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Hearings Unit, OIC  
Patricia D. Petersen  
Chief Hearing Officer

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STATE OF WASHINGTON  
OFFICE OF THE INSURANCE COMMISSIONER

In re the Matter of  
EDMUND C. SCARBOROUGH and  
WALTER W. WOLF,  
Respondents.

No. 13-0084  
DECLARATION OF EDMUND C.  
SCARBOROUGH IN SUPPORT OF  
MOTION FOR SUMMARY  
JUDGMENT

EDMUND C. SCARBOROUGH declares:

1. I am over the age of eighteen and competent to testify. I am a resident of the state of Florida. I provide the following testimony based on personal knowledge.

2. In 2009-2012, I personally or through representatives issued surety bonds relating to construction projects located in the state of Washington. The bonds were executed by me or my attorney-in-fact as "Individual Surety."

3. A surety bond is an agreement under which one party (the surety) guarantees to another party (the obligee) the performance of certain contractual obligations that a third party (the principal) has assumed to the obligee. In the construction context, the obligee is typically the general contractor or project owner, and the principal is a general contractor or a subcontractor to the general contractor. Accordingly, the surety guarantees performance of certain obligations that the general contractor has assumed in its contract with the owner or that the subcontractor has assumed in its subcontract with the general contractor. These

DECLARATION OF EDMUND C.  
SCARBOROUGH IN SUPPORT OF MOTION  
FOR SUMMARY JUDGMENT - 1

CARNEY  
BADLEY  
SPELLEMAN



Law Offices  
A Professional Service Corporation  
701 Fifth Avenue, Suite 3600  
Seattle, WA 98104-7010  
T (206) 622-8020  
F (206) 467-8215

1 obligations may include the obligation (1) to perform the contract, (2) to pay for labor,  
2 materials, and equipment, or (3) both.

3 4. I issued bonds guaranteeing performance or payment, or sometimes both. The  
4 bonds were issued using standard forms provided by the federal government or the American  
5 Institute of Architects (AIA), depending on the type of project or the requirements of the  
6 project owner. Through my attorneys, I have produced to the Washington Office of  
7 Insurance Commissioner the bond documents issued on 22 projects located in the state of  
8 Washington. As I have previously testified, those are the only bonds I issued for projects  
9 located in the state of Washington. As an example, attached as **Exhibit A** is a true and  
10 correct copy of the bond that I issued, together with Walter W. Wolf, to guarantee  
11 performance and payment by Skyline Contractors, Inc., under a contract with the city of  
12 Clarkston, Washington, for remodeling and construction work on the Clarkston Public Safety  
13 Building.

14 5. The bonds I issued in the state of Washington typically were issued through an  
15 intermediary such as a broker. One such broker was Respondent Walter W. Wolf. A few of  
16 the bonds issued for projects located in the state of Washington were co-signed by Mr. Wolf  
17 as a second individual surety. Both the bond obligee and principal have the opportunity to  
18 review and approve the terms of the bonds before acceptance and execution. The Skyline-  
19 Clarkston bond attached as Exhibit A was approved by the city of Clarkston.

20 6. A surety has defined obligations in the unlikely event of default by the  
21 principal, which may include arranging for the principal to perform or pay as required under  
22 the contract or subcontract, undertaking to perform the principal's obligations, or arranging  
23 for performance by another contractor or subcontractor. The surety's liability is limited as set  
24 forth in the bond.

25  
26  
DECLARATION OF EDMUND C.  
SCARBOROUGH IN SUPPORT OF MOTION  
FOR SUMMARY JUDGMENT - 2

CARNEY  
BADLEY  
SPELLMAN

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A Professional Service Corporation  
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1           7.     In the context of surety bonds, a principal is obligated by law to indemnify the  
2 principal for any and all expenses incurred and amounts paid under the surety bond. This  
3 legal obligation is sometimes memorialized in a written agreement. For example, with  
4 respect to the Skyline-Clarkston bond, I entered into an indemnity agreement specifically for  
5 this purpose, entitled "General Agreement of Indemnity." A true and correct copy of that  
6 agreement is attached as **Exhibit B**.

7           8.     The bonds I issued were fully collateralized in that separate and distinct assets  
8 were pledged that had value equal to or greater than the face amount of the bond and that  
9 remained pledged until all potential obligations under the bond were extinguished or the  
10 expiration of one year from the date of issue.

11          9.     More than half of the 22 projects for which I issued bonds in the state of  
12 Washington involved work procured by the federal government for projects located on United  
13 States property, for which surety bonds are required under the Miller Act. Miller Act bonds  
14 must be approved by the federal contracting officer under the Federal Acquisition Regulation  
15 (FAR), 28 C.F.R. part 28. The FAR includes standards for acceptability of individual sureties  
16 for Miller Act bonds. *See* 28 C.F.R. § 28.203. The FAR requires the contracting officer to  
17 determine independently that the assets pledged by the individual surety are sufficient to  
18 cover the bond obligation. 28 C.F.R. § 28.203(a). Miller Act bonds, including those issued  
19 by me, typically state that the principal and surety are "firmly bound to the United States of  
20 America." As an example, attached as **Exhibit C** is a true and correct copy of bond no.  
21 CMECPP04272012.

22          10.    I have never applied for or obtained a certificate of authority or a surplus lines  
23 broker's license from the Washington Office of Insurance Commissioner. It is my  
24 understanding that no such certificate or license was required by law to issue bonds as an  
25 individual surety.

26  
DECLARATION OF EDMUND C.  
SCARBOROUGH IN SUPPORT OF MOTION  
FOR SUMMARY JUDGMENT - 3

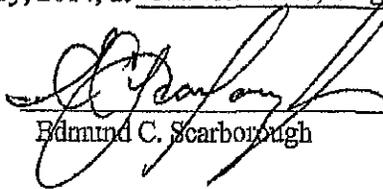
**CARNEY  
BADLEY  
SPELLMAN**

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701 Fifth Avenue, Suite 3600  
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I DECLARE UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE STATE OF WASHINGTON THAT THE FOREGOING IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE.

DATED this 21 day of January, 2014, at Charlottesville, Virginia



---

Edmund C. Scarborough

DECLARATION OF EDMUND C.  
SCARBOROUGH IN SUPPORT OF MOTION  
FOR SUMMARY JUDGMENT - 4

CARNEY  
BADLEY  
SPELLMAN

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A Professional Service Corporation  
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Seattle, WA 98104-7010  
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DECLARATION OF SERVICE

I, Christine Williams, under oath hereby declare as follows: I am an employee at Carney Badley Spellman, P.S., over the age of 18 years, and not a party to nor interested in this action. On January 21, 2014, I caused to be delivered in the manner indicated a copy of the foregoing document on the following parties at the last known address as stated:

Judge Patricia Petersen – ORIGINAL Chief Hearing Officer Office of the Insurance Commissioner 5000 Capitol Boulevard Tumwater, WA 98501 <a href="mailto:kellyc@oic.wa.gov">kellyc@oic.wa.gov</a> via e-mail and legal messenger	<u>Attorney for OIC</u> Mr. Alan M. Singer Office of the Insurance Commissioner 5000 Capitol Boulevard Tumwater, WA 98501 <a href="mailto:alans@oic.wa.gov">alans@oic.wa.gov</a> via e-mail and legal messenger
<u>Attorney for Walter W. Wolf</u> James A. McPhee Workland & Witherspoon, PLLC 601 W Main Avenue, Suite 714 Spokane, WA 99201 <a href="mailto:jmcphee@workwith.com">jmcphee@workwith.com</a> via e-mail and U.S. mail	<u>Attorneys for Edmund C. Scarborough</u> Michael M. Miles Duane Morris LLP 100 North City Parkway, Suite 1560 Las Vegas, NV 89106-4617 <a href="mailto:mmmiles@duanemorris.com">mmmiles@duanemorris.com</a> via e-mail and U.S. mail

I DECLARE UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE STATE OF WASHINGTON THAT THE FOREGOING IS TRUE AND CORRECT.

DATED this 21st day of January, 2014.

Christine Williams, Legal Assistant

DECLARATION OF EDMUND C. SCARBOROUGH IN SUPPORT OF MOTION FOR SUMMARY JUDGMENT – 5

CARNEY  
BADLEY  
SPELLMAN

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STATE OF WASHINGTON  
OFFICE OF THE INSURANCE COMMISSIONER

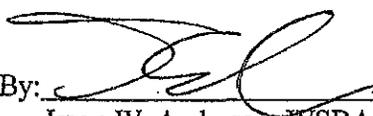
In re the Matter of  
EDMUND C. SCARBOROUGH and  
WALTER W. WOLF,  
  
Respondents.

No. 13-0084  
  
DECLARATION OF ELECTRONIC  
SIGNATURE ON DOCUMENT

I, Jason W. Anderson, under penalty of perjury under the laws of the State of Washington declare: I have personally examined the foregoing document consisting of 5 pages; the signature of Edmund C. Scarborough on the foregoing document is a complete and legible image; and it was received by me via email at the following address: [anderson@carneylaw.com](mailto:anderson@carneylaw.com).

DATED this 21st day of January, 2014.

CARNEY BADLEY SPELLMAN, P.S.

