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May 5th, 2008

KMD Construction, LLC
1001 Old W. Innes St
Salisbury, NC 28144

ATTN: Ray Mims

RE: Haywood County Historic Courthouse Renovation and Addition
Notice of Termination of General Contract

Dear Mr. Mims,

I am writing to inform you that Haywood County (the "Owner") has determined that cause exists to terminate the contract between KMD Construction, LLC ("KMD") and the Owner for the Historic Courthouse Renovation and Addition. As a result, and based upon the certification of the project architect, the Board of Commissioners today authorized the termination of the contract for cause pursuant to Paragraph 14.2 of the General Conditions.

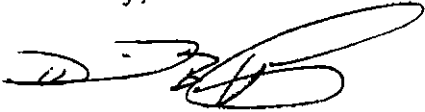
In particular, the architect has certified that cause exists to terminate the contract as a result of KMD persistently and repeatedly failing to supply sufficient properly skilled workers and proper materials to complete the project as required under the terms of the contract. As you know the contract required KMD to complete the project within 450 days of the date that the notice to proceed was issued. Based upon a notice to proceed date of February 21, 2007, the original contract completion date was May 16, 2008. The architect has approved time extensions modifying the contract completion date to June 16, 2008. KMD has acknowledged that it cannot complete the project before July 28, 2008, more than one month past the contract requirements. The architect has informed the Owner that in fact KMD is more than four months behind its own schedule.

In spite of repeated requests, KMD has never provided the Owner or architect with a schedule of the work that complies with KMD's contractual obligations. In addition, KMD has not produced a cost loaded schedule that complies with the contract requirements. KMD has also repeatedly refused to provide a realistic recovery schedule as that requirement is defined by the contract. KMD has never submitted a schedule update on a timely basis showing actual progress and demonstrating that the construction will be completed within the contract time. The architect has further certified that KMD's most recent 30 day look ahead schedule demonstrates KMD's lack of any realistic construction plan designed to recover the lost time and finish this project.

In spite of the fact that KMD has been in material breach of the contract for some time, the Owner has continually attempted to work with KMD to complete this project without resort to termination. However, as a result of the ongoing and material breaches of the contract as described in the preceding paragraphs, the Owner has no alternative but to terminate this contract and demand performance by Fidelity and Deposit Company of Maryland (the "Surety") under the terms of that certain Performance Bond Number 08743982 issued to KMD Construction, LLC, as principal and Haywood County, as obligee. Pursuant to the terms of the contract, this termination is to be effective on Monday, May 12, 2008.

In order to minimize the impact of this termination, and pursuant to your obligations under Paragraph 5.4 of the General Conditions, we hereby demand that you provide the Owner with a copy of each of the subcontracts entered into on this project. We would expect your cooperation and request that you notify your subcontractors that the subcontracts will be assigned to the Owner effective upon termination of this contract.

Sincerely,

A handwritten signature in black ink, appearing to read "David B. Cotton", with a large, sweeping flourish extending to the right.

David B. Cotton
County Manager

c: Fidelity and Deposit Company of Maryland
Chadwick S. Roberson, AIA