that, to the best of their knowledge, information and belief, the documents or services to which such certifications relate (i) are consistent with the Project Criteria set forth in the Design-Build Documents, except to the extent specifically identified in such certificate, (ii) comply with applicable professional practice standards, and (iii) comply with applicable laws, ordinances, codes, rules and regulations governing the design of the Project; and (b) that the Owner and its consultants shall be entitled to rely upon the accuracy of the representations and statements contained in such certifications.

§ A.3.2.10 If the Owner requests the Design-Builder, the Architect or the Design-Builder's other design professionals to execute certificates other than those required by Section A.3.2.9, the proposed language of such certificates shall be submitted to the Design-Builder, or the Architect and such design professionals through the Design-Builder, for review and negotiation at least 14 days prior to the requested dates of execution. Neither the Design-Builder, the Architect nor such other design professionals shall be required to execute certificates that would require knowledge, services or responsibilities beyond the scope of their respective agreements with the Owner or Design-Builder.

§ A.3.3 CONSTRUCTION

§ A.3.3.1 The Design-Builder shall perform no construction Work prior to the Owner's review and approval of the construction documents. The Design-Builder shall perform no portion of the Work for which the Design-Build Documents require the Owner's review of submittals, such as Shop Drawings, Product Data and Samples, until the Owner has approved each submittal.

§ A.3.3.2 The construction Work shall be in accordance with approved submittals, except that the Design-Builder shall not be relieved of responsibility for deviations from requirements of the Design-Build Documents by the Owner's approval of design and construction documents or other submittals such as Shop Drawings, Product Data, Samples or other submittals unless the Design-Builder has specifically informed the Owner in writing of such deviation at the time of submittal and (1) the Owner has given written approval to the specific deviation as a minor change in the Work, or (2) a Change Order or Construction Change Directive has been issued authorizing the deviation. The Design-Builder shall not be relieved of responsibility for errors or omissions in design and construction documents or other submittals such as Shop Drawings, Product Data, Samples or other submittals by the Owner's approval thereof.

§ A.3.3.3 The Design-Builder shall direct specific attention, in writing or on resubmitted design and construction documents or other submittals such as Shop Drawings, Product Data, Samples or similar submittals, to revisions other than those requested by the Owner on previous submittals. In the absence of such written notice, the Owner's approval of a resubmission shall not apply to such revisions.

§ A.3.3.4 When the Design-Build Documents require that a Contractor provide professional design services or certifications related to systems, materials or equipment, or when the Design-Builder in its discretion provides such design services or certifications through a Contractor, the Design-Builder shall cause professional design services or certifications to be provided by a properly licensed design professional, whose signature and seal shall appear on all drawings, calculations, specifications, certifications, Shop Drawings and other submittals prepared by such professional. Shop Drawings and other submittals related to the Work designed or certified by such professionals, if prepared by others, shall bear such design professional's written approval. The Owner shall be entitled to rely upon the adequacy, accuracy and completeness of the services, certifications or approvals performed by such design professionals.

§ A.3.3.5 The Design-Builder shall be solely responsible for and have control over all construction means, methods, techniques, sequences and procedures and for coordinating all portions of the Work under the Design-Build Documents.

§ A.3.3.6 The Design-Builder shall keep the Owner informed of the progress and quality of the Work.

§ A.3.3.7 The Design-Builder shall be responsible for the supervision and direction of the Work, using the Design-Builder's best skill and attention. If the Design-Build Documents give specific instructions concerning construction means, methods, techniques, sequences or procedures, the Design-Builder shall evaluate the jobsite safety thereof and, except as stated below, shall be fully and solely responsible for the jobsite safety of such means, methods, techniques, sequences or procedures. If the Design-Builder determines that such means, methods, techniques, sequences or procedures may not be safe, the Design-Builder shall give timely written notice to the Owner and shall not proceed with that portion of the Work without further written instructions from the Owner. If the Design-Builder is then instructed to proceed with the required means, methods, techniques, sequences or procedures without acceptance of changes proposed by the Design-Builder, the Owner shall be solely responsible for any resulting loss or damage.

§ A.3.3.8 The Design-Builder shall be responsible for inspection of portions of Work already performed to determine that such portions are in proper condition to receive subsequent Work.

§ A.3.4 LABOR AND MATERIALS

§ A.3.4.1 Unless otherwise provided in the Design-Build Documents, the Design-Builder shall provide or cause to be provided and shall pay for design services, labor, materials, equipment, tools, construction equipment and machinery, water, heat, utilities, transportation and other facilities and services necessary for proper execution and completion of the Work, whether temporary or permanent and whether or not incorporated or to be incorporated in the Work.

§ A.3.4.2 When a material is specified in the Design-Build Documents, the Design-Builder may make substitutions only with the consent of the Owner and, if appropriate, in accordance with a Change Order.

§ A.3.4.3 The Design-Builder shall enforce strict discipline and good order among the Design-Builder's employees and other persons carrying out the Design-Build Contract. The Design-Builder shall not permit employment of unfit persons or persons not skilled in tasks assigned to them.

§ A.3.5 WARRANTY

§ A.3.5.1 The Design-Builder warrants to the Owner that materials and equipment furnished under the Design-Build Documents will be of good quality and new unless otherwise required or permitted by the Design-Build Documents, that the Work will be free from defects not inherent in the quality required or permitted by law or otherwise, and that the Work will conform to the requirements of the Design-Build Documents. Work not conforming to these requirements, including substitutions not properly approved and authorized, may be considered defective. The Design-Builder's warranty excludes remedy for damage or defect caused by abuse, modifications not executed by the Design-Builder, improper or insufficient maintenance, improper operation, or normal wear and tear and normal usage. If required by the Owner, the Design-Builder shall furnish satisfactory evidence as to the kind and quality of materials and equipment.

§ A.3.6 TAXES

§ A.3.6.1 The Design-Builder shall pay all sales, consumer, use and similar taxes for the Work provided by the Design-Builder which had been legally enacted on the date of the Agreement, whether or not yet effective or merely scheduled to go into effect.

§ A.3.7 PERMITS, FEES AND NOTICES

§ A.3.7.1 The Design-Builder shall secure and pay for building and other permits and governmental fees, licenses and inspections necessary for the proper execution and completion of the Work which are customarily secured after execution of the Design-Build Contract and which were legally required on the date the Owner accepted the Design-Builder's proposal.

§ A.3.7.2 The Design-Builder shall comply with and give notices required by laws, ordinances, rules, regulations and lawful orders of public authorities relating to the Project.

§ A.3.7.3 It is the Design-Builder's responsibility to ascertain that the Work is in accordance with applicable laws, ordinances, codes, rules and regulations.

§ A.3.7.4 If the Design-Builder performs Work contrary to applicable laws, ordinances, codes, rules and regulations, the Design-Builder shall assume responsibility for such Work and shall bear the costs attributable to correction.

§ A.3.8 ALLOWANCES

§ A.3.8.1 The Design-Builder shall include in the Contract Sum all allowances stated in the Design-Build Documents. Items covered by allowances shall be supplied for such amounts and by such persons or entities as the Owner may direct, but the Design-Builder shall not be required to employ persons or entities to which the Design-Builder has reasonable objection.

§ A.3.8.2 Unless otherwise provided in the Design-Build Documents:

- .1 allowances shall cover the cost to the Design-Builder of materials and equipment delivered at the site and all required taxes, less applicable trade discounts;
- .2 Design-Builder's costs for unloading and handling at the site, labor, installation costs, overhead, profit and other expenses contemplated for stated allowance amounts shall be included in the Contract Sum but not in the allowances; and
- .3 whenever costs are more than or less than allowances, the Contract Sum shall be adjusted accordingly by Change Order. The amount of the Change Order shall reflect (1) the difference between actual costs and the allowances under Section A.3.8.2.1 and (2) changes in Design-Builder's costs under Section A.3.8.2.2.

§ A.3.8.3 Materials and equipment under an allowance shall be selected by the Owner in sufficient time to avoid delay in the Work.

§ A.3.9 DESIGN-BUILDER'S SCHEDULE

§ A.3.9.1 The Design-Builder, promptly after execution of the Design-Build Contract, shall prepare and submit for the Owner's information the Design-Builder's schedule for the Work. The schedule shall not exceed time limits and shall be in such detail as required under the Design-Build Documents, shall be revised at appropriate intervals as required by the conditions of the Work and Project, shall be related to the entire Project to the extent required by the Design-

Build Documents, shall provide for expeditious and practicable execution of the Work and shall include allowances for periods of time required for the Owner's review and for approval of submissions by authorities having jurisdiction over the Project.

§ A.3.9.2 The Design-Builder shall prepare and keep current a schedule of submittals required by the Design-Build Documents.

§ A.3.9.3 The Design-Builder shall perform the Work in general accordance with the most recent schedules submitted to the Owner.

§ A.3.10 DOCUMENTS AND SAMPLES AT THE SITE

§ A.3.10.1 The Design-Builder shall maintain at the site for the Owner one record copy of the drawings, specifications, addenda, Change Orders and other Modifications, in good order and marked currently to record field changes and selections made during construction, and one record copy of approved Shop Drawings, Product Data, Samples and similar required submittals. These shall be delivered to the Owner upon completion of the Work.

§ A.3.11 SHOP DRAWINGS, PRODUCT DATA AND SAMPLES

§ A.3.11.1 Shop Drawings are drawings, diagrams, schedules and other data specially prepared for the Work by the Design-Builder or a Contractor, Subcontractor, manufacturer, supplier or distributor to illustrate some portion of the Work.

§ A.3.11.2 Product Data are illustrations, standard schedules, performance charts, instructions, brochures, diagrams and other information furnished by the Design-Builder to illustrate materials or equipment for some portion of the Work.

§ A.3.11.3 Samples are physical examples that illustrate materials, equipment or workmanship and establish standards by which the Work will be judged.

§ A.3.11.4 Shop Drawings, Product Data, Samples and similar submittals are not Design-Build Documents. The purpose of their submittal is to demonstrate for those portions of the Work for which submittals are required by the Design-Build Documents the way by which the Design-Builder proposes to conform to the Design-Build Documents.

§ A.3.11.5 The Design-Builder shall review for compliance with the Design-Build Documents and approve and submit to the Owner only those Shop Drawings, Product Data, Samples and similar submittals required by the Design-Build Documents with reasonable promptness and in such sequence as to cause no delay in the Work or in the activities of the Owner or of separate contractors.

§ A.3.11.6 By approving and submitting Shop Drawings, Product Data, Samples and similar submittals, the Design-Builder represents that the Design-Builder has determined and verified materials, field measurements and field construction criteria related thereto, or will do so, and has checked and coordinated the information contained within such submittals with the requirements of the Work and of the Design-Build Documents.

§ A.3.12 USE OF SITE

§ A.3.12.1 The Design-Builder shall confine operations at the site to areas permitted by law, ordinances, permits and the Design-Build Documents, and shall not unreasonably encumber the site with materials or equipment.

§ A.3.13 CUTTING AND PATCHING

§ A.3.13.1 The Design-Builder shall be responsible for cutting, fitting or patching required to complete the Work or to make its parts fit together properly.

§ A.3.13.2 The Design-Builder shall not damage or endanger a portion of the Work or fully or partially completed construction of the Owner or separate contractors by cutting, patching or otherwise altering such construction or by excavation. The Design-Builder shall not cut or otherwise alter such construction by the Owner or a separate contractor except with written consent of the Owner and of such separate contractor; such consent shall not be unreasonably withheld. The Design-Builder shall not unreasonably withhold from the Owner or a separate contractor the Design-Builder's consent to cutting or otherwise altering the Work.

§ A.3.14 CLEANING UP

§ A.3.14.1 The Design-Builder shall keep the premises and surrounding area free from accumulation of waste materials or rubbish caused by operations under the Design-Build Contract. At completion of the Work, the Design-Builder shall remove from and about the Project waste materials, rubbish, the Design-Builder's tools, construction equipment, machinery and surplus materials.

§ A.3.14.2 If the Design-Builder fails to clean up as provided in the Design-Build Documents, the Owner may do so and the cost thereof shall be charged to the Design-Builder.

§ A.3.15 ACCESS TO WORK

§ A.3.15.1 The Design-Builder shall provide the Owner access to the Work in preparation and progress wherever located.

§ A.3.16 ROYALTIES, PATENTS AND COPYRIGHTS

§ A.3.16.1 The Design-Builder shall pay all royalties and license fees. The Design-Builder shall defend suits or claims for infringement of copyrights and patent rights and shall hold the Owner harmless from loss on account thereof, but shall not be responsible for such defense or loss when a particular design, process or product of a particular manufacturer or manufacturers is required or where the copyright violations are contained in drawings, specifications or other documents prepared by or furnished to the Design-Builder by the Owner. However, if the Design-Builder has reason to believe that the required design, process or product is an infringement of a copyright or a patent, the Design-Builder shall be responsible for such loss unless such information is promptly furnished to the Owner.

§ A.3.17 INDEMNIFICATION

§ A.3.17.1 To the fullest extent permitted by law, the Design-Builder shall indemnify and hold harmless the Owner, Owner's consultants, and agents and employees of any of them from and against claims, damages, losses and expenses, including but not limited to attorneys' fees, arising out of or resulting from performance of the Work, provided that such claim, damage, loss or expense is attributable to bodily injury, sickness, disease or death or to injury to or destruction of tangible property other than the Work itself, but only to the extent caused by the negligent acts or omissions of the Design-Builder, Architect, a Contractor, a Subcontractor, anyone directly or indirectly employed by them or anyone for whose acts they may be liable, regardless of whether or not such claim, damage, loss or expense is caused in part by a party indemnified hereunder. Such obligation shall not be construed to negate, abridge or reduce other rights or obligations of indemnity that would otherwise exist as to a party or person described in this Section A.3.17.

§ A.3.17.2 In claims against any person or entity indemnified under this Section A.3.17 by an employee of the Design-Builder, the Architect, a Contractor, a Subcontractor, anyone directly or indirectly employed by them or anyone for whose acts they may be liable, the indemnification obligation under Section A.3.17.1 shall not be limited by a limitation on amount or type of damages, compensation or benefits payable by or for the Design-Builder, the Architect or a Contractor or a Subcontractor under workers' compensation acts, disability benefit acts or other employee benefit acts.

ARTICLE A.4 DISPUTE RESOLUTION

§ A.4.1 CLAIMS AND DISPUTES

§ A.4.1.1 Definition. A Claim is a demand or assertion by one of the parties seeking, as a matter of right, adjustment or interpretation of Design-Build Contract terms, payment of money, extension of time or other relief with respect to the terms of the Design-Build Contract. The term "Claim" also includes other disputes and matters in question between the Owner and Design-Builder arising out of or relating to the Design-Build Contract. Claims must be initiated by written notice. The responsibility to substantiate Claims shall rest with the party making the Claim.