By:   
Jason W. Anderson, WSBA No. 30512  
Attorneys for Respondent Edmund C. Scarborough

DECLARATION OF ELECTRONIC SIGNATURE  
ON DOCUMENT - 1

CARNEY  
BADLEY  
SPELLMAN

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A Professional Service Corporation  
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Seattle, WA 98104-7010  
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F (206) 467-8215

# AIA<sup>®</sup> Document A312™ – 1984

## Performance Bond

Bond No. SKYLINEPP05112011

**CONTRACTOR** (Name, Legal Status and Address):

Skyline Contractors, Inc.  
12402 N. Division St.  
suite 209  
Spokane, WA 99218

**SURETIES** (Name, Legal Status and Principal Place of Business):

Edmund Scarborough & Walter W. Wolf, Individual Sureties  
944 Glenwood Station Lane 7903 E. Broadway  
Suite 104 Spokane Valley, WA 99212  
Charlottesville, VA 22901

**OWNER** (Name, Legal Status and Address):

City of Clarkston  
829 5th St., Clarkston, WA  
99403

**CONSTRUCTION CONTRACT**

Date: April 28, 2011

Amount: \$ 754,543.09

Description (Name and Location):

City of Clarkston Public Safety Building Improvements  
at 826, 830, 832, 5<sup>th</sup> Street, Clarkston, WA

Includes: Base Bid, Bid Item #1, Bid Item #2, Bid Item #3, Bid Item #5

**BOND**

Date (Not earlier than Construction Contract Date): May 11, 2011

Amount: \$ 754,543.09

Modifications to this Bond:  None  See Section 13

**CONTRACTOR AS PRINCIPAL**

Company: (Corporate Seal)

**SURETY**

Company:

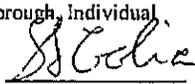
Edmund Scarborough, Individual,  
Surety

Signature: \_\_\_\_\_

Name and

Title:

(Any additional signatures appear on the last page)

Signature: 

Name and

Title:

Steven A. Golia,  
Attorney in Fact

(FOR INFORMATION ONLY - Name, Address and Telephone)

**AGENT or BROKER:**

Walter Wolf  
Wolf-Majeskey-Rapp, Inc.  
7903 E. Broadway Ave.  
Spokane Valley, WA 99212

**OWNER'S REPRESENTATIVE**

(Architect, Engineer or other party):

Jerry Brotnov  
Brotnov Architecture & Planning  
724 1/2 6<sup>th</sup> Street, Clarkston, WA 99403

**ADDITIONS AND DELETIONS:**

The author of this document has added information needed for its completion. The author may also have revised the text of the original AIA standard form. An *Additions and Deletions Report* that notes added information as well as revisions to the standard form text is available from the author and should be reviewed. A vertical line in the left margin of this document indicates where the author has added necessary information and where the author has added to or deleted from the original AIA text.

This document has important legal consequences. Consultation with an attorney is encouraged with respect to its completion or modification.

Any singular reference to Contract, Surety, Owner or other party shall be considered plural where applicable.

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User Notes:

(1432775290)

§ 1 The Contractor and the Surety, jointly and severally, bind themselves, their heirs, executors, administrators, successors and assigns to the Owner for the performance of the Construction Contract, which is incorporated herein by reference.

§ 2 If the Contractor performs the Construction Contract, the Surety and the Contractor shall have no obligation under this Bond, except to participate in conferences as provided in Section 3.1.

§ 3 If there is no Owner Default, the Surety's obligation under this Bond shall arise after:

§ 3.1 The Owner has notified the Contractor and the Surety at its address described in Section 10 below that the Owner is considering declaring a Contractor Default and has requested and attempted to arrange a conference with the Contractor and the Surety to be held not later than fifteen days after receipt of such notice to discuss methods of performing the Construction Contract. If the Owner, the Contractor and the Surety agree, the Contractor shall be allowed a reasonable time to perform the Construction Contract, but such an agreement shall not waive the Owner's right, if any, subsequently to declare a Contractor Default; and

§ 3.2 The Owner has declared a Contractor Default and formally terminated the Contractor's right to complete the contract. Such Contractor Default shall not be declared earlier than twenty days after the Contractor and the Surety have received notice as provided in Section 3.1; and

§ 3.3 The Owner has agreed to pay the Balance of the Contract Price to the Surety in accordance with the terms of the Construction Contract or to a contractor selected to perform the Construction Contract in accordance with the terms of the contract with the Owner.

§ 4 When the Owner has satisfied the conditions of Section 3, the Surety shall promptly and at the Surety's expense take one of the following actions:

§ 4.1 Arrange for the Contractor, with consent of the Owner, to perform and complete the Construction Contract; or

§ 4.2 Undertake to perform and complete the Construction Contract itself, through its agents or through independent contractors; or

§ 4.3 Obtain bids or negotiated proposals from qualified contractors acceptable to the Owner for a contract for performance and completion of the Construction Contract, arrange for a contract to be prepared for execution by the Owner and the contractor selected with the Owner's concurrence, to be secured with performance and payment bonds executed by a qualified surety equivalent to the bonds issued on the Construction Contract, and pay to the Owner the amount of damages as described in Section 6 in excess of the Balance of the Contract Price incurred by the Owner resulting from the Contractor's default; or

§ 4.4 Waive its right to perform and complete, arrange for completion, or obtain a new contractor and with reasonable promptness under the circumstances:

- .1 After investigation, determine the amount for which it may be liable to the Owner and, as soon as practicable after the amount is determined, tender payment therefor to the Owner; or
- .2 Deny liability in whole or in part and notify the Owner citing reasons therefor.

§ 5 If the Surety does not proceed as provided in Section 4 with reasonable promptness, the Surety shall be deemed to be in default on this Bond fifteen days after receipt of an additional written notice from the Owner to the Surety demanding that the Surety perform its obligations under this Bond, and the Owner shall be entitled to enforce any remedy available to the Owner. If the Surety proceeds as provided in Section 4.4, and the Owner refuses the payment tendered or the Surety has denied liability, in whole or in part, without further notice the Owner shall be entitled to enforce any remedy available to the Owner.

§ 6 After the Owner has terminated the Contractor's right to complete the Construction Contract, and if the Surety elects to act under Section 4.1, 4.2, or 4.3 above, then the responsibilities of the Surety to the Owner shall not be greater than those of the Contractor under the Construction Contract, and the responsibilities of the Owner to the Surety shall not be greater than those of the Owner under the Construction Contract. To the limit of the amount of this Bond, but subject to commitment by the Owner of the Balance of the Contract Price to mitigation of costs and damages on the Construction Contract, the Surety is obligated without duplication for:

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§ 6.1 The responsibilities of the Contractor for correction of defective work and completion of the Construction Contract;

§ 6.2 Additional legal, design professional and delay costs resulting from the Contractor's Default, and resulting from the actions or failure to act of the Surety under Section 4; and

§ 6.3 Liquidated damages, or if no liquidated damages are specified in the Construction Contract, actual damages caused by delayed performance or non-performance of the Contractor.

§ 7 The Surety shall not be liable to the Owner or others for obligations of the Contractor that are unrelated to the Construction Contract, and the Balance of the Contract Price shall not be reduced or set off on account of any such unrelated obligations. No right of action shall accrue on this Bond to any person or entity other than the Owner or its heirs, executors, administrators or successors.

§ 8 Section not used.

§ 9 Any proceeding, legal or equitable, under this Bond may be instituted in any court of competent jurisdiction in the location in which the work or part of the work is located and shall be instituted within two years after Contractor Default or within two years after the Contractor ceased working or within two years after the Surety refuses or fails to perform its obligations under this Bond, whichever occurs first. If the provisions of this Paragraph are void or prohibited by law, the minimum period of limitation available to sureties as a defense in the jurisdiction of the suit shall be applicable.

§ 10 Notice to the Surety, the Owner or the Contractor shall be mailed or delivered to the address shown on the signature page.

§ 11 Section not used.

#### § 12 DEFINITIONS

§ 12.1 Balance of the Contract Price: The total amount payable by the Owner to the Contractor under the Construction Contract after all proper adjustments have been made, including allowance to the Contractor of any amounts received or to be received by the Owner in settlement of insurance or other claims for damages to which the Contractor is entitled, reduced by all valid and proper payments made to or on behalf of the Contractor under the Construction Contract.

§ 12.2 Construction Contract: The agreement between the Owner and the Contractor identified on the signature page, including all Contract Documents and changes thereto.

§ 12.3 Contractor Default: Failure of the Contractor, which has neither been remedied nor waived, to perform or otherwise to comply with the terms of the Construction Contract.

§ 12.4 Owner Default: Failure of the Owner, which has neither been remedied nor waived, to pay the Contractor as required by the Construction Contract or to perform and complete or comply with the other terms thereof.

#### § 13 MODIFICATIONS TO THIS BOND ARE AS FOLLOWS:

The fee for this bond is fully earned upon receipt of this instrument by Principal and Oblige. A "Consent of Surety" is required for release of all Progress Payments including retainage. The surety reserves the right to implement Funds Control at its sole discretion, and the Oblige(s) are bound by this condition. This Bond is a guarantee, it is not an insurance policy. Seek qualified and licensed insurance companies for all Workers Compensation and General Liability exposures. Nothing in this performance bond shall be deemed to include coverage for or assurance of payment of delay damages, whether liquidated or actual, or any other form of consequential damages. Such damages are specifically excluded from the scope of this performance bond.

Void without attached IRREVOCABLE TRUST RECEIPT. The Owner agrees that the exclusive source of funds to pay any available claim under the terms of this bond is the assets represented by the attached Irrevocable Trust Receipt. This bond is valid only for one year from the date indicated on its face. Any renewal or extension of that term will be at the sole discretion of the surety upon request of the obligee and subject to payment of additional fees. For

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Labor and Materialmen's Payment Bonds, payment for work performed outside the term of this bond is not protected by this bond.

(Space is provided below for additional signatures of added parties, other than those appearing on the cover page.)

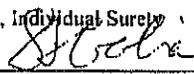
**CONTRACTOR AS PRINCIPAL**

Company: (Corporate Seal)

Signature: \_\_\_\_\_  
Name and Title:  
Address: 12402 N. Division St., Suite  
209  
Spokane, WA 99218

**SURETY**

Company: Edmund Scarborough, Individual Surety

Signature:   
Name and Title: Steven A. Golia, Attorney in Fact  
Address: 944 Glenwood Station Lane Suite  
104  
Charlottesville, VA 22901

**SURETY**

Company: Walter W. Wolf, Individual Surety

Signature: \_\_\_\_\_  
Name and Title: Walter W. Wolf  
Address: 7903 E. Broadway Ave.  
Spokane Valley, WA 99212

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(1432775290)

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## Payment Bond

Bond No. SKYLINHP05112011

**CONTRACTOR** (Name, Legal Status and Address):

Skyline Contractors, Inc.  
12402 N. Division St.  
Suite 209  
Spokane, WA 99218

**SURETIES** (Name, Legal Status and Principal Place of Business):

Edmund Scarborough & Walter W. Wolf, Individual Sureties  
944 Glenwood Station Lane 7903 E. Broadway  
Suite 104 Spokane Valley, WA 99212

Charlottesville, VA 22901

**OWNER** (Name, Legal Status and Address):

City of Clarkston  
829 5th St., Clarkston, WA  
99403

**CONSTRUCTION CONTRACT**

Date: April 28, 2011

Amount: \$ 754,543.09

Description (Name and Location):

City of Clarkston Public Safety Building Improvements  
at 826, 830, 832, 5<sup>th</sup> Street, Clarkston, WA

Includes: Base Bid, Bid Item #1, Bid Item #2, Bid Item #3, Bid Item #5

**BOND**

Date (Not earlier than Construction Contract Date): May 11, 2011

Amount: \$ 754,543.09

Modifications to this Bond:  None  See Section 16

**CONTRACTOR AS PRINCIPAL**

Company: (Corporate Seal)

**SURETY**

Company:

Edmund Scarborough, Individual  
Surety

Signature: \_\_\_\_\_

Name and

Title:

(Any additional signatures appear on the last page)

Signature: \_\_\_\_\_

Name and

Title:

Steven A. Golin,  
Attorney in Fact

(FOR INFORMATION ONLY - Name, Address and Telephone)

**AGENT or BROKER:**

Walter Wolf  
Wolf-Majeskey-Rapp, Inc.  
7903 E. Broadway Ave.  
Spokane Valley, WA 99212

**OWNER'S REPRESENTATIVE**

(Architect, Engineer or other party):

Jerry Brotnov  
Brotnov Architecture & Planning  
724 1/2 6<sup>th</sup> Street, Clarkston, WA 99403

(Row deleted)

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**ADDITIONS AND DELETIONS:**  
The author of this document has added information needed for its completion. The author may also have revised the text of the original AIA standard form. An *Additions and Deletions Report* that notes added information as well as revisions to the standard form text is available from the author and should be reviewed. A vertical line in the left margin of this document indicates where the author has added necessary information and where the author has added to or deleted from the original AIA text.

