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Issue Nine

October 2014

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Celebrating ESOP Month *By: Brian Janski, Project Manager*

Hey! Did everyone know that October is ESOP month? That's right, Employee Ownership Month is an opportunity for ESOP (employee stock ownership plan) companies across the nation to celebrate employee ownership, educate employee owners, the public, and government officials about the undeniable benefits of employee ownership for employees, their companies, the communities they are a part of, and the nation.

Here are a few facts about ESOP's from the Department of Labor:

- ♦ Most of the money in a 401(k) plan comes from the employee. With few exceptions, all the assets in an ESOP come from the company.
- ♦ ESOPs lay people off less often than non-ESOP companies.
- ♦ ESOPs cover more employees, especially younger and lower income employees, than 401(k) plans.

As you can see there are undeniable benefits to working for an ESOP company.

KE&G's ESOP Communication Committee decided to celebrate ESOP Month by hosting an employee lunch at the shop in Sierra Vista and also at the shop in Tucson. The committee also decided on having ESOP Fridays which will include Blue Day, Camouflage Day, Sports Day, Hawaiian Shirt Day, KE&G Shirt Day. The schedule of the ESOP Fridays are listed in the "Dates to Remember" section and look for flyers in your email or with your paychecks for more information on the BBQ.



Dates to Remember

- Oct. 1:** Last day to sign-up Adopt-a-Highway
- Oct. 3:** Pink Ribbon Day
- Oct. 4:** Adopt-a-Highway
- Oct. 10:** Camouflage Day
- Oct. 17:** Sports Jersey Day
Sierra Vista BBQ
- Oct. 24:** Hawaiian Shirt Day
Tucson BBQ
- Oct. 31:** KE&G Shirt Day

City of Bisbee Tin Town *By: Ben Carter, Project Estimator*



Escarcega Street and Teran Street. For 100 years this 50-acre territory has been home to many families whose ancestors were involved with Phelps Dodge mining operations. Many of the old homes have been handed down from generation to generation. These houses were built with cesspools and septic systems that have failed over time. There will be 42 cesspool and septic closures and 33 homes will be connected to the new sewer system. KE&G is currently preparing to install 2,828 linear feet of 8" and 1,739 linear feet of 4" PVC sewer mainline, including 22 manholes.

There were issues in the beginning of the project with right of way, there was also a water line in conflict where the proposed sewer line is planned, and there is a shallow depth to bedrock.

The project has been re-designed to account for these unexpected issues and construction of the sewer system is underway. This project is unique to our area in which the homes are very old and fragile. To help minimize damage, KE&G is required to use a seismic monitoring system to monitor any seismic activity created by the rock excavation.

KE&G was awarded a contract with the City of Bisbee in a small town called Tin Town. The project scope includes removing the existing failed septic and cesspool systems and tying the existing resident's services into the city's sewer system. This \$1,345,028.50 project started June 30, 2014 and is expected to be completed in April of 2015 with Rick McMahon as the Project Supervisor on site and Larry Saunders as the Project Manager.

Tin Town is bounded by Highway 92 between



Sierra Vista

1601 Paseo San Luis #202
Sierra Vista, Arizona 85635
520.458.9594

Tucson

5100 South Alvernon Way
Tucson, Arizona 85706
520.748.0188

City of Tucson Water Meter Replacement Program

by Richard Hunziker, General Superintendent

For more than a decade, Tucson Water has been replacing older model meters with a new generation of meters that can be read remotely through wireless communications equipment. Automatic Meter Reading (AMR) meters transmit usage data through a wireless radio. The information collected is received through mobile collectors installed in vehicles for drive-by gathering of meter reads or by handheld devices. While traditional meters must be read and inspected visually each month, usage data from AMR meters are collected and downloaded automatically. AMR meters provide a more accurate and affordable way to measure water usage.