§ A.4.1.2 Time Limits on Claims. Claims by either party must be initiated within 21 days after occurrence of the event giving rise to such Claim or within 21 days after the claimant first recognizes the condition giving rise to the Claim, whichever is later. Claims must be initiated by written notice to the other party.

§ A.4.1.3 Continuing Performance. Pending final resolution of a Claim, except as otherwise agreed in writing or as provided in Section A.9.7.1 and Article A.14, the Design-Builder shall proceed diligently with performance of the Design-Build Contract and the Owner shall continue to make payments in accordance with the Design-Build Documents.

Exhibit 8
22-57

§ A.4.1.4 Claims for Concealed or Unknown Conditions. If conditions are encountered at the site which are (1) subsurface or otherwise concealed physical conditions which differ materially from those indicated in the Design-Build Documents or (2) unknown physical conditions of an unusual nature which differ materially from those ordinarily found to exist and generally recognized as inherent in construction activities of the character provided for in the Design-Build Documents, then the observing party shall give notice to the other party promptly before conditions are disturbed and in no event later than 21 days after first observance of the conditions. The Owner shall promptly investigate such conditions and, if they differ materially and cause an increase or decrease in the Design-Builder's cost of, or time required for, performance of any part of the Work, shall negotiate with the Design-Builder an equitable adjustment in the Contract Sum or Contract Time, or both. If the Owner determines that the conditions at the site are not materially different from those indicated in the Design-Build Documents and that no change in the terms of the Design-Build Contract is justified, the Owner shall so notify the Design-Builder in writing, stating the reasons. Claims by the Design-Builder in opposition to such determination must be made within 21 days after the Owner has given notice of the decision. If the conditions encountered are materially different, the Contract Sum and Contract Time shall be equitably adjusted, but if the Owner and Design-Builder cannot agree on an adjustment in the Contract Sum or Contract Time, the adjustment shall proceed pursuant to Section A.4.2.

§ A.4.1.5 Claims for Additional Cost. If the Design-Builder wishes to make Claim for an increase in the Contract Sum, written notice as provided herein shall be given before proceeding to execute the Work. Prior notice is not required for Claims relating to an emergency endangering life or property arising under Section A.10.6.

§ A.4.1.6 If the Design-Builder believes additional cost is involved for reasons including but not limited to (1) an order by the Owner to stop the Work where the Design-Builder was not at fault, (2) a written order for the Work issued by the Owner, (3) failure of payment by the Owner, (4) termination of the Design-Build Contract by the Owner, (5) Owner's suspension or (6) other reasonable grounds, Claim shall be filed in accordance with this Section A.4.1.

§ A.4.1.7 Claims for Additional Time

§ A.4.1.7.1 If the Design-Builder wishes to make Claim for an increase in the Contract Time, written notice as provided herein shall be given. The Design-Builder's Claim shall include an estimate of the time and its effect on the progress of the Work. In the case of a continuing delay, only one Claim is necessary.

§ A.4.1.7.2 If adverse weather conditions are the basis for a Claim for additional time, such Claim shall be documented by data substantiating that weather conditions were abnormal for the period of time, could not have been reasonably anticipated and had an adverse effect on the scheduled construction.

§ A.4.1.8 Injury or Damage to Person or Property. If either party to the Design-Build Contract suffers injury or damage to person or property because of an act or omission of the other party or of others for whose acts such party is legally responsible, written notice of such injury or damage, whether or not insured, shall be given to the other party within a reasonable time not exceeding 21 days after discovery. The notice shall provide sufficient detail to enable the other party to investigate the matter.

§ A.4.1.9 If unit prices are stated in the Design-Build Documents or subsequently agreed upon, and if quantities originally contemplated are materially changed in a proposed Change Order or Construction Change Directive so that application of such unit prices to quantities of Work proposed will cause substantial inequity to the Owner or Design-Builder, the applicable unit prices shall be equitably adjusted.

§ A.4.1.10 Claims for Consequential Damages. Design-Builder and Owner waive Claims against each other for consequential damages arising out of or relating to the Design-Build Contract. This mutual waiver includes:

- .1 damages incurred by the Owner for rental expenses, for losses of use, income, profit, financing, business and reputation, and for loss of management or employee productivity or of the services of such persons; and
- .2 damages incurred by the Design-Builder for principal office expenses including the compensation of personnel stationed there, for losses of financing, business and reputation, and for loss of profit except anticipated profit arising directly from the Work.

This mutual waiver is applicable, without limitation, to all consequential damages due to either party's termination in accordance with Article A.14. Nothing contained in this Section A.4.1.10 shall be deemed to preclude an award of liquidated direct damages, when applicable, in accordance with the requirements of the Design-Build Documents.

§ A.4.1.11 If the enactment or revision of codes, laws or regulations or official interpretations which govern the Project cause an increase or decrease of the Design-Builder's cost of, or time required for, performance of the Work, the Design-Builder shall be entitled to an equitable adjustment in Contract Sum or Contract Time. If the Owner and Design-Builder cannot agree upon an adjustment in the Contract Sum or Contract Time, the Design-Builder shall submit a Claim pursuant to Section A.4.1.

§ A.4.2 RESOLUTION OF CLAIMS AND DISPUTES

§ A.4.2.1 **Decision by Neutral.** If the parties have identified a Neutral in Section 6.1 of the Agreement or elsewhere in the Design-Build Documents, then Claims, excluding those arising under Sections A.10.3 through A.10.5, shall be referred initially to the Neutral for decision. An initial decision by the Neutral shall be required as a condition precedent to mediation of all Claims between the Owner and Design-Builder arising prior to the date final payment is due, unless 30 days have passed after the Claim has been referred to the Neutral with no decision having been rendered by the Neutral. Unless the Neutral and all affected parties agree, the Neutral will not decide disputes between the Design-Builder and persons or entities other than the Owner.

§ A.4.2.2 **Decision by Owner.** If the parties have not identified a Neutral in Section 6.1 of the Agreement or elsewhere in the Design-Build Documents then, except for those claims arising under Sections A.10.3 and A.10.5, the Owner shall provide an initial decision. An initial decision by the Owner shall be required as a condition precedent to mediation of all Claims between the Owner and Design-Builder arising prior to the date final payment is due, unless 30 days have passed after the Claim has been referred to the Owner with no decision having been rendered by the Owner.

§ A.4.2.3 The initial decision pursuant to Sections A.4.2.1 and A.4.2.2 shall be in writing, shall state the reasons therefore and shall notify the parties of any change in the Contract Sum or Contract Time or both. The initial decision shall be final and binding on the parties but subject first to mediation under Section A.4.3 and thereafter to such other dispute resolution methods as provided in Section 6.2 of the Agreement or elsewhere in the Design-Build Documents.

§ A.4.2.4 In the event of a Claim against the Design-Builder, the Owner may, but is not obligated to, notify the surety, if any, of the nature and amount of the Claim. If the Claim relates to a possibility of a Design-Builder's default, the Owner may, but is not obligated to, notify the surety and request the surety's assistance in resolving the controversy.

§ A.4.2.5 If a Claim relates to or is the subject of a mechanic's lien, the party asserting such Claim may proceed in accordance with applicable law to comply with the lien notice or filing deadlines prior to initial resolution of the Claim.

§ A.4.3 MEDIATION

§ A.4.3.1 Any Claim arising out of or related to the Design-Build Contract, except those waived as provided for in Sections A.4.1.10, A.9.10.4 and A.9.10.5, shall, after initial decision of the Claim or 30 days after submission of the Claim for initial decision, be subject to mediation as a condition precedent to arbitration or the institution of legal or equitable or other binding dispute resolution proceedings by either party.

§ A.4.3.2 The parties shall endeavor to resolve their Claims by mediation which, unless the parties mutually agree otherwise, shall be in accordance with the Construction Industry Mediation Rules of the American Arbitration Association currently in effect at the time of the mediation. Request for mediation shall be filed in writing with the other party to the Design-Build Contract and with the American Arbitration Association. The request may be made concurrently with the filing of a demand for arbitration or other binding dispute resolution proceedings but, in such event, mediation shall proceed in advance thereof or of legal or equitable proceedings, which shall be stayed pending mediation for a period of 60 days from the date of filing, unless stayed for a longer period by agreement of the parties or court order.

§ A.4.3.3 The parties shall share the mediator's fee and any filing fees equally. The mediation shall be held in the place where the Project is located, unless another location is mutually agreed upon. Agreements reached in mediation shall be enforceable as settlement agreements in any court having jurisdiction thereof.

§ A.4.4 ARBITRATION

§ A.4.4.1 Claims, except those waived as provided for in Sections A.4.1.10, A.9.10.4 and A.9.10.5, for which initial decisions have not become final and binding, and which have not been resolved by mediation but which are subject to arbitration pursuant to Sections 6.2 and 6.3 of the Agreement or elsewhere in the Design-Build Documents, shall be

decided by arbitration which, unless the parties mutually agree otherwise, shall be in accordance with the Construction Industry Arbitration Rules of the American Arbitration Association currently in effect at the time of the arbitration. The demand for arbitration shall be filed in writing with the other party to the Design-Build Contract and with the American Arbitration Association.

§ A.4.4.2 A demand for arbitration may be made no earlier than concurrently with the filing of a request for mediation, but in no event shall it be made after the date when institution of legal or equitable proceedings based on such Claim would be barred by the applicable statute of limitations as determined pursuant to Section A.13.6.

§ A.4.4.3 An arbitration pursuant to this Section A.4.4 may be joined with an arbitration involving common issues of law or fact between the Owner or Design-Builder and any person or entity with whom the Owner or Design-Builder has a contractual obligation to arbitrate disputes which does not prohibit consolidation or joinder. No other arbitration arising out of or relating to the Design-Build Contract shall include, by consolidation, joinder or in any other manner, an additional person or entity not a party to the Design-Build Contract or not a party to an agreement with the Owner or Design-Builder, except by written consent containing a specific reference to the Design-Build Contract signed by the Owner and Design-Builder and any other person or entities sought to be joined. Consent to arbitration involving an additional person or entity shall not constitute consent to arbitration of any claim, dispute or other matter in question not described in the written consent or with a person or entity not named or described therein. The foregoing agreement to arbitrate and other agreements to arbitrate with an additional person or entity duly consented to by the parties to the Agreement shall be specifically enforceable in accordance with applicable law in any court having jurisdiction thereof.

§ A.4.4.4 *Claims and Timely Assertion of Claims.* The party filing a notice of demand for arbitration must assert in the demand all Claims then known to that party on which arbitration is permitted to be demanded.

§ A.4.4.5 *Judgment on Final Award.* The award rendered by the arbitrator or arbitrators shall be final, and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction thereof.

ARTICLE A.5 AWARD OF CONTRACTS

§ A.5.1 Unless otherwise stated in the Design-Build Documents or the bidding or proposal requirements, the Design-Builder, as soon as practicable after award of the Design-Build Contract, shall furnish in writing to the Owner the names of additional persons or entities not originally included in the Design-Builder's proposal or in substitution of a person or entity (including those who are to furnish design services or materials or equipment fabricated to a special design) proposed for each principal portion of the Work. The Owner will promptly reply to the Design-Builder in writing stating whether or not the Owner has reasonable objection to any such proposed additional person or entity. Failure of the Owner to reply promptly shall constitute notice of no reasonable objection.

§ A.5.2 The Design-Builder shall not contract with a proposed person or entity to whom which the Owner has made reasonable and timely objection. The Design-Builder shall not be required to contract with anyone to whom the Design-Builder has made reasonable objection.

§ A.5.3 If the Owner has reasonable objection to a person or entity proposed by the Design-Builder, the Design-Builder shall propose another to whom the Owner has no reasonable objection. If the proposed but rejected additional person or entity was reasonably capable of performing the Work, the Contract Sum and Contract Time shall be increased or decreased by the difference, if any, occasioned by such change, and an appropriate Change Order shall be issued before commencement of the substitute person's or entity's Work. However, no increase in the Contract Sum or Contract Time shall be allowed for such change unless the Design-Builder has acted promptly and responsively in submitting names as required.

§ A.5.4 The Design-Builder shall not change a person or entity previously selected if the Owner makes reasonable objection to such substitute.

§ A.5.5 CONTINGENT ASSIGNMENT OF CONTRACTS

- § A.5.5.1 Each agreement for a portion of the Work is assigned by the Design-Builder to the Owner provided that:
- .1 assignment is effective only after termination of the Design-Build Contract by the Owner for cause pursuant to Section A.14.2 and only for those agreements which the Owner accepts by notifying the contractor in writing; and
 - .2 assignment is subject to the prior rights of the surety, if any, obligated under bond relating to the Design-Build Contract.

§ A.5.5.2 Upon such assignment, if the Work has been suspended for more than 30 days, the Contractor's compensation shall be equitably adjusted for increases in cost resulting from the suspension.

ARTICLE A.6 CONSTRUCTION BY OWNER OR BY SEPARATE CONTRACTORS

§ A.6.1 OWNER'S RIGHT TO PERFORM CONSTRUCTION AND TO AWARD SEPARATE CONTRACTS

§ A.6.1.1 The Owner reserves the right to perform construction or operations related to the Project with the Owner's own forces and to award separate contracts in connection with other portions of the Project or other construction or operations on the site. The Design-Builder shall cooperate with the Owner and separate contractors whose work might interfere with the Design-Builder's Work. If the Design-Builder claims that delay or additional cost is involved because of such action by the Owner, the Design-Builder shall make such Claim as provided in Section A.4.1.

§ A.6.1.2 The term "separate contractor" shall mean any contractor retained by the Owner pursuant to Section A.6.1.1.

§ A.6.1.3 The Owner shall provide for coordination of the activities of the Owner's own forces and of each separate contractor with the work of the Design-Builder, who shall cooperate with them. The Design-Builder shall participate with other separate contractors and the Owner in reviewing their construction schedules when directed to do so. The Design-Builder shall make any revisions to the construction schedule deemed necessary after a joint review and mutual agreement. The construction schedules shall then constitute the schedules to be used by the Design-Builder, separate contractors and the Owner until subsequently revised.

§ A.6.2 MUTUAL RESPONSIBILITY

§ A.6.2.1 The Design-Builder shall afford the Owner and separate contractors reasonable opportunity for introduction and storage of their materials and equipment and performance of their activities and shall connect and coordinate the Design-Builder's construction and operations with theirs as required by the Design-Build Documents.

§ A.6.2.2 If part of the Design-Builder's Work depends for proper execution or results upon design, construction or operations by the Owner or a separate contractor, the Design-Builder shall, prior to proceeding with that portion of the Work, promptly report to the Owner apparent discrepancies or defects in such other construction that would render it unsuitable for such proper execution and results. Failure of the Design-Builder so to report shall constitute an acknowledgment that the Owner's or separate contractor's completed or partially completed construction is fit and proper to receive the Design-Builder's Work, except as to defects not then reasonably discoverable.