This document has important legal consequences. Consultation with an attorney is encouraged with respect to its completion or modification.

Any singular reference to Contract, Surety, Owner or other party shall be considered plural where applicable.

Int.

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User Notes:

(1480800345)

§ 1 The Contractor and the Surety, jointly and severally bind themselves, their heirs, executors, administrators, successors and assigns to the Owner to pay for labor, materials and equipment furnished for use in the performance of the Construction Contract, which is incorporated herein by reference.

§ 2 With respect to the Owner, this obligation shall be null and void if the Contractor:

§ 2.1 Promptly makes payment, directly or indirectly, for all sums due Claimants, and

§ 2.2 Defends, indemnifies and holds harmless the Owner from claims, demands, liens or suits by any person or entity whose claim, demand, lien or suit is for the payment for labor, materials or equipment furnished for use in the performance of the Construction Contract, provided the Owner has promptly notified the Contractor and the Surety (at the address described in Section 12) of any claims, demands, liens or suits and tendered defense of such claims, demands, liens or suits to the Contractor and the Surety, and provided there is no Owner Default.

§ 3 With respect to Claimants, this obligation shall be null and void if the Contractor promptly makes payment, directly or indirectly, for all sums due.

§ 4 The Surety shall have no obligation to Claimants under this Bond until:

§ 4.1 Claimants who are employed by or have a direct contract with the Contractor have given notice to the Surety (at the address described in Section 12) and sent a copy, or notice thereof, to the Owner, stating that a claim is being made under this Bond and, with substantial accuracy, the amount of the claim.

§ 4.2 Claimants who do not have a direct contract with the Contractor:

- .1 Have furnished written notice to the Contractor and sent a copy, or notice thereof, to the Owner, within 90 days after having last performed labor or last furnished materials or equipment included in the claim stating, with substantial accuracy, the amount of the claim and the name of the party to whom the materials were furnished or supplied or for whom the labor was done or performed; and
- .2 Have either received a rejection in whole or in part from the Contractor, or not received within 30 days of furnishing the above notice any communication from the Contractor by which the Contractor has indicated the claim will be paid directly or indirectly; and
- .3 Not having been paid within the above 30 days, have sent a written notice to the Surety (at the address described in Section 12) and sent a copy, or notice thereof, to the Owner, stating that a claim is being made under this Bond and enclosing a copy of the previous written notice furnished to the Contractor.

§ 5 If a notice required by Section 4 is given by the Owner to the Contractor or to the Surety, that is sufficient compliance.

§ 6 When the Claimant has satisfied the conditions of Section 4, the Surety shall promptly and at the Surety's expense take the following actions:

§ 6.1 Send an answer to the Claimant, with a copy to the Owner, within 45 days after receipt of the claim, stating the amounts that are undisputed and the basis for challenging any amounts that are disputed.

§ 6.2 Pay or arrange for payment of any undisputed amounts.

§ 7 The Surety's total obligation shall not exceed the amount of this Bond, and the amount of this Bond shall be credited for any payments made in good faith by the Surety.

§ 8 Amounts owed by the Owner to the Contractor under the Construction Contract shall be used for the performance of the Construction Contract and to satisfy claims, if any, under any Construction Performance Bond. By the Contractor furnishing and the Owner accepting this Bond, they agree that all funds earned by the Contractor in the performance of the Construction Contract are dedicated to satisfy obligations of the Contractor and the Surety under this Bond, subject to the Owner's priority to use the funds for the completion of the work.

§ 9 The Surety shall not be liable to the Owner, Claimants or others for obligations of the Contractor that are unrelated to the Construction Contract. The Owner shall not be liable for payment of any costs or expenses of any Claimant under this Bond, and shall have under this Bond no obligations to make payments to, give notices on behalf of, or otherwise have obligations to Claimants under this Bond.

Init.

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User Notes:

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§ 10 Section not used.

§ 11 No suit or action shall be commenced by a Claimant under this Bond other than in a court of competent jurisdiction in the location in which the work or part of the work is located or after the expiration of one year from the date (1) on which the Claimant gave the notice required by Section 4.1 or Section 4.2.3, or (2) on which the last labor or service was performed by anyone or the last materials or equipment were furnished by anyone under the Construction Contract, whichever of (1) or (2) first occurs. If the provisions of this Paragraph are void or prohibited by law, the minimum period of limitation available to sureties as a defense in the jurisdiction of the suit shall be applicable.

§ 12 Notice to the Surety, the Owner or the Contractor shall be mailed or delivered to the address shown on the signature page. Actual receipt of notice by Surety, the Owner or the Contractor, however accomplished, shall be sufficient compliance as of the date received at the address shown on the signature page.

§ 13 Section not used.

§ 14 Upon request by any person or entity appearing to be a potential beneficiary of this Bond, the Contractor shall promptly furnish a copy of this Bond or shall permit a copy to be made.

**§ 15 DEFINITIONS**

§ 15.1 Claimant: An individual or entity having a direct contract with the Contractor or with a subcontractor of the Contractor to furnish labor, materials or equipment for use in the performance of the Contract. The intent of this Bond shall be to include without limitation in the terms "labor, materials or equipment" that part of water, gas, power, light, heat, oil, gasoline, telephone service or rental equipment used in the Construction Contract, architectural and engineering services required for performance of the work of the Contractor and the Contractor's subcontractors, and all other items for which a mechanic's lien may be asserted in the jurisdiction where the labor, materials or equipment were furnished.

§ 15.2 Construction Contract: The agreement between the Owner and the Contractor identified on the signature page, including all Contract Documents and changes thereto.

§ 15.3 Owner Default: Failure of the Owner, which has neither been remedied nor waived, to pay the Contractor as required by the Construction Contract or to perform and complete or comply with the other terms thereof.

**§ 16 MODIFICATIONS TO THIS BOND ARE AS FOLLOWS:**

The fee for this bond is fully earned upon receipt of this Instrument by Principal and Oblige. A "Consent of Surety" is required for release of all Progress Payments including retainage. The surety reserves the right to implement Funds Control at its sole discretion, and the Oblige(s) are bound by this condition. This Bond is a guarantee, it is not an insurance policy. Seek qualified and licensed insurance companies for all Workers Compensation and General Liability exposures. Nothing in this performance bond shall be deemed to include coverage for or assurance of payment of delay damages, whether liquidated or actual, or any other form of consequential damages. Such damages are specifically excluded from the scope of this performance bond.

Void without attached IRREVOCABLE TRUST RECEIPT. The Owner agrees that the exclusive source of funds to pay any available claim under the terms of this bond is the assets represented by the attached Irrevocable Trust Receipt. This bond is valid only for one year from the date indicated on its face. Any renewal or extension of that term will be at the sole discretion of the surety upon request of the obligee and subject to payment of additional fees. For Labor and Materialmen's Payment Bonds, payment for work performed outside the term of this bond is not protected by this bond.

Int.

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(Space is provided below for additional signatures of added parties, other than those appearing on the cover page.)

**CONTRACTOR AS PRINCIPAL**

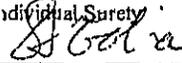
Company: (Corporate Seal)

Signature:  
Name and Title:

Address: 12402 N. Division St., Suite  
209  
Spokane, WA 99218

**SURETY**

Company: Edmund Scarborough, Individual Surety



Signature:  
Name and Title: Steven A. Golia, Attorney in  
Fact  
Address: 944 Glenwood Station Lane  
Suite 104  
Charlottesville, VA 22901

**SURETY**

Company: Walter W. Wolf, Individual Surety

Signature:  
Name and Title: Walter W. Wolf  
Address: 7903 E. Broadway Ave.  
Spokane Valley, WA 99212

Inlt.

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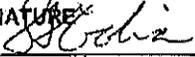
4

**AFFIDAVIT OF INDIVIDUAL SURETY  
SCARBOROUGH BOND & GUARANTEE PROGRAM**

I, the undersigned being duly sworn, depose and say that I am one of the sureties to the attached bond, that I am a citizen of the United States (or a permanent resident of the place where the contract and bond are executed), and of full age and legally competent; that I am not a partner in any business of the principal on the Bonds on which I appear as surety, that the information herein below furnished is true and complete to the best of my knowledge. The affidavit is made to induce City of Clarkston to accept me as surety to the attached bond.