In October of 2010, KE&G was awarded the Water Meter Replacement Program contract by the City of Tucson. We are required to replace the older meters with AMR meters throughout the city. We have 5 meter crews which include Aaron De La O, Daniel Fluno, James Kelley, Russell Rangel, Robert Riggs, Jack Schaaf, Adam Rosales, Mike Taylor, George Teichman, and Fane Twitchell. They are responsible for informing the business or homeowners of the work they will be doing by handing out informative brochures that has been provided by the City.

Currently, Tucson Water requires us to install a maximum of 645 5/8 inch and 1 inch small meters, as well as, 17 1-1/2 inch and 2 inch large meters each week. One crew is on the night shift working 9:00pm to 6:00am installing large commercial and multi-family meters. The other 4 crews are installing the residential meters in neighborhoods all over Tucson from 6:00am to 2:00pm.

As a result of the hard work our Meter Crews have been doing, KE&G was also offered meter replacement contracts for Metro Water and Oro Valley. In October, we will begin phase 2 of Oro Valley's contract installing 10,000 meters. Two of the crews will be expected to install an average of 350 meters a week. By October 2015, KE&G will have replaced all meters in the Town of Oro Valley.

In addition to replacing meters, crew



Water Meter Crew

Bottom (l-r): Daniel Fluno, Richard Hunziker, Adam Rosales, Aaron De La O.
Top (l-r): Mike Taylor, Fane Twitchell, Robert Riggs, James Kelley, Jack Schaaf, Russell Rangel, George Teichman

members have also had to repair or replace plumbing fixtures as problems are surfaced during the replacements. These employees are well equipped and highly experienced to complete these extra repairs. To date we have replaced a total of 60,405 meters. KE&G General Superintendent, Richard Hunziker supervises the meter crews and serves as the liaison between KE&G and Tucson Water. He is also the point of contact and is on-call 24 hours a day to respond to any emergencies that may occur as a result to the replacement of the meters.

WELCOME!

Sierra Vista

- ♦ Alejandro Avechuco, *Laborer*
- ♦ Marco Burruel Barcelo, *Concrete Finisher*
- ♦ Chance Cordrey, *Pipelayer*
- ♦ Robert Coste, *Laborer*
- ♦ Sydnie Hightower, *Receptionist*
- ♦ Donald Nelson, *Operator*
- ♦ Manuel Samaniego, *Laborer*
- ♦ Justin Wilson, *Field Engineer*

Tucson

- ♦ Cecil Collum, *Laborer*
- ♦ Baldemar Enruique, *Operator*
- ♦ Scott Goldman, *Project Engineer*
- ♦ Chad Moussette, *Mechanic*
- ♦ Anthony Otero, *Yardman*
- ♦ Richard Robles, *Laborer*



Southern Arizona Construction Career Day

Arizona Transportation Builders Association (ATB) is planning a construction career day to provide high school students in Southern Arizona with the opportunity to experience various aspects of the construction industry. Local contractors and construction industry firms have come together to provide a unique opportunity to learn about the various construction equipment, what they do, and experience "hands on" operation of the various construction trade professions. We will have exhibits by engineering, mining, and both horizontal and vertical construction professionals. This event will provide students with information on educational and career opportunities in many areas of engineering, design,

construction, mining, and also other related occupations.

If you have a high school student who may be interested in a career in construction, contact Chris Albright to learn how your student's school can participate in this year's Southern Arizona Construction Career Day. You can also visit ATB's website at www.movingoureconomy.org for more information.

Participating Schools

- Canyon del Oro High School
- Palo Verde High School
- Project More High School
- Rincon High School
- Sahuaro High School
- And more...

Do Accidents Just Happen? By: Vince Rosales, Safety Manager

Occasionally I'll hear from some of our employees, "accidents are just going to happen". No, they don't just happen, they are caused.

And it's almost always possible to trace it back to somebody—or several somebodies—who caused this accident to happen. Either they did something they shouldn't have done, or they failed to do something they should have done.

Let's suppose, just to illustrate what I'm talking about, that you fall on the stairs at home and break a leg. That accident didn't "just happen"; there was no evil spirit putting the hex on you or lurking in the shadows to trip you. No, there was at least one quite tangible cause.