§ A.6.2.3 The Owner shall be reimbursed by the Design-Builder for costs incurred by the Owner which are payable to a separate contractor because of delays, improperly timed activities or defective construction of the Design-Builder. The Owner shall be responsible to the Design-Builder for costs incurred by the Design-Builder because of delays, improperly timed activities, damage to the Work or defective construction of a separate contractor.

§ A.6.2.4 The Design-Builder shall promptly remedy damage wrongfully caused by the Design-Builder to completed or partially completed construction or to property of the Owner or separate contractors.

§ A.6.2.5 The Owner and each separate contractor shall have the same responsibilities for cutting and patching as are described in Section A.3.13.

§ A.6.3 OWNER'S RIGHT TO CLEAN UP

§ A.6.3.1 If a dispute arises among the Design-Builder, separate contractors and the Owner as to the responsibility under their respective contracts for maintaining the premises and surrounding area free from waste materials and rubbish, the Owner may clean up and the Owner shall allocate the cost among those responsible.

ARTICLE A.7 CHANGES IN THE WORK

§ A.7.1 GENERAL

§ A.7.1.1 Changes in the Work may be accomplished after execution of the Design-Build Contract, and without invalidating the Design-Build Contract, by Change Order or Construction Change Directive, subject to the limitations stated in this Article A.7 and elsewhere in the Design-Build Documents.

§ A.7.1.2 A Change Order shall be based upon agreement between the Owner and Design-Builder. A Construction Change Directive may be issued by the Owner with or without agreement by the Design-Builder.

§ A.7.1.3 Changes in the Work shall be performed under applicable provisions of the Design-Build Documents, and the Design-Builder shall proceed promptly, unless otherwise provided in the Change Order or Construction Change Directive.

§ A.7.2 CHANGE ORDERS

§ A.7.2.1 A Change Order is a written instrument signed by the Owner and Design-Builder stating their agreement upon all of the following:

- .1 a change in the Work;
- .2 the amount of the adjustment, if any, in the Contract Sum; and
- .3 the extent of the adjustment, if any, in the Contract Time.

§ A.7.2.2 If the Owner requests a proposal for a change in the Work from the Design-Builder and subsequently elects not to proceed with the change, a Change Order shall be issued to reimburse the Design-Builder for any costs incurred for estimating services, design services or preparation of proposed revisions to the Design-Build Documents.

§ A.7.2.3 Methods used in determining adjustments to the Contract Sum may include those listed in Section A.7.3.3.

§ A.7.3 CONSTRUCTION CHANGE DIRECTIVES

§ A.7.3.1 A Construction Change Directive is a written order signed by the Owner directing a change in the Work prior to agreement on adjustment, if any, in the Contract Sum or Contract Time, or both. The Owner may by Construction Change Directive, without invalidating the Design-Build Contract, order changes in the Work within the general scope of the Design-Build Documents consisting of additions, deletions or other revisions, the Contract Sum and Contract Time being adjusted accordingly.

§ A.7.3.2 A Construction Change Directive shall be used in the absence of total agreement on the terms of a Change Order.

§ A.7.3.3 If the Construction Change Directive provides for an adjustment to the Contract Sum, the adjustment shall be based on one of the following methods:

- .1 mutual acceptance of a lump sum properly itemized and supported by sufficient substantiating data to permit evaluation;
- .2 unit prices stated in the Design-Build Documents or subsequently agreed upon, or equitably adjusted as provided in Section A.4.1.9;
- .3 cost to be determined in a manner agreed upon by the parties and a mutually acceptable fixed or percentage fee; or
- .4 as provided in Section A.7.3.6.

§ A.7.3.4 Upon receipt of a Construction Change Directive, the Design-Builder shall promptly proceed with the change in the Work involved and advise the Owner of the Design-Builder's agreement or disagreement with the method, if any, provided in the Construction Change Directive for determining the proposed adjustment in the Contract Sum or Contract Time.

§ A.7.3.5 A Construction Change Directive signed by the Design-Builder indicates the agreement of the Design-Builder therewith, including adjustment in Contract Sum and Contract Time or the method for determining them. Such agreement shall be effective immediately and shall be recorded as a Change Order.

§ A.7.3.6 If the Design-Builder does not respond promptly or disagrees with the method for adjustment in the Contract Sum, the method and the adjustment shall be determined by the Owner on the basis of reasonable expenditures and savings of those performing the Work attributable to the change, including, in case of an increase in the Contract Sum, a reasonable allowance for overhead and profit. In such case, and also under Section A.7.3.3.3, the Design-Builder shall keep and present, in such form as the Owner may prescribe, an itemized accounting together with appropriate supporting data. Unless otherwise provided in the Design-Build Documents, costs for the purposes of this Section A.7.3.6 shall be limited to the following:

- .1 additional costs of professional services;
- .2 costs of labor, including social security, old age and unemployment insurance, fringe benefits required by agreement or custom, and workers' compensation insurance;
- .3 costs of materials, supplies and equipment, including cost of transportation, whether incorporated or consumed;

- .4 rental costs of machinery and equipment, exclusive of hand tools, whether rented from the Design-Builder or others;
- .5 costs of premiums for all bonds and insurance, permit fees, and sales, use or similar taxes related to the Work; and
- .6 additional costs of supervision and field office personnel directly attributable to the change.

§ A.7.3.7 The amount of credit to be allowed by the Design-Builder to the Owner for a deletion or change that results in a net decrease in the Contract Sum shall be actual net cost. When both additions and credits covering related Work or substitutions are involved in a change, the allowance for overhead and profit shall be figured on the basis of net increase, if any, with respect to that change.

§ A.7.3.8 Pending final determination of the total cost of a Construction Change Directive to the Owner, amounts not in dispute for such changes in the Work shall be included in Applications for Payment accompanied by a Change Order indicating the parties' agreement with part or all of such costs. For any portion of such cost that remains in dispute, the Owner shall make an interim determination for purposes of monthly payment for those costs. That determination of cost shall adjust the Contract Sum on the same basis as a Change Order, subject to the right of the Design-Builder to disagree and assert a Claim in accordance with Article A.4.

§ A.7.3.9 When the Owner and Design-Builder reach agreement concerning the adjustments in the Contract Sum and Contract Time, or otherwise reach agreement upon the adjustments, such agreement shall be effective immediately and shall be recorded by preparation and execution of an appropriate Change Order.

§ A.7.4 MINOR CHANGES IN THE WORK

§ A.7.4.1 The Owner shall have authority to order minor changes in the Work not involving adjustment in the Contract Sum or extension of the Contract Time and not inconsistent with the intent of the Design-Build Documents. Such changes shall be effected by written order and shall be binding on the Design-Builder. The Design-Builder shall carry out such written orders promptly.

ARTICLE A.8 TIME

§ A.8.1 DEFINITIONS

§ A.8.1.1 Unless otherwise provided, Contract Time is the period of time, including authorized adjustments, allotted in the Design-Build Documents for Substantial Completion of the Work.

§ A.8.1.2 The date of commencement of the Work shall be the date stated in the Agreement unless provision is made for the date to be fixed in a notice to proceed issued by the Owner.

§ A.8.1.3 The date of Substantial Completion is the date determined by the Owner in accordance with Section A.9.8.

§ A.8.1.4 The term "day" as used in the Design-Build Documents shall mean calendar day unless otherwise specifically defined.

§ A.8.2 PROGRESS AND COMPLETION

§ A.8.2.1 Time limits stated in the Design-Build Documents are of the essence of the Design-Build Contract. By executing the Design-Build Contract, the Design-Builder confirms that the Contract Time is a reasonable period for performing the Work.

§ A.8.2.2 The Design-Builder shall not knowingly, except by agreement or instruction of the Owner in writing, prematurely commence construction operations on the site or elsewhere prior to the effective date of insurance required by Article A.11 to be furnished by the Design-Builder and Owner. The date of commencement of the Work shall not be changed by the effective date of such insurance. Unless the date of commencement is established by the Design-Build Documents or a notice to proceed given by the Owner, the Design-Builder shall notify the Owner in writing not less than five days or other agreed period before commencing the Work to permit the timely filing of mortgages, mechanic's liens and other security interests.

§ A.8.2.3 The Design-Builder shall proceed expeditiously with adequate forces and shall achieve Substantial Completion within the Contract Time.

§ A.8.3 DELAYS AND EXTENSIONS OF TIME

§ A.8.3.1 If the Design-Builder is delayed at any time in the commencement or progress of the Work by an act or neglect of the Owner or of a separate contractor employed by the Owner, or by changes ordered in the Work, or by labor disputes, fire, unusual delay in deliveries, unavoidable casualties or other causes beyond the Design-Builder's control, or by delay authorized by the Owner pending resolution of disputes pursuant to the Design-Build Documents, or by other causes which the Owner determines may justify delay, then the Contract Time shall be extended by Change Order for such reasonable time as the Owner may determine.

§ A.8.3.2 Claims relating to time shall be made in accordance with applicable provisions of Section A.4.1.7.

§ A.8.3.3 This Section A.8.3 does not preclude recovery of damages for delay by either party under other provisions of the Design-Build Documents.

ARTICLE A.9 PAYMENTS AND COMPLETION

§ A.9.1 CONTRACT SUM

§ A.9.1.1 The Contract Sum is stated in the Design-Build Documents and, including authorized adjustments, is the total amount payable by the Owner to the Design-Builder for performance of the Work under the Design-Build Documents.

§ A.9.2 SCHEDULE OF VALUES

§ A.9.2.1 Before the first Application for Payment, where the Contract Sum is based upon a Stipulated Sum or the Cost of the Work plus Contractor's Fee with a Guaranteed Maximum Price, the Design-Builder shall submit to the Owner an initial schedule of values allocated to various portions of the Work prepared in such form and supported by such data to substantiate its accuracy as the Owner may require. This schedule, unless objected to by the Owner, shall be used as a basis for reviewing the Design-Builder's Applications for Payment. The schedule of values may be updated periodically to reflect changes in the allocation of the Contract Sum.

§ A.9.3 APPLICATIONS FOR PAYMENT

§ A.9.3.1 At least ten days before the date established for each progress payment, the Design-Builder shall submit to the Owner an itemized Application for Payment for operations completed in accordance with the current schedule of values. Such application shall be notarized, if required, and supported by such data substantiating the Design-Builder's right to payment as the Owner may require, such as copies of requisitions from Contractors and material suppliers, and reflecting retainage if provided for in the Design-Build Documents:

§ A.9.3.1.1 As provided in Section A.7.3.8, such applications may include requests for payment on account of Changes in the Work which have been properly authorized by Construction Change Directives but are not yet included in Change Orders.

§ A.9.3.1.2 Such applications may not include requests for payment for portions of the Work for which the Design-Builder does not intend to pay to a Contractor or material supplier or other parties providing services for the Design-Builder, unless such Work has been performed by others whom the Design-Builder intends to pay.

§ A.9.3.2 Unless otherwise provided in the Design-Build Documents, payments shall be made on account of materials and equipment delivered and suitably stored at the site for subsequent incorporation in the Work. If approved in advance by the Owner, payment may similarly be made for materials and equipment suitably stored off the site at a location agreed upon in writing. Payment for materials and equipment stored on or off the site shall be conditioned upon compliance by the Design-Builder with procedures satisfactory to the Owner to establish the Owner's title to such materials and equipment or otherwise protect the Owner's interest and shall include the costs of applicable insurance, storage and transportation to the site for such materials and equipment stored off the site.

§ A.9.3.3 The Design-Builder warrants that title to all Work other than Instruments of Service covered by an Application for Payment will pass to the Owner no later than the time of payment. The Design-Builder further warrants that, upon submittal of an Application for Payment, all Work for which Certificates for Payment have been previously issued and payments received from the Owner shall, to the best of the Design-Builder's knowledge, information and belief, be free and clear of liens, Claims, security interests or encumbrances in favor of the Design-Builder, Contractors, Subcontractors, material suppliers, or other persons or entities making a claim by reason of having provided labor, materials and equipment relating to the Work.

§ A.9.4 ACKNOWLEDGEMENT OF APPLICATION FOR PAYMENT

§ A.9.4.1 The Owner shall, within seven days after receipt of the Design-Builder's Application for Payment, issue to the Design-Builder a written acknowledgement of receipt of the Design-Builder's Application for Payment indicating the amount the Owner has determined to be properly due and, if applicable, the reasons for withholding payment in whole or in part.

§ A.9.5 DECISIONS TO WITHHOLD PAYMENT

§ A.9.5.1 The Owner may withhold a payment in whole or in part to the extent reasonably necessary to protect the Owner due to the Owner's determination that the Work has not progressed to the point indicated in the Application for Payment or that the quality of Work is not in accordance with the Design-Build Documents. The Owner may also withhold a payment or, because of subsequently discovered evidence, may nullify the whole or a part of an Application for Payment previously issued to such extent as may be necessary to protect the Owner from loss for which the Design-Builder is responsible, including loss resulting from acts and omissions, because of the following:

- .1 defective Work not remedied;
- .2 third-party claims filed or reasonable evidence indicating probable filing of such claims unless security acceptable to the Owner is provided by the Design-Builder;
- .3 failure of the Design-Builder to make payments properly to Contractors or for design services labor, materials or equipment;
- .4 reasonable evidence that the Work cannot be completed for the unpaid balance of the Contract Sum;
- .5 damage to the Owner or a separate contractor;
- .6 reasonable evidence that the Work will not be completed within the Contract Time and that the unpaid balance would not be adequate to cover actual or liquidated damages for the anticipated delay; or
- .7 persistent failure to carry out the Work in accordance with the Design-Build Documents.

§ A.9.5.2 When the above reasons for withholding payment are removed, payment will be made for amounts previously withheld.

§ A.9.6 PROGRESS PAYMENTS

§ A.9.6.1 After the Owner has issued a written acknowledgement of receipt of the Design-Builder's Application for Payment, the Owner shall make payment of the amount, in the manner and within the time provided in the Design-Build Documents.

§ A.9.6.2 The Design-Builder shall promptly pay the Architect, each design professional and other consultants retained directly by the Design-Builder, upon receipt of payment from the Owner, out of the amount paid to the Design-Builder on account of each such party's respective portion of the Work, the amount to which each such party is entitled.

§ A.9.6.3 The Design-Builder shall promptly pay each Contractor, upon receipt of payment from the Owner, out of the amount paid to the Design-Builder on account of such Contractor's portion of the Work, the amount to which said Contractor is entitled, reflecting percentages actually retained from payments to the Design-Builder on account of the Contractor's portion of the Work. The Design-Builder shall, by appropriate agreement with each Contractor, require each Contractor to make payments to Subcontractors in a similar manner.

§ A.9.6.4 The Owner shall have no obligation to pay or to see to the payment of money to a Contractor except as may otherwise be required by law.

§ A.9.6.5 Payment to material suppliers shall be treated in a manner similar to that provided in Sections A.9.6.3 and A.9.6.4.

§ A.9.6.6 A progress payment, or partial or entire use or occupancy of the Project by the Owner, shall not constitute acceptance of Work not in accordance with the Design-Build Documents.

§ A.9.6.7 Unless the Design-Builder provides the Owner with a payment bond in the full penal sum of the Contract Sum, payments received by the Design-Builder for Work properly performed by Contractors and suppliers shall be held by the Design-Builder for those Contractors or suppliers who performed Work or furnished materials, or both, under contract with the Design-Builder for which payment was made by the Owner. Nothing contained herein shall require money to be placed in a separate account and not be commingled with money of the Design-Builder, shall

create any fiduciary liability or tort liability on the part of the Design-Builder for breach of trust or shall entitle any person or entity to an award of punitive damages against the Design-Builder for breach of the requirements of this provision.

§ A.9.7 FAILURE OF PAYMENT

§ A.9.7.1 If for reasons other than those enumerated in Section A.9.5.1, the Owner does not issue a payment within the time period required by Section 5.1.3 of the Agreement, then the Design-Builder may, upon seven additional days' written notice to the Owner, stop the Work until payment of the amount owing has been received. The Contract Time shall be extended appropriately and the Contract Sum shall be increased by the amount of the Design-Builder's reasonable costs of shutdown, delay and start-up, plus interest as provided for in the Design-Build Documents.

§ A.9.8 SUBSTANTIAL COMPLETION

§ A.9.8.1 Substantial Completion is the stage in the progress of the Work when the Work or designated portion thereof is sufficiently complete in accordance with the Design-Build Documents so that the Owner can occupy or use the Work or a portion thereof for its intended use.

§ A.9.8.2 When the Design-Builder considers that the Work, or a portion thereof which the Owner agrees to accept separately, is substantially complete, the Design-Builder shall prepare and submit to the Owner a comprehensive list of items to be completed or corrected prior to final payment. Failure to include an item on such list does not alter the responsibility of the Design-Builder to complete all Work in accordance with the Design-Build Documents.

§ A.9.8.3 Upon receipt of the Design-Builder's list, the Owner shall make an inspection to determine whether the Work or designated portion thereof is substantially complete. If the Owner's inspection discloses any item, whether or not included on the Design-Builder's list, which is not substantially complete, the Design-Builder shall complete or correct such item. In such case, the Design-Builder shall then submit a request for another inspection by the Owner to determine whether the Design-Builder's Work is substantially complete.

§ A.9.8.4 In the event of a dispute regarding whether the Design-Builder's Work is substantially complete, the dispute shall be resolved pursuant to Article A.4.

§ A.9.8.5 When the Work or designated portion thereof is substantially complete, the Design-Builder shall prepare for the Owner's signature an Acknowledgement of Substantial Completion which, when signed by the Owner, shall establish (1) the date of Substantial Completion of the Work, (2) responsibilities between the Owner and Design-Builder for security, maintenance, heat, utilities, damage to the Work and insurance, and (3) the time within which the Design-Builder shall finish all items on the list accompanying the Acknowledgement. When the Owner's inspection discloses that the Work or a designated portion thereof is substantially complete, the Owner shall sign the Acknowledgement of Substantial Completion. Warranties required by the Design-Build Documents shall commence on the date of Substantial Completion of the Work or designated portion thereof unless otherwise provided in the Acknowledgement of Substantial Completion.

§ A.9.8.6 Upon execution of the Acknowledgement of Substantial Completion and consent of surety, if any, the Owner shall make payment of retainage applying to such Work or designated portion thereof. Such payment shall be adjusted for Work that is incomplete or not in accordance with the requirements of the Design-Build Documents.

§ A.9.9 PARTIAL OCCUPANCY OR USE

§ A.9.9.1 The Owner may occupy or use any completed or partially completed portion of the Work at any stage when such portion is designated by separate agreement with the Design-Builder, provided such occupancy or use is consented to by the insurer, if so required by the insurer, and authorized by public authorities having jurisdiction over the Work. Such partial occupancy or use may commence whether or not the portion is substantially complete, provided the Owner and Design-Builder have accepted in writing the responsibilities assigned to each of them for payments, retainage, if any, security, maintenance, heat, utilities, damage to the Work and insurance, and have agreed in writing concerning the period for completion or correction of the Work and commencement of warranties required by the Design-Build Documents. When the Design-Builder considers a portion substantially complete, the Design-Builder shall prepare and submit a list to the Owner as provided under Section A.9.8.2. Consent of the Design-Builder to partial occupancy or use shall not be unreasonably withheld. The stage of the progress of the Work shall be determined by written agreement between the Owner and Design-Builder.

§ A.9.9.2 Immediately prior to such partial occupancy or use, the Owner and Design-Builder shall jointly inspect the area to be occupied or portion of the Work to be used to determine and record the condition of the Work.

§ A.9.9.3 Unless otherwise agreed upon, partial occupancy or use of a portion or portions of the Work shall not constitute acceptance of Work not complying with the requirements of the Design-Build Documents.

§ A.9.10 FINAL COMPLETION AND FINAL PAYMENT

§ A.9.10.1 Upon receipt of written notice that the Work is ready for final inspection and acceptance and upon receipt of a final Application for Payment, the Owner shall promptly make such inspection and, when the Owner finds the Work acceptable under the Design-Build Documents and fully performed, the Owner shall, subject to Section A.9.10.2, promptly make final payment to the Design-Builder.

§ A.9.10.2 Neither final payment nor any remaining retained percentage will become due until the Design-Builder submits to the Owner (1) an affidavit that payrolls, bills for materials and equipment, and other indebtedness connected with the Work for which the Owner or the Owner's property might be responsible or encumbered (less amounts withheld by Owner) have been paid or otherwise satisfied, (2) a certificate evidencing that insurance required by the Design-Build Documents to remain in force after final payment is currently in effect and will not be cancelled or allowed to expire until at least 30 days' prior written notice has been given to the Owner, (3) a written statement that the Design-Builder knows of no substantial reason that the insurance will not be renewable to cover the period required by the Design-Build Documents, (4) consent of surety, if any, to final payment, and (5) if required by the Owner, other data establishing payment or satisfaction of obligations, such as receipts, releases and waivers of liens, claims, security interests or encumbrances arising out of the Design-Build Contract, to the extent and in such form as may be designated by the Owner. If a Contractor refuses to furnish a release or waiver required by the Owner, the Design-Builder may furnish a bond satisfactory to the Owner to indemnify the Owner against such lien. If such lien remains unsatisfied after payments are made, the Design-Builder shall refund to the Owner all money that the Owner may be liable to pay in connection with the discharge of such lien, including all costs and reasonable attorneys' fees.

§ A.9.10.3 If, after the Owner determines that the Design-Builder's Work or designated portion thereof is substantially completed, final completion thereof is materially delayed through no fault of the Design-Builder or by issuance of a Change Order or a Construction Change Directive affecting final completion, the Owner shall, upon application by the Design-Builder, make payment of the balance due for that portion of the Work fully completed and accepted. If the remaining balance for Work not fully completed or corrected is less than retainage stipulated in the Design-Build Documents, and if bonds have been furnished, the written consent of surety to payment of the balance due for that portion of the Work fully completed and accepted shall be submitted by the Design-Builder. Such payment shall be made under terms and conditions governing final payment, except that it shall not constitute a waiver of claims.

§ A.9.10.4 The making of final payment shall constitute a waiver of Claims by the Owner except those arising from:

- .1 liens, Claims, security interests or encumbrances arising out of the Design-Build Documents and unsettled;
- .2 failure of the Work to comply with the requirements of the Design-Build Documents; or
- .3 terms of special warranties required by the Design-Build Documents.

§ A.9.10.5 Acceptance of final payment by the Design-Builder, a Contractor or material supplier shall constitute a waiver of claims by that payee except those previously made in writing and identified by that payee as unsettled at the time of final Application for Payment.

ARTICLE A.10 PROTECTION OF PERSONS AND PROPERTY

§ A.10.1 SAFETY PRECAUTIONS AND PROGRAMS

§ A.10.1.1 The Design-Builder shall be responsible for initiating and maintaining all safety precautions and programs in connection with the performance of the Design-Build Contract.

§ A.10.2 SAFETY OF PERSONS AND PROPERTY

§ A.10.2.1 The Design-Builder shall take reasonable precautions for safety of, and shall provide reasonable protection to prevent damage, injury or loss to:

- .1 employees on the Work and other persons who may be affected thereby;
- .2 the Work and materials and equipment to be incorporated therein, whether in storage on or off the site or under the care, custody or control of the Design-Builder or the Design-Builder's Contractors or Subcontractors; and
- .3 other property at the site or adjacent thereto, such as trees, shrubs, lawns, walks, pavements, roadways, structures and utilities not designated for removal, relocation or replacement in the course of construction.

Exhibit 8
32-57

§ A.10.2.2 The Design-Builder shall give notices and comply with applicable laws, ordinances, rules, regulations and lawful orders of public authorities bearing on safety of persons or property or their protection from damage, injury or loss.

§ A.10.2.3 The Design-Builder shall erect and maintain, as required by existing conditions and performance of the Design-Build Documents, reasonable safeguards for safety and protection, including posting danger signs and other warnings against hazards, promulgating safety regulations and notifying owners and users of adjacent sites and utilities.

§ A.10.2.4 When use or storage of explosives or other hazardous materials or equipment or unusual methods are necessary for execution of the Work, the Design-Builder shall exercise utmost care and carry on such activities under supervision of properly qualified personnel.

§ A.10.2.5 The Design-Builder shall promptly remedy damage and loss (other than damage or loss insured under property insurance required by the Design-Build Documents) to property referred to in Sections A.10.2.1.2 and A.10.2.1.3 caused in whole or in part by the Design-Builder, the Architect, a Contractor, a Subcontractor, or anyone directly or indirectly employed by any of them or by anyone for whose acts they may be liable and for which the Design-Builder is responsible under Sections A.10.2.1.2 and A.10.2.1.3, except damage or loss attributable to acts or omissions of the Owner or anyone directly or indirectly employed by the Owner, or by anyone for whose acts the Owner may be liable, and not attributable to the fault or negligence of the Design-Builder. The foregoing obligations of the Design-Builder are in addition to the Design-Builder's obligations under Section A.3.17.

§ A.10.2.6 The Design-Builder shall designate in writing to the Owner a responsible individual whose duty shall be the prevention of accidents.

§ A.10.2.7 The Design-Builder shall not load or permit any part of the construction or site to be loaded so as to endanger its safety.

§ A.10.3 HAZARDOUS MATERIALS

§ A.10.3.1 If reasonable precautions will be inadequate to prevent foreseeable bodily injury or death to persons resulting from a material or substance, including but not limited to asbestos or polychlorinated biphenyl (PCB), encountered on the site by the Design-Builder, the Design-Builder shall, upon recognizing the condition, immediately stop Work in the affected area and report the condition to the Owner.

§ A.10.3.2 The Owner shall obtain the services of a licensed laboratory to verify the presence or absence of the material or substance reported by the Design-Builder and, in the event such material or substance is found to be present, to verify that it has been rendered harmless. Unless otherwise required by the Design-Build Documents, the Owner shall furnish in writing to the Design-Builder the names and qualifications of persons or entities who are to perform tests verifying the presence or absence of such material or substance or who are to perform the task of removal or safe containment of such material or substance. The Design-Builder shall promptly reply to the Owner in writing stating whether or not the Design-Builder has reasonable objection to the persons or entities proposed by the Owner. If the Design-Builder has an objection to a person or entity proposed by the Owner, the Owner shall propose another to whom the Design-Builder has no reasonable objection. When the material or substance has been rendered harmless, work in the affected area shall resume upon written agreement of the Owner and Design-Builder. The Contract Time shall be extended appropriately, and the Contract Sum shall be increased in the amount of the Design-Builder's reasonable additional costs of shutdown, delay and start-up, which adjustments shall be accomplished as provided in Article A.7.

§ A.10.3.3 To the fullest extent permitted by law, the Owner shall indemnify and hold harmless the Design-Builder, Contractors, Subcontractors, Architect, Architect's consultants and the agents and employees of any of them from and against Claims, damages, losses and expenses, including but not limited to attorneys' fees, arising out of or resulting from performance of the Work in the affected area if in fact the material or substance exists on site as of the date of the Agreement, is not disclosed in the Design-Build Documents and presents the risk of bodily injury or death as described in Section A.10.3.1 and has not been rendered harmless, provided that such Claim, damage, loss or expense is attributable to bodily injury, sickness, disease or death or to injury to or destruction of tangible property (other than the Work itself) to the extent that such damage, loss or expense is not due to the negligence of the Design-Builder, Contractors, Subcontractors, Architect, Architect's consultants and the agents and employees of any of them.

§ A.10.4 The Owner shall not be responsible under Section A.10.3 for materials and substances brought to the site by the Design-Builder unless such materials or substances were required by the Design-Build Documents.

§ A.10.5 If, without negligence on the part of the Design-Builder, the Design-Builder is held liable for the cost of remediation of a hazardous material or substance solely by reason of performing Work as required by the Design-Build Documents, the Owner shall indemnify the Design-Builder for all cost and expense thereby incurred.

§ A.10.6 EMERGENCIES

§ A.10.6.1 In an emergency affecting safety of persons or property, the Design-Builder shall act, at the Design-Builder's discretion, to prevent threatened damage, injury or loss. Additional compensation or extension of time claimed by the Design-Builder on account of an emergency shall be determined as provided in Section A.4.1.7 and Article A.7.

ARTICLE A.11 INSURANCE AND BONDS

§ A.11.1 Except as may otherwise be set forth in the Agreement or elsewhere in the Design-Build Documents, the Owner and Design-Builder shall purchase and maintain the following types of insurance with limits of liability and deductible amounts and subject to such terms and conditions, as set forth in this Article A.11.

§ A.11.2 DESIGN-BUILDER'S LIABILITY INSURANCE

§ A.11.2.1 The Design-Builder shall purchase from and maintain in a company or companies lawfully authorized to do business in the jurisdiction in which the Project is located such insurance as will protect the Design-Builder from claims set forth below that may arise out of or result from the Design-Builder's operations under the Design-Build Contract and for which the Design-Builder may be legally liable, whether such operations be by the Design-Builder, by a Contractor and by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable:

- .1 claims under workers' compensation, disability benefit and other similar employee benefit acts which are applicable to the Work to be performed;
- .2 claims for damages because of bodily injury, occupational sickness or disease, or death of the Design-Builder's employees;
- .3 claims for damages because of bodily injury, sickness or disease, or death of any person other than the Design-Builder's employees;
- .4 claims for damages insured by usual personal injury liability coverage;
- .5 claims for damages, other than to the Work itself, because of injury to or destruction of tangible property, including loss of use resulting therefrom;
- .6 claims for damages because of bodily injury, death of a person or property damage arising out of ownership, maintenance or use of a motor vehicle;
- .7 claims for bodily injury or property damage arising out of completed operations; and
- .8 claims involving contractual liability insurance applicable to the Design-Builder's obligations under Section A.3.17.

§ A.11.2.2 The insurance required by Section A.11.2.1 shall be written for not less than limits of liability specified in the Design-Build Documents or required by law, whichever coverage is greater. Coverages, whether written on an occurrence or claims-made basis, shall be maintained without interruption from date of commencement of the Work until date of final payment and termination of any coverage required to be maintained after final payment.

§ A.11.2.3 Certificates of insurance acceptable to the Owner shall be filed with the Owner prior to commencement of the Work. These certificates and the insurance policies required by this Section A.11.2 shall contain a provision that coverages afforded under the policies will not be canceled or allowed to expire until at least 30 days' prior written notice has been given to the Owner. If any of the foregoing insurance coverages are required to remain in force after final payment and are reasonably available, an additional certificate evidencing continuation of such coverage shall be submitted with the final Application for Payment as required by Section A.9.10.2. Information concerning reduction of coverage on account of revised limits or claims paid under the General Aggregate, or both, shall be furnished by the Design-Builder with reasonable promptness in accordance with the Design-Builder's information and belief.

§ A.11.3 OWNER'S LIABILITY INSURANCE

§ A.11.3.1 The Owner shall be responsible for purchasing and maintaining the Owner's usual liability insurance.

Exhibit 8
3457

§ A.11.4 PROPERTY INSURANCE

§ A.11.4.1 Unless otherwise provided, the Owner shall purchase and maintain, in a company or companies lawfully authorized to do business in the jurisdiction in which the Project is located, property insurance written on a builder's risk, "all-risk" or equivalent policy form in the amount of the initial Contract Sum, plus the value of subsequent Design-Build Contract modifications and cost of materials supplied or installed by others, comprising total value for the entire Project at the site on a replacement cost basis without optional deductibles. Such property insurance shall be maintained, unless otherwise provided in the Design-Build Documents or otherwise agreed in writing by all persons and entities who are beneficiaries of such insurance, until final payment has been made as provided in Section A.9.10 or until no person or entity other than the Owner has an insurable interest in the property required by this Section A.11.4 to be covered, whichever is later. This insurance shall include interests of the Owner, Design-Builder, Contractors and Subcontractors in the Project.

§ A.11.4.1.1 Property insurance shall be on an "all-risk" or equivalent policy form and shall include, without limitation, insurance against the perils of fire (with extended coverage) and physical loss or damage including, without duplication of coverage, theft, vandalism, malicious mischief, collapse, earthquake, flood, windstorm, falsework, testing and startup, temporary buildings and debris removal, including demolition occasioned by enforcement of any applicable legal requirements, and shall cover reasonable compensation for Design-Builder's services and expenses required as a result of such insured loss.

§ A.11.4.1.2 If the Owner does not intend to purchase such property insurance required by the Design-Build Contract and with all of the coverages in the amount described above, the Owner shall so inform the Design-Builder in writing prior to commencement of the Work. The Design-Builder may then effect insurance that will protect the interests of the Design-Builder, Contractors and Subcontractors in the Work, and, by appropriate Change Order, the cost thereof shall be charged to the Owner. If the Design-Builder is damaged by the failure or neglect of the Owner to purchase or maintain insurance as described above without so notifying the Design-Builder in writing, then the Owner shall bear all reasonable costs properly attributable thereto.

§ A.11.4.1.3 If the property insurance requires deductibles, the Owner shall pay costs not covered because of such deductibles.

§ A.11.4.1.4 This property insurance shall cover portions of the Work stored off the site and also portions of the Work in transit.

§ A.11.4.1.5 Partial occupancy or use in accordance with Section A.9.9 shall not commence until the insurance company or companies providing property insurance have consented to such partial occupancy or use, by endorsement or otherwise. The Owner and the Design-Builder shall take reasonable steps to obtain consent of the insurance company or companies and shall, without mutual written consent, take no action with respect to partial occupancy or use that would cause cancellation, lapse or reduction of insurance.

§ A.11.4.2 Boiler and Machinery Insurance. The Owner shall purchase and maintain boiler and machinery insurance required by the Design-Build Documents or by law, which shall specifically cover such insured objects during installation and until final acceptance by the Owner; this insurance shall include interests of the Owner, Design-Builder, Contractors and Subcontractors in the Work, and the Owner and Design-Builder shall be named insureds.

§ A.11.4.3 Loss of Use Insurance. The Owner, at the Owner's option, may purchase and maintain such insurance as will insure the Owner against loss of use of the Owner's property due to fire or other hazards, however caused. The Owner waives all rights of action against the Design-Builder, Architect, the Design-Builder's other design professionals, if any, Contractors and Subcontractors for loss of use of the Owner's property, including consequential losses due to fire or other hazards, however caused.

§ A.11.4.4 If the Design-Builder requests in writing that insurance for risks other than those described herein or other special causes of loss be included in the property insurance policy, the Owner shall, if possible, include such insurance, and the cost thereof shall be charged to the Design-Builder by appropriate Change Order.

§ A.11.4.5 If during the Project construction period the Owner insures properties, real or personal or both, at or adjacent to the site by property insurance under policies separate from those insuring the Project, or if after final payment property insurance is to be provided on the completed Project through a policy or policies other than those insuring the Project during the construction period, the Owner shall waive all rights in accordance with the terms of Section A.11.4.7 for

damages caused by fire or other causes of loss covered by this separate property insurance. All separate policies shall provide this waiver of subrogation by endorsement or otherwise.

§ A.11.4.6 Before an exposure to loss may occur, the Owner shall file with the Design-Builder a copy of each policy that includes insurance coverages required by this Section A.11.4. Each policy shall contain all generally applicable conditions, definitions, exclusions and endorsements related to this Project. Each policy shall contain a provision that the policy will not be canceled or allowed to expire and that its limits will not be reduced until at least 30 days' prior written notice has been given to the Design-Builder.

§ A.11.4.7 **Waivers of Subrogation.** The Owner and Design-Builder waive all rights against each other and any of their consultants, separate contractors described in Section A.6.1, if any, Contractors, Subcontractors, agents and employees, each of the other, and any of their contractors, subcontractors, agents and employees, for damages caused by fire or other causes of loss to the extent covered by property insurance obtained pursuant to this Section A.11.4 or other property insurance applicable to the Work, except such rights as they have to proceeds of such insurance held by the Owner as fiduciary. The Owner or Design-Builder, as appropriate, shall require of the separate contractors described in Section A.6.1, if any, and the Contractors, Subcontractors, agents and employees of any of them, by appropriate agreements, written where legally required for validity, similar waivers each in favor of other parties enumerated herein. The policies shall provide such waivers of subrogation by endorsement or otherwise. A waiver of subrogation shall be effective as to a person or entity even though that person or entity would otherwise have a duty of indemnification, contractual or otherwise, even though the person or entity did not pay the insurance premium directly or indirectly, and whether or not the person or entity had an insurable interest in the property damaged.

§ A.11.4.8 A loss insured under Owner's property insurance shall be adjusted by the Owner as fiduciary and made payable to the Owner as fiduciary for the insureds, as their interests may appear, subject to requirements of any applicable mortgagee clause and of Section A.11.4.10. The Design-Builder shall pay Contractors their just shares of insurance proceeds received by the Design-Builder, and, by appropriate agreements, written where legally required for validity, shall require Contractors to make payments to their Subcontractors in similar manner.

§ A.11.4.9 If required in writing by a party in interest, the Owner as fiduciary shall, upon occurrence of an insured loss, give bond for proper performance of the Owner's duties. The cost of required bonds shall be charged against proceeds received as fiduciary. The Owner shall deposit in a separate account proceeds so received, which the Owner shall distribute in accordance with such agreement as the parties in interest may reach. If after such loss no other special agreement is made and unless the Owner terminates the Design-Build Contract for convenience, replacement of damaged property shall be performed by the Design-Builder after notification of a Change in the Work in accordance with Article A.7.

§ A.11.4.10 The Owner as fiduciary shall have power to adjust and settle a loss with insurers unless one of the parties in interest shall object in writing within five days after occurrence of loss to the Owner's exercise of this power.; The Owner as fiduciary shall, in the case of a decision or award, make settlement with insurers in accordance with directions of a decision or award. If distribution of insurance proceeds by arbitration is required, the arbitrators will direct such distribution.

A.11.5 PERFORMANCE BOND AND PAYMENT BOND

§ A.11.5.1 The Owner shall have the right to require the Design-Builder to furnish bonds covering faithful performance of the Design-Build Contract and payment of obligations arising thereunder, including payment to design professionals engaged by or on behalf of the Design-Builder, as stipulated in bidding requirements or specifically required in the Agreement or elsewhere in the Design-Build Documents on the date of execution of the Design-Build Contract.

ARTICLE A.12 UNCOVERING AND CORRECTION OF WORK

§ A.12.1 UNCOVERING OF WORK

§ A.12.1.1 If a portion of the Work is covered contrary to requirements specifically expressed in the Design-Build Documents, it must be uncovered for the Owner's examination and be replaced at the Design-Builder's expense without change in the Contract Time.

§ A.12.1.2 If a portion of the Work has been covered which the Owner has not specifically requested to examine prior to its being covered, the Owner may request to see such Work and it shall be uncovered by the Design-Builder. If such Work is in accordance with the Design-Build Documents, costs of uncovering and replacement shall, by appropriate Change Order, be at the Owner's expense. If such Work is not in accordance with the Design-Build Documents,

correction shall be at the Design-Builder's expense unless the condition was caused by the Owner or a separate contractor, in which event the Owner shall be responsible for payment of such costs.

§ A.12.2 CORRECTION OF WORK

§ A.12.2.1 BEFORE OR AFTER SUBSTANTIAL COMPLETION

§ A.12.2.1.1 The Design-Builder shall promptly correct Work rejected by the Owner or failing to conform to the requirements of the Design-Build Documents, whether discovered before or after Substantial Completion and whether or not fabricated, installed or completed. Costs of correcting such rejected Work, including additional testing, shall be at the Design-Builder's expense.

§ A.12.2.2 AFTER SUBSTANTIAL COMPLETION

§ A.12.2.2.1 In addition to the Design-Builder's obligations under Section A.3.5, if, within one year after the date of Substantial Completion or after the date for commencement of warranties established under Section A.9.8.5 or by terms of an applicable special warranty required by the Design-Build Documents, any of the Work is found to be not in accordance with the requirements of the Design-Build Documents, the Design-Builder shall correct it promptly after receipt of written notice from the Owner to do so unless the Owner has previously given the Design-Builder a written acceptance of such condition. The Owner shall give such notice promptly after discovery of the condition. During the one-year period for correction of Work, if the Owner fails to notify the Design-Builder and give the Design-Builder an opportunity to make the correction, the Owner waives the rights to require correction by the Design-Builder and to make a claim for breach of warranty. If the Design-Builder fails to correct non-conforming Work within a reasonable time during that period after receipt of notice from the Owner, the Owner may correct it in accordance with Section A.2.5.

§ A.12.2.2.2 The one-year period for correction of Work shall be extended with respect to portions of Work first performed after Substantial Completion by the period of time between Substantial Completion and the actual performance of the Work.

§ A.12.2.2.3 The one-year period for correction of Work shall not be extended by corrective Work performed by the Design-Builder pursuant to this Section A.12.2.

§ A.12.2.3 The Design-Builder shall remove from the site portions of the Work which are not in accordance with the requirements of the Design-Build Documents and are neither corrected by the Design-Builder nor accepted by the Owner.

§ A.12.2.4 The Design-Builder shall bear the cost of correcting destroyed or damaged construction, whether completed or partially completed, of the Owner or separate contractors caused by the Design-Builder's correction or removal of Work which is not in accordance with the requirements of the Design-Build Documents.

§ A.12.2.5 Nothing contained in this Section A.12.2 shall be construed to establish a period of limitation with respect to other obligations the Design-Builder might have under the Design-Build Documents. Establishment of the one-year period for correction of Work as described in Section A.12.2.2 relates only to the specific obligation of the Design-Builder to correct the Work, and has no relationship to the time within which the obligation to comply with the Design-Build Documents may be sought to be enforced, nor to the time within which proceedings may be commenced to establish the Design-Builder's liability with respect to the Design-Builder's obligations other than specifically to correct the Work.

§ A.12.3 ACCEPTANCE OF NONCONFORMING WORK

§ A.12.3.1 If the Owner prefers to accept Work not in accordance with the requirements of the Design-Build Documents, the Owner may do so instead of requiring its removal and correction, in which case the Contract Sum will be equitably adjusted by Change Order. Such adjustment shall be effected whether or not final payment has been made.

ARTICLE A.13 MISCELLANEOUS PROVISIONS

§ A.13.1 GOVERNING LAW

§ A.13.1.1 The Design-Build Contract shall be governed by the law of the place where the Project is located.

§ A.13.2 SUCCESSORS AND ASSIGNS

§ A.13.2.1 The Owner and Design-Builder respectively bind themselves, their partners, successors, assigns and legal representatives to the other party hereto and to partners, successors, assigns and legal representatives of such other

party in respect to covenants, agreements and obligations contained in the Design-Build Documents. Except as provided in Section A.13.2.2, neither party to the Design-Build Contract shall assign the Design-Build Contract as a whole without written consent of the other. If either party attempts to make such an assignment without such consent, that party shall nevertheless remain legally responsible for all obligations under the Design-Build Contract.

§ A.13.2.2 The Owner may, without consent of the Design-Builder, assign the Design-Build Contract to an institutional lender providing construction financing for the Project. In such event, the lender shall assume the Owner's rights and obligations under the Design-Build Documents. The Design-Builder shall execute all consents reasonably required to facilitate such assignment.

§ A.13.3 WRITTEN NOTICE

§ A.13.3.1 Written notice shall be deemed to have been duly served if delivered in person to the individual or a member of the firm or entity or to an officer of the corporation for which it was intended, or if sent by registered or certified mail to the last business address known to the party giving notice.

§ A.13.4 RIGHTS AND REMEDIES

§ A.13.4.1 Duties and obligations imposed by the Design-Build Documents and rights and remedies available thereunder shall be in addition to and not a limitation of duties, obligations, rights and remedies otherwise imposed or available by law.

§ A.13.4.2 No action or failure to act by the Owner or Design-Builder shall constitute a waiver of a right or duty afforded them under the Design-Build Documents, nor shall such action or failure to act constitute approval of or acquiescence in a breach thereunder, except as may be specifically agreed in writing.

§ A.13.5 TESTS AND INSPECTIONS

§ A.13.5.1 Tests, inspections and approvals of portions of the Work required by the Design-Build Documents or by laws, ordinances, rules, regulations or orders of public authorities having jurisdiction shall be made at an appropriate time. Unless otherwise provided, the Design-Builder shall make arrangements for such tests, inspections and approvals with an independent testing laboratory or entity acceptable to the Owner or with the appropriate public authority, and shall bear all related costs of tests, inspections and approvals. The Design-Builder shall give timely notice of when and where tests and inspections are to be made so that the Owner may be present for such procedures.

§ A.13.5.2 If the Owner or public authorities having jurisdiction determine that portions of the Work require additional testing, inspection or approval not included under Section A.13.5.1, the Owner shall in writing instruct the Design-Builder to make arrangements for such additional testing, inspection or approval by an entity acceptable to the Owner, and the Design-Builder shall give timely notice to the Owner of when and where tests and inspections are to be made so that the Owner may be present for such procedures. Such costs, except as provided in Section A.13.5.3, shall be at the Owner's expense.

§ A.13.5.3 If such procedures for testing, inspection or approval under Sections A.13.5.1 and A.13.5.2 reveal failure of the portions of the Work to comply with requirements established by the Design-Build Documents, all costs made necessary by such failure, including those of repeated procedures, shall be at the Design-Builder's expense.

§ A.13.5.4 Required certificates of testing, inspection or approval shall, unless otherwise required by the Design-Build Documents, be secured by the Design-Builder and promptly delivered to the Owner.

§ A.13.5.5 If the Owner is to observe tests, inspections or approvals required by the Design-Build Documents, the Owner will do so promptly and, where practicable, at the normal place of testing.

§ A.13.5.6 Tests or inspections conducted pursuant to the Design-Build Documents shall be made promptly to avoid unreasonable delay in the Work.

§ A.13.6 COMMENCEMENT OF STATUTORY LIMITATION PERIOD

§ A.13.6.1 As between the Owner and Design-Builder:

- .1 **Before Substantial Completion.** As to acts or failures to act occurring prior to the relevant date of Substantial Completion, any applicable statute of limitations shall commence to run and any alleged cause of action shall be deemed to have accrued in any and all events not later than such date of Substantial Completion;

- .2 **Between Substantial Completion and Final Application for Payment.** As to acts or failures to act occurring subsequent to the relevant date of Substantial Completion and prior to issuance of the final Application for Payment, any applicable statute of limitations shall commence to run and any alleged cause of action shall be deemed to have accrued in any and all events not later than the date of issuance of the final Application for Payment; and
- .3 **After Final Application for Payment.** As to acts or failures to act occurring after the relevant date of issuance of the final Application for Payment, any applicable statute of limitations shall commence to run and any alleged cause of action shall be deemed to have accrued in any and all events not later than the date of any act or failure to act by the Design-Builder pursuant to any Warranty provided under Section A.3.5, the date of any correction of the Work or failure to correct the Work by the Design-Builder under Section A.12.2, or the date of actual commission of any other act or failure to perform any duty or obligation by the Design-Builder or Owner, whichever occurs last.

ARTICLE A.14 TERMINATION OR SUSPENSION OF THE DESIGN-BUILD CONTRACT

§ A.14.1 TERMINATION BY THE DESIGN-BUILDER

§ A.14.1.1 The Design-Builder may terminate the Design-Build Contract if the Work is stopped for a period of 30 consecutive days through no act or fault of the Design-Builder or a Contractor, Subcontractor or their agents or employees or any other persons or entities performing portions of the Work under direct or indirect contract with the Design-Builder, for any of the following reasons:

- .1 issuance of an order of a court or other public authority having jurisdiction which requires all Work to be stopped;
- .2 an act of government, such as a declaration of national emergency which requires all Work to be stopped;
- .3 the Owner has failed to make payment to the Design-Builder in accordance with the Design-Build Documents; or
- .4 the Owner has failed to furnish to the Design-Builder promptly, upon the Design-Builder's request, reasonable evidence as required by Section A.2.2.8.

§ A.14.1.2 The Design-Builder may terminate the Design-Build Contract if, through no act or fault of the Design-Builder or a Contractor, Subcontractor or their agents or employees or any other persons or entities performing portions of the Work under direct or indirect contract with the Design-Builder, repeated suspensions, delays or interruptions of the entire Work by the Owner, as described in Section A.14.3, constitute in the aggregate more than 100 percent of the total number of days scheduled for completion, or 120 days in any 365-day period, whichever is less.

§ A.14.1.3 If one of the reasons described in Sections A.14.1.1 or A.14.1.2 exists, the Design-Builder may, upon seven days' written notice to the Owner, terminate the Design-Build Contract and recover from the Owner payment for Work executed and for proven loss with respect to materials, equipment, tools, and construction equipment and machinery, including reasonable overhead, profit and damages.

§ A.14.1.4 If the Work is stopped for a period of 60 consecutive days through no act or fault of the Design-Builder or a Contractor or their agents or employees or any other persons performing portions of the Work under a direct or indirect contract with the Design-Builder because the Owner has persistently failed to fulfill the Owner's obligations under the Design-Build Documents with respect to matters important to the progress of the Work, the Design-Builder may, upon seven additional days' written notice to the Owner, terminate the Design-Build Contract and recover from the Owner as provided in Section A.14.1.3.

§ A.14.2 TERMINATION BY THE OWNER FOR CAUSE

§ A.14.2.1 The Owner may terminate the Design-Build Contract if the Design-Builder:

- .1 persistently or repeatedly refuses or fails to supply enough properly skilled workers or proper materials;
- .2 fails to make payment to Contractors for services, materials or labor in accordance with the respective agreements between the Design-Builder and the Architect and Contractors;
- .3 persistently disregards laws, ordinances or rules, regulations or orders of a public authority having jurisdiction; or
- .4 otherwise is guilty of substantial breach of a provision of the Design-Build Documents.

§ A.14.2.2 When any of the above reasons exist, the Owner may without prejudice to any other rights or remedies of the Owner and after giving the Design-Builder and the Design-Builder's surety, if any, seven days' written notice, terminate employment of the Design-Builder and may, subject to any prior rights of the surety:

- .1 take possession of the site and of all materials, equipment, tools, and construction equipment and machinery thereon owned by the Design-Builder;
- .2 accept assignment of contracts pursuant to Section A.5.5.1; and
- .3 finish the Work by whatever reasonable method the Owner may deem expedient. Upon request of the Design-Builder, the Owner shall furnish to the Design-Builder a detailed accounting of the costs incurred by the Owner in finishing the Work.

§ A.14.2.3 When the Owner terminates the Design-Build Contract for one of the reasons stated in Section A.14.2.1, the Design-Builder shall not be entitled to receive further payment until the Work is finished.

§ A.14.2.4 If the unpaid balance of the Contract Sum exceeds costs of finishing the Work and other damages incurred by the Owner and not expressly waived, such excess shall be paid to the Design-Builder. If such costs and damages exceed the unpaid balance, the Design-Builder shall pay the difference to the Owner.

§ A.14.3 SUSPENSION BY THE OWNER FOR CONVENIENCE

§ A.14.3.1 The Owner may, without cause, order the Design-Builder in writing to suspend, delay or interrupt the Work in whole or in part for such period of time as the Owner may determine.

§ A.14.3.2 The Contract Sum and Contract Time shall be adjusted for increases in the cost and time caused by suspension, delay or interruption as described in Section A.14.3.1. Adjustment of the Contract Sum shall include profit. No adjustment shall be made to the extent:

- .1 that performance is, was or would have been so suspended, delayed or interrupted by another cause for which the Design-Builder is responsible; or
- .2 that an equitable adjustment is made or denied under another provision of the Design-Build Contract.

§ A.14.4 TERMINATION BY THE OWNER FOR CONVENIENCE

§ A.14.4.1 The Owner may, at any time, terminate the Design-Build Contract for the Owner's convenience and without cause.

§ A.14.4.2 Upon receipt of written notice from the Owner of such termination for the Owner's convenience, the Design-Builder shall:

- .1 cease operations as directed by the Owner in the notice;
- .2 take actions necessary, or that the Owner may direct, for the protection and preservation of the Work; and
- .3 except for Work directed to be performed prior to the effective date of termination stated in the notice, terminate all existing contracts and purchase orders and enter into no further contracts and purchase orders.

§ A.14.4.3 In the event of termination for the Owner's convenience prior to commencement of construction, the Design-Builder shall be entitled to receive payment for design services performed, ~~costs incurred by reason of such termination and reasonable overhead and profit on design services not completed.~~ In case of termination for the Owner's convenience after commencement of construction, the Design-Builder shall be entitled to receive payment for Work executed ~~and costs incurred by reason of such termination, along with reasonable overhead and profit on the Work not executed.~~

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A 6-1-07

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6.8-07

 **AIA** Document A141™ – 2004 Exhibit B

Determination of the Cost of the Work

for the following PROJECT:

(Name and location or address)

South Kentucky RECC
Somerset Office
Somerset, Kentucky 42503

THE OWNER:

(Name and address)
South Kentucky RECC
925-929 N. Main Street
Somerset, Kentucky 42503

THE DESIGN-BUILDER:

(Name and address)
D. W. Wilburn, Inc.
153 Blue Sky Parkway
Lexington, Kentucky 40509

This document has important legal consequences. Consultation with an attorney is encouraged with respect to its completion or modification. Consultation with an attorney is also encouraged with respect to professional licensing requirements in the jurisdiction where the Project is located.

ARTICLE B.1 CONTROL ESTIMATE

§ B.1.1 Where the Contract Sum is the Cost of the Work, plus the Design-Builder's Fee without a Guaranteed Maximum Price pursuant to Section 4.3 of the Agreement, the Design-Builder shall prepare and submit to the Owner prior to the Design-Builder's first Application for Payment, in writing, a Control Estimate. The Control Estimate shall include the estimated Cost of the Work plus the Design-Builder's Fee. The Control Estimate shall be used to monitor actual costs.

§ B.1.2 The Control Estimate shall include:

- .1 the documents enumerated in Article 8 of the Agreement, including all Addenda thereto and the Terms and Conditions of the Contract;
- .2 a statement of the estimated Cost of the Work showing separately the compensation for design services, construction costs organized by trade categories or systems and the Design-Builder's Fee; and
- .3 contingencies for further development of design and construction.

§ B.1.3 The Design-Builder shall meet with the Owner to review the Control Estimate. In the event that the Owner discovers any inconsistencies or inaccuracies in the information presented, it shall promptly notify the Design-Builder, who shall make appropriate adjustments to the Control Estimate. When the Control Estimate is acceptable to the Owner, the Owner shall acknowledge its acceptance in writing. The Owner's acceptance of the Control Estimate does not imply that the Control Estimate constitutes a Guaranteed Maximum Price.

§ B.1.4 The Design-Builder shall develop and implement a detailed system of cost control that will provide the Owner with timely information as to the anticipated total Cost of the Work. The cost control system shall compare the Control Estimate with the actual cost for activities in progress and estimates for uncompleted tasks and proposed changes. This information shall be reported to the Owner, in writing, no later than the Design-Builder's first Application for Payment and shall be revised monthly or at other intervals as mutually agreed.

ARTICLE B.2 COSTS TO BE REIMBURSED

§ B.2.1 COST OF THE WORK

The term Cost of the Work shall mean costs necessarily incurred by the Design-Builder in the proper performance of the Work. Such costs shall be at rates not higher than the standard paid at the place of the Project except with prior consent of the Owner. The Cost of the Work shall include only the items set forth in this Article B.2.

§ B.2.2 LABOR COSTS

§ B.2.2.1 Wages of construction workers directly employed by the Design-Builder to perform the construction of the Work at the site or, with the Owner's approval, at off-site locations.

§ B.2.2.2 Wages or salaries of the Design-Builder's supervisory and administrative personnel when stationed at the site with the Owner's approval.

§ B.2.2.3 Wages and salaries of the Design-Builder's supervisory or administrative personnel engaged at factories, workshops or on the road, in expediting the production or transportation of materials or equipment required for the Work, but only for that portion of their time required for the Work.

§ B.2.2.4 Costs paid or incurred by the Design-Builder for taxes, insurance, contributions, assessments and benefits required by law or collective bargaining agreements and, for personnel not covered by such agreements, customary benefits such as sick leave, medical and health benefits, holidays, vacations and pensions, provided such costs are based on wages and salaries included in the Cost of the Work under Sections B.2.2.1 through B.2.2.3.

§ B.2.3 CONTRACT COSTS

§ B.2.3.1 Payments made by the Design-Builder to Contractors in accordance with the requirements of their contracts.

§ B.2.4 COSTS OF MATERIALS AND EQUIPMENT INCORPORATED IN THE COMPLETED CONSTRUCTION

§ B.2.4.1 Costs, including transportation and storage, of materials and equipment incorporated or to be incorporated in the completed construction.

§ B.2.4.2 Costs of materials described in the preceding Section B.2.4.1 in excess of those actually installed to allow for reasonable waste and spoilage. Unused excess materials, if any, shall become the Owner's property at the completion of the Work or, at the Owner's option, shall be sold by the Design-Builder. Any amounts realized from such sales shall be credited to the Owner as a deduction from the Cost of the Work.

§ B.2.5 COSTS OF OTHER MATERIALS AND EQUIPMENT, TEMPORARY FACILITIES AND RELATED ITEMS

§ B.2.5.1 Costs, including transportation and storage, installation, maintenance, dismantling and removal of materials, supplies, temporary facilities, machinery, equipment, and hand tools not customarily owned by construction workers, that are provided by the Design-Builder at the site and fully consumed in the performance of the Work; and cost (less salvage value) of such items if not fully consumed, whether sold to others or retained by the Design-Builder. The basis for the cost of items previously used by the Design-Builder shall mean the fair market value.

§ B.2.5.2 Rental charges for temporary facilities, machinery, equipment, and hand tools not customarily owned by construction workers that are provided by the Design-Builder at the site, whether rented from the Design-Builder or others, and costs of transportation, installation, minor repairs and replacements, dismantling and removal thereof. Rates and quantities of equipment rented shall be subject to the Owner's prior approval.

§ B.2.5.3 Costs of removal of debris from the site.

§ B.2.5.4 Cost of document reproductions, facsimile transmissions and long-distance telephone calls, postage and parcel delivery charges, telephone service at the site and reasonable petty cash expenses of the site office.

§ B.2.5.5 That portion of the reasonable expenses of the Design-Builder's personnel incurred while traveling in discharge of duties connected with the Work.

§ B.2.5.6 Costs of materials and equipment suitably stored off the site at a mutually acceptable location, if approved in advance by the Owner.

§ B.2.6 DESIGN AND OTHER CONSULTING SERVICES

§ B.2.6.1 Compensation, including fees and reimbursable expenses, paid by the Design-Builder for design and other consulting services required by the Design-Build Documents.

§ B.2.7 MISCELLANEOUS COSTS

§ B.2.7.1 That portion of insurance and bond premiums that can be directly attributed to this Design-Build Contract.

§ B.2.7.2 Sales, use or similar taxes imposed by a governmental authority that are related to the Work.

§ B.2.7.3 Fees and assessments for the building permit and for other permits, licenses and inspections for which the Design-Builder is required by the Design-Build Documents to pay.

§ B.2.7.4 Fees of laboratories for tests required by the Design-Build Documents, except those related to defective or non-conforming Work for which reimbursement is excluded by Section A.13.5.3 of Exhibit A, Terms and Conditions, or other provisions of the Design-Build Documents, and which do not fall within the scope of Section A.13.5.3.

§ B.2.7.5 Royalties and license fees paid for the use of a particular design, process or product required by the Design-Build Documents; the cost of defending suits or claims for infringement of patent rights arising from such requirement of the Design-Build Documents; and payments made in accordance with legal judgments against the Design-Builder resulting from such suits or claims and payments of settlements made with the Owner's consent. However, such costs of legal defenses, judgments and settlements shall not be included in the calculation of the Design-Builder's Fee or subject to the Guaranteed Maximum Price. If such royalties, fees and costs are excluded by the last sentence of Section A.3.16.1 of Exhibit A, Terms and Conditions, or other provisions of the Design-Build Documents, then they shall not be included in the Cost of the Work.

§ B.2.7.6 Data processing costs related to the Work.

§ B.2.7.7 Deposits lost for causes other than the Design-Builder's negligence or failure to fulfill a specific responsibility to the Owner as set forth in the Design-Build Documents.

§ B.2.7.8 Legal, mediation and arbitration costs, including attorneys' fees, other than those arising from disputes between the Owner and Design-Builder, reasonably incurred by the Design-Builder in the performance of the Work and with the Owner's prior written approval, which approval shall not be unreasonably withheld.

§ B.2.7.9 Expenses incurred in accordance with the Design-Builder's standard personnel policy for relocation and temporary living allowances of personnel required for the Work, if approved by the Owner.

§ B.2.8 OTHER COSTS AND EMERGENCIES

§ B.2.8.1 Other costs incurred in the performance of the Work if and to the extent approved in advance in writing by the Owner.

§ B.2.8.2 Costs due to emergencies incurred in taking action to prevent threatened damage, injury or loss in case of an emergency affecting the safety of persons and property, as provided in Section A.10.6 of Exhibit A, Terms and Conditions.

§ B.2.8.3 Cost of repairing or correcting damaged or non-conforming Work executed by the Design-Builder, Contractors, Subcontractors or suppliers, provided that such damaged or non-conforming Work was not caused by negligence or failure to fulfill a specific responsibility of the Design-Builder and only to the extent that the cost of repair or correction is not recoverable by the Design-Builder from insurance, sureties, Contractors, Subcontractors or suppliers.

ARTICLE B.3 COSTS NOT TO BE REIMBURSED

§ B.3.1 The Cost of the Work shall not include:

§ B.3.1.1 Salaries and other compensation of the Design-Builder's personnel stationed at the Design-Builder's principal office or offices other than the site office, except as specifically provided in Sections B.2.2.2 and B.2.2.3.

§ B.3.1.2 Expenses of the Design-Builder's principal office and offices other than the site office.

§ B.3.1.3 Overhead and general expenses, except as may be expressly included in Article B.2 of this Exhibit.

§ B.3.1.4 The Design-Builder's capital expenses, including interest on the Design-Builder's capital employed for the Work.

§ B.3.1.5 Rental costs of machinery and equipment, except as specifically provided in Section B.2.5.2.

§ B.3.1.6 Except as provided in Section B.2.8.3 of this Agreement, costs due to the negligence or failure of the Design-Builder to fulfill a specific responsibility of the Design-Builder, Contractors, Subcontractors and suppliers or anyone directly or indirectly employed by any of them or for whose acts any of them may be liable.

§ B.3.1.7 Any cost not specifically and expressly described in Article B.2, Costs to be Reimbursed.

§ B.3.1.8 Costs, other than costs included in Change Orders approved by the Owner, that would cause the Guaranteed Maximum Price, if any, to be exceeded.

ARTICLE B.4 DISCOUNTS, REBATES AND REFUNDS

§ B.4.1 Cash discounts obtained on payments made by the Design-Builder shall accrue to the Owner if (1) before making the payment, the Design-Builder included them in an Application for Payment and received payment from the Owner, or (2) the Owner has deposited funds with the Design-Builder with which to make payments; otherwise, cash discounts shall accrue to the Design-Builder. Trade discounts, rebates, refunds and amounts received from sales of surplus materials and equipment shall accrue to the Owner, and the Design-Builder shall make provisions so that they can be secured.

§ B.4.2 Amounts that accrue to the Owner in accordance with the provisions of Section B.4.1 shall be credited to the Owner as a deduction from the Cost of Work.

ARTICLE B.5 CONTRACTS AND OTHER AGREEMENTS OTHER THAN FOR DESIGN PROFESSIONALS HIRED BY THE DESIGN-BUILDER

§ B.5.1 Those portions of the Work that the Design-Builder does not customarily perform with the Design-Builder's own personnel shall be performed by others under contracts or by other appropriate agreements with the Design-Builder. The Owner may designate specific persons or entities from whom the Design-Builder shall obtain bids. The Design-Builder shall obtain bids from Contractors and from suppliers of materials or equipment fabricated especially for the Work and shall deliver such bids to the Owner. The Owner shall then determine which bids will be accepted. The Design-Builder shall not be required to contract with anyone to whom the Design-Builder has reasonable objection.

§ B.5.2 Contracts or other agreements shall conform to the applicable payment provisions of this Design-Build Contract, and shall not be awarded on the basis of cost plus a fee without the Owner's prior consent.

ARTICLE B.6 ACCOUNTING RECORDS

§ B.6.1 The Design-Builder or any affiliated person or entity which performs a portion of the Work shall keep full and detailed accounts and exercise such controls as may be necessary for proper financial management under this Agreement, and the accounting and control systems shall be satisfactory to the Owner. The Owner and the Owner's accountants shall be afforded access to, and shall be permitted to audit and copy, the Design-Builder's records, books, correspondence, instructions, receipts, contracts, purchase orders, vouchers, memoranda and other data relating to this Agreement, and the Design-Builder shall preserve these for a period of three years after final payment, or for such longer period as may be required by law.

§ B.6.2 When the Design-Builder believes that all the Work required by the Agreement has been fully performed, the Design-Builder shall deliver to the Owner's accountant a final accounting of the Cost of the Work.

§ B.6.3 The Owner's accountants will review and report in writing on the Design-Builder's final accounting within 21 days after delivery of the final accounting. Based upon such Cost of the Work as the Owner's accountants report to be substantiated by the Design-Builder's final accounting, and provided the other conditions of Section A.9.10 of the Agreement have been met, the Owner will, within seven days after receipt of the written report of the Owner's accountants, notify the Design-Builder in writing of the Owner's intention to make final payment or to withhold final payment.

§ B.6.4 If the Owner's accountants report the Cost of the Work as substantiated by the Design-Builder's final accounting to be less than claimed by the Design-Builder, the Design-Builder shall be entitled to initiate resolution of the dispute pursuant to Article 6 of the Agreement and Article A.4 of Exhibit A, Terms and Conditions, for the disputed amount. If the Design-Builder fails to so initiate resolution of the dispute within the period of time required by Section A.4.1.2 of Exhibit A, Terms and Conditions, the substantiated amount reported by the Owner's accountants shall become binding on the Design-Builder. Pending a final resolution pursuant to Article 6 of the Agreement and Article A.4 of Exhibit A,

Terms and Conditions, the Owner shall pay the Design-Builder the amount, if any, determined by the Owner's accountant to be due the Design-Builder.

§ B.6.5 If, subsequent to final payment and at the Owner's request, the Design-Builder incurs costs in connection with the correction of defective or non-conforming work as described in Article B.2, Costs to be Reimbursed, and not excluded by Article B.3, Costs Not to be Reimbursed, the Owner shall reimburse the Design-Builder such costs and the Design-Builder's Fee applicable thereto on the same basis as if such costs had been incurred prior to final payment, but not in excess of the Guaranteed Maximum Price, if any. If the Design-Builder has participated in savings as provided in Section 4.4.3.1 of the Agreement, the amount of such savings shall be recalculated and appropriate credit given to the Owner in determining the net amount to be paid by the Owner to the Design-Builder.

 **AIA**® Document A141™ – 2004 Exhibit C

Insurance and Bonds

for the following PROJECT:

(Name and location or address)

South Kentucky RECC
Somerset Office
Somerset, Kentucky 42503

THE OWNER:

(Name and address)

South Kentucky RECC
925-929 N. Main Street
Somerset, Kentucky 42503

THE DESIGN-BUILDER:

(Name and address)

D. W. Wilburn, Inc.
153 Blue Sky Parkway
Lexington, Kentucky 40509

This document has important legal consequences. Consultation with an attorney is encouraged with respect to its completion or modification. Consultation with an attorney is also encouraged with respect to professional licensing requirements in the jurisdiction where the Project is located.

ARTICLE C.1

The Owner and Design-Builder shall provide policies of liability insurance as required by the Design-Build Documents, or as follows:

(Specify changes, if any, to the requirements of the Design-Build Documents, and for each type of insurance identify applicable limits and deductible amounts.)

Builders Risk and General Liability insurance to be provided prior to start of work.

ARTICLE C.2

The Design-Builder shall provide surety bonds as follows:

(Specify type and penal sum of bonds.)

100% Payment & Performance Bond based on contract amount to be determined.

§ C.2.1 Upon the request of any person or entity appearing to be a potential beneficiary of bonds covering payment of obligations arising under the Agreement, the Design-Builder shall promptly furnish a copy of the bonds or shall permit a copy to be made.



Exhibit 8
46-57

The Design Build Contract list a guaranteed maximum price under Section 4.42. This amount will be entered and signed off on once the final bid negotiation have been completed and agreed upon.

The Original Guarantee Maximum Price was the budget projection of the project dated February 2, 2005.

The Second Guaranteed Maximum Price was the total of the bids once the design bid process was completed dated May 15, 2008.

The last Guaranteed Maximum Price is the document dated February 26, 2009, that factored in construction price deflation.

849918
47-57

South Kentucky RECC - Budget Figures
New Headquarters

2/5/2008

ORIGINAL PROJECT COST ESTIMATE
(per attachment to contract dated 6/1/07)

Office Bldg/Associated Site (45,000 sf @ \$175 sf) \$7,875,000.00
Garage Bldg/Associated Site (60,000 sf @ \$100 sf) \$6,000,000.00

\$7,875,000.00 (Original #'s)
\$6,000,000.00 (Original #'s)

TOTAL BUDGETED NUMBER \$13,875,000.00

\$13,875,000.00 (Original #'s)

REVISED PROJECT COST ESTIMATE
(per 7/1/07 correspondence)

Amphitheater Arena
Earthwork (9 acres @ \$30,000 per acre) \$270,000.00
Asphalt Paving (1,700 sq yds @ \$25 per sq yd) \$42,500.00
Retaining Walls at Terrace Seating (10,500 @ \$25) \$252,500.00
Landscaping (Allowance) \$45,000.00
Concrete Aisles/Steps (400 cy @ \$400) \$160,000.00
Covered Stage Building (2,700 sf @ \$150) \$405,000.00
RV Hook Ups (2 @ \$12,500) \$25,000.00
Sound System (Allowance) \$100,000.00
Site Lighting (Allowance) \$50,000.00
Event Parking (23.5 acres @ \$15,000) \$352,500.00
Seeding @ event parking (23.5 acres @ \$2,500) \$58,750.00

\$245,000.00 49,000 cyd @ \$5.00
\$50,000.00 Storm Drainage (LS)
\$42,500.00
\$45,000.00
\$160,000.00
\$202,500.00 Shell only
\$25,000.00
\$100,000.00
\$50,000.00
\$352,500.00
\$58,750.00

Amphitheater TOTAL \$1,761,250.00

\$1,231,250.00

REVISED PROJECT COST ESTIMATE
(per 9/1/07 correspondence)

8+14.15
48-57

Service Road & Covered Fleet Parking

Earthwork (7 acres @ \$60,000)	\$420,000.00
Heavy Duty Asphalt (11,000 sq yds @ \$35)	\$385,000.00
Heavy Duty Asphalt Lot/Parking (14,500 sq yds @ \$35)	\$507,000.00
Covered Parking (50,000 sf @ \$20)	\$1,000,000.00

Service Road & Covered Fleet Parking TOTAL

\$2,312,000.00

Gravel Pole Storage

Earthwork (5 acres @ \$60,000)	\$300,000.00
Gravel Paving (3,600 sq yds @ \$10)	\$36,000.00

Gravel Pole Storage TOTAL

\$336,000.00

Design Fees

Tate Hill Jacobs	\$430,000.00
GRW, Inc.	\$127,640.00
John L Carman	\$97,000.00
Brown Kubican	\$105,600.00
TOTAL FEES	\$760,240.00

TOTAL PROJECTED COSTS (BUDGET)

\$19,044,490.00

REVISED SITE NUMBERS BASED ON JOHN CARMAN PLAN 1/23/08

REVISED BUDGET AS OF 2/5/08

Add 5% Contingency

TOTAL REVISED CONSTRUCTION COST BUDGET

\$110,000.00	22,000 cyd @ \$5.00
\$50,000.00	Storm Drainage (LS)
\$385,000.00	
\$507,000.00	
\$500,000.00	25,000 sf @ \$20.00

\$1,552,000.00

\$40,000.00	8,000 cyd @ \$5.00
\$20,000.00	Storm Drainage (LS)
\$36,000.00	

\$96,000.00

Design Fees

Tate Hill Jacobs	\$430,000.00
GRW, Inc.	\$127,640.00
John L Carman (Added Site Work)	\$220,000.00
Brown Kubican	\$105,600.00
TOTAL FEES	\$883,240.00

\$17,637,490.00

\$1,104,350.00

\$18,741,840.00

\$937,092.00

\$19,678,932.00

Exhibit 8
49-57

5-15-08

South KY RECC New Building Complex

Division One	Sub-Contractor/Supplier	Notes & Comments	Bid Day Quotes	Used Quotes
General Requirement	DWW/	Total Package	\$443,388.00	\$443,388.00
Division Two				
Earthwork/Storm	Weddle Enterprises	Total Package	\$1,498,750.00	\$1,498,750.00
	McGowan Excavation	Total Package	\$1,588,639.00	
	Kay & Kay	Total Package	\$1,795,000.00	
Asphalt and Curb	Hinkle	Total Package	\$1,149,604.00	\$1,149,604.00
	Kay & Kay	Total Package	\$1,164,000.00	
Earthwork for Concrete	DWW	Total Package	\$229,437.00	\$229,437.00
Concrete Pavement	DWW/	Total Package	\$313,447.00	\$313,447.00
Concrete Sidewalks	DWW/	Total Package	\$66,083.00	\$66,083.00
Territe Control	Heritage Pest	Total Package	\$10,500.00	\$10,500.00
	Blackdiamond	Total Package	\$10,975.95	
		(wrong sqft, used their unit price with correct sqft)		
Landscape	Miracle Lawn	Total Package	\$356,125.00	\$356,125.00
	East Tennessee Lawn	Total Package	\$360,000.00	
	Hillenmeyer Landscape	Total Package	\$523,704.82	
Fence	Geddes Fence	Total Package	\$179,180.00	\$186,680.00
		(Add dumpster gate \$7,500 to final price)		
	Flemer Brothers	Total Package	\$159,500.00	
		(No dumpster gate, chainlink fence at warehouse)		
Site Furnishing	Atlas	Total Package	\$2,167.00	\$2,167.00
Division Three				
Blding/Concrete	DWW/	Total Package	\$1,707,712.00	\$1,707,712.00
		(price includes I.C.F. material quote)		
I.C.F Material	Holdfast	Total Package	\$93,004.40	
		(Used, due to their installation cost)		
	Reward Wall Systems	Incomplete Package	\$91,942.50	

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			(wrong sqft)				
	Dixie ICF, LLC	Total Package		\$95,232.00			
Division Four	Masonry	Southerland Masonry	Total Package	\$556,636.00		\$556,636.00	
		Roger Carmide	Total Package	\$586,636.00			
		Burton Masonry	Total Package	\$596,136.00			
		Houston Barger	Total Package	\$638,142.00			
Division Five	Metal	Fab Steel Inc.	Total Package	\$545,372.00		\$545,372.00	
		G & G Contracting	Total Package	\$608,650.00			
			(addition quotes coming Friday)				
	Railings	Designer Pallets	Total Package	\$117,240.00		\$117,240.00	
	Steel Trusses	Gravhawk	Total Package	\$269,821.00		\$269,821.00	
		Tri-State	Total Package	\$283,157.00			
	Metal Column Cover	Out to Bid	Total Package	\$1,985.00		\$1,985.00	
Division Six	Custom Cabinets	Kentucky Caseworks	Total Package	\$38,400.00		\$38,400.00	
		Kitchen/Breakroom	Out to Bid roughly	\$42,295.00		\$42,295.00	
	Heavy Timber Decking	Gaylon Lumber	Total Package	\$10,143.00		\$10,143.00	
	Rough Carpentry	DWW	Total Package	\$77,700.00		\$77,700.00	
Division Seven	Roofers	Isaacs Specialty	Total Package	\$608,300.00		\$608,300.00	
		Dixie Roofing	Total Package	\$623,600.00			
		JBK Roofing	Total Package	\$638,500.00			
		JC Industries	Total Package	\$735,000.00			
		Kerkin Roofing	Total Package	\$772,874.00			
	Caulking	ABG Caulking	Total Package	\$57,350.00		\$57,350.00	
		South Central Caulking	Incomplete Package	\$5,135,000.00			
	Spray Insulation	Omni	Total Package	\$344,900.00		\$344,900.00	
		Priority 1 Construction	Total Package	\$350,000.00			
	Air Barrier	DWW	Total Package	\$827.00		\$827.00	

	Water Repellent	DWW	Total Package		\$22,000.00	\$22,000.00
Division Eight						
	Doors, Frames, Hardware	Atlas	Total Package	(final price includes dw labor cost)	\$129,249.00	\$164,429.00
	Overhead Colling Doors	Overhead Doors	Total Package		\$136,470.00	\$136,470.00
		Door Authority	Total Package		\$154,175.00	
		Somerset -Burnside	Total Package		\$154,528.00	
Division Nine						
	Glazing	Stanford Glass	Total Package		\$207,000.00	\$207,000.00
		Bluegrass Doors	Total Package		\$232,300.00	
		Rogers Aluminum	Total Package		\$263,500.00	
		Green River Glass	Incomplete Package	(no glass entrance, sunshades, or nitros)	\$258,000.00	
Division Ten						
	Gyp, Ceiling, Flooring	Bennett's Carpet	Total Package		\$768,000.00	\$768,000.00
		Wildier Enterprises	Total Package		\$837,400.00	
		C K Construction	Incomplete Package	(No, sheet Carpet, resilient carpet)	\$776,194.00	
		House of Carpet	Incomplete Package		\$78,400.58	
				(No, gyp, ceiling, and cork, rubber tile)		
	Ceramic Tile and Terrazzo	Martina Bros	Total Package		\$75,728.00	\$75,728.00
		Rosa Mosaic	Total Package		\$93,663.00	
	Painting	Fox Painting	Total Package		\$148,100.00	\$148,100.00
		Boggs Painting	Total Package	(additional quotes Friday)	\$262,400.00	
Division Eleven						
	Specialties	Atlas	Total Package		\$115,248.00	\$115,248.00
		Division X Specialties	Incomplete Package	(doesn't include outside signage)		
		New Line	Incomplete Package	(doesn't include outside signage)		
				(doesn't include outside signage)		
		Pole Tech		Just Flagpole		
		Smith Architectural		Just Flagpole		
Division Twelve						
	Banking Equipment	Quality Service Installation	Total Package		\$25,440.00	\$25,440.00
	Dock Leveler	Overhead Doors	Total Package		\$14,098.00	\$14,098.00

	Dock Bumper	Atlas	Total Package		\$301.00	\$301.00
Division Twelve	Floor Mats	Atlas	Total Package		\$2,925.00	\$2,925.00
		C/S Group	Total Package		\$3,872.00	
		Kadee Industries	Total Package		\$3,985.00	
	Roller Shades	Dixie Lite-Trol Company	Total Package		\$44,240.00	\$44,240.00
Division Thirteen	Office, Maintenance building	G&G Contracting Co	Total Package		\$1,156,577.00	\$1,234,903.00
		Ceco Building Systems	Material Only		\$852,261.00	
			(Fleet Canopy excluded by DW)			
Division Fourteen	Conveying Systems	D-C Elevator Company	Total Package		\$44,590.00	\$44,590.00
Division Fifteen	Mechanical	Foster Heating	Total Package		\$2,429,570.00	\$2,429,570.00
		FREI Plumbing	Total Package		\$2,546,650.00	
		Epperson	Incomplete Package		\$2,654,831.00	
			(added outside package 335,330)			
	Fire Protection	Rough Estimate	Total Package		\$2,929,570.00	\$500,000.00
			(budget number only: design not complete)			
Division Sixteen	Electrical	Diamond Electrical Inc	Total Package		\$1,874,132.00	\$1,874,132.00
		Fayette Electrical Service	Total Package		\$2,050,420.00	
		F.I.E Electrical Inc	Incomplete Package		\$1,625,675.00	
			(Incomplete light package)			
	Bond/Insurance					\$288,577.00
	Design Fee's					\$883,240.00
	5% Contractor's Fee					\$909,577.00
	Total Budget					\$18,523,430.00
	5% Contingency					\$866,264.00

Exhibits
53-57

D. W. WILBURN, INC.

153 Blue Sky Parkway
Lexington, Kentucky 40509
(859) 263-2720
FAX (859) 263-5692

February 26th, 2009

South Kentucky RECC
925-929 N. Main Street
Somerset, Kentucky 42503

ATTN: Allen Anderson

RE: South Kentucky RECC Corporate Administration & Operations Facility

Please find attached our "in house" projections for construction price deflation we are now experiencing. Please note that these are strictly in house projections and before contracts can be written, pricing will need to be reconfirmed with each low bidder on the project.

Should you have any further questions, feel free to contact me.

Sincerely,
D. W. Wilburn, Inc.



Doug Wilburn
President

South KY RECC New Building Complex

Division	Sub-Contractor/Supplier	Notes & Comments	Bid Day Quotes	Used Quotes	Projected Deflation
Division One					
General Requirement	DWW	Total Package	\$443,388.00	\$443,388.00	\$440,000.00
Division Two					
Earthwork/Storm	Weddie Enterprises	Total Package	\$1,498,750.00	\$1,498,750.00	\$1,400,000.00
	McGowan Excavation	Total Package	\$1,588,639.00		
	Kay & Kay	Total Package	\$1,795,000.00		
Asphalt and Curb	Hinkle	Total Package	\$1,149,604.00	\$1,149,604.00	\$1,050,000.00
	Kay & Kay	Total Package	\$1,164,000.00		
Earthwork for Concrete	DWW	Total Package	\$229,437.00	\$229,437.00	\$210,000.00
Concrete Pavement	DWW	Total Package	\$313,447.00	\$313,447.00	\$330,000.00
Concrete Sidewalks	DWW	Total Package	\$66,083.00	\$66,083.00	\$70,000.00
Termite Control	Heritage Pest	Total Package	\$10,500.00	\$10,500.00	\$12,000.00
	Blackdiamond	Total Package	\$10,975.95		
		(wrong sqft, used their unit price with correct sqft)			
Landscape	Miracle Lawn	Total Package	\$356,125.00	\$356,125.00	\$330,000.00
	East Tennessee Lawn	Total Package	\$360,000.00		
	Hillmeyer Landscape	Total Package	\$523,704.82		
Fence	Geddes Fence	Total Package	\$179,180.00	\$186,680.00	\$165,000.00
		(Add dumpster gate \$7,500 to final price)			
	Flemer Brothers	Total Package	\$159,500.00		
		(No dumpster gate, chainlink fence at warehouse)			
Site Furnishing	Atlas	Total Package	\$2,167.00	\$2,167.00	\$2,500.00
Division Three					
Blding/Concrete	DWW	Total Package	\$1,707,712.00	\$1,707,712.00	\$1,536,950.00
		(price includes I.C.F material quote)			
I.C.F Material	Holdfast	Total Package	\$93,004.40		\$100,000.00
		(used, due to their installation cost)			
	Reward Wall Systems	Incomplete Package	\$91,942.50		

		(Wrong sqft)						
	Dixie ICF, LLC	Total Package	\$95,232.00					
Division Four								
Masonry	Southerland Masonry	Total Package	\$556,636.00					\$550,000.00
	Roger Carmicle	Total Package	\$586,636.00					
	Burton Masonry	Total Package	\$596,136.00					
	Houston Barger	Total Package	\$638,142.00					
Division Five								
Metal	Fab Steel Inc.	Total Package	\$545,372.00					\$450,000.00
	G & G Contracting	Total Package	\$608,650.00					
	Railings Designer Pallets	Total Package	\$117,240.00					\$120,000.00
		(addition quotes coming Friday)						
	Steel Trusses Grayhawk	Total Package	\$269,821.00					\$230,000.00
	Tri-State	Total Package	\$283,157.00					
	Metal Column Cover	Total Package	\$1,985.00					\$2,000.00
Division Six								
Custom Cabinets	Kentucky Caseworks	Total Package	\$38,400.00					\$35,000.00
	Kitchen/Breakroom	Out to Bid roughly	\$42,295.00					\$40,000.00
	Heavy Timber Decking	Total Package	\$10,143.00					\$10,000.00
	Gaylon Lumber							
	Rough Carpentry	Total Package	\$77,700.00					\$65,000.00
	DWW							
Division Seven								
Roofer's	Isaacs Specialty	Total Package	\$608,300.00					\$550,000.00
	Dixie Roofing	Total Package	\$623,600.00					
	JBK Roofing	Total Package	\$638,500.00					
	JC Industries	Total Package	\$735,000.00					
	Kerkin Roofing	Total Package	\$772,874.00					
	Caulking	Total Package	\$57,350.00					\$50,000.00
	ABG Caulking	Incomplete Package	\$5,135,000.00					
	South Central Caulking							
	Spray Insulation	Total Package	\$344,900.00					\$315,000.00
	Omni	Total Package	\$350,000.00					
	Priority 1 Construction							
	Air Barrier	Total Package	\$827.00					\$1,000.00
	DWW							

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Water Repellent	DWW	Total Package		\$22,000.00	\$22,000.00	\$20,000.00
Division Eight						
Doors, Frames, Hardware	Atlas	Total Package		\$129,249.00	\$164,429.00	\$155,000.00
			(final price includes dw labor cost)			
Overhead Coiling Doors	Overhead Doors	Total Package		\$136,470.00	\$136,470.00	\$130,000.00
	Door Authority	Total Package		\$154,175.00		
	Somersel - Burnside	Total Package		\$154,528.00		
Glazing	Stanford Glass	Total Package		\$207,000.00	\$207,000.00	\$185,000.00
	Bluegrass Doors	Total Package		\$232,300.00		
	Rogers Aluminum	Total Package		\$263,500.00		
	Green River Glass	Incomplete Package		\$258,000.00		
			(no glass entrance, sunshades, or mirrors)			
Division Nine						
Gyp, Ceiling, Flooring	Bennett's Carpet	Total Package		\$768,000.00	\$768,000.00	\$740,000.00
	Wilder Enterprises	Total Package		\$837,400.00		
	C K Construction	Incomplete Package		\$776,194.00		
			(No, sheet Carpet, resilient carpet)			
	House of Carpet	Incomplete Package		\$78,400.58		
			(No, gyp, ceiling, and cork rubber tile)			
Ceramic Tile and Terrazzo	Martina Bros	Total Package		\$75,728.00	\$75,728.00	\$75,000.00
	Rosa Mosaic	Total Package		\$93,663.00		
Painting	Fox Painting	Total Package		\$148,100.00	\$148,100.00	\$140,000.00
	Boggs Painting	Total Package		\$262,400.00		
			(additional quotes Friday)			
Division Ten						
Specialties	Atlas	Total Package		\$115,248.00	\$115,248.00	\$115,000.00
	Division X Specialties	Incomplete Package				
			(doesn't include outside signage)			
	New Line	Incomplete Package				
			(doesn't include outside signage)			
	Pole Tech	Just Flagpole				
	Smith Architectural	Just Flagpole				
Division Eleven						
Banking Equipment	Quality Service Installation	Total Package		\$25,440.00	\$25,440.00	\$25,000.00
Dock Leveler	Overhead Doors	Total Package		\$14,098.00	\$14,098.00	\$15,000.00