- |  |  |
|--|--|
| <p>1. Name of Individual Surety<br/>Edmund Scarborough, Individual Surety</p>  | <p>2. Address:<br/>944 Glenwood Station Lane, Suite 104,<br/>Charlottesville, VA 22901</p> |
| <p>3. Business Address (No., Street City, State, Zip Code)<br/>944 Glenwood Station Lane, Suite 104,<br/>Charlottesville, VA 22901</p> | <p>4. Telephone Numbers:<br/>(434) 974-9777 (Office)<br/>(434) 974-5610 (Fax)</p>          |

5. IRREVOCABLE TRUST RECEIPT OF \$754,543.09 from Wells Fargo Bank Northwest, N.A.  
Receipt Number: **SKYLINEPP05112011**

6. SIGNATURE:   
Steven A. Golla, Attorney in Fact

7. CONTRACTOR: Skyline Contractors, Inc.  
BOND: SKYLINEPP05112011  
BOND NAME: City of Clarkston

PROJECT: City of Clarkston Public Safety Building  
Improvements at 826, 830, 832, 5<sup>th</sup> Street, Clarkston, WA  
Includes: Base Bid, Bid Item #1, Bid Item #2, Bid Item #3,  
Bid Item #5

Walter W. Wolf, Individual Surety

**CONDITIONS ON THE BID BOND and/or PAYMENT & PERFORMANCE BOND and/or MAINTENANCE BOND:**

The fee for this bond is fully earned upon receipt of this instrument by Principal and Oblige. A "Consent of Surety" is required for release of all Progress Payments including retainage. The surety reserves the right to implement Funds Control at its sole discretion, and the Oblige(s) are bound by this condition. This Bond is a guarantee, it is not an insurance policy. Seek qualified and licensed insurance companies for all Workers Compensation and General Liability exposures. Nothing in this performance bond shall be deemed to include coverage for or assurance of payment of delay damages, whether liquidated or actual, or any other form of consequential damages. Such damages are specifically excluded from the scope of this performance bond. Void without attached IRREVOCABLE TRUST RECEIPT. The Owner agrees that the exclusive source of funds to pay any available claim under the terms of this bond is the assets represented by the attached Irrevocable Trust Receipt. This bond is valid only for one year from the date indicated on its face. Any renewal or extension of that term will be at the sole discretion of the surety upon request of the obligee and subject to payment of additional fees. For Labor and Materialmen's Payment Bonds, payment for work performed outside the term of this bond is not protected by this bond.

			<b>Subscribed &amp; Sworn to before me</b>
DATE OATH ADMINISTERED <b>May/11/2011</b> Month Day Year	CITY: <b>Cherry Hill</b>	STATE: <b>New Jersey</b>	NOTARY PUBLIC  <b>RYAN K. DALY</b> NOTARY PUBLIC OF NEW JERSEY Commission Expires 8/15/2013
SIGNATURE: 			

## INSTRUCTIONS

1. This form shall be used whenever sureties on hands to execute in connection with Government contracts are individual sureties, as provided in governing regulations (see 41CFR 1-10.203, 1-16.801, 101-46.3). There shall be no deviation from this form except as so authorized (see 41 CFR 1-1.009, 101-1.110).
2. A corporation, partnership, or other business association or firm, as such, will not be accepted as a surety, nor will a partner be accepted as a surety for co-partners or for a firm of which he is a member. Stockholders of a corporation principal may be accepted, as sureties provided their qualifications as such are independent of their qualifications as such are independent of their stockholdings therein. In arriving at the net worth figure in Item 7 on the face of this affidavit an individual surety will not include any financial interest he may have in the assets of the principal on the bond, which this affidavit supports.
3. An individual surety shall be a citizen of the United States, except that if the contract and bond are executed in any foreign country, the Commonwealth of Puerto Rico, the Virgin Islands, the Canal Zone, Guam or any other territory or possession of the United States, such surety need only be a permanent resident of the place of execution of the contract and bond.
4. The individual surety shall show net worth in a sum not less than the penalty of the bond by supplying the information required on the Notary Public or some other officer having authority to administer oaths generally. If the officer has an official seal, it shall be affixed; otherwise the proper certification as to his official character shall be furnished.

All claims will be handled thru the offices of The IBCS Group, Inc., the risk management company for Edmund Scarborough, Individual Surety. In order to expedite any and all settlements and claims, please follow the steps below.

- 1) Contact The IBCS Group Inc. immediately for any suspected claims at (434) 974-9777 on the bonded project.
- 2) E-Mail, fax or mail any and all documents pertaining to said claim to: IBCS Group, Inc., 944 Glenwood Station Lane, Suite 104, Charlottesville, VA 22901 and/or
- 3) Jones Day LLP, 555 California Street Suite 2600, San Francisco, CA. 94104, to the attention of:  
David Buoncristiani {fax} (415) 875-5700

**POWER OF ATTORNEY FOR EDMUND SCARBOROUGH**

944 Glenwood Station Lane Suite 104 Charlottesville, VA 22901  
www.ibcs.com

KNOW ALL MEN BY THESE PRESENTS that, EDMUND SCARBOROUGH, Individual Surety ("Principal"), hereby makes, constitutes and appoints:

**STEVEN A. GOLIA**

to be Principal's true and lawful attorney-in-fact ("Attorney-in-Fact"), for him and in his name, place and stead to deliver and acknowledge, for and on behalf of Principal, bonds, undertakings and contracts of suretyship giving and granting unto said Attorney-in-Fact full power and authority to do and to perform every act necessary, requisite or proper to be done in connection therewith as Principal could do, and all of the acts of said Attorney-in-Fact, pursuant to these presents, are hereby ratified and confirmed.

That the signature of the Attorney-in-Fact, either original or facsimile, affixed to any such document relating to the purpose of this Power of Attorney as authorized herein shall be valid and binding upon the Principal with respect to any bond, undertaking or contract of suretyship to which it is attached.

The undersigned hereby ratifies and confirms all that said Attorney-in-Fact shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Limited Power of Attorney as of this 21 day of Sept., 2010.

By: [Signature]  
Edmund Scarborough

Specimen signature of Attorney-in-Fact:

[Signature]  
Steven A. Golia

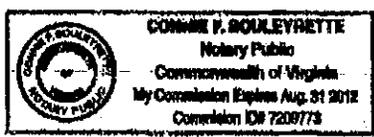
STATE OF VIRGINIA )  
COUNTY OF ALBEMARLE )

Be it Known, That on the 21 day of Sept., 2010, before me Connie F. Souleyrette Notary Public in and for the State of Virginia, duly commissioned and sworn, appeared Edmund Scarborough who executed the within Power of Attorney, and he/she acknowledged the within Power of Attorney to be true and deed.

SWORN TO AND SUBSCRIBED before me this 21 day of Sept., 2010.

[Signature]  
SIGNATURE OF NOTARY PUBLIC  
Printed Name Connie F. Souleyrette

Personally Known  Produced Identification \_\_\_\_\_  
Type of Identification Produced: \_\_\_\_\_



"NOTICE: This document is automatically VOIDED if there are any crasures, cross-outs or corrections of any kind."

**Edmund Scarborough, Individual Surety**

Dedicated Asset Calculation for Bond No. | **SKYLINEPP05112011**

Based on the most current information available from the U.S. Department of Energy, the estimated value of the asset dedicated in connection with this specific surety bond is: **\$829,997.40**

The Trustee has provided the attached Irrevocable Trust Receipt as evidence of the dedicated asset held in trust for the benefit of obligees on this bond. See the attached instrument issued by Wells Fargo Bank Northwest N.A. for further details.

Principal	Skyline Contractors, Inc.
Project Name	City of Clarkston Public Safety Building Improvements
Calculation Date	5/11/2011

Required Guarantee Amount	\$ 754,543.09
1.) Required guarantee amount plus 10%	\$ 829,997.40
2.) Current Coal Spot Price	\$ 78.85
3.) Net Tons Required	\$ 10,526.28
4.) Gross Tons Required (Net Tons, x Two)	21,052.57
5.) Finishing Expense (Number of Gross Tons, x \$4.38)	\$ 92,210.24
6.) Additional Net Tons to Offset Processing Costs	1,169.44
7.) Additional Gross Tons to Defray Processing Costs	2,338.88
8.) Total Tonnage of Coal to be Referenced in ITR	23,391.44
9.) Total Value of Processed Coal included in Total Tonnage	\$ 922,207.64

**Methodology:**

-Step 1.) Required bond guarantee amount, plus ten percent additional for benefit of obligee, (*Required Guarantee Amount* x 1.1)

-Step 2.) "Current Coal Spot Price" is based on information published by the Federal Energy Information Administration on their web site: <http://www.eia.doe.gov/cneaf/coal/naga/coalnews/coalmar.html>

-Step 3.) Tons of processed coal needed to meet 110% of obligation, (*Step 1 / Step 2*)

-Step 4.) Total tons of unprocessed coal needed to make net tons of processed coal, (*Step 3 x two*). Two or less gross tons are required to produce one net ton.

-Step 5.) Cost of processing coal to get tonnage in Step 3, (*Step 4 x \$4.38*)

-Step 6.) Additional net tons to offset processing costs, (*Step 5 / Step 2*)

-Step 7.) Additional gross tons to defray processing costs, (*Step 6 x two*). Two or less gross tons are required to produce one net ton.

-Step 8.) Total tonnage of coal to be referenced in the ITR, (*Step 4 + Step 7*)

-Step 9.) Total value of processed coal included in total tonnage, (*(Step 3 + Step 6), x Step 2*)



Wells Fargo Bank Northwest, N.A.  
Corporate Trust Lease Group

MAC U122B-120  
299 South Main Street, 12th Floor  
Salt Lake City, UT 84111

Tel: 801 246 5630  
Fax: 801 246 5053  
www.wellsfargocorptrust.com

Corr-45392

*Writers Direct Number:*  
(801) 246-5828  
E-Mail: [jonathan.r.warner@wellsfargo.com](mailto:jonathan.r.warner@wellsfargo.com)

May 27, 2011

**VIA Fed Ex**

Attn: Ryan Daly  
IBCS  
1814 Marlton Pike East (Rte 70)  
Cherry Hill, NJ 08003

RE: ITR SKYLINEPP05112011

Ryan:

Enclosed please find executed signed ITR referenced above.

Regards

Jonathan Warner  
Relationship Specialist

Enclosures



**IRREVOCABLE TRUST RECEIPT NO. SKYLINEPP05112011**

IRREVOCABLE TRUST RECEIPT No. SKYLINEPP05112011, dated as of May 11, 2011 (this "ITR"), of Wells Fargo Bank Northwest, N.A. ("Indenture Trustee").

**WITNESSETH:**

WHEREAS, the Trust Indenture and Security Agreement (Surety Bond Trust No. 1), dated as of October 29, 2008 (the "Indenture"), between Edmund C. Scarborough, an individual ("Owner"), and Indenture Trustee, provides for the execution and delivery of Irrevocable Trust Receipts, including this Irrevocable Trust Receipt (this "ITR").

WHEREAS, the Indenture relates to the property described in Schedule A hereto and made a part hereof, which property is a portion of the Trust Indenture Estate (as defined in the Indenture).