The odds are that the fall was your own fault—that some act of yours (or failure to act) was to blame. Maybe you were in a hurry and took the stairs faster than usual—faster than was safe. Maybe you were carrying an awkward load that put you off balance and kept you from grabbing the railing to steady yourself. Maybe you forgot to turn on the light over the staircase. Maybe your eyesight has been playing tricks on you, but you've put

off seeing an eye doctor and getting proper glasses. There are probably dozens of other "maybes" that boil down to your being the cause of your own fall.

On the other hand, maybe there was someone else involved: one of the children left a toy on the step, or whoever discovered the stair light burnt out failed to replace the bulb. There could even be a combination of causes: You were in a hurry and didn't turn on the light, so you didn't see the toy that someone else left there, against the rules.

Accidents on the job don't "just happen," either. They are caused by the actions or inactions of one or more people.

So as people cause accidents to happen, they can also prevent them from happening. That's the reason for the safe work practices and policies we have established within our company. It's why we have regular training sessions to inform and remind you of ways to keep yourselves and your crew members safe. It's the reason we provide our KE&G employees their personal protective

equipment (PPE) that can help keep a potential hazard from causing actual harm.

But no work practices, rules, training, or equipment can prevent an accident from happening. You do that. You follow the lockout-tagout procedure; you leave machine guards in place; you tag and report a damaged piece of equipment; you wear your required PPE; you identify hazards and discuss them with your crew members before you start your daily task.

Some of us have special responsibilities that have an effect on everyone's safety. For KE&G, safety is every employee's responsibility. But for the most part, your own safe behavior is your own greatest safeguard. Remember that when you're tempted to take a shortcut or disregard our safety policies "just this once" or "just for a minute." That one minute could be exactly when the accident doesn't "happen" but is caused by ourselves or someone else. So ask yourself, "do accidents just happen, or do we make them happen?" Be Smart, Be Safe!



Adopt-a-Highway



It is time for our semi-annual Adopt-A-Highway commitment to cleaning up Busby Drive from 7th Street to Moorman Ave. Bring your family and friends 13 years and older to join us on Saturday, October 4, 2014 at 8:00 AM. Safety vests, trash pokers, and donuts will be provided. Volunteers will be meeting at the southeast corner of 7th Street and Busby Drive. Adopt-a-Highway will provide KE&G with the opportunity to support the local community and our customers where we live. We encourage you to be a part of this service by joining us in this volunteer program that helps keep our roadways beautiful. If you are interested in lending a hand, please register with Ben Carter in the Sierra Vista Office no later than Wednesday, October 1, 2014.

Milestone Anniversaries

We would like to recognize the following employees who have served continuously for KE&G. These employees have just reached or have just past significant milestones.

15 Years of Service _____

- Cesar Acuna
- Charles Reese

5 Years of Service _____

- Jose Arellano
- Troy Ballard
- Marcellino Lara
- George Miranda
- Alfonso Padilla
- Jesus Santa Maria
- Mario Verdugo

Congratulations!



As of December 31, 2013, KE&G has 3 additional employees who are 100% vested in our Company's Employee Ownership Stock Program (ESOP).

Congratulations:

- ★ *Brian Janski, Project Manager*
- ★ *Elise Puhala, Project Coordinator*
- ★ *Francisco Hernandez, Concrete Finisher*

Understanding Your ESOP By: Chris Weinell

In the last edition of our newsletter, I incorrectly explained when you will be eligible to receive benefits for those who retire before age 65. The correct explanation should have been that for those retiring before age 65, you will be eligible to receive benefits **at the earlier** of the year following reaching 65 or in the 6th year following your separation from KE&G. **For example:** If you retire in February, 2015 when you are age 63, you will be eligible to receive benefits the year after reaching age 65. If your birthday in the above example is in December, you will turn 65 in December, 2016 and be eligible to receive benefits during 2017 and you would not have to wait until the 6th year after separating from the company as I had explained in the previous newsletter. Sorry about the misinformation.

Here are answers to some common questions and to give some background information to those who are new to ESOP's.

