

MINUTES FOR OCTOBER 18, 2010
COLUMBUS, KANSAS, CHEROKEE COUNTY
OFFICE OF THE COUNTY CLERK
CRYSTAL L. GATEWOOD

The Cherokee County Commissioners met October 18, 2010. Commissioners Garner, Hilderbrand, and Collins were present. The Pledge of Allegiance was said by all present. Commissioner Collins made a motion to approve the minutes for October 4, 2010 as presented by County Clerk Crystal Gatewood, his motion was seconded by Commissioner Garner, and all three commissioners voted in favor and signed off. Commissioner Garner made a motion to approve the minutes for October 12, 2010 as presented by Clerk Gatewood, his motion was seconded by Commissioner Collins, and all three commissioners voted in favor and signed off. Commissioner Collins made a motion to approve and pay October 2010 Mid-Month Accounts Payables, his motion was seconded by Commissioner Garner, and all three commissioners voted in favor. Those signing off on the documentation were Commissioners Collins, Garner, Hilderbrand, and County Clerk Gatewood.

EXECUTIVE SESSIONS

Commissioner Hilderbrand made a motion to go into **Executive Session for fifteen minutes for Non-Elected Personnel** with himself, and Commissioners Collins and Garner, his motion was seconded by Commissioner Garner, and all three commissioners voted in favor. They went in 9:07 AM and returned at 9:23 AM.

Commissioner Hilderbrand made a motion to go into **Executive Session for five minutes for Non-Elected Personnel** with himself, Commissioners Collins and Garner, and County Attorney John Bullard, his motion was seconded by Commissioner Garner, and all three commissioners voted in favor. They went in at 10:12 AM and returned at 10:16 AM.

Commissioner Collins made a motion to go into **Executive Session for ten minutes for Attorney/Client Privilege** with himself, Commissioners Garner and Hilderbrand, and County Counselor Kevin Cure, his motion was seconded by Commissioner Garner, and all three commissioners voted in favor. They went in at 11:50 AM and returned at 12:02 PM.

MOTIONS MADE BY COMMISSION

Commissioner Hilderbrand made a motion to approve Loan Agreement #C201745-01 for the Sewer District, his motion was seconded by Commissioner Collins, and all three commissioners voted in favor. The minutes for this motion are attached to these minutes (October 18, 2010).

RK

Commissioner Hilderbrand made a motion approve and pass Resolution No. 14-2010, a resolution authorizing the execution of a Loan Agreement between Cherokee County, Kansas, Sewer District #1, and the State of Kansas, his motion was seconded by Commissioner Collins, and voting yes were Commissioners Hilderbrand, Garner, and Collins. Those signing off on the resolution were Commissioners Hilderbrand, Collins, Garner, Cherokee County Clerk Crystal Gatewood, and County Counselor Kevin Cure. (A copy of Resolution 14-2010 is attached to these minutes)

Commissioner Garner made a motion that the county would pay an additional time and a half to 21 County Lot Workers who worked on December 25, 2009, for that day, for snow removal and the extra money would be an additional check separate from their regular paycheck, his motion was seconded by Commissioner Collins, and all three commissioners voted in favor.

OTHER BUSINESS

Gene Langerot and Leonard Vanatta of Road and Bridge came before the commission to discuss the delivery of the new dump trucks to the lot on October 18, 2010. They received a check from Clerk Gatewood in the amount of \$386,910.00 for the payment due when they were delivered. The commission had already approved the amount to be a paid at a previous meeting.

The Cherokee County Commission met with the County Department Heads to discuss a pay scale for county employees and the grade where each county would employee fit. The commission scale is a 1 tier pay scale and the Department Heads did not understand how the pay grades were measured because all Departments and Offices have different functions and job duties. Therefore, the commission asked the Department Heads to meet and discuss the pay grades and get back with them afterward to discuss it. The Department Heads will meet Thursday, October 21, 2010 at 10:00 AM at the Sheriff's Department.

Ralph Houser submitted the two bids for the elevator in the courthouse (a copy of both bids is attached to these minutes); the commission agreed with Mr. Houser that the KONE bid for \$152,545.00 was better after looking over the specifications. Commissioner Collins requested Clerk Gatewood to contact the banks on financing the project and get back with the commission after she has the information.

RH

EXCERPT OF MINUTES OF A MEETING OF THE GOVERNING BODY OF THE COUNTY OF CHEROKEE COUNTY, KANSAS HELD ON OCTOBER 18, 2010

The Governing Body of the County met in regular session at the usual meeting place in the County, at 9:00 a.m., the following members being present and participating, to-wit: Jack G. Garner, Richard J. Hilderbrand and Patrick W. Collins.

Absent: none.

The Chairman declared that a quorum was present and called the meeting to order.

Other proceedings occurring on October 18, 2010, than those described below are or will be provided by an additional rendition of the official meeting minutes.

Thereupon, there was presented a Resolution entitled:

A RESOLUTION AUTHORIZING THE EXECUTION OF A LOAN AGREEMENT BETWEEN CHEROKEE COUNTY, KANSAS, SEWER DISTRICT #1 AND THE STATE OF KANSAS, ACTING BY AND THROUGH THE KANSAS DEPARTMENT OF HEALTH AND ENVIRONMENT FOR THE PURPOSE OF OBTAINING A LOAN FROM THE KANSAS WATER POLLUTION CONTROL REVOLVING FUND FOR THE PURPOSE OF FINANCING A WASTEWATER TREATMENT PROJECT; ESTABLISHING A DEDICATED SOURCE OF REVENUE FOR REPAYMENT OF SUCH LOAN; AUTHORIZING AND APPROVING CERTAIN DOCUMENTS IN CONNECTION THEREWITH; AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION WITH THE LOAN AGREEMENT.

Thereupon, Commissioner ^{Hilderbrand of} Garner moved that said Resolution be passed. The motion was seconded by Commissioner Collins. Said Resolution was duly read and considered, and upon being put, the motion for the passage of said Resolution was carried by the vote of the Governing Body, the vote being as follows:

Yes: Hilderbrand, Collins and Garner;

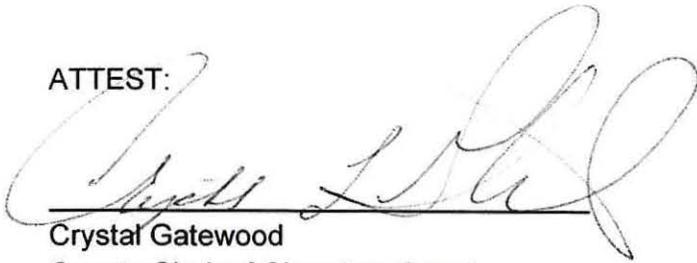
No: none.

Thereupon, the Chairman declared said Resolution duly passed and the Resolution was then duly numbered Resolution No. 14-2010 and was signed and approved by the Chairman and attested by the Clerk. The Clerk was directed to publish the Resolution one time in the official newspaper of the County.

On motion duly made, seconded and carried, the meeting thereupon adjourned after the completion of other items as reflected in separate minutes as to all other proceedings of the Cherokee County Commissioners occurring on October 18, 2010, other than those described above.

RH

ATTEST:

A handwritten signature in cursive script, appearing to read "Crystal Gatewood", written over a horizontal line.

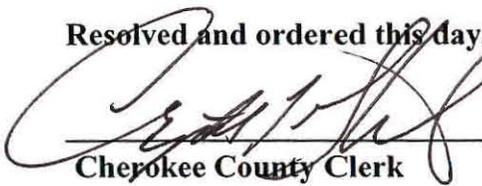
Crystal Gatewood

County Clerk of Cherokee County,
Kansas, attests and certifies as to the
accuracy of the official minutes of the
proceedings related to the passage
and execution of Resolution 14 - 2010,
on October 18, 2010

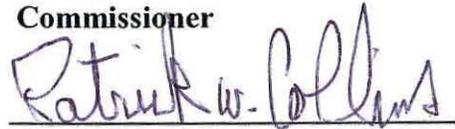
ADJOURNMENT

Commissioner Collins made a motion to adjourn at 12:22 PM, his motion was seconded by Commissioner Garner, and all three commissioners voted in favor. The next Cherokee County Commission Meeting will be held October 25, 2010 at 9:00 AM in the Cherokee County Courthouse in Columbus, Kansas. The commissioners will adjourn at 12:00 PM.

Resolved and ordered this day, October 25, 2010


Cherokee County Clerk

Commissioner



Commissioner


Commissioner

(Published in the *official county newspaper* on October 20, 2010)

RESOLUTION NO. 14- 2010

A RESOLUTION AUTHORIZING THE EXECUTION OF A LOAN AGREEMENT BETWEEN CHEROKEE COUNTY, KANSAS, SEWER DISTRICT #1 AND THE STATE OF KANSAS, ACTING BY AND THROUGH THE KANSAS DEPARTMENT OF HEALTH AND ENVIRONMENT FOR THE PURPOSE OF OBTAINING A LOAN FROM THE KANSAS WATER POLLUTION CONTROL REVOLVING FUND FOR THE PURPOSE OF FINANCING A WASTEWATER TREATMENT PROJECT; ESTABLISHING A DEDICATED SOURCE OF REVENUE FOR REPAYMENT OF SUCH LOAN; AUTHORIZING AND APPROVING CERTAIN DOCUMENTS IN CONNECTION THEREWITH; AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION WITH THE LOAN AGREEMENT.

WHEREAS, the Federal Water Quality Act of 1987 (the "Federal Act") established revolving fund program for public wastewater treatment systems to assist in financing the costs of infrastructure needed to achieve or maintain compliance with the Federal Act and to protect the public health and authorized the Environmental Protection Agency (the "EPA") to administer a revolving loan program operated by the individual states; and

WHEREAS, to fund the state revolving fund program, the EPA will make annual capitalization grants to the states, on the condition that each state provide a state match for such state's revolving fund; and

WHEREAS, by passage of the Kansas Water Pollution Control Revolving Fund Act, K.S.A. 65-3321 through 65-3329, inclusive (the "Loan Act"), the State of Kansas (the "State") has established the Kansas Water Pollution Control Revolving Fund (the "Revolving Fund") for purposes of the Federal Act; and

WHEREAS, under the Loan Act, the Secretary of the Kansas Department of Health and Environment ("KDHE") is given the responsibility for administration and management of the Revolving Fund; and

WHEREAS, the Kansas Development Finance Authority (the "Authority") and KDHE have entered into a Pledge Agreement (the "Pledge Agreement") pursuant to which KDHE agrees to enter into Loan Agreements with Municipalities for public wastewater treatment projects (the "Projects") and to pledge the Loan Repayments (as defined in the Pledge Agreement) received pursuant to such Loan Agreements to the Authority; and

WHEREAS, the Authority is authorized under K.S.A. 7-4-8905(a) and the Loan Act to issue revenue bonds (the "Bonds") for the purpose of providing funds to implement the State's requirements under the Federal Act and to loan the same, together with available funds from the EPA capitalization grants, to Municipalities within the State for the payment of Project Costs (as said terms are defined in the Loan Act); and

WHEREAS, Cherokee County, Kansas, Sewer District #1, Kansas (the "Municipality")

is a municipality as said term is defined in the Loan Act which operates a wastewater collection and treatment system (the "System"); and

WHEREAS, the System is a public Wastewater Treatment Works, as said term is defined in the Loan Act; and

WHEREAS, the Municipality has, pursuant to the Loan Act, submitted an Application to KDHE to obtain a loan from the Revolving Fund to finance the costs of improvements to its System consisting of the following:

Replacement of two existing sewage Lift Stations with new duplex submersible sewage pump stations (the "Project"); and

WHEREAS, the Municipality has taken all steps necessary and has complied with the provisions of the Loan Act and the provisions of K.A.R. 28-16-110 to 28-16-138 (the "Regulations") applicable thereto necessary to qualify for the loan; and

WHEREAS, KDHE has informed the Municipality that it has been approved for a loan in amount of not to exceed Two Hundred Fifty-Five Thousand Dollars [\$255,000] (the "Loan") in order to finance the Project; and

WHEREAS, principal forgiveness of certain construction and design cost is presented in the Loan Agreement; and

WHEREAS, the governing body of the Municipality hereby finds and determines that it is necessary and desirable to accept the Loan and to enter into a loan agreement and certain other documents relating thereto, and to take certain actions required in order to implement the Loan Agreement.

THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE COUNTY OF CHEROKEE COUNTY, KANSAS, SEWER DISTRICT #1:

Section 1. Authorization of Loan Agreement. The Municipality is hereby authorized to accept the Loan and to enter into a certain Loan Agreement, with an effective date of July 26, 2010, with the State of Kansas acting by and through the Kansas Department of Health and Environment (the "Loan Agreement") to finance the Project Costs (as defined in the Loan Agreement). The Chairman and Clerk are hereby authorized to execute the Loan Agreement in substantially the form presented to the governing body this date, with such changes or modifications thereto as may be approved by the Chairman and the County Counselor, the Chairman's execution of the Loan Agreement being conclusive evidence of such approval.

Section 2. Establishment of Dedicated Source of Revenue for Repayment of Loan. Pursuant to the Loan Act, the Municipality hereby establishes a dedicated source of revenue for repayment of the Loan. In accordance therewith, the Municipality shall impose and collect such rates, fees and charges for the use and services furnished by or through the System, including all improvements and additions thereto hereafter constructed or

acquired by the Municipality as will provide System Revenues or levy ad valorem taxes without limitation as to rate or amount upon all the taxable tangible property, real or personal, within the territorial limits of the Municipality to produce amounts which are sufficient to (a) pay the cost of the operation and maintenance of the System, (b) pay the principal of and interest on the Loan as and when the same become due, and (c) pay all other amounts due at any time under the Loan Agreement; provided, however, no lien or other security interest is granted by the Municipality to KDHE on the System Revenues under this Agreement. In the event that the System Revenues are insufficient to meet the obligations under the Loan and the Loan Agreement, the Municipality shall levy ad valorem taxes without limitation as to rate or amount upon all the taxable tangible property, real or personal, within the territorial limits of the Municipality to produce the amounts necessary for the prompt payment of the obligations under the Loan and Loan Agreement.

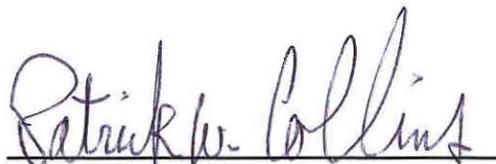
In accordance with the Loan Act, the obligations under the Loan and the Loan Agreement shall not be included within any limitation on the bonded indebtedness of the Municipality.

Section 3. Further Authority. The Chairman, Clerk and other County officials are hereby further authorized and directed to execute any and all documents and take such actions as they may deem necessary or advisable in order to carry out and perform the purposes of the Resolution, and to make alterations, changes or additions in the foregoing agreements, statements, instruments and other documents herein approved, authorized and confirmed which they may approve, and the execution or taking of such action shall be conclusive evidence of such necessity or advisability.

Section 4. Governing Law. The Resolution and the Loan Agreement shall be governed exclusively by and construed in accordance with the applicable laws of the State of Kansas.

Section 5. Effective Date. This Resolution shall take effect and be in full force from and after its passage by the governing body of the County and publication in the official County newspaper.

Adopted and executed this 18th day of October, 2010, by the BOARD OF COMMISSIONERS OF CHEROKEE COUNTY, KANSAS.



Patrick W. Collins
County Commissioner

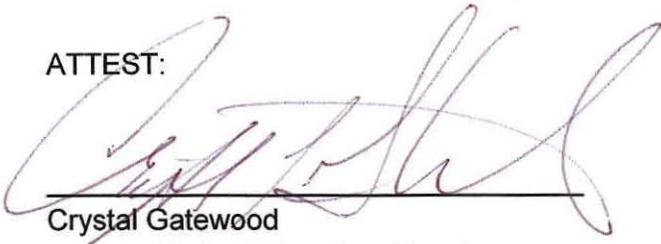


Richard J. Hilderbrand, Chairman
County Commissioner



Jack G. Garner
County Commissioner

ATTEST:



Crystal Gatewood
County Clerk of Cherokee County,
Kansas
Resolution 14 - 2010

APPROVED AS TO FORM:



Kevin Cure
Cherokee County Counselor

LOAN AGREEMENT

Between

**THE KANSAS DEPARTMENT OF HEALTH AND ENVIRONMENT
ACTING ON BEHALF OF
THE STATE OF KANSAS**

AND

**CHEROKEE COUNTY S.D. #1, KANSAS
KWPCRF PROJECT NO. C20 1745 01**

EFFECTIVE AS OF JULY 26, 2010

The interest of the Kansas Department of Health and Environment ("KDHE") in the Loan Repayments to be made by the Municipality and certain other revenues (the "Revenues") under this Loan Agreement have been pledged and assigned to the Kansas Development Finance Authority (the "Authority") pursuant to a Pledge Agreement, between KDHE and the Authority. The interest of the Authority in the Revenues has been pledged as security for the payment of the principal of, redemption premium, if any, and interest on the Authority's Kansas Water Pollution Control Revolving Fund Revenue Bonds, pursuant to a Master Bond Resolution adopted by the Authority.

LOAN AGREEMENT

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**KANSAS WATER POLLUTION CONTROL REVOLVING FUND
LOAN AGREEMENT**

THIS LOAN AGREEMENT, effective as of July 26, 2010 by and between the KANSAS DEPARTMENT OF HEALTH AND ENVIRONMENT ("KDHE"), acting on behalf of THE STATE OF KANSAS (the "State"), and CHEROKEE COUNTY S.D. #1, KANSAS, a "Municipality" according to K.S.A. 65-3321 hereinafter referenced as the "Municipality";

WITNESSETH:

WHEREAS, the Federal Water Quality Act of 1987 (the "Federal Act") established a state revolving fund program as a means to phase-out the Environmental Protection Agency (EPA) construction grants program and replace it with a revolving loan program operated by the individual states; and

WHEREAS, to fund the state revolving fund program, the EPA will make annual capitalization grants to the states, on the condition that each state provide a state match for such state's revolving fund; and

WHEREAS, by passage of the Kansas Water Pollution Control Revolving Fund Act, K.S.A. 65-3321 through 65-3329, inclusive (the "Loan Act"), the State of Kansas (the "State") has established the Kansas Water Pollution Control Revolving Fund (the "Revolving Fund") for purposes of the Federal Act; and

WHEREAS, under the Loan Act, the Secretary (the "Secretary") of the Kansas Department of Health and Environment ("KDHE") is given the responsibility for administration and management of the Revolving Fund; and

WHEREAS, the Secretary, the Kansas Department of Administration, Division of Accounts and Reports ("the DOA"), and the Kansas Development Finance Authority (the "Authority") have entered into an Inter-Agency Agreement effective March 1, 1999, (the "Inter-Agency Agreement"), to define the cooperative relationship between KDHE, DOA, and the Authority, to jointly administer certain provisions of the Loan Act; and

WHEREAS, the Authority and KDHE have supplemented the Inter-Agency Agreement by entering into a Combined Master Pledge Agreement, dated as of November 1, 1992, as the same has been amended and may be further amended and supplemented from time to time, (jointly the "Pledge Agreement"), pursuant to which KDHE agrees to enter into Loan Agreements with Municipalities (as defined in the Loan Act) for Wastewater Treatment Projects (the "Projects") and to pledge the Loan Repayments received pursuant to such Loan Agreements and certain other revenues to the Authority; and

WHEREAS, the Authority is authorized under K.S.A. 74-8905(a) and the Loan Act to issue revenue bonds (the "Bonds") for the purpose of providing funds to implement the State's requirements under the Federal Act and to loan the same, together with available funds from the EPA capitalization grants, to Municipalities within the State for the payment of Project Costs (as said terms are defined in the Loan Act);

WHEREAS, the Municipality has made timely application to KDHE for a Loan to finance all or a portion of the Project Costs; and

WHEREAS, KDHE has approved the Municipality's application for a Loan, subject to the receipt of capitalization grants from the EPA pursuant to the Federal Act and proceeds of the Bonds when issued by the Authority; and

NOW, THEREFORE, for and in consideration of the award of the Loan by KDHE, the Municipality agrees to complete its Project and to perform under this Loan Agreement in accordance with the conditions, covenants and procedures set forth herein and attached hereto as a part hereof, as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. The following terms as used in this Loan Agreement shall, unless the context clearly requires otherwise, have the following meanings:

"Act" means the Constitution and laws of the State, including particularly the Loan Act and K.S.A. 74-8905(a), as amended and supplemented.

"Additional Payments" means the payments described in **Section 2.06** hereof.

"Additional Revenue Obligations" means any obligation for the payment of money undertaken by the Municipality which is payable from or secured by a pledge of, or lien upon, the System Revenues incurred after the date of execution and delivery of this Loan Agreement, and all Existing Revenue Obligations.

"Authority" means the Kansas Development Finance Authority, a public body politic and corporate and an instrumentality of the State, and its successors and assigns.

"Authorized Municipality Representative" means any person authorized pursuant to a resolution of the governing body of the Municipality to perform any act or execute any document relating to the Loan, or this Loan Agreement.

“Bonds” means the Kansas Development Finance Authority, Water Pollution Control Revolving Loan Fund Revenue Bonds, issued in one or more series, pursuant to Master Bond Resolution No. 37, and supplements thereto.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations thereunder promulgated by the Department of the Treasury.

“Dedicated Source of Revenue” shall have the meaning ascribed thereto in *Exhibit B* attached hereto.

“EPA” means the Environmental Protection Agency of the United States, its successors and assigns.

“Event of Default” means any occurrence of the following events:

(a) failure by the Municipality to pay, or cause to be paid, any Loan Repayment required to be paid hereunder when due;

(b) failure by the Municipality to observe and perform any duty, covenant, obligation or agreement on its part to be observed or performed under this Loan Agreement, other than as referred to in paragraph (a) of this Section, which failure shall continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the Municipality by KDHE, unless KDHE shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in such notice is correctable but cannot be corrected within the applicable period KDHE may not unreasonably withhold its consent to an extension of such time up to 90 days from the delivery of the written notice referred to above if corrective action is instituted by the Municipality within the applicable period and diligently pursued until the Event of Default is corrected;

(c) failure by the KDHE to observe and perform any duty, covenant, obligation or agreement on its part to be observed or performed under this Agreement which shall continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to KDHE by the Municipality, unless the Municipality shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in such notice is correctable but cannot be corrected within the applicable period the Municipality may not unreasonably withhold its consent to an extension of such time up to 90 days from the delivery of the written notice referred to above if corrective action is instituted by KDHE within the applicable period and diligently pursued until the Event of Default is corrected;

(d) any representation made by or on behalf of the Municipality contained in this Loan Agreement, or in any instrument furnished in compliance with or with reference to this Loan Agreement or the Loan, is intentionally false or misleading in any material respect;

(e) any representation made by or on behalf of KDHE contained in this Agreement, or in any instrument furnished in compliance with or with reference to this Agreement, is intentionally false or misleading in any material respect;

(f) a petition is filed by or against the Municipality under any federal or state bankruptcy or insolvency law or other similar law in effect on the date of this Loan Agreement or thereafter enacted, unless in the case of any such petition filed against the Municipality, such petition shall be dismissed within thirty (30) days after such filing and such dismissal shall be final and not subject to appeal;

(g) the Municipality shall generally fail to pay its debts as such debts become due;

(h) failure of KDHE to promptly pay any Project Costs when reasonably requested to do so by the Municipality pursuant to **Section 2.03** hereof.

“Existing Revenue Obligation” means any obligation for the payment of money undertaken by the Municipality, which is payable from or secured, by a pledge of, or lien upon, the System Revenues existing or outstanding at the time of execution and delivery of this Loan Agreement by the Municipality.

“Federal Act” means the Federal Water Quality Act of 1987, as amended.

“GAAP” means generally accepted accounting principles as applicable to municipal utility systems.

“Indebtedness” means any financial obligation of the Municipality evidenced by an instrument executed by the Municipality, including this Loan, Existing Revenue Obligations, Additional Revenue Obligations, general obligation bonds or notes, lease or lease-purchase agreement or similar financial transactions.

“KDHE” means the Kansas Department of Health and Environment or its successors in interest.

“Loan Act” means the Constitution and laws of the State of Kansas, including particularly K.S.A. 65-3321 through 65-3329, inclusive, as amended and supplemented.

“Loan Agreement” means this Loan Agreement, including the Exhibits attached hereto, as it may be supplemented, modified or amended from time to time in accordance with the terms hereof.

“Loan Repayments” means the payments payable by the Municipality pursuant to **Section 2.05** of this Loan Agreement.

“Loan Terms” means the terms of this Loan Agreement provided in *Article II* hereof.

“Municipality” means Cherokee County S.D. #1, Kansas, its successors and assigns.

“Principal Forgiveness” means the portion of the Loan Amount that is forgiven, as presented in Section 2.01 Amount of the Loan and in Exhibit B, and will not be required to be repaid.

“Project” means the acquisition, construction, improvement, repair, rehabilitation or extension of the System described in *Exhibit A* hereto, which constitutes a project pursuant to the Loan Act for which KDHE is making a Loan to the Municipality pursuant to this Loan Agreement.

“Project Costs” means all costs or expenses which are necessary or incident to the Project and which are directly attributable thereto, including, but not limited to: (a) costs of any Loan reserves; (b) interest on the Loan during the construction of the Project; (c) principal of and interest on any temporary financing obligations issued by the Municipality to pay Project Costs; and (d) financing and administrative costs associated with the Loan Agreement.

“Regulations” means Kansas Administrative Regulations (K.A.R.) 28-16-110 to 28-16-138, and any amendments thereto promulgated by KDHE pursuant to the Loan Act.

“Revolving Fund” means the Kansas Water Pollution Control Revolving Fund established by the Loan Act.

“SEC Rule” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as may be amended from time to time or such other similar rule regarding disclosure of information in securities transactions.

“Secretary” means the Secretary of KDHE

“State” means the State of Kansas, acting, unless otherwise specifically indicated, by and through KDHE, and its successors and assigns.

“System” means the wastewater collection and treatment system of the Municipality, as the same may be modified or enlarged from time to time, including the Project described in *Exhibit A*, for which the Municipality is making the borrowing under this Loan Agreement, which constitutes or includes a Wastewater Treatment System.

“System Revenues” means all revenues derived by the Municipality from the ownership and operation of the System.

“Wastewater Treatment System” means any Wastewater Treatment Works, as defined in the Federal Act, that is publicly owned, and as further described in the Regulations.

Section 1.02. Rules of Interpretation.

(a) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders.

(b) Unless the context shall otherwise indicate, words importing the singular number shall include the plural and vice versa, and words importing persons shall include firms, associations and corporations, including public bodies, as well as natural persons.

(c) All references in this Loan Agreement to designated “Articles,” “Sections” and other subdivisions are, unless otherwise specified, to the designated Articles, Sections and subdivisions of this Loan Agreement as originally executed. The words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Loan Agreement as a whole and not to any particular Article, Section or other subdivision.

(d) The Table of Contents and the Article and Section headings of this Loan Agreement shall not be treated as a part of this Loan Agreement or as affecting the true meaning of the provisions hereof.

ARTICLE II

LOAN TERMS

Section 2.01. Amount of the Loan. Subject to all of the terms, provisions and conditions of this Loan Agreement, and subject to the availability of State and Federal funds and proceeds of Bonds, KDHE will loan an amount not to exceed Two Hundred Fifty-Five Thousands Dollars [\$255,000] to the Municipality to pay all or a portion of Project Costs described in *Exhibit A* hereto. The project is funded in part with FFY 2010 Federal funds in the amount of \$255,000 and will receive Principal Forgiveness in the amount not-to-exceed \$33,750. The final actual amount of the Loan and the amount of Principal Forgiveness may be reduced without revision of any other terms, provisions or conditions of this Loan Agreement, other than the Loan Repayment Schedule (*Exhibit B* hereto), to reflect reductions in the estimated or actual total Project Costs as impacted by opening of bids for construction, change orders, final actual costs, and prepayments. The Municipality shall be responsible for any costs incurred by the Municipality in connection with the Project in addition to the amount of the Loan. Any amendment to *Exhibit B* shall be effected by written amendment to the Loan Agreement executed by all parties.

Section 2.02. Interest Rate. The interest rate on the loan shall be [Gross Loan Rate] 2.61% per annum, which shall be assessed on the unpaid principal balance to be paid as set out in the Loan Repayment Schedule, *Exhibit B* hereto. This interest rate consists of a net loan interest rate, and a service fee, as described in *Exhibit B*. Any subsequent revision to the amount of the Loan or *Exhibit B* hereto shall not change the gross interest rate on the Loan.

Section 2.03. Disbursement of Loan Proceeds.

(a) Subject to the conditions described in this Section, KDHE agrees to disburse the proceeds of the Loan during the progress of the Project for Project Costs. Requests for disbursement may be submitted by the Municipality (in substantially the form attached hereto as *Exhibit E*), not more than once per month, in accordance with the procedures set forth by KDHE. Any request for disbursement must be supported by proper invoices and a certificate of the Authorized Municipality Representative to the effect that all representations made in this Loan Agreement remain true as of the date of the request and, based upon that information then available to such person, no adverse developments affecting the financial condition of the Municipality or its ability to complete the Project or to repay the Loan have occurred.

The Municipality may request disbursement for the following Project Costs:

(1) any eligible planning/design costs incurred prior to execution of this Loan Agreement;

(2) disbursement for eligible Project Costs if such Project Costs have been incurred and are due and payable to Project contractors (actual payment of such Project Costs by the Municipality is not required as a condition of the payment request); or

(3) interest becoming due on the Loan prior to the initial scheduled payment of principal; and

(4) the principal of and interest on any temporary financing obligations issued by the Municipality to pay Project Costs.

(b) KDHE shall not be under any obligation to disburse any Loan proceeds to the Municipality under this Loan Agreement unless:

(1) there are moneys available in the Revolving Fund to fund the Loan, as determined solely by KDHE;

(2) the Municipality shall certify to KDHE that it has executed a Project contract or contracts and has funds available to pay for that portion of the Project Costs not eligible (pursuant to the Loan Act or the Federal Act) to be funded under this Loan Agreement, if any;

(3) no Event of Default by the Municipality shall have occurred and be continuing; and

(4) the Municipality continues to maintain reasonable progress towards completion of the Project.

Section 2.04. Schedule of Compliance; Completion of Project.

(a) The Municipality agrees to complete the Project in accordance with the Conditions Applicable to Construction of the Project set forth in *Exhibit C* attached hereto.

(b) The completion of the construction of the Project shall be evidenced to KDHE by a certificate signed by the Authorized Municipality Representative stating: (1) that the construction of the Project has been completed in accordance with the plans and specifications therefore; and (2) that all Project Costs have been paid, except Project Costs the payment of which is not yet due or is being retained or contested in good faith by the Municipality. Such certificate shall be given not later than the date established by KDHE, which shall be approximately the date that the Project is capable of being placed into operation by the Municipality. Notwithstanding the foregoing, such certificate shall state that it is given without prejudice to any rights against third parties which exist at the date of such certificate or which may subsequently come into being.

Section 2.05. Repayment of the Loan.

(a) *Loan Repayments.* The Municipality shall pay to KDHE, on or before the due dates, installments of principal and interest on the Loan in accordance with *Exhibit B* attached hereto, until the Loan has been paid in full. Installments of principal and interest on the Loan shall be computed and paid in accordance with the Loan Repayment Schedule on *Exhibit B* as in effect at any time under this Loan Agreement. Notwithstanding any other provision of this Loan Agreement, the first payment of principal and interest due on the Loan shall be made the earlier of two years after receipt by the Municipality of the first disbursement under the Loan or one year after Project completion. The final installment of principal under the Loan shall be fully repaid not later than 20 years after Project completion.

(b) *Prepayment of the Loan.* The Municipality may prepay the outstanding principal of the Loan, in whole, or in part, at any time, without penalty, upon giving 60 days written notice to KDHE of its intent to so prepay; provided, however, a partial prepayment may be made only if the prepayment amount is the greater of 10% of the original principal amount of the Loan or \$50,000. A new *Exhibit B* will be prepared by KDHE following receipt of any acceptable partial prepayment, re-amortizing the remaining principal amount over the remaining term of the Loan.

Section 2.06. Additional Payments. The Municipality shall pay as Additional Payments the following amounts:

(a) Any amounts required to be paid by the Authority to the United States of America as arbitrage rebate, arising due to the Municipality's failure to expend proceeds of the Loan at the times certified to KDHE by the Municipality, that result in arbitrage rebate liability for the Authority, but only to the extent that the funds in the Rebate Fund established by the Master Resolution are insufficient to make such payments; and.

(b) All other payments of whatever nature which the Municipality has agreed to pay or assume hereunder.

ARTICLE III

REPRESENTATIONS AND COVENANTS OF MUNICIPALITY

Section 3.01. Representations of the Municipality. The Municipality makes the following representations:

(a) ***Organization and Authority.***

(1) The Municipality is a municipal corporation duly created and validly existing under and pursuant to the constitution and statutes of the State.

(2) The Municipality has full legal right and authority and all necessary licenses and permits required as of the date hereof to own, operate and maintain its System, to carry on its activities relating thereto, to execute and deliver this Loan Agreement, to undertake and complete the Project, and to carry out and consummate all transactions contemplated by this Loan Agreement.

(3) The Ordinance (adopted substantially in the form attached hereto as ***Exhibit F***) and other proceedings of the Municipality's governing body approving this Loan Agreement and authorizing its execution, issuance and delivery on behalf of the Municipality, and authorizing the Municipality to undertake and complete the Project have been duly and lawfully adopted.

(4) This Loan Agreement has been duly authorized, executed and delivered on behalf of the Municipality, and, constitutes the legal, valid and binding obligation of the Municipality enforceable in accordance with its terms.

(b) **Full Disclosure.** To the best knowledge of the Municipality, there is no fact that the Municipality has not disclosed to KDHE in writing on the Municipality's application for the Loan or otherwise that materially adversely affects or that will materially adversely affect the properties, activities, or its System, or the ability of the Municipality to make all Loan Repayments and otherwise observe and perform its duties, covenants, obligations and agreement under this Loan Agreement.

(c) **Non-Litigation.** There is no controversy, suit or other proceeding of any kind pending or threatened wherein or whereby any question is raised or may be raised, questioning, disputing or affecting in any way: (1) the legal organization of the Municipality; (2) its boundaries; (3) the right or title of any of its officers to their respective offices; (4) the legality of any official act taken in connection with obtaining the Loan; (5) the constitutionality or validity of the indebtedness represented by the Loan Agreement; (6) any of the proceedings had in relation to the authorization or execution of this Loan Agreement; (7) the collection of revenues of the System; (8) the levy and collection of unlimited *ad valorem* taxes to pay the principal of and interest on the Loan; or (9) the ability of the Municipality to make all Loan Repayments or otherwise observe and perform its duties, covenants, obligations and agreements under this Loan Agreement.

(d) **Compliance with Existing Laws and Agreements.** To the best knowledge of the Municipality, the authorization, execution and delivery of this Loan Agreement by the Municipality, and the performance by the Municipality of its duties, covenants, obligations and agreements the reunder will not result in any breach of any existing law or agreement to which the Municipality is a party.

(e) **No Defaults.** No event has occurred and no condition exists that would constitute an Event of Default. The Municipality is not presently aware of any violation of any agreement, which would materially adversely affect the ability of the Municipality to make all Loan Repayments or otherwise observe and perform its duties, covenants, obligations and agreements under this Loan Agreement.

(f) **Compliance with Law.** The Municipality has, to the best of the Authorized Municipality's Representative's knowledge:

(1) complied with all laws, ordinances, governmental rules and regulations to which it is subject, including, without limitation, any public hearing or public notice requirements or environmental review requirements contained in the Loan Act, the Regulations and the Federal Act, the failure to comply with which would materially adversely affect the ability of the Municipality to conduct its activities, enter into this Loan Agreement or undertake or complete the Project; and

(2) obtained all licenses, permits, franchises or other governmental authorizations presently necessary for the ownership of its property which, if not obtained, would materially adversely affect the ability of the Municipality to complete the Project or operate the Project.

(g) **Use of Loan Proceeds.** The Municipality will apply the proceeds of the Loan as described in *Exhibit D*: (1) to finance or refinance a portion of the Project Cost; and (2) where applicable, to reimburse the Municipality for a portion of the Project Costs, which portion was paid or incurred in anticipation of reimbursement by KDHE and is eligible for such reimbursement pursuant to the Regulations and the Code.

(h) **Project Costs.** The Municipality certifies that the Project Costs, as listed in *Exhibit D*, is a reasonable and accurate estimation and, upon direction of KDHE, will supply the same with a certificate from its engineer stating that such Costs are reasonable and accurate estimations, taking into account investment income to be realized during the course of construction of the Project, if any, and other lawfully available money that would, absent the Loan, have been used to pay the Project Costs.

Section 3.02. Particular Covenants of the Municipality.

(a) **Dedicated Source of Revenue for Repayment of the Loan.** The Municipality hereby establishes the Dedicated Source of Revenue described on *Exhibit B* attached hereto, which Dedicated Source of Revenue is hereby pledged to the Loan Repayments, Additional Payments and all other obligations of the Municipality under this Loan Agreement.

(b) **Performance Under Loan Agreement.** The Municipality covenants and agrees in the performance of its obligations under this Loan Agreement:

(1) to comply with all applicable State and federal laws, rules and regulations (including, but not limited to the conditions set forth in *Exhibit C* hereto) as are applicable to this Loan Agreement; and

(2) to cooperate with KDHE in the observance and performance of the respective duties, covenants, obligations and agreements of the Municipality and KDHE under this Loan Agreement (including, without limitation the requirements contained in *Exhibit C* hereto).

(c) **Completion of Project and Provision of Moneys Therefore.** The Municipality covenants and agrees:

(1) to exercise its best efforts in accordance with prudent utility practice to complete the Project and to so accomplish such completion on or before the estimated Project completion date set forth in *Exhibit C* hereto; and

(2) to provide, from its own financial resources, all moneys, in excess of the total amount of proceeds it receives under the Loan, required to complete the Project.

(d) **Delivery of Documents and Payment of Fees.** Concurrently with the delivery of this Loan Agreement and the closing of the Loan, the Municipality will cause to be delivered to KDHE:

(1) fully executed counterparts of this Loan Agreement;

(2) copies of the ordinance of the governing body of the Municipality authorizing the execution and delivery of this Loan Agreement, certified by an Authorized Municipality Representative, which shall be in substantially the form attached hereto as **Exhibit F** together with an affidavit of publication thereof in the official newspaper of the Municipality;

(3) an opinion of the Municipality's counsel substantially in the form set forth in **Exhibit G** attached hereto;

(4) such other certificates, documents, opinions and information as KDHE may reasonably require.

(e) **Operation and Maintenance of System.** The Municipality covenants and agrees that it shall, in accordance with prudent wastewater treatment utility practice:

(1) at all times operate the properties of its System in an efficient manner in accordance with applicable laws and regulations;

(2) maintain its System, making all necessary and proper repairs, renewals, replacements, additions, betterments and improvements necessary to maintain its System in good repair, working order and operating condition;

(3) implement any modification of the rates fees and charges for use of the System that comprise the Dedicated Source of Revenues as the Secretary may require to ensure repayment of the Loan in accordance with the provisions of the Loan Act; and

(4) take such other action as the Secretary may require in accordance with powers granted to the Secretary under the Loan Act and the Regulations.

(f) **Disposition of System.** The Municipality shall not sell, lease or otherwise transfer ownership of all or substantially all of its System without the consent of the Secretary. In no event shall the Municipality sell, abandon or otherwise transfer ownership of the System to any person or entity other than a city, county, township, sewer district, improvement district, or other political subdivision of the State, or any combination thereof,

that has legal responsibility to treat wastewater. The Municipality shall provide the Secretary with ninety (90) days' prior written notice to KDHE of such sale, lease or transfer. No such sale, lease or transfer shall be effective unless compliance is with the provisions of *Section 4.02* hereof, assuming such sale, lease or transfer is deemed to be an assignment for the purposes of such Section. The provisions of this paragraph shall not be construed to prohibit the lease of portions of the System by the Municipality in connection with a lease-purchase transaction to finance improvements to the System; provided that a termination or an event of default by the Municipality under such arrangement shall not have a material adverse effect on the Municipality's Dedicated Source of Revenues.

(g) **Records and Accounts**

(1) The Municipality shall keep accurate records and accounts for its System (the "System Records"), separate and distinct from its other records and accounts (the "General Accounts"). Such System Records shall be audited annually in accordance with generally accepted auditing standards if the total Disbursement of Loan Proceeds exceed \$25,000 for the Municipalities fiscal year. This audit shall be completed by an independent certified public accountant or firm of independent certified public accountants, or by an independent registered municipal accountant, and may be part of the single agency audit made on the Municipality's General Accounts in accordance with the Federal Single Audit Act of 1984, OMB Circular No. A-133, **Audits of States, Local Governments, and Non-Profit Organizations** as amended in 1996 and 2003 and as may be further amended and revised. Such System Records and General Accounts shall be made available for inspection by KDHE at any reasonable time, and a copy of the Municipality's annual audit, including all written comments and recommendations of such accountant, shall be furnished to KDHE within 270 days of the close of the Municipal Fiscal Year being so audited.

(2) The Municipality shall maintain Project accounts in accordance with generally accepted government accounting standards defined in the Government Accounting, Auditing, and Financial Reporting Manual (1994 Ed.), or any revised edition, issued by the Government Finance Officers Association.

(h) **Inspections.** The Municipality shall permit the EPA, KDHE and any party designated by KDHE to examine, visit and inspect, at any and all reasonable times, the property, if any, constituting the Project, and to inspect and make copies of any accounts, books and records, including (without limitation) its records regarding receipts, disbursements, contracts, investments and any other matters relating thereto and to its financial standing, including the System Records and General Accounts, and shall supply such reports and information as the EPA and KDHE may reasonably require in connection therewith.

(i) **Financial Information.** The Municipality specifically agrees to provide to KDHE a reasonable number of copies of such financial information and operating data of the Municipality and the System to the extent necessary for KDHE to comply with its continuing disclosure obligations set forth in the SEC Rule and the Pledge Agreement. Such financial information shall be accompanied by an audit report prepared in accordance with the provisions of *subsection (g)(2)* hereof, unless such subsection exempts the Municipality from such audit report requirement. The financial information shall be prepared in accordance with GAAP, unless the Municipality has received a waiver from such requirement as permitted by State Law. Any such requested financial information and operating data shall be supplied to KDHE within 270 days after the end of the Municipal Fiscal Year. Such requirement may be satisfied by submitting the Municipality's comprehensive annual financial report (CAFR) and/or annual report of its System, unless KDHE notifies the Municipality of the need for additional information. If an audit report is required to be prepared, but is not available within 270 days of the end of the Municipal Fiscal Year, un-audited financial information shall be provided to KDHE pending receipt of the audit report. In addition, the Municipality shall provide KDHE with prompt notification of the occurrence of certain material events. For purposes of this paragraph, "material event" shall mean: (a) principal and interest payment delinquencies on any Indebtedness; (b) non-payment related defaults in agreements authorizing any Indebtedness; (c) rating changes on any Indebtedness; (d) adverse tax opinions or events affecting the tax-exempt status of any Indebtedness; or (e) unscheduled draws on debt service reserves or credit enhancements on any Indebtedness reflecting financial difficulties.

(j) **Insurance.** The Municipality will carry and maintain such reasonable amount of all-risk insurance on all properties and all operations of its System as would be carried by similar municipal operators of Systems, insofar as the properties are of an insurable nature. The Municipality also will carry general liability insurance in amounts not less than the maximum liability of a governmental entity for claims arising out of a single occurrence, as provided by the Kansas Tort Claims Act, K.S.A. 75-6101 *et seq.*, or other similar future law (currently \$500,000 per occurrence).

(k) **Notice of Material Adverse Change.** The Municipality shall promptly notify KDHE of any material adverse change in the activities, prospects or condition (financial or otherwise) of the System, or in the ability of the Municipality to make all Loan Repayments and otherwise observe and perform its duties, covenants, obligations and agreements under this Loan Agreement.

(l) **Additional Covenants and Requirements.** The parties hereto acknowledge that this Loan Agreement may be assigned or pledged to secure financings of the Authority. Should it be necessary to modify any covenants or obtain or enhance the security of the financings, the parties agree to take all reasonable actions and make reasonable covenants and agreements necessary to accomplish such purpose to the extent permitted by applicable laws.

ARTICLE IV

ASSIGNMENT

Section 4.01. Assignment and Transfer by KDHE. The Municipality hereby approves and consents to any assignment or transfer of this Loan Agreement that KDHE deems necessary in connection with the operation and administration of the Revolving Fund. The Municipality hereby specifically approves the assignment and pledging of the Loan Repayments and Additional Payments to the Authority, and the Authority's pledging of all or a portion of the same to the Bonds.

Section 4.02. Assignment by the Municipality. This Loan Agreement may not be assigned by the Municipality for any reason, unless the following conditions shall be satisfied:

- (a) KDHE and the Authority shall have approved said assignment in writing;
- (b) the assignee is a city, county, township, sewer district, improvement district or other political subdivision of the State or any combination thereof that has legal responsibility to treat wastewater;
- (c) the assignee shall have expressly assumed in writing the full and faithful observance and performance of the Municipality's duties, covenants, and obligations under this Loan Agreement; provided, however, such assignment shall not relieve the Municipality of its duties, covenants, and obligations under this Loan Agreement;
- (d) the assignment will not adversely impact KDHE's ability to meet its duties, covenants and obligations to the Authority under the Pledge Agreement, nor may the sale endanger the exclusion from gross income for federal income tax purposes of the interest on the Bonds; and
- (e) the Municipality shall, at its expense, provide KDHE and the Authority with an opinion of a qualified attorney that each of the conditions set forth in *subparagraphs (b), (c), and (d)* hereof have been met.

ARTICLE V

EVENTS OF DEFAULT AND REMEDIES

Section 5.01. Notice of Default. If an Event of Default shall occur, the non-defaulting party shall give the party in default and the Authority prompt telephonic notice of the occurrence of such Event of Default, provided the non-defaulting party has knowledge of such Event of Default. Such telephonic notice shall be immediately followed by written notice of such Event of Default given in the manner set forth in **Section 6.01** hereof.

Section 5.02. Remedies on Default.

(a) Whenever an Event of Default shall have occurred and be continuing, KDHE or the Municipality shall have the right to take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and to become due or to enforce the performance and observance of any obligation or agreement of KDHE or the Municipality (including, without limitation, withholding remaining Loan disbursements, cancellation of the Loan Agreement and acceleration of the remaining scheduled principal payments set forth on *Exhibit B*, or such other remedies provided to the Secretary in the Loan Act and the Regulations.

(b) Upon the occurrence of an Event of Default on the part of KDHE, and to the extent permitted by law and availability of appropriated funds by the Kansas Legislature, KDHE shall, on demand, pay to the Municipality the reasonable fees and expenses incurred by the Municipality in the enforcement of performance or observation of any other duties, covenants, obligations or agreements of KDHE contained herein. Prior to incurring any such expenses, the Municipality shall provide written notice to KDHE that it intends to incur such expenses; provided, however, a failure by the Municipality to give such notice shall not affect the Municipality's right to receive payment for such expenses. Upon request by KDHE, the Municipality shall provide copies of statements evidencing the fees and expenses for which the Municipality is requesting payment.

Section 5.03. Expenses. Upon the occurrence of an Event of Default on the part of the Municipality, and to the extent permitted by law, the Municipality shall, on demand, pay to KDHE the reasonable fees and expenses incurred by KDHE in the collection of Loan Repayments or any other sum due hereunder or in the enforcement of performance or observation of any other duties, covenants, obligations or agreements of the Municipality contained herein. Prior to incurring any such expenses, KDHE shall provide written notice to the Municipality that it intends to incur such expenses; provided, however, a failure by KDHE to give such notice shall not affect KDHE's right to receive payment for such expenses. Upon request by the Municipality, KDHE shall provide copies of statements evidencing the fees and expenses for which KDHE is requesting payment.

Section 5.04. Application of Moneys. Any moneys collected by KDHE pursuant to **Section 5.02** hereof shall be applied: (a) first, to pay interest on the Loan as the same becomes due and payable; (b) second, to pay principal due and payable on the Loan; (c) third, to pay expenses owed by the Municipality pursuant to **Section 5.03** hereof; and (d) fourth, to pay any other amounts due and payable hereunder as such amounts become due and payable.

Section 5.05. No Remedy Exclusive; Waiver; Notice. No remedy herein conferred upon or reserved to the Parties hereto is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity. The parties hereto, in good faith, shall exercise such remedies with due diligence in a timely manner, however, no delay or omission to exercise any right, remedy or power accruing upon any Event of Default shall impair any such right, remedy or power or shall be construed to be a waiver thereof, but any such right, remedy or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the parties hereto to exercise any remedy reserved to them in this **Article V**, it shall not be necessary to give any notice, other than such notice as may be required in this **Article V**.

Section 5.06. Retention of Rights. Notwithstanding any assignment or transfer of this Loan Agreement pursuant to the provisions hereof, or anything else to the contrary contained herein, the parties hereto shall have the right upon the occurrence of an Event of Default to take any action, including (without limitation) bringing an action against the defaulting party at law or in equity, as such party may, in its discretion, deem necessary to enforce the obligations of the defaulting party pursuant to this Loan Agreement.

Section 5.07. Financial and Management. Upon failure of the Municipality to pay one or more installments of the Loan Repayments in a timely manner, or in the event that the Secretary deems it advisable or necessary, the Secretary, after consultation with the governing body of the Municipality, may require the Municipality to undergo a financial and management operations review. The governing body shall correct any deficiencies noted during such review and adopt charges or surcharges as may be required by the Secretary during the term of this Loan Agreement.

ARTICLE VI

MISCELLANEOUS

Section 6.01. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when: (a) hand delivered; (b) mailed by registered or certified United States mail, postage prepaid; or (c) via telefax, with confirmation in the manner set forth in *subsection (b)*, to the parties hereinafter set forth at the following addresses:

- (1) to KDHE:

Department of Health and
Environment
1000 SW Jackson Street, Suite 420
Topeka, Kansas 66612-1367
Attention: Bureau of Water

with a copy to its General Counsel

- (2) to the Authority:

Kansas Development Finance
Authority
555 South Kansas Avenue, Suite 202
Topeka, Kansas 66603
Attention: President,

with a copy to its General Counsel

- (3) to the Municipality:

at the address set forth on *Exhibit H*.

All notices given by telefax as aforesaid shall be deemed given as of the date of evidence of receipt thereof by the recipient. All notices given by registered or certified mail as aforesaid shall be deemed duly given as of the date they are so deposited in the United States Postal Service, if postage is prepaid. Any of the foregoing parties may designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent, by notice in writing given to the others.

Section 6.02. Binding Effect. This Loan Agreement shall inure to the benefit of and shall be binding upon KDHE and the Municipality and their respective successors and assigns.

Section 6.03. Severability. In the event any provision of this Loan Agreement shall be held illegal, invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate, render unenforceable or otherwise affect any other provision hereof.

Section 6.04. Amendments, Supplements and Modifications. This Loan Agreement may not be amended, supplemented or modified without the prior written consent of the Authority.

Section 6.05. Execution in Counterparts. This Loan Agreement may be executed in several counterparts, each of which shall be deemed to be an original and all of which shall constitute but one and the same instrument.

Section 6.06. Governing Law and Regulations. This Loan Agreement shall be governed by and construed in accordance with the laws of the State, including the Loan Act and the Regulations, which Regulations are, by this reference thereto, incorporated herein as a part of this Loan Agreement.

Section 6.07. Consents and Approvals. Whenever the written consent or approval of the State shall be required under the provisions of this Loan Agreement, such consent or approval may only be given by the Secretary.

Section 6.08. Further Assurances. The Municipality shall, at the request of KDHE, authorize, execute, acknowledge and deliver such further resolutions, conveyances, transfers, assurances, financing statements and other instruments as may be reasonably necessary or desirable for better assuring, conveying, granting, assigning and confirming the rights, security interests and agreements granted or intended to be granted by this Loan Agreement.

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IN WITNESS WHEREOF, KDHE and the Municipality have caused this Loan Agreement to be executed, sealed and delivered, effective as of the date above first written.



THE KANSAS DEPARTMENT OF HEALTH AND ENVIRONMENT, acting on behalf of THE STATE OF KANSAS

By: _____
Title: Secretary

"KDHE"

Date: _____

CHEROKEE COUNTY S.D., KANSAS

(Seal)

By: Richard Helderbrand
Title: Chairman

"Municipality"

Date: 10/18/2010

ATTEST:

By: [Signature]
Title: Clerk

Fax



Elevators Escalators

KONE Inc.

2700 BiState Dr., Ste. 100
Kansas City, MO 64108

Tel 816-531-2140

Fax 816-531-5523

www.us.kone.com

don.wilson@kone.com

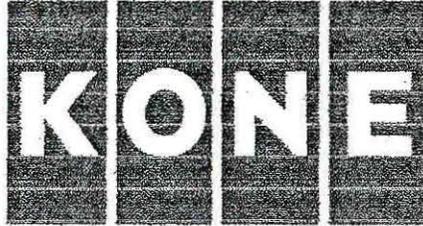
To Cherokee County
Attn Ralph Houser
Fax number 620-429-1591
Date 08/02/2010
From Don Wilson
Re Cherokee County Courthouse Elevator Upgrade
Total Pages 14

Ralph,

Here is our proposal to modernize the elevator. Installation time is approximately (9) weeks. Let me know if you have any questions.

Thanks,

Don Wilson
KONE Inc.



KONE MODERNIZATION PROPOSAL SPECIFICATION

PREPARED FOR: Cherokee County
PO Box 14
Columbus , Kansas 66275

ATTENTION: Ralph Houser

PROJECT NAME: Cherokee County Court House

LOCATION: Cherokee County Court House
110 West Maple Street
Columbus, Kansas 66275

DATE: 08/02/2010

Equipment Description

Capacity:	2500
Speed:	100
Power Characteristics:	208 Volts 3 Phase 60 Hertz
Landings:	4
Openings:	4 in line
Bottom Floor Served:	Ground
Top Floor Served:	3 rd
Travel:	Retain Existing
Entrance Size:	7 Ft. 0 In. High X 3 Ft. 6 In. Wide
Entrance Type:	2 Speed Side Opening
Logic Control:	ReSolve Single Car
Power Control:	ReSolve AC
Operation:	Single Car
Operational Features:	Resolve
Machine:	New
Motor:	Included W/New Machine
Guide Rails:	Reuse/Rehab
Door Operation:	All New
Entrances:	Retain



Door Panels:	All New
Signal/Operating Fixtures:	New
Cab:	Retain
Warranty Period:	12 months

KONE RESOLVE AC POWER CONTROL

The KONE ReSolve Variable Voltage, Variable Frequency (V3F) drive motor control will be provided. The V3F drive will adjust and maintain the rotational speed of the motor in accordance with the load and position of the car relative to floor level.

Closed-loop control is made possible through the use of two devices. A motor mounted encoder will provide velocity feedback to the V3F drive. Information from the encoder will be used with exact car position information from the KONE ReSolve BAR leveling system to provide accurate floor leveling.

A patented algorithm is used to provide load compensation throughout the entire speed profile (both normal and leveling speeds).

KONE RESOLVE LOGIC CONTROL

The KONE ReSolve logic control is equipped with two (2) 16 bit, 20 MHz processors. One processor is located on the motherboard and is dedicated to the elevator features, and the other is located on the drive interface board and is dedicated to the elevator's drive control.

The KONE ReSolve logic control incorporates single relay design. This means the logic control runs all signals and commands through transistors, in lieu of less reliable relays. A single relay is used in the logic control. This relay is required by Code, and is dedicated to the safety chain.

On-board diagnostic capabilities eliminate need for separate diagnostic tools for the regular maintenance of the control system.

The KONE ReSolve logical and physical architecture is a LAN (Local Area Network). If new serial-linked fixtures are included in the modernization, the KONE ReSolve control will utilize the LAN architecture and serial technology to enhance the reliability of the elevator system.

FULL COLLECTIVE CONTROL

The elevator will be equipped with FC control and will utilize up and down call buttons at each intermediate floor. The FC control will register all landing and car calls and store them in memory. On the way up the car collects all up calls one by one and serve the given car calls. During the down trip the car stops to every down call in front of the car, respectively, and serves the given car call. The up and down call buttons are illuminated at every floor where landing calls are registered. The light of an up call is turned off when the car stops to answer the call during an up trip, and the light of a down call button is turned off when the car stops to answer the call during a down trip.

HOISTWAY SWITCHES

Terminal switches will be provided in the hoistway designed to automatically stop the car at or near the closest terminal landing. Over-travel switches will also be provided to automatically cut off power and apply the brake should the car travel beyond either terminal landing.



PIT STOP SWITCH

A pit stop switch will be provided in the pit.

INSPECTION STATION

A car top inspection station will be provided.

ALARM BELL

An alarm bell will be mounted on the car top. When the alarm button in car has been pushed, the alarm bell will sound.

EMERGENCY EXIT CONTACT

This logic feature will not allow the car to move if the car top emergency exit contact is open.

EMERGENCY STOP DEVICE IN CAR

The emergency stop device will cause the elevator to stop with the mechanical brake if the car is in the door zone and the doors are opened. All car calls will be cancelled. The elevator will return to normal service when a new car call is placed or when the doors are opened at door zone.

AUDIBLE HANDICAP FEATURE

An audible floor passing signal (buzzer) will be provided in the car to notify passengers that the car is either stopping or passing a floor.

STUCK PUSH BUTTON SUPERVISION

Call buttons will be supervised. If the signal from the button is not deactivated when the control system tries to cancel the call, the elevator will be allowed to leave the floor. Both car and landing call buttons will be supervised. This logic feature prevents service of the stuck call pushbutton. Once the stuck pushbutton is released new calls will be served normally.

CAR DOOR CONTACT

A car door safety switch will be monitor the open/close status of the car door.

EMERGENCY STOP SWITCH IN CONTROL PANEL

An emergency stop switch will be provided in the control panel. The stop switch is designed to cause the elevator to stop with the mechanical brake. All elevator and door movement will be prohibited. The elevator will return to normal service when the stop switch is returned to the normal position.

MOTOR PROTECTION

A thermal or magnetic overload protective device shall be used to provide hoist motor overload protection. This logic feature is designed to stop the car immediately in the event of an overload.

PHASE FAILURE DETECTION

Phase failure detection is designed to detect phase failure and prevent the elevator from



operation after the detection.

ADVANCE DOOR OPENING

Doors will start opening when the elevator speed has decreased below the limit allowed by the safety code and the elevator is within the normal door zone.

FALSE CAR CALL CANCEL

All car calls will be canceled if false car calls are detected. False car calls will be detected when the car has made two consecutive stops without interruption of the infrared safety beam.

FIREMAN'S SERVICE

Fire service features will be provided in accordance with the requirements of the applicable ASME A17.1, Safety Code For Elevators And Escalators including Addenda as they pertain to automatic (non-designated attendant) elevators with power-operated horizontally sliding doors. Equipment used for Fireman's Drive:

- A three position key switch at the designated (main) level (BYPASS / OFF / ON)
- A three position key switch in the main car operation panel (OFF / HOLD / ON)
- Smoke detector signals from each floor. (Note: Smoke detector located at designated (main) level is separated from detectors located at all other floors). Machine room and hoistway smoke detector signals are also required. **Provision and installation of smoke detectors and signals to the elevator controller is the responsibility of Purchaser.**
- An illuminated visual and audible signal in the car
- A separate car call cancel button (operative only for Fireman's Drive operation)

*Provision and installation of smoke detectors is the responsibility of Purchaser. Final connection to the buildings emergency fire system shall be the responsibility of the Purchaser.

NUDGING SERVICE

The nudging feature will be provided so that if the doors are prevented from closing for an extended period of time due to the operation of a safety edge, safety ray, curtain of light, door open button or optical passenger detector, nudging is activated. If closing is prevented by the safety ray, the curtain of light or the optical passenger detector, the doors will start to close at reduced speed. During nudging operation a buzzer in the car will sound. Nudging will continue until doors are fully closed. The door open button will reopen the closing door. The standard setting time before nudging commences operation is approximately 20 seconds.

ANNOUNCER

Logic will be provided for factory-programmed speech synthesizer that issues spoken messages including floor arrivals, car departures, safe use of elevator and/or commercial and managerial announcements. (This logic feature is available only when a synthesizer device is provided elsewhere in this proposal).

HOISTWAY ACCESS

A Hoistway access feature will be provided that allows authorized personnel to gain access to the top of the car and hoistway. The operation of the hoistway access is carried out by means of a



A new **Rope Gripper** will be installed which will provide a means to prevent ascending car over-speed and unintended car movement per Code. The Rope Gripper will be mounted on suitable structural steel supports and control circuits will be provided to enable the device to function as required by Code.

The existing **Car Frame and Platform** will be retained and reused. The crosshead, stiles and safety plank and platform support members will be cleaned. All fastenings will be checked and tightened to establish a rigid frame. A new Extruded Aluminum car sill will be provided.

Existing **Car and Counterweight Guide Shoes** will be rebuilt and adjusted as required for proper operation.

The existing **Car Safety** will be reused in place. The Safety will be cleaned, lubricated and adjusted for proper operation and running clearances. It will then be tested.

REHAB GUIDERAILS

The existing **Car and Counterweight Guide Rails** will be reused. We will tighten and adjust all rail brackets and clips. Running surfaces of rails that have been roughened or damaged will be filed smooth.

HOISTWAY WIRING

KONE will remove all existing wiring, conduit and duct from the hoistway. New conduit and duct properly sized and constructed for the job requirements will be installed (in accordance with applicable codes). New wiring will be provided in the hoistway, adequately sized and constructed for the proper operation of the equipment. Multi-conductor type wiring for light and signal circuits shall be used in the elevator hoistway. All conductors will be copper and the minimum size of conductors, excluding those which form an integral part of control devices, shall be No. 14 for lighting circuits and No. 18 for operating, control, and signal circuits. Except for lighting conductors in traveling cable, No.18 conductors may be used in parallel to provide a current carrying capacity equivalent to not less than No. 14 size. Connections to the controller will be made in a manner that minimizes transmission of vibration or noise.

TRAVELING CABLES:

KONE will remove the existing traveling cables and replace with new traveling cables designed for elevator service. The cables will be sufficiently flexible to readily adapt to all changes in the position of the elevator car and hang straight without twist. The open loop will show no tendency to twist upon itself. Traveling cables will have non-metallic fillers and will be suspended by Kellum grips or looping cable around supports. The traveling cables will include telecommunication cabling and will terminate in a terminal box located on the car. Shielded wires for communication shall be provided.

DOOR OPERATOR EQUIPMENT

Complete Replacement of Car and Hoistway door operating equipment shall be provided.

Door movement will be cushioned at both limits of travel. An electro-mechanical interlock will be provided at each hoistway entrance to prevent the operation of the elevator unless all doors are closed and locked. An electric contact will be provided on the car at each car entrance to prevent the operation of the elevator unless the car door is closed.



Door hangers and tracks will be provided for each car and hoistway door. Tracks will be contoured to match the hanger sheaves. The hangers will be designed for power operation with provisions for vertical and lateral adjustment.

Car equipment included: Operator, clutch with integrated door lock, and tracks and hanger roller assembly.

Hoistway equipment included: Track, hanger roller assembly, emergency opening device, pick-up roller assembly, interlock and closing device.

NEW DOOR PANELS

New entrance door panels will be provided at each hoistway entrance floors; G, 1 - 3. Finish will be Baked Enamel in color as selected by owner.

Where a baked enamel finish is proposed, the finished color will be as selected by the Architect or Owner from KONE standard colors.

REVIVE OPERATION/SIGNAL FIXTURES

The elevator will be equipped with a **Main Car Operating Panel** containing call registration buttons, emergency stop switch, alarm button and light switch and any other devices required by applicable code.

Each Car Operating Panel will be equipped with **L.E.D. illuminating pushbuttons** which, when pressed, will signal the car passenger that the call has been registered. The L.E.D. will remain illuminated until the call has been answered.

All devices operable by the general public and mounted in the Car Operating Panel(s) will be identified with braille and/or tactile symbols. The Car Operating Panel(s) and Hall Pushbutton Stations will be located (vertically) in accordance with code requirements to assist the handicapped. As a minimum, all braille indicators will meet the requirements of the American Disabilities Act (ADA).

The Main Car Operating Panel will incorporate a **digital display Car Position Indicator** showing car position in the hoistway with single or dual numeral and/or letter floor designations along with an arrow corresponding to the direction of car travel.

Hall Pushbutton Stations will be provided at each landing served by the elevator system proposed. The number of Hall Stations per landing will be 1.

L.E.D. illuminating Pushbuttons will be provided in each Hall Pushbutton Station which, when pressed, will signal the waiting passenger that the call has been registered. The L.E.D. will remain illuminated until the call has been answered.

Hall Lanterns, including audible signals, will be provided at the elevator lobby at floor(s) .

As soon as the car has reached a predetermined distance from a landing and is set to stop at that landing, the hall lantern corresponding to the direction the car WILL TRAVEL will be illuminated and the audible signal will sound (once for UP and twice for DOWN). The Lantern will remain illuminated until the door(s) have closed. Single Lanterns will be furnished at terminal landings and Up-Down Lanterns at intermediate landings.

Digital display **Hall Position Indicator** will be provided which will indicate the position of the car in the hoistway with single or dual numeral and/or letter floor designations.



This device will be located at the elevator lobby at floor(s) **Main Floor Only**.

A key operated, **In-Car Access Enable Switch** will be provided in the Main Car Operating Panel. When actuated, the key operated **Access Switches**, mounted at the top and bottom terminal elevator landings, may then be utilized. Actuation of either of these Zoned Access Switches will move the car either UP or Down, at a reduced speed with the hoistway door open, within a predetermined zone in the hoistway providing hoistway and car access for inspection and/or service.

An **Inspector's Operating Station** will be provided on top of the elevator car consisting of Up and Down constant pressure buttons and an emergency stop switch. This device will also contain a light with guard and switch and a duplex, 120 VAC outlet. A light with guard & switch and a duplex, 120 VAC outlet will be provided under the car. An Emergency Stop Switch will be provided in the elevator pit, designed to cut off current supply to motor and bring the car to rest independent of the regular operating devices. An electric Alarm will be provided in or adjacent to the elevator hoistway. This alarm will be connected to the alarm button in the car operating panel.

TRACTION ELEVATOR PREPARATORY WORK

The Purchaser agrees (at no charge to KONE):

TO provide properly ventilated, heated, lighted and sound isolated room of sufficient size for the machinery. New access door adequately sized to accept new KONE equipment will be required.

TO provide block-outs and/or do all cutting of walls, floors or partitions, together with all repairs made necessary by such block-outs, cutting or changes as required by KONE.

TO do all painting required beyond that included in this Proposal.

TO bring 3 phase and single phase power wires to machine room(s) and to provide the conduit and connections to our controller terminals, with properly sized, intervening fused disconnect switches conveniently located in machine room(s), and furnish, without charge, necessary current for tools, hoists, as well as current for starting, testing and adjusting of machinery.

MODERNIZATION PREPARATORY WORK

BARRICADES

KONE will furnish, install, maintain and remove (at Project completion) necessary barricades. The determination of need, the description, the location and the quantity of such barricades will be at KONE's sole discretion. Care of KONE barricades, during times when KONE personnel are not on-site, will be the **PURCHASER'S RESPONSIBILITY (NOT KONE)**.

All signage to be placed on KONE supplied barricades will be the **PURCHASER'S RESPONSIBILITY (NOT KONE)**.

Barricades determined to be necessary by KONE may include items as described in the following:

- A. Barricades throughout the height of the hoistway(s) providing protective separation between any elevator remaining in operation and the elevator(s) being modernized.



B. Partition barricades to separate the work area from occupied public areas.

C. Temporary barriers to minimize levels of dust and/or noise caused by the work.

KONE intends to take all reasonable and standard precautions to protect and preserve the integrity of finished building surfaces. Prior to the commencement of the work, KONE will explain these precautions to the Purchaser. If more extensive provisions are required, they will be the **PURCHASER'S RESPONSIBILITY (NOT KONE)**.

SPECIAL PRECAUTIONS

Any Asbestos removal necessitated by the work described in this Proposal will be the **Purchaser's responsibility (NOT KONE)**.

Any removal of contaminated soil, over-excavation of the cylinder hole, or testing that is associated with the removal of a hydraulic jack assembly shall be the **Purchaser's responsibility (NOT KONE)**.

REPORTS TO PURCHASER

Where this Proposal includes KONE's review of the condition of any item, KONE will report the results to the Purchaser in the event that the results impact the work as proposed.

PERMITS

KONE will secure and pay for Elevator/Escalator Inspection and Permit. Purchaser is responsible for securing and paying for any other inspections and/or permits, including electrical permits, which might be required.

MAINTENANCE SERVICE

We will furnish maintenance service on the elevator equipment provided for the period set forth at the beginning of this Proposal commencing upon substantial completion of our equipment installation. Equipment will be examined regularly. Any adjustments or replacement of parts, oiling, cleaning, etc., that may be necessary during that period will be done during KONE's regular working hours without charge.

TEMPORARY USE OF ELEVATORS

Should this Proposal include elevator(s) and the Purchaser wishes to use any elevator before final completion, the Purchaser agrees to provide, if required, temporary car enclosures, necessary guards or other protection for elevator hoistway openings, main line wiring with necessary power, signaling devices, lights in car and elevator operators. In addition, the Purchaser agrees to sign KONE's standard "Temporary Acceptance Form" before any elevator is placed in Temporary Service. The Purchaser agrees to pay all costs of power and operation, including maintenance of the equipment; and further agrees that the complete elevator equipment will be left in the same condition and repair that it was at the time it was turned over in Temporary Service. If repairs or replacements are necessary to restore the apparatus to its condition at the time it was turned over for Temporary Service, the Purchaser agrees to permit KONE to make such repairs or



replacements and agrees to pay KONE therefore at KONE's regular time and material rates.

INSURANCE COVERAGE

This Proposal includes the cost of KONE Standard Insurance Coverage. The Purchaser shall provide Fire and Extended Coverage Builder's Risk and Equipment Floater insurance coverage equal to the value of this Contract. KONE is insured at all locations where it undertakes business operations with types of insurance as follows:

A.--WORKMEN'S COMPENSATION and EMPLOYER'S LIABILITY

B.--COMPREHENSIVE GENERAL LIABILITY including:

- 1.--Bodily Injury Liability
- 2.--Property Damage Liability

C.--COMPREHENSIVE AUTOMOBILE LIABILITY including:

- 1.--Bodily Injury Liability
- 2.--Property Damage Liability

If additional types of coverage are desired, they will be provided at additional cost.

TRADEMARKS AND REGISTERED TRADEMARKS

All specifications, dimensions and illustrations incorporated herein comply with product design and materials used as of the date of preparation and publication. The right to make changes to product design and material used, without prior notice and prior to acceptance of this proposal, is reserved. All hardware, software and trademarks referenced in this publication and/or used in conjunction with equipment described herein is the exclusive property of KONE whether or not protected by U.S. and/or International Trademark, copyright and/or patent laws.

GENERAL CONDITIONS OF PROPOSAL

Purchaser agrees to pay thirty (30%) percent of the Agreement amount, including any accepted options and/or alternates upon acceptance of this proposal.

KONE shall submit invoices for the value of material delivered and/or labor performed, less the 30% paid at time of proposal acceptance and less 10% for retention. Once the elevator passes inspection by the authority having jurisdiction, retention will be reduced to 5% and KONE will be paid for the value of material delivered and/or labor performed before turning the equipment over to the Owner. The final invoice shall be issued by KONE upon completion of the work and shall include all balances due and the 5% retention. Payments shall be made by Purchaser based upon all said invoices, which shall be due within ten days of the date of the invoice. All payments outstanding in excess of ten days shall be deemed "delinquent." The parties agree that any lien rights do not commence until final payment is received by KONE. KONE reserves the right to discontinue its work at any time that payments become delinquent until payment is made as agreed and to require adequate assurances that subsequent payments will be made as they fall due. Purchaser agrees to reimburse KONE for any legal fees and/or court and collections costs which it might incur in order to collect payments due under this Contract, including delinquent payment charges. A delinquent payment charge calculated at the rate of 1½ % per month, or if such rate is usurious then at the maximum rate allowed under applicable law, shall be applied to delinquent payments.



In the event that Purchaser does not accept delivery of material at the Project Site when KONE is ready to make such delivery, Purchaser agrees to immediately make payments due upon shipment as provided above and designate some local point where Purchaser will accept delivery. Upon Purchaser's failure to designate such a point of delivery within 14 calendar days, KONE is authorized to warehouse material within or without our factory at Purchaser's risk and expense. Purchaser assumes responsibility for any increase in KONE's costs (at its standard billing rates) because of any such exceptional handling. Purchaser will be responsible for any damage, including, but not limited to, weather damage, vandalism, etc., to material awaiting acceptance in the event Purchaser fails to accept delivery when KONE is ready to deliver. KONE will be paid for material delivered to the jobsite, or for material properly stored at a warehouse facility based upon acceptance of the warehousing arrangements by the Owner or Contractor.

In no case will Purchaser and or Contractor delay payment for more than 90 days, and KONE will be allowed to stop work without risk of breach of contract until payments are current. KONE will be paid up to 90% (100% less retention) for each operational elevator and/or escalator prior to turnover to the Contractor and/or Owner, upon receipt of the following items:

- a. Final Acceptance of the Work by the Architect, Consultant, Owner and General Contractor.
- b. Receipt of a final consolidated punch-list from the Architect, Consultant, Owner and General Contractor.

Should KONE be delayed by reason of any default on Purchaser's part, the entire Contract Price, less payments theretofore made and less the cost of completing work, as estimated by KONE, shall become due on the date when the proposed equipment was to be in running order had KONE been permitted to commence regular time installation labor on the date shown in this Proposal. This amount due shall bear interest at the full legal rate commencing on such anticipated completion date. Purchaser shall compensate KONE for delays, regardless of whether caused by Purchaser or any other entity, including other subcontractors.

We shall not be liable for any loss, damage, or delay caused by any strikes, picketing, stoppages of work or lockouts, whether or not connected with or growing out of a labor dispute, nor for any loss, damage, or delay caused by fire, explosion, theft, floods, riot, civil commotion, insurrection, war, malicious mischief, act of God, or by any cause beyond our reasonable control, and in any event we shall not under any circumstances be liable for consequential damages. Should damage occur to our material, tools, or work in the premises from any of said causes, you shall compensate us therefor.

It is expressly understood, in consideration of our performance of the service enumerated at the price stated, that the Purchaser assumes all liability for injury, including death, to any person or persons, and for damage to property or loss of use thereof, on account of or resulting from the performance of the work to be done hereunder, and agrees to defend, indemnify and hold harmless our Company, its officers, directors and employees from all damages, claims, suits, expenses and payments on account of or resulting from any such injury, death or damage to property, except that resulting from the sole negligence of our Company.

It is agreed that all the apparatus furnished hereunder can be removed without material injury to the freehold, and we retain title thereto until final payment in cash is made, with the right to retake possession of the same or any part thereof at your cost if default is made by you in any of the payments, irrespective of the manner of attachments to the realty, the acceptance of notes, extension of time for payments, or the sale, mortgage, or lease of the premises. In the event of such default, you shall become liable for reasonable attorney's fees, interest, penalties and other costs incurred by us which are related herewith.



This Proposal is based upon work accomplished by us during our regular working hours of our regular working days. If overtime work is mutually agreed upon and performed, an additional charge therefore, at our usual rates for such work, shall be added to the Contract Price. Applicable hoistway(s)/wellway(s) shall be ready and proper current shall be available by the date set forth in this Proposal, after which we are to have its uninterrupted use.

It is agreed that our workmen shall be given a safe place in which to work and we reserve the right to discontinue our work in the building whenever, in our opinion, this provision is being violated.

You agree to furnish us with any necessary permission or priority required under the terms and conditions of government regulations affecting the acceptance of this order or the manufacture, delivery or installation of the equipment required for our performance of this Contract.

We shall not be responsible for any expense of electric current nor for any other expenses relating to the rest of the building nor for any work accomplished by other contractors nor for any power factor guarantees nor for the premium for any bond (unless noted within this Proposal as included) nor for any general contractors' nor owners' insurance.

We will guarantee the material and workmanship of the equipment furnished as described in this Proposal; and will make good any defects not due to ordinary wear and tear or improper use or care which may develop within one (1) year from the date of our completion and as to which you notify us within one (1) year from date of said completion. This does not guarantee any minimum volume of sound.

Drawings or other descriptive matter furnished with this Proposal are approximate and only explain general style, arrangement and/or dimensions.



WE PROPOSE TO FURNISH AND INSTALL THE EQUIPMENT AS OUTLINED IN THE FOREGOING PROPOSAL FOR THE NET SUM OF:

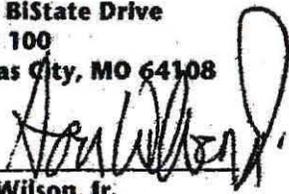
ONE HUNDRED FIFTY TWO THOUSAND FIVE HUNDRED FORTY FIVE AND 00/100 DOLLARS (\$152,545.00)

Taxes are not included.

This proposal includes pages 1 through 13.

ACCEPTED IN DUPLICATE

PURCHASER'S FULL LEGAL NAME (print)
BY _____
SIGNATURE OF AUTHORIZED OFFICIAL
Title _____

KONE 2700 BiState Drive Suite 100 Kansas City, MO 64108
BY 
Don Wilson, Jr. Modernization Sales
APPROVED FOR: Kansas City 2700 BiState Drive Suite 100 Kansas City, MO 64108
DATE _____
BY _____
AUTHORIZED OFFICIAL
TITLE _____



OTIS

DATE: October 14, 2010

TO:

Cherokee County
PO Box 14
Columbus, KS 66275

PROJECT LOCATION:

Cherokee County
110 W Maple Street
Columbus, KS 66275

MACHINE NUMBER(S): TBD

FROM:

Otis Elevator Company
3979 N Woodlawn Circle, Ste 1
Wichita, KS

Megan K. Britz
(316) 682-2550 - Office
(860) 353-4458 - Fax

PROPOSAL NUMBER:

We will provide labor and material to furnish and install on the above referenced machine(s) the following:

ELEVONIC[®] RM CONTROL SYSTEM

We propose to furnish labor and material to provide an Elevonic[®] RM REGEN control system. It is a digital closed-loop microprocessor-based control system specifically designed to meet the particular needs of modernizing UMV traction elevators. The system is a distributed network of modular microprocessor control units and solid-state performance measurement devices. The system is integrated using serial-link communication. The control system has a Solid-State Safety Circuit. The measurement transducers constantly monitor the performance of every elevator function controlled by microprocessor. The control units evaluate this performance information and automatically adjust performance as necessary to correct variances within milliseconds. The "Relative System Response Plus" software dispatches elevators based upon real-time response to actual demands on the elevator group. The software is designed to maintain optimum elevator system performance by evaluating and reassigning hall calls within milliseconds of changes in elevator demand or performance.

<u>SECTION No.</u>	<u>TITLE</u>	<u>PAGE No.</u>
SECTION I	OPERATION	
SECTION II	MACHINE ROOM EQUIPMENT	
SECTION III	SYSTEM OPERATING FEATURES	
SECTION IV	DOOR EQUIPMENT	
SECTION V	HOISTWAY EQUIPMENT	
SECTION VI	FIXTURES	
SECTION VII	GENERAL REQUIREMENTS	
SECTION VIII	ALTERNATES	

SECTION I: OPERATION

DUTY

The present capacity and speed of the elevators will be (retained / changed) as follows:

Elevators numbered	Capacity (pounds)	Speed (Feet per Minute)
1	2500	100

TRAVEL

The present travel of the elevators will be (retained / changed) as follows:

Elevators numbered	From floor to floor	Rise (feet)
1	1 - 4	40 ft

STOPS AND OPENINGS

The present stops and openings will be (retained / changed) as follows:

Elevators numbered	Number of stops	Number of openings
1	4 Front 0 Rear	4 front 0 Rear

POWER SUPPLY

The power supply of 240 volts, 3 phase, 60 hertz, alternating current will be (retained / installed) with the new equipment arranged for this power supply.

DRIVE SYSTEM

The present motor drive system will be changed to a Variable Voltage Variable Frequency Self Commissioning Regenerative Drive.

OPERATION

The present control system will be changed to Elevonic[®] RM Microprocessor control.

CONTROLLER

A microcomputer-based control system shall be provided to perform all of the functions of elevator motion and elevator door control. This shall include all of the hardware required to connect, transfer and interrupt power, and protect the motor against overloading. The system shall also perform car operational control.

Each controller cabinet containing memory equipment shall be properly shielded from line pollution. The microcomputer system shall be designed to accept reprogramming with minimum system downtime.

SECTION II: MACHINE ROOM EQUIPMENT

DRIVE SYSTEM

The present motor drive system will be changed to a Variable Voltage Variable Frequency Self Commissioning Regenerative Drive. The system shall include a step up or down transformer as required.

POWER CONVERTER SUCCESSIVE STARTING

When all power converters in a group are shut down due to lack of demand, only a single converter shall be allowed to start up at one time.

NEW MACHINE

The existing machine shall be replaced with a new HW Machine.

NEW MOTOR

A new 500 volt Alternating Current Variable Frequency 3 phase low slip motor will be provided.

NEW GOVERNOR

A new centrifugal speed governor that operates the car safety shall be installed at the top of the hoistway in the machine room. The governor shall actuate a switch when excessive speeds occur, disconnecting power to the motor and applying the brake before application of the safety.

SECTION III: SYSTEM OPERATING FEATURES

AUTOMATIC SELF-LEVELING

The elevator shall be provided with automatic self-leveling that shall typically bring the elevator car level with the floor landings $\pm 1/4$ " regardless of load or direction of travel. The automatic self-leveling shall correct for over travel or under travel and rope stretch.

MODERATE UP AND MODERATE DOWN TRAFFIC PROGRAM

When incoming traffic at the lobby floor increases, as indicated by two cars leaving the lobby in the "UP" direction and filled nearly to capacity within a predetermined adjustable time period, cars assigned to upper zones shall be called to the lobby without waiting for a lobby hall call.

Cars shall be dispatched automatically from the lobby when they become loaded nearly to capacity or, if not loaded to capacity, shall be dispatched within a predetermined time after the previous car has been dispatched. The cars shall continue to operate in this manner until the lobby traffic has been reduced to a predetermined level.

When "DOWN" calls above the lobby increase to a predetermined level, assignment of a car to the lobby ceases and the lobby car shall travel up to assist the other cars. Cars arriving at the lobby after discharging passengers shall be dispatched upward. The cars shall continue to operate in this manner until the down traffic has been reduced to a predetermined level.

SPECIAL EMERGENCY SERVICE

Special Emergency Service operation shall be provided in compliance with the latest applicable revision of the ASME/ANSI A17.1 Code.

Special Emergency Service Phase I to return the elevator(s) non-stop to a designated floor shall be initiated by an elevator smoke detector system or a keyswitch provided in a lobby fixture.

The smoke detector system, if required, is to be furnished by others. The elevator contractor shall provide contacts on the elevator controller to receive signals from the smoke detector system.

A keyswitch in the car shall be provided for in-car control of each elevator when on Phase II of Special Emergency Service.

If an elevator is on independent service when the elevators are recalled on Phase I operation, a buzzer shall sound in the car and a jewel shall be illuminated, subject to applicable codes.

REMOTE ELEVATOR MONITORING MAINTENANCE

We will provide a microprocessor system that continuously monitors the Unit(s) on a 24-hour per day, year-round basis. The system will notify our OTISLINE[®] dispatching center that a Unit is inoperative by sending a message via telephone line. Upon the receipt of such message, we will either notify your on-site representative or initiate the dispatch of our personnel for emergency minor adjustment callback service during regular working hours of our regular working days for the mechanics who perform the service.

We will collect data on the equipment condition, including hydraulic tank oil level, door operation, leveling and whether the operation of a Unit has been interrupted. That information will be used to tailor the Otis Maintenance Management SystemSM preventive maintenance program for the Unit(s).

You will furnish us at your expense, one (1) outside telephone line to the elevator machine room that allows data calls to and from a toll-free number at our OTISLINE dispatching center. The telephone line may be a separate line dedicated to the REM[®] maintenance equipment or may be an existing line that is shared between another telephone and the REM maintenance equipment.

All of the REM maintenance monitoring equipment installed by us remains our property and if the Contract is terminated for any reason, we will be given access to your premises to remove the monitoring equipment at our expense.

SECTION IV: DOOR EQUIPMENT

CLOSED LOOP DOOR OPERATOR

A Closed Loop door operator shall be installed.

Doors on the car and at the hoistway entrances shall be power operated by means of a closed loop door operator mounted on top of the car. The door operator is a fully closed loop system designed to give consistent door performance with changes in temperature, wind or minor debris in the door track. The system continually monitors door speed and position and adjusts it accordingly to match the pre-determined profile.

Door operation shall be automatic at each landing with door opening being initiated as the car arrives at the landing and closing taking place after expiration of an adjustable time interval. An electric car door contact shall prevent the elevator from operating unless the car door is in the closed position.

Door close shall be arranged to start after a minimum time, consistent with Handicap Requirements.

Doors shall be arranged to remain open for an adjustable time period sufficient to meet ADA requirements.

The time interval for which the elevator doors remain open when a car stops at a landing shall be independently adjustable for response to car calls and response to hall calls.

NEW INTERLOCKS

The present interlocks will be replaced with new.

NEW DOOR PROTECTION

NEW LAMBDA 3-D door protection device will be installed

NEW CAR DOOR HANGER

NEW car door hanger

NEW CAR DOOR HANGER

The present car door hanger shall be replaced with a new door hanger.

RETAINED HOISTWAY ENTRANCES

The present hoistway entrances shall be retained.

RETAINED HOISTWAY DOOR HANGER

The present hoistway door hanger shall be retained.

SECTION V: HOISTWAY EQUIPMENT**RETAINED HOISTWAY OPERATING DEVICES**

The existing hoistway operating devices shall be retained.

RETAINED CAR FRAME AND SAFETY

The existing car safety device, designed to stop the car if it attains a descending speed in excess of the preset contract speed, shall be retained.

NEW ROPES

The existing hoist ropes shall be replaced with new.

RETAINED SOUND-ISOLATED PLATFORM

The existing sound-isolated frame will be retained and reused.

RETAINED PLATFORM

The car platform will be retained and reused in place.

RETAINED CAR ENCLOSURE

The present car enclosure shall be retained.

LOAD-WEIGHING DEVICE

A platform load weighing device set to operate at a predetermined fixed percentage of the car load shall be provided.

RETAINED FLOORING

The present flooring will be retained.

PIT SWITCH

An emergency stop switch shall be located in the pit and accessible from the pit access door.

RETAINED BUFFERS

The existing buffers shall be retained.

SECTION VI: FIXTURES**CAR FIXTURES:**

NEW APPLIED CAR OPERATING PANEL

An applied car operating panel shall be furnished. The panel shall contain a bank of mechanical illuminated buttons marked to correspond with the landings served, an emergency call button, emergency stop button, door open and door close buttons, and a light switch. The emergency call button shall be connected to a bell that serves as an emergency signal. A fan switch, if optional fan is provided, shall also be located in the car operating panel. All buttons, when applicable, to be long life LED illumination.

UTILITY OUTLET

A utility outlet shall be contained in the service cabinet.

NEW EMERGENCY CAR LIGHTING

An emergency power unit employing a 12-volt sealed rechargeable battery and totally static circuit shall be provided. The power unit shall illuminate the elevator car and provide current to the alarm bell in the event of normal power failure. The equipment shall comply with the requirements of the latest applicable revision of the ASME/ANSI A17.1

AUDIBLE SIGNAL (INDICATES PASSING OR STOPPING AT A LANDING)

An audible signal shall sound in the car to tell passengers that the car is either stopping or passing a landing served by the elevator.

AUDIBLE VOICE SIGNAL

Equipment shall be furnished to allow an audible announcement in each car of the name of the next selected landing at which the elevator will stop and the committed direction of travel. Several advisory messages shall also be available to indicate the need for elevator on special service or passenger delay of elevator.

NEW "IN-CAR" DIRECTION LANTERNS

Direction lantern(s) shall be mounted in car entrance jamb(s), visible from the corridor, which when the car stops and the doors are opening, shall indicate the direction the car is traveling. A chime shall also be furnished on the car that will sound once for the "UP" direction and twice for the "DOWN" direction as the doors are opening.

HALL FIXTURES:**NEW HALL BUTTONS**

New hall buttons shall be installed at each landing. An up button and a down button at each intermediate landing and a single button at each terminal landing shall be installed.

A call shall be registered by momentary pressure of a landing button. The button shall become illuminated and remain illuminated until the call is answered. All buttons, when applicable, to be long life LED illumination.

NEW HALL POSITION INDICATOR

Hall position indicators with (stainless steel, bronze) faceplates shall be installed at first landing(s). The position of the car in the hoistway shall be shown by the illumination of the indicator corresponding to the landing that the car is stopped or passing.

SECTION VIII: GENERAL REQUIREMENTS**WIRING**

All wiring and electrical interconnections shall comply with governing codes. Insulated wiring shall have flame retardant and moisture-proof outer covering and shall be run in conduit, tubing or electrical wireways. Traveling cables shall be flexible and suitably suspended to relieve strain on individual conductors.

ENGINEERING DESIGN

All new material furnished shall be specifically designed to operate with the original Otis equipment being retained, thus assuring maximum performance and eliminating any divided responsibility.

SUPERSEDED MATERIAL

All material, removed or unused, not required in the modification will become the property of Otis Elevator Company and we reserve the right to remove and retain it.

PERMITS AND INSPECTIONS

The elevator contractor shall furnish all licenses and permits and shall arrange for and make all required inspections and tests.

CODE

The elevator equipment shall be furnished and installed in accordance with the applicable version of the ASME/ANSI A17.1 Safety Code for Elevators and Escalators, An American National Standard, including the latest Supplement, and the Americans with Disabilities Act.

WORK BY OWNERS - NOT IN CONTRACT

The following items must be performed by others and you agree to provide this work in accordance with the applicable codes and enforcing authorities:

1. **AIR CONDITIONING** - Provide suitable ventilation and cooling equipment, if required, to maintain the machine-room temperature between 45°F and 95°F. The relative humidity should not exceed 85 percent non-condensing.
2. **BUILDING POWER** Provide electrical power for light, tools, hoists, etc. during installation as well as electric current for starting, testing and adjusting the elevator. Power of permanent characteristics to be provided to properly operate all of the elevators concurrently scheduled to be modernized. Power must be a 3-phase 4 wire system with ground and bonded disconnects. Grounded leg delta systems are not acceptable.
3. **SMOKE & HEAT SYSTEM** - Provide a smoke and heat detector system, located as required with wiring from the sensing devices to each elevator controller.
4. **SPRINKLERS** - Provide code compliant sprinkler system, as required, in the hoistway, pit and machine room.
5. **CUTTING & PATCHING** - Do any cutting, (including cutouts to accommodate hall signal fixtures, entrances and/or machine room access) patching and painting of walls, floors or partitions.

6. **MAIN DISCONNECT** - Provide a fused lockable disconnect switch or circuit breaker for each elevator per the National Electrical Code with feeder or branch wiring to the transformer. Size to suit elevator contractor. Provide a SHUNT TRIP disconnect, as required, if sprinklers are being provided. Provide suitable connections from the main disconnect to the elevator control equipment.
7. **GROUND WIRE** - Provide a properly sized ground wire from the elevator controller(s) to the primary building ground.
8. **CAR LIGHT POWER SUPPLY & DISCONNECT** - Provide a 120 volt AC, 15 amp, single-phase power supply with fused SPST disconnect switch for each elevator, with feeder wiring to each controller for car lights.
9. **REMOTE MONITORING MAINTENANCE TELEPHONE LINE REQUIREMENTS** - Provide one (1) outside telephone line to the elevator machine room that allows data calls to and from a toll-free number at a dispatching center. The telephone line may be either a separate line dedicated to the remote monitoring maintenance equipment or may be an existing line that is shared between another telephone and the remote monitoring maintenance equipment.
10. **INFORMATION DISPLAY POWER SUPPLY & DISCONNECT** - Provide a separate 120 volt, AC, 15 amp, single-phase power supply with fused SPST disconnect switch with duplex outlets in the machine room or other locations as required, for information display terminal and controller of information display when provided. Also provide one (1) pair of shielded/twisted conductors between controller and machine room.
11. **VIDEO DISPLAY POWER SUPPLY & DISCONNECT** - Provide a separate 120 volt AC, 15 amp, single-phase power supply with fused SPST disconnect switch with duplex outlets in the machine room and lobby or other applicable application, for power to each elevator video display panel and controller when a display system is provided.
12. **ECA/FUZZY CONTROLLER POWER SUPPLY & DISCONNECT** - Provide a 120 volt AC, 20 amp, single phase power supply with a fused SPST disconnect switch in each machine room, with feeder wiring to each ECA/Fuzzy logic controller. One system per machine room is required.
13. **REMOTE PANELS** - Provide required conduit, with adequate pull boxes and ells from the elevator hoistway(s) to the location or locations required to facilitate the installation of Lobby Panels, Fire Control Room Panels or Elevator Monitoring Systems. Size and number as specified by Otis. Leave a measured pull tape in the conduit. Otis to furnish and pull required conductors.
14. **STANDBY POWER REQUIREMENTS** - Provide a standby power unit and a means for starting it that will deliver sufficient power to the elevator disconnect switches to operate one or more elevators at a time at full-rated speed. Provide a transfer switch for each feeder for switching from normal power to standby (emergency) power and a contact on each transfer switch closed on normal power supply with two wires from this contact to one elevator controller. Provide a means for absorbing power regenerated by the elevator system when running with overhauling loads such as full load down.
15. **EMERGENCY RETURN UNIT (ERU)** - If an ERU battery operated lowering device is being provided with your hydraulic elevator modernization then others are to provide an auxiliary contact in either the existing lockable disconnect (if currently code compliant) or in a new code compliant lockable disconnect.
16. **LIGHTING** - Any modification or installation of lights and/or GFI electrical outlets in the machine room, secondary level and/or pit to be performed by others. Provide sufficient lighting in the buildings common areas to facilitate a safe working environment.
17. **PROJECT BEING "DRIED-IN"** - Work, as required, to keep the elevator lobbies, hoistway, machine room and storage area "dried-in" for the entire length of the project.

18. **MACHINE ROOM ACCESS** - Provide a self-locking and self-closing door for the elevator machine room. Access door to be adequately sized to accept our equipment. Modify machine room access, as required, to comply with code and facilitate safe egress of all equipment.
19. **FIRE EXTINGUISHER** - Provide fire extinguisher in elevator machine room.
20. **NON-ELEVATOR MATERIAL IN HOISTWAY** - Remove or encapsulate, as required, any non-elevator related pipes or wiring located in the elevator machine room or hoistway.
21. **HOISTWAY VENTILATION** - Provide code compliant hoistway ventilation. Code requires a means to prevent the accumulation of hot air and gasses at the top of the hoistway. Pressurizing the hoistways, or providing vents from the top of the hoistway to the outside of the building usually accomplishes this. Vents shall not be less than 3 1/2% of the area of the hoistway nor less than 3 sq. ft. for each elevator car, whichever is greater. You may not vent the hoistway to the machine room. If the hoistway vents must run through the machine room, they must be enclosed in a fire rated structure and not violate clearances around our equipment.
22. **HOISTWAY LEDGES** - Provide a 75-degree angle constructed of a non-combustible material on all ledges that are 2" or greater in the hoistway, excluding multi-hatch divider beams.
23. **SUMP HOLE GRATING** - Provide a flush grating over the sump hole located in the elevator pit.
24. **WORK BY OTHERS SCHEDULING** - All "Work by Others" must either be completed prior to our manning the job or be properly scheduled as to not obstruct the progress of the project.
25. **ASBESTOS** - Should any asbestos be found to be present in the building which is related to any of our work, it shall be the responsibility of others to abate, contain or prepare the workplace as safe for our employees to work within or about. Otis will not be responsible for working with asbestos which may be disturbed or uncontained. Otis will not be responsible for any costs associated with delay of the job should asbestos be detected or require addressing by others for us to proceed. This includes but is not limited to re-mobilization charges which may be applied.
26. **STORAGE** - Provide dry, protected and secure storage space adjacent to the hoistway(s). Otis shall be compensated for material delivered that is stolen or removed from the jobsite.
27. **DISPOSAL** - The disposal of removed elevator components; machines, controllers, ropes, hydraulic fluid, oils, buffers and packing materials from the new equipment and any and all related materials shall be the sole responsibility of the Owner. If a dumpster is provided on site, we will deposit waste materials in the dumpster or at an agreed upon on-site location for removal by the owner.
28. **PIT LADDERS** - Provide a pit ladder, as required, in each pit that does not have walk in access doors. Ladder shall extend 48" above first landing access door.
29. **OPERATING ELEVATORS FOR OTHER TRADES** - If we are required to operate an elevator to facilitate the work of other trades (i.e. sprinklers, smoke sensors, ledges, etc.) then we shall be compensated for this lost time and the project schedule shall also be modified.
30. **ADDITIONAL STOPS/OPENINGS** - Extend the existing hoistways and add additional landing (s) and new machine room. Hoistway and machine room shall be constructed in accordance with applicable building codes and ANSI A17.1
 - a. Ledges over 2" wide shall have a 75° bevel on top. (Except separator beams) Hoistway shall be fire rated and may require patching of holes. No other pipes or electrical conduit not associated with the elevator equipment are allowed in the hoistway. Power feeders may not run up the hoistway, except by special permission of the governing authority, and shall not contain splices or junction boxes in the hoistway.
 - b. Provide crane to bring new material and removal of the machine room equipment to new machine room.
 - c. Provide temporary roof as required to provide continuously dry hoistways and machine rooms.

- d. Perform all demolition of old machine room slab and structure. Protect existing elevator cars and equipment from demolition damage, dust and debris.
- e. Supply new machine beams and beam supports per reactions supplied by Otis.
- f. Provide new machine room slab to suit reactions. Remove any construction forms, scaffold or decking from hoistway not placed by Otis. Cut and patch hoistways as required to provide a legal hoistway.
- g. Provide, maintain and remove any temporary barricades per OSHA or local authority requirements and furnish barricades to protect the public from access to construction areas.
- h. Supply and install adequate support for guide rail fastening, including separator beams were required.
- i. Provide adequate fastening for hoistway entrances and sills.
- j. Provide finished floor elevation reference height at time of installation of new entrance sills
- k. Provide legal access to new machine room (and temporary access per OSHA requirements during construction).
- l. Grout or finish blocking of new entrances to provide a fire rated enclosure.
- m. Provide hoist beams over each elevator hoistway in machine room rated to hoist elevator machines.
- n. Finish painting of new hoistway entrances shall be by others, if prime entrances are selected.

RE-MOBILIZATION

You agree to pursue and schedule the work by other trades in a timely manner so as to not interrupt our work. Should our crew(s) have to pull off the job waiting on work by others not in our contract, we shall be entitled to a re-mobilization charge of Two Thousand (\$2,000) Dollars. We shall also extend the stated durations to the extent that we are delayed.

ARBITRATION

SUBCONTRACTOR AGREES TO SUBMIT TO NON-BINDING ARBITRATION BY THE AMERICAN ARBITRATION ASSOCIATION BUT DOES NOT WAIVE IT'S RIGHTS TO PURSUE OTHER REMEDIES AVAILABLE AT LAW AND EQUITY.

PAYMENT AND SCHEDULE OF VALUES

You agree to be bound and pay in accordance with the supplied schedule of values. We shall be paid for our material delivery invoice prior to starting work. We shall be paid in full for all change orders and the base contract amount prior to turnover of the elevators to you for use. Otis reserves the right to discontinue work or not turn over elevators unless payments are current