NOW, THEREFORE, THIS ITR WITNESSETH that, in consideration of the premises and other good and valuable consideration, the receipt of which is hereby acknowledged, and in order to secure the payment by Owner of all amounts payable to or for the benefit of the Beneficiary specified on Schedule A hereto ("Beneficiary") under the Bond specified on Schedule A hereto (the "Bond") outstanding from time to time, and to secure the performance by Owner of its obligations under the Bond (collectively, such amounts and obligations, the "Obligations"), Indenture Trustee hereby, for the benefit and security of Beneficiary respecting the Obligations, confirms that it holds for Beneficiary and its successors and assigns, a first priority security interest in and mortgage and charge on, all of Owner's estate, right, title and interest in and to the following described property, whether now owned or hereafter acquired (other than Excepted Property (as defined in the Indenture):

all of the property described on Schedule A hereto;

all substitutions, renewals or replacements of the property described on Schedule A hereto whether the same are now owned or hereafter acquired by Owner; and

all property insurance proceeds related thereto. This ITR is governed by the laws of the State of Utah.

AND, FURTHER, Indenture Trustee hereby acknowledges that all Property referred to in this ITR is subject to the security interest, and the terms and conditions, of the Indenture. A copy of the Indenture has been given to Beneficiary.

IN WITNESS WHEREOF, Indenture Trustee has caused this ITR to be duly executed on the day and year first above written.

Wells Fargo Bank Northwest, N.A., as  
Indenture Trustee

By:   
Name: Alan D. Doty  
Title: Assistant Vice President

Address for notices:

MACX: U 1228-120  
299 South Main Street, 12<sup>th</sup> Floor  
Salt Lake City, UT 84111  
Telecopy No.: (801) 246-5053

**SCHEDULE A**  
to  
**Irrevocable Trust Receipt No. SKYLINEPP05112011**

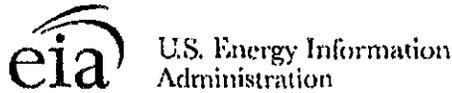
**DESCRIPTION OF PROPERTY**

Description	Quantity	Location
surface, previously mined, coal	23,391.44 gross tons	that certain 115.4 acre tract in Nicholas County, West Virginia, owned by Owner

Obligee/Beneficiary: City of Clarkston

Obligee/Beneficiary's address for notices: 829 5<sup>th</sup> St., Clarkston, WA 99403

Bond: **SKYLINEPP05112011**



Home > Coal > Coal News and Markets

**Coal News and Markets**

Report Released: May 8, 2011  
 Next Release Date: May 16, 2011

"Coal News and Markets Report" summarizes spot coal prices by coal commodity regions (i.e., Central Appalachia (CAP), Northern Appalachia (NAP), Illinois Basin (ILB), Powder River Basin (PRB), and Uinta Basin (UB)) in the United States. The report includes data on average weekly coal spot market prices, monthly coal production, Eastern coal production trends, and average cost of metallurgical coal at coke plants and export docks. The historical data for coal commodity spot market prices are proprietary and not available for public release.

Average weekly coal commodity spot prices  
 (dollars per short ton)

Previous Coal News and Markets Reports

Week Ended	Central Appalachia 12,500 Btu, 1.2 SO2	Northern Appalachia 13,000 Btu, <3.0 SO2	Illinois Basin 11,600 Btu, 5.0 SO2	Powder River Basin 8,800 Btu, 0.8 SO2	Uinta Basin 11,700 Btu, 0.8 SO2
26-Mar-11	\$75.20	\$76.16	\$47.50	\$13.45	\$41.00
01-Apr-11	\$78.85	\$76.16	\$47.75	\$13.25	\$41.00
08-Apr-11	\$78.85	\$76.16	\$47.75	\$12.75	\$41.00
15-Apr-11	\$78.85	\$76.16	\$47.75	\$12.55	\$41.00
22-Apr-11	\$78.85	\$76.15	\$47.75	\$12.50	\$41.00
29-Apr-11	\$78.85	\$78.15	\$47.75	\$12.45	\$41.00
06-May-11	\$78.85	\$78.15	\$47.75	\$12.35	\$41.00

<sup>1</sup>Coal prices shown are for a relatively high-Btu coal selected in each region, for delivery in the "prompt quarter." The prompt quarter is the quarter following the current quarter. For example, from January through March, the 2nd quarter is the prompt quarter. Starting on April 1, July through September define the prompt quarter.  
 Source: With permission, selected prices in Platts Coal Outlook, "Weekly Price Survey."  
 Note: The historical data file of spot prices is proprietary and cannot be released by EIA; see Coal News and Prices.

- View the Weekly Coal Production Report for the most recent week.
- View the NYMEX Report for the most recent week.
- View the Quarterly Coal Report for the most recent quarter.
- View the most recent issue of the Annual Coal Report.
- View an on-line summary of U.S. Coal Supply and Demand.
- Sign up to automatically receive via Email.

Contact:

Tejasvi Raghuvver  
 Phone: 202 - 586 - 8926  
 Email: [Tejasvi.Raghuvver](mailto:Tejasvi.Raghuvver)  
 Fax: 202 - 287 - 1944

GENERAL AGREEMENT OF INDEMNITY

THIS General Agreement of Indemnity (hereinafter called Agreement), made and entered into this 13<sup>th</sup> day of April, 2011, by the undersigned

Skyline Contractors Inc. as PRINCIPAL(S)

Lisa B. Roberts; Headwaters Development Group LLC as INDEMNITOR(S),

jointly and severally, collectively and individually, and is executed for the continuing benefit of EDMUND C. SCARBOROUGH, Individual Surety, as SURETY, (also referred to as "Surety", "It", "His/His"), 944 Glenwood Station Lane, Suite 104, Charlottesville, VA 22901

WHEREAS, the PRINCIPAL, in the performance of contracts and the fulfillment of obligations generally, whether solely in its own name or as co-venturer with others, may desire, or be required, to give or procure certain BONDS; and,

WHEREAS, at the request of the PRINCIPAL and the INDEMNITORS and upon the express understanding that this Agreement should be given, the SURETY has executed or procured to be executed, and may from time to time hereafter execute or procure to be executed, said BONDS on behalf of the PRINCIPAL; and,

WHEREAS, the INDEMNITORS have a substantial, material or beneficial interest in the obtaining, renewing, continuing or substituting of the BONDS; and,

WHEREAS, SURETY has relied upon and will continue to rely upon the representations of PRINCIPAL and INDEMNITORS as to their character, identity, control, beneficial ownership, financial condition and existence in procuring BONDS;

NOW THEREFORE, in consideration of the above stated premises, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by PRINCIPAL and each of the INDEMNITORS, the PRINCIPAL and INDEMNITORS for themselves, their heirs, executors, administrators, successors and assigns, jointly and severally, hereby covenant and agree with the SURETY, its successors and assigns, as follows:

I. DEFINITIONS. Wherever they appear in this Agreement, the following terms are defined as set forth in this section:

A. BOND means an undertaking, a contract of suretyship, guaranty or indemnity, an agreement, consent or letter to provide such an undertaking or contract, before or after the date of this Agreement, and the continuation, extension, alteration, renewal or substitution of such an undertaking, contract, agreement, consent or letter, whether with the same or different penalties and conditions, executed, provided, or procured by the SURETY.

B. CONTRACT means an agreement between PRINCIPAL and a third party, together with all associated documents (including but not limited to general and special conditions, specifications and drawings) for which SURETY executes or procures the execution of a BOND.

C. PRINCIPAL means any one, combination of, or all of the named individuals, firms or corporations set forth below as PRINCIPAL including any of their present or future subsidiary corporations and any corporations or other persons or entities with which they may now or hereafter be controlled or affiliated, or their successors in interest, whether alone or in joint venture with others not named herein, including any such entity for which SURETY executes BONDS.

D. INDEMNITOR means any one, combination of, or all of the named individuals, firms or corporations set forth below as INDEMNITOR(S) including any of their present or future subsidiary corporations and any corporations or other persons or entities with which they may now or hereafter be controlled or affiliated, or their successors in interest, whether alone or in joint venture with others not named herein, including any such person or entity who hereafter agrees to become an INDEMNITOR under this Agreement.

E. SURETY means Edmund C. Scarborough, as Individual Surety, and his successors and assigns.

F. EVENT OF DEFAULT means any one or more of the following: (i) Any declaration of default by an obligee on any BOND, or any actual or alleged abandonment, forfeiture, or breach of, or failure, refusal or inability to perform, any CONTRACT or obligation contained in a BOND, or the filing of any suit or commencement of any action or proceeding by a creditor or obligee of an obligation against PRINCIPAL or any INDEMNITOR, or any suspension, revocation or other material adverse change in the status of any license, permit or other right or permission to bid or perform work of PRINCIPAL with any applicable licensing board or agency; (ii) Any actual or alleged failure, delay, refusal or inability of the PRINCIPAL to pay claims, bills or other indebtedness incurred in, or in connection with, the performance of any CONTRACT; (iii) The actual or alleged failure to perform, or comply with, any of the terms, covenants, conditions or obligations in this Agreement, or of any BOND or obligation issued by SURETY pursuant to this Agreement, including the failure to pay or discharge, when due, any indebtedness or other obligation of the PRINCIPAL to the SURETY, and the failure of PRINCIPAL or any INDEMNITOR to promptly furnish accurate, complete and up-to-date financial statements or other information upon request of SURETY, or the furnishing of a financial statement or other information by PRINCIPAL or any INDEMNITOR which contains any material misstatement or misrepresentation, or which fails to contain information necessary for an accurate presentation of PRINCIPAL'S or any INDEMNITOR'S financial condition; (iv) an assignment by the PRINCIPAL or any INDEMNITOR for the benefit of creditors, or the appointment, or an application by the PRINCIPAL or any INDEMNITOR for the appointment, of a receiver or trustee for the PRINCIPAL or any INDEMNITOR or their property, whether insolvent or not, or an application by the PRINCIPAL or any INDEMNITOR for reorganization or arrangement under any bankruptcy laws of the United States or of any State, possession or territory of the United States, or if proceedings for the appointment of a receiver or trustee, for liquidation of, for the reorganization or arrangement of the PRINCIPAL or any INDEMNITOR shall be initiated by other persons; (v) If the PRINCIPAL or any INDEMNITOR is an individual, the PRINCIPAL'S or INDEMNITOR'S dying, absconding, disappearing, incompetency, being convicted of a felony or imprisoned, becoming a fugitive from justice, or marrying (without the spouse becoming an INDEMNITOR); or, if the PRINCIPAL or INDEMNITOR is any other type of entity, any change or threat of change in the character, identity, control, arrangement, management, beneficial ownership or existence of the PRINCIPAL or INDEMNITOR, any discontinuation or cessation of operations, being convicted of a felony, being debarred from bidding on any federal, state or local governmental projects, any material adverse change in the financial condition of the PRINCIPAL or any INDEMNITOR or any transfer of assets, by PRINCIPAL or INDEMNITOR, not in the ordinary course of business to a person or entity not an INDEMNITOR; (vi) Any proceeding or the exercise of any rights by any individual or entity, including PRINCIPAL or any INDEMNITOR, which deprives or impairs PRINCIPAL'S use of its plant, machinery, equipment, plans, drawings, tools, supplies or materials; (vii) The happening of any event other than those specified in (i) through (vi) which, in the SURETY'S sole opinion, may expose SURETY to loss, cost or expense, including but not limited to currency fluctuations where the PRINCIPAL and/or INDEMNITORS have assumed the risk currency fluctuations and the value of any applicable foreign currency increases or decreases the corresponding dollar value of the contract or obligation by five (5%) percent.