Q *What is an ESOP? What does "ESOP" stand for?*

A: ESOP stands for "Employee Stock Ownership Plan". An ESOP is a type of qualified retirement plan that buys part or all of a company on behalf of employees who are eligible to participate. It is similar to a pension or 401(k) plan, except that instead of being invested in stocks and bonds of outside companies, the ESOP owns the stock of KE&G Construction, Inc. In the future, the ESOP could invest excess cash in other types of investments such as mutual funds just like retirement plans. Before that happens, we will need to pay off the loan for the 51% of stock we recently purchased from Karol and Ken which should take 4 years or less. The good news is that as we pay down the debt, it increases the value of the ESOP, just like paying down your own mortgage increases your own net worth.

The ESOP holds the stock in individual accounts that are set up for each eligible participant. Participants receive the value of their accounts after they leave the company, according to rules that are summarized in your Summary Plan Description, also known as "SPD".

Q *What are shares? What is stock?*

A: "Stock" is ownership of the company. One "share" of stock represents

a portion of the ownership of a company. Whoever owns the shares of stock owns the company. For example, if there are 100 shares and you own five shares, you own five percent of the company. Today, the ESOP owns 100% of the outstanding shares of KE&G Construction, Inc. stock. The actual stock certificates are held by the ESOP Trust for the benefit of employees who satisfy the various requirements of the ESOP.

Q *How much will it be worth? How is the price determined?*

A: Federal law requires an independent appraiser who works for the ESOP Trustee to determine the "fair market value" of the shares. Under federal law, the appraiser must re-appraise KE&G Construction, Inc. annually. All participants will receive a statement every year showing how much the stock in their ESOP accounts was worth as of the **previous December 31**. Those employees who were first eligible to participate in the ESOP for 2014 will receive their first individual ESOP Statement in 2015, usually in August. The distribution (pay out) that you will receive in the future will be based on the fair market value of the shares that are in your ESOP account when they are converted to cash at the relevant future point in time. In other words, what you see in your account statements will not be the exact value of what you will receive if you leave the company.

Q *How much "say" will you have? Who runs the ESOP?*

A: The ESOP is represented by a single trustee, Chris Albright, the previous sole trustee was Karol George. The Trustee is legally obligated to protect the interests of all ESOP participants.

Q *Who appoints the trustee?*

A: The trustee is appointed by the Board of Directors of KE&G Construction, Inc. The current board of directors consists of Chris Albright, Ed Anderson and Gerry Murphy who is an outside consultant with many years of management and construction experience to help us gain an outside perspective on the best way to run KE&G.

Q *What is different when you show up for work now?*

A: The ESOP adds a financial reward and ownership responsibility component.



Before the ESOP started and before it owned 100% of the company, KE&G Construction, Inc. asked employees to come to work and give their best effort because that was the best way to ensure company success and job security, and because it's consistent with our values. With the ESOP, there are two important new reasons for you to give your best every day: it's your responsibility as an owner, and the success of the ESOP depends upon the overall performance of the company.

Q *Risks, rewards, and safeguards - Is this a good thing for employees?*

A: Research studies consistently show that ESOP companies perform better than companies that are not employee-owned. Many other ESOPs have been extremely successful. If KE&G Construction, Inc. does well, the ESOP stock could be worth quite a lot of money, but no one can predict how much. It all depends on how well the company performs in the future. There are no guarantees for the KE&G Construction, Inc. ESOP.

If the company performs poorly, the ESOP stock is likely to fall in value. KE&G Construction, Inc. has had a strong track record of solid performance and we hope to continue to be successful.

The factors that determine whether the company will continue to succeed have not changed. For KE&G Construction, Inc. and the ESOP to succeed in the future, all of us still have to continue to provide quality service and do the best job possible.

Q *Do you have any kind of legal protection?*

A: The ESOP is governed by a federal law called ERISA, which governs all "qualified" benefit plans. You have specific legal rights that are summarized in the SPD. The ESOP Trustee is also legally obligated to protect the interests of the ESOP participants. However, there is no insurance or guarantee of the future value of the stock in your ESOP account.