II. INDEMNITY AND HOLD HARMLESS.

A. The PRINCIPAL and INDEMNITORS, jointly and severally, shall exonerate, hold harmless, indemnify and keep indemnified the SURETY from and against any and all claims, demands, liability, losses, costs, and expenses of whatsoever kind or nature, including court costs, attorneys' fees, adjusting costs and investigative costs, and from and against any and all other such losses and expenses which the SURETY may sustain, suffer or incur: (i) By reason of having executed or procured the execution of BONDS; (ii) By reason of the failure of the PRINCIPAL or INDEMNITORS to perform or comply with any of the covenants or conditions of this Agreement, including but not limited to the payment of all fees due for BONDS; (iii) In enforcing any of the covenants, obligations or conditions of this Agreement; (iv) In making any investigation, obtaining or attempting to obtain a release under or exoneration of a BOND or of PRINCIPAL or SURETY, or recovering or attempting to recover loss or expense paid or unpaid bond fee in connection with this Agreement or any BOND; (v) In prosecuting or defending any action or claim in connection with any BOND, whether SURETY at its sole option elects to employ its own counsel, or permits or requires PRINCIPAL and INDEMNITORS to make arrangements for the SURETY'S legal representation; (vi) By reason of the occurrence of any Event of Default by PRINCIPAL, or any INDEMNITOR; (vii) As a result of liability incurred or amounts paid in satisfaction or settlement of any or all claims, demands, damages, costs, losses, suits, proceedings or judgments relating to the PRINCIPAL'S non-performance of an obligation, CONTRACT, or any other matter under or covered by a BOND; (viii) As a result of liability incurred or expenses paid in connection with claims, suits or judgments relating to an obligation, CONTRACT, or a

In Witness Whereof:  
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BOND, including, without limitation, attorney's fees and all legal expenses, including in-house attorney's fees, adjusting fees or investigative fees, and all fees and costs for investigation, accounting, adjusting, engineering or other professional services related to the adjustment of claims and losses deemed necessary or appropriate in the sole discretion of SURETY.

B. Payment shall be made to the SURETY by the PRINCIPAL and INDEMNITORS as soon as liability exists or is asserted against the SURETY and the SURETY makes demand on the PRINCIPAL and INDEMNITORS, whether or not the SURETY shall have made any payment therefor. If, under the law applicable to this Agreement, liability exists only upon the SURETY'S actual incurrence or payment of damages, then liability of the PRINCIPAL and INDEMNITORS shall exist, and payment by the same shall be made to the SURETY, as soon as the SURETY incurs or pays actual damages. Such payment shall be either equal to the amount of any reserve set by the SURETY, or equal to such amount as the SURETY, in his sole judgment, shall deem sufficient to protect it from loss. The SURETY shall have the right to use the payment, or any part thereof, in payment or settlement of any liability, loss, cost or expense for which PRINCIPAL or the INDEMNITORS would be obligated to indemnify the SURETY under the terms of this Agreement. In the event that INDEMNITORS are covered by any insurance policy or policies for any matter or claim that may be brought against SURETY, or for which SURETY may have any exposure or liability, the coverage under such insurance policy or policies shall be primary and any obligation of SURETY shall be secondary to it. INDEMNITORS waive any and all claims of subrogation against SURETY.

C. In the event of any payment by the SURETY, the PRINCIPAL and INDEMNITORS further agree that in any accounting between the SURETY and the PRINCIPAL, or between the SURETY and the INDEMNITORS, or either or both of them, the SURETY shall be entitled to reimbursement for any and all disbursements made by it in good faith in and about the matters contemplated by this Agreement under the belief that it is or was liable for the sums and amounts so disbursed, or that it was necessary or expedient to make such disbursements, whether or not such liability, necessity, or expediency existed; and, that the vouchers or other evidence of any such payments made by the SURETY shall be prima facie evidence of the fact and amount of the liability of PRINCIPAL and INDEMNITORS to the SURETY. In addition to the payments to be made to SURETY as set forth above, PRINCIPAL and INDEMNITORS agree to pay to SURETY interest on all disbursements made by SURETY at the maximum rate permitted by law calculated from the date of each disbursement.

D. In addition to any other rights of either party to the Standard Indemnity Agreement under which Edmund C. Scarborough is furnishing bonding for PRINCIPAL(S), it is hereby agreed by the undersigned Company for which Edmund C. Scarborough is issuing or has issued a bid bond, payment bond and/or performance bond as an individual surety that should the Owner or any other named obligee object to the bond(s) for any reason and refuse to proceed with the contract for which the bond(s) was issued, the Company agrees to hold Scarborough, his agents, employees and assigns harmless from and against any and all claims, damages, costs and expenses, including attorneys fees that the Company suffers or incurs as a result thereof. If for any reason whatsoever, the Obligee rejects the surety bond and you, as principal, request in writing that the surety advocate for the bond's approval, then you, as principal, agree to pay for any and all related costs, including but not limited to attorney's fees. The surety shall utilize its best efforts to obtain approval of the bond by the Obligee, but makes no warranty or warranty that its efforts will succeed.

### III. ASSIGNMENT:

A. The PRINCIPAL, and the INDEMNITORS as their interests may appear in the following subsections of this paragraph, hereby assign, transfer, pledge and set over to SURETY effective as of the effective date of each BOND executed by SURETY, the rights and property described hereafter, as collateral, to secure any and all obligations in this Agreement and any other indebtedness or liabilities of the PRINCIPAL or INDEMNITORS to the SURETY, whether heretofore or hereafter incurred: (i) All the rights of the PRINCIPAL or INDEMNITORS in, and arising in any manner out of any CONTRACT; (ii) All the right, title and interest of the PRINCIPAL or INDEMNITORS in and to all machinery, equipment, plant, tools, inventory and materials which are now, or may hereafter be utilized in connection with any CONTRACT, regardless of whether they are located at a construction site, in storage elsewhere, or in transit anywhere; (iii) All the right, title and interest of the PRINCIPAL or INDEMNITOR in and to all subcontracts and purchase orders let or to be let in connection with any CONTRACT and in and to all surety bonds supporting such subcontracts or purchase orders; (iv) All the right, title and interest of the PRINCIPAL, or INDEMNITORS in and to any actions, causes of action, claims or demands whatsoever which the PRINCIPAL or INDEMNITORS may have or acquire against any party to any CONTRACT, or actions, causes of action, claims or demands arising out of or in connection with any CONTRACT including but not limited to those against obligees on bonds, design professionals, general contractors, subcontractors, laborers or materialmen or any person furnishing or agreeing to furnish or supply labor, material, supplies, machinery, tools, inventory or other equipment in connection with or on account of any CONTRACT and against any surety or sureties of any obligee, general PRINCIPAL, subcontractor, laborer, or materialman; (v) All monies retained and any and all monies that may be due or which hereafter become due on account of any CONTRACT, bonded or unbonded, or on any promissory note or account receivable; (vi) Any and all right, title, interest in, or use of any patent, copyright or trade secret which is or may be necessary for the completion of any bonded work; (vii) All monies due or to become due to PRINCIPAL or INDEMNITORS on any policy of insurance relating to any claims arising out of the performance of any CONTRACT, including, but not limited to, claims under builders risk, liability, fire, employee dishonesty or workers compensation insurance policies, including fee refunds; and (viii) Any and all undistributed loan funds, deposits or interest reserve accounts to which PRINCIPAL or INDEMNITORS may be entitled, and any and all collateral for and undertakings given by the PRINCIPAL or INDEMNITORS in connection with any CONTRACT or obligation.

B. SURETY shall have the full and exclusive right (but not the obligation), in its name or in the name of the PRINCIPAL or INDEMNITORS, to prosecute, compromise, release or otherwise resolve any of claims, causes of action or other rights which are assigned to SURETY, or which are upon or relating to any BOND or which are by any INDEMNITOR against a third party relating to any BOND or any interest created therein upon such terms as SURETY, in its sole discretion shall deem appropriate. SURETY'S decision with respect thereto shall be binding and conclusive upon INDEMNITORS.

C. The PRINCIPAL and INDEMNITORS hereby irrevocably nominate, constitute, appoint and designate the SURETY, or its designee(s), through its authorized representative(s), as their attorney-in-fact with the right, but not the obligation, to exercise all of the rights of the PRINCIPAL and INDEMNITORS assigned, transferred and set over to SURETY in this Agreement, and in the name of the PRINCIPAL and INDEMNITORS to make, execute, and deliver any and all additional or other assignments, documents, papers, checks, drafts, warrants or other instruments made or issued in payment of any obligation to which SURETY has the right to receipt of payment pursuant to this Agreement deemed necessary and proper by the SURETY in order to give full effect not only to the intent and meaning of the assignments made in this Agreement, but also to the full protection intended to be herein given to the SURETY under all other provisions of this Agreement. The PRINCIPAL and INDEMNITORS hereby ratify and confirm all acts and actions taken and done by SURETY or its designee(s) as such attorney-in-fact.

### IV. RESERVE DEPOSIT:

A. If for any reason SURETY shall deem it necessary to establish or to increase a reserve to cover any possible liability or loss for which the PRINCIPAL or INDEMNITORS will be obligated to indemnify SURETY under the terms of this Agreement, or to establish a collateral in connection with the issuance or procurement of any BOND for PRINCIPAL, the PRINCIPAL or INDEMNITORS will deposit with SURETY, immediately upon demand, a sum of money equal to such reserve and any increase thereof as collateral security to SURETY for such liability or loss. SURETY shall have the right to use the deposit, or any part thereof, in payment or settlement of any liability, loss, expense or other matter for which the PRINCIPAL or INDEMNITORS would be obligated to indemnify SURETY under the terms of this Agreement. SURETY shall have no obligation to invest, or to provide a return or interest on the deposit. SURETY'S demand shall be sufficient if sent by registered or certified mail to the PRINCIPAL or INDEMNITORS at the addresses stated herein or at the addresses of the PRINCIPAL or INDEMNITORS last known to SURETY, regardless of whether such demand is actually received by the PRINCIPAL or INDEMNITORS.

B. INDEMNITORS acknowledge that there is no adequate remedy at law for the breach of this provision and that payment of damages would not adequately compensate SURETY for such breach. Accordingly, SURETY may compel INDEMNITORS to specifically perform these obligations pursuant to applicable law.

### V. REMEDIES UPON DEFAULT:

A. In the event of any EVENT OF DEFAULT as described in this Agreement, SURETY shall have the right, at its option, and in its sole and absolute discretion, and is hereby so authorized by PRINCIPAL and INDEMNITORS to take any one or more of the following actions: (i) To consent to any change in or alteration in any CONTRACT or in any and all plans and specifications relating thereto; (ii) To take over any CONTRACT and arrange for its completion; (iii) To take possession of PRINCIPAL'S equipment, materials and supplies at the site of the work or elsewhere, and PRINCIPAL'S office equipment, books and records as are necessary and utilize the same for completion of any CONTRACT; (iv) To advance or loan such funds or guarantee a loan for funds either prior to or after default, as SURETY shall deem necessary for the completion of any CONTRACT and for the discharge of SURETY in connection with any CONTRACT. The repayment of such advance or loan shall be the responsibility of the PRINCIPAL and INDEMNITORS; (v) To file an immediate suit to enforce the provisions of this Agreement; (vi) To take possession of the work performed and to be performed pursuant to all or any part of any CONTRACT, and at the expense of PRINCIPAL and INDEMNITORS, to complete the performance required by the obligation or

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CONTRACT or to cause the same to be completed by others or to consent to the completion thereof, and to take any other action which SURETY may deem appropriate in connection therewith; (vii) in its name or in the name of the PRINCIPAL or INDEMNITORS to adjust, settle or compromise any claim, counterclaim, demand, suit or judgment involving any BOND or to take whatever other action it may deem necessary, expedient or appropriate with respect to such matter. SURETY'S determination as to whether any such claim, counterclaim, demand, suit or judgment should be settled or defended shall be binding and conclusive upon the PRINCIPAL and INDEMNITORS.

B. Any such action may be taken by SURETY with or without SURETY exercising any other right or option conferred upon SURETY by law, equity or the terms of this Agreement, and without waiving any other right or option so conferred upon SURETY.

C. At its sole option, SURETY may reduce the amount of PRINCIPAL'S and INDEMNITORS' liability to SURETY hereunder by applying to such liability any money payable to PRINCIPAL and/or INDEMNITORS by SURETY. The money payable to PRINCIPAL or INDEMNITORS may be, but is not limited to, any money payable by SURETY, as a return of unearned or other fees, or money payable to settle a claim of PRINCIPAL or INDEMNITORS against SURETY or any individual or other legal entity bonded by SURETY. Nothing contained herein shall operate to enlarge any obligations of SURETY to PRINCIPAL or INDEMNITORS beyond those contained in this Agreement or in any such other bond.

D. PRINCIPAL and INDEMNITORS agree that all amounts due SURETY hereunder, and all liabilities of PRINCIPAL and INDEMNITORS to SURETY are separate and independent from any claim or alleged liability of SURETY to PRINCIPAL and INDEMNITORS, and that no set-off of any such amounts or claims shall be permitted to be exercised by PRINCIPAL and INDEMNITORS against SURETY nor used as a defense against any claim of SURETY. The PRINCIPAL and INDEMNITORS waive and subordinate all rights of indemnity, subrogation and contribution each against the other until all obligations to the SURETY under this Agreement, at law or in equity, have been satisfied in full.

#### VI. FEES AND CHARGES.

The PRINCIPAL, and INDEMNITORS will pay to the SURETY, as outlined in Section XIX, General Provisions of this General Agreement of Indemnity, all fees and charges of the SURETY for the BONDS (including but not limited to initial, renewal, completion extension, additional, and contract overrun fee according to the SURETY'S current rate manual) immediately upon issuance of each BOND, or as such fee may arise. Any billing practice, delay in payment or other payment procedure variance shall not constitute a waiver of SURETY'S rights to obtain full payment upon the issuance of any BOND, or as such fees may arise. Current rate manual is defined as 3.5% of the contract value or penal sum of the bond (whichever is greater) for the first twelve (12) months after issuance of the bond. For each additional twelve (12) month period or portion thereof, an additional premium of 1.0% of the contract value or penal sum (whichever is greater) will be charged. Additions to the contract value by change order or otherwise which increase the contract value or increase the surety's exposure, whether or not they increase the penal sum, will incur additional premium of 3.5% regardless of when they occur. The full initial fee is fully earned upon execution of the BOND and will not be refunded, waived or cancelled for any reason.

INDEMNITORS shall pay interest on, and interest shall accrue on, all unpaid indebtedness of INDEMNITORS to SURETY at an interest rate equal to the lesser of: (a) eighteen percent (18%) per annum or (b) the Highest Lawful Rate (as such term is defined below). Interest on unpaid premiums shall not begin to accrue, however, until 45 days following the date of execution of a BOND, or the renewal of a BOND, by SURETY or its attorney-in-fact. Notwithstanding any other provision herein, the aggregate interest rate charged under this Agreement, including all charges, fees or other payments in connection herewith or therewith deemed in the nature of interest under applicable law shall not exceed the Highest Lawful Rate. It is the intention of the SURETY and INDEMNITORS to conform strictly to any applicable usury laws. Accordingly, if SURETY contracts for, charges or receives any consideration which constitutes interest in excess of the Highest Lawful Rate, then any such excess shall be canceled automatically and, if previously paid, shall at SURETY'S option be applied to the outstanding principal balance due hereunder or be refunded to the INDEMNITORS. As used in this Paragraph, the term "Highest Lawful Rate" means the maximum lawful interest rate, if any, that at any time or from time to time may be contracted for, charged or received under the laws applicable to the SURETY which are presently in effect or, to the extent allowed by law, under such applicable laws which may hereafter be in effect and which allow a higher maximum non-usurious interest rate than applicable laws now allow.

#### VII. TRUST FUND.

A. The PRINCIPAL and INDEMNITORS covenant and agree that all payments received for or on account of any CONTRACT shall be held in trust as a trust fund for the payment of obligations incurred or to be incurred in the performance of any CONTRACT and used for labor, materials, and services furnished in the prosecution of the work in any CONTRACT or any extension or modification thereof. It is expressly understood and declared that all monies due and to become due under any CONTRACT are also trust funds, whether in the possession of the PRINCIPAL or INDEMNITORS or otherwise. The trust funds shall be for the benefit and payment of all obligations for which the SURETY may be liable under any BONDS. The trust(s) shall inure to the benefit of the SURETY for any liability or loss it may have or sustain under any BOND, and for any and all obligations of PRINCIPAL and INDEMNITORS under this Agreement, and this Agreement and declaration constitute notice of such trust.

B. If SURETY discharges any such obligation, it shall be entitled to assert the claim of such person to the trust funds, and PRINCIPAL and INDEMNITORS shall, upon demand of SURETY and in implementation of the trust or trusts hereby created, open an account or accounts with a bank selected by SURETY which shall be designated as a trust account or accounts for the deposit of such trust funds, and shall thereupon deposit therein all monies received pursuant to said CONTRACT or CONTRACTS. Withdrawals from such accounts shall be by check or similar instrument signed by the PRINCIPAL, and countersigned by a representative of SURETY. Said trust(s) shall terminate on the payment by PRINCIPAL of all the obligations for the payment of which the trust(s) are hereby created or upon the expiration of twenty years from the date hereof, whichever shall first occur.

#### VIII. PERFECTION OF SECURITY INTEREST.

This Agreement shall constitute a Security Agreement for the benefit of the SURETY and also a Financing Statement, both in accordance with the provisions of the Uniform Commercial Code or any similar statute, ordinance or regulation of any jurisdiction or agency, and may be so used by the SURETY without in any way abrogating, restricting or limiting the rights of the SURETY under this Agreement or under law or in equity. SURETY may add such schedules to this Agreement describing specific items of security covered hereunder as shall be necessary or appropriate. The SURETY may, at its option, file or record this Agreement or any other document executed by any or all of the PRINCIPAL or INDEMNITORS in connection with the application, issuance or execution of any BOND(S), or renewal thereof, coming within the scope of this instrument as a security agreement or as part of a financing statement or, as notice of its prior interest and assignment under the provisions of the Uniform Commercial Code or any other statute, ordinance or regulation of any jurisdiction or agency. The failure to so file shall not release or discharge any of the obligations of the PRINCIPAL or INDEMNITORS under this Agreement.

#### IX. CHANGES.

The SURETY, at its sole option, is authorized and empowered, without notice to or knowledge of PRINCIPAL or the INDEMNITORS, to agree or refuse to agree to any change whatsoever in any BOND, or any CONTRACT other than a Government CONTRACT, including, but not limited to, any change in the time for the completion of any CONTRACT and to payments or advances thereunder before the same may be due, and to assent to or take any assignment or assignments, to execute or consent to the execution of any continuations, extensions, renewals, enlargements, modifications, changes or alterations of any BOND and to execute any substitute or substitutes therefore, with the same or different conditions, provisions and obligations and with the same or larger or smaller penalties. It is expressly understood and agreed that the PRINCIPAL and INDEMNITORS shall remain bound under the terms of this Agreement even though any such assent by the SURETY does or might substantially increase the liability of said PRINCIPAL or INDEMNITORS.

#### X. ADVANCES TO PRINCIPAL.

The SURETY, at its sole option, is authorized and empowered to guarantee loans, to advance or lend to, or for the account of, the PRINCIPAL any money, which the SURETY in its sole discretion may see fit to do, reserving to itself, however, the absolute right to cancel any such guarantee and to cease advancing or lending money to the PRINCIPAL or for the account of the PRINCIPAL with or without cause and with or without notice to PRINCIPAL or INDEMNITORS. SURETY shall not be held responsible for application of the proceeds of such loan or advance. All money expended by the SURETY, or lent or advanced from time-to-time to, or for the account of, the PRINCIPAL or guaranteed by the SURETY, and all related cost and expense incurred by the SURETY, shall be loss to the SURETY for which the PRINCIPAL and the INDEMNITORS shall be responsible, notwithstanding that said money or any part thereof should not be so used by the PRINCIPAL.

#### XI. BOOKS AND RECORDS.

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At any time, and until such time as the liability of the SURETY under all BONDS is terminated and SURETY is fully reimbursed all amounts due to it under this Agreement, the SURETY shall have the right of access to the books, records, accounts and documents of the PRINCIPAL and INDEMNITORS, wherever located, for the purpose of inspection, copying or reproduction. Any financial institution, depository, materialman, supply house, obligee, general PRINCIPAL, subcontractor, or other person, firm, or corporation, when requested by the SURETY, is hereby authorized by PRINCIPAL and INDEMNITORS to furnish the SURETY any information requested by SURETY, including, but not limited to, the status of the work under any CONTRACT being performed by the PRINCIPAL, the status, extent or condition of the performance of any CONTRACT being performed by the PRINCIPAL, the status, extent or condition of the performance of any other CONTRACT and payment of accounts. Upon the occurrence of any Event of Default, PRINCIPAL and INDEMNITORS, upon SURETY'S request, shall immediately turn over to SURETY, or its designee, at a place and in a manner designated by SURETY, such books, records, accounts, documents and CONTRACTS in whatever form, as requested by SURETY. The expense of any inspection permitted hereunder, and of providing the records so specified, shall be borne by PRINCIPAL and INDEMNITORS. INDEMNITORS will execute, as requested by SURETY, any additional documents necessary to cause the release and production of records and information authorized by this paragraph. SURETY may furnish any information, which it now has or may hereafter acquire concerning the PRINCIPAL and INDEMNITORS, to other persons, firms or entities for the purpose of procuring co-suretyship or of advising such persons, firms, or entities, as it may deem appropriate.

#### XII. DECLINATION OF EXECUTION.

The SURETY has the right in its sole and absolute discretion, to decline to execute, provide or procure any BOND requested by PRINCIPAL. If SURETY does execute, provide or procure the execution of a bid bond or proposal bond, or agrees or consents to provide such contract of suretyship, SURETY retains the right in its sole and absolute discretion to decline to execute the final bond, including, but not limited to, performance, payment or maintenance bond(s), that may be required in connection with any award that may be made under the bid proposal or tender to which a bid bond or proposal bond was issued by SURETY. SURETY shall not be liable to PRINCIPAL or INDEMNITORS for any such action, and is released from any and all liability, cost or expense arising out of, relating to or resulting from any such action. Furthermore, PRINCIPAL and INDEMNITORS are not obligated to request the SURETY to execute, provide or procure any BOND required of them in the performance and fulfillment of obligations; however, PRINCIPAL shall not, during the term of this Agreement and while any Bond is outstanding or remains in effect, without the express written consent of SURETY, engage any other person or entity to provide bonds for PRINCIPAL.

#### XIII. WAIVERS BY PRINCIPAL AND INDEMNITORS.

The PRINCIPAL and INDEMNITORS hereby waive and agree not to assert any of the following, to the end and effect that PRINCIPAL and INDEMNITORS shall be and continue to be liable hereunder: (i) Any defense that this Agreement was executed subsequent to the date of any BOND, it being expressly understood and agreed that the PRINCIPAL and INDEMNITORS hereby admit and covenant that the BOND was executed by SURETY pursuant to the request of the PRINCIPAL and INDEMNITORS and in reliance on the promise by the PRINCIPAL and INDEMNITORS to execute and perform this Agreement; (ii) Any right to claim that any of their property, including homesteads, is exempt from levy, execution, sale or other legal process under the laws of any state, territory or possession in any action brought by SURETY under this Agreement; (iii) Any right to require SURETY to proceed against PRINCIPAL or INDEMNITORS or any other person, firm or entity or to proceed against or exhaust any security or remedy held by SURETY at any time or to pursue any other remedy in SURETY'S power; (iv) The defense of the statute of limitations in any action hereunder for the collection of any claim or amount due under this Agreement, or the performance of any obligation indemnified hereby; (v) Any defense based upon an election of remedies by SURETY, which election may destroy or otherwise impair subrogation rights of PRINCIPAL or any INDEMNITOR or the right of INDEMNITOR to proceed against the PRINCIPAL or against any security; (vi) Any right to notice of the execution of any BOND and of the acceptance of this Agreement; (vii) Any right to notice of any default, payment or any other act or acts giving rise to any claim under any BOND, as well as notice of any and all liability of the SURETY under any BOND, and any and all liability on the part of PRINCIPAL and INDEMNITORS hereunder.

#### XIV. ENFORCEMENT OF AGREEMENT.

A. Separate actions may be brought by SURETY against any or all of the PRINCIPAL or INDEMNITORS to enforce the terms of this Agreement as causes of action accrue, and the bringing of suit or the recovery of judgment upon any cause of action shall not prejudice or bar the bringing of other suits upon other causes of action, whether previously or subsequently arising.  
B. The PRINCIPAL and/or any INDEMNITOR is the agent for the PRINCIPAL and all INDEMNITORS for the purpose of accepting service of any process in the jurisdiction in which the PRINCIPAL or INDEMNITORS accepting the process resides, is domiciled, is doing business or is found.  
C. This Agreement shall be interpreted in accordance with the laws of the Commonwealth of Virginia. Venue in any action relating to this Agreement shall lie solely in the appropriate court located in the Commonwealth of Virginia.  
D. Except where prohibited by law, INDEMNITORS hereby waive all right to claim any property, including homestead, as exempt from levy, execution, sale or other legal process asserted or requested by SURETY under the laws of the United States or of any state or province or of any other government.

#### XV. RIGHTS OF CO-SURETIES, REINSURERS, AND OTHER ENTITIES.

A. If the SURETY procures the execution of any BOND by other sureties, or executes the BONDS with co-sureties or reinsures any portion of said BONDS with reinsurers, then all the terms and conditions of this Agreement shall inure to the benefit of such other sureties, co-sureties and reinsurers, as their interests may appear, and it is expressly agreed by PRINCIPAL and INDEMNITORS that such other sureties, co-sureties and reinsurers shall be third party beneficiaries of this Agreement.  
B. The INDEMNITORS understand and agree that the circumstances, financial or otherwise, of any one or more of the INDEMNITORS may change substantially over the period of this Agreement and the INDEMNITORS therefore agree to keep themselves fully informed as to the business activities and financial affairs of any one or more of the INDEMNITORS and of the risks being engaged in so that the INDEMNITORS are always aware of the risks and hazards in continuing to act as INDEMNITORS. The INDEMNITORS hereby expressly waive any requirement for notice from the SURETY of any fact or information coming to the notice or knowledge of the SURETY affecting its rights or the rights or liabilities of the INDEMNITORS.  
C. In the event of any claim or demand being made by the SURETY against one or more of the INDEMNITORS, the SURETY is hereby expressly authorized to settle or compromise with any one or more of the INDEMNITORS individually, and without reference to the others, and such settlement or compromise shall not affect the liability of any of the others and the INDEMNITORS hereby expressly waive the right to be discharged by reason of the release of one or more of the INDEMNITORS, and hereby consent to any settlement or compromise that may hereafter be made.  
D. The INDEMNITORS acknowledge and agree that it is their sole responsibility to provide the proper forms for the BONDS to be executed by the SURETY, and to review and approve any BOND or undertaking executed by the SURETY on its own forms. Neither the SURETY nor its agents shall have any liability whatsoever to the INDEMNITORS if they fail to furnish the SURETY with the proper forms or object to forms furnished by the SURETY. It shall be the sole responsibility of the INDEMNITORS to review all BOND forms executed by the SURETY for appropriateness and for any errors or omissions prior to delivery of the BONDS to an obligee. SURETY and its agents shall have no liability to the INDEMNITORS on account of any negligence (whether sole or concurrent), inadvertence, error or omission in the preparation, execution or delivery of any BONDS. Prior to requesting that the SURETY issue any BOND, the INDEMNITORS shall obtain confirmation that the proposed obligee on the BOND will accept the SURETY as surety on the proposed BOND, and neither the SURETY nor its agents shall have any liability whatsoever if any obligee refuses, for whatever reason, to accept the SURETY as surety on any bond. The INDEMNITORS agree that the INDEMNITORS shall be solely responsible for arranging, independent of the SURETY, for the timely delivery of any BOND to the obligee. SURETY and its agents shall have no liability to the INDEMNITORS if any BOND is not timely delivered to any obligee for any reason whatsoever, including any negligent acts or omissions on the part of the SURETY or its agents.

#### XVI. TERMINATION.

A. This Agreement is a continuing obligation of the PRINCIPAL and INDEMNITORS, and their successors, legal representatives, estates, heirs and assigns, unless terminated by written notice to SURETY as hereinafter provided, and such termination by a particular person or entity shall in no way affect the obligation of any other person or entity who has not given such notice. If PRINCIPAL or INDEMNITORS have previously executed an Agreement in favor of SURETY, the acceptance by SURETY of this Agreement shall not relieve PRINCIPAL or INDEMNITORS from liability to SURETY under such prior Agreement.  
B. This Agreement may be terminated by PRINCIPAL or any INDEMNITOR upon written notice to SURETY by PRINCIPAL or INDEMNITORS, or by PRINCIPAL or INDEMNITORS legal representatives or successors, by Registered or Certified Mail addressed to SURETY at its home office shown in this Agreement, as such may be changed from time to time. Termination of this Agreement as to such person providing notice shall not be effective until thirty (30) days after receipt of said written notice by

Initials:                       
Revised 3/15/2011

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(16)



setting forth such amount due, plus reasonable attorneys' fees, cost of suit, interest, with release of procedural errors and without right of appeal. If a copy of this Agreement, verified by affidavit, shall be filed, it shall not be necessary to file the original as a warrant of attorney. The undersigned jointly and severally waive the right of any stay of execution and the benefit of any and all exemptions to which they may not or may hereafter be entitled under law. No single exercise of the foregoing warrant, affidavit or power to bring an action or confess judgment shall be deemed to exhaust the power but the power shall continue undiminished and may be exercised from time to time as often as Surety shall elect, whether before or after demand is made, until all sums payable to Surety under this Agreement have been paid in full.

The Principal and each of the Indemnitors represents and warrants that he or she has read the foregoing Confession of Judgment and understands that he or she is waiving and relinquishing the right to a hearing and/or trial before judgment is confessed, levy and execution made, and waiving and relinquishing the right to appeal any judgment entered pursuant to the foregoing Confession of Judgment, and that each waives and relinquishes the right to such hearing, trial and appeal freely and voluntarily in this business transaction.

If this Confession of Judgment or any provision of this Agreement or the application thereof to any person or entity or circumstance shall be invalid, illegal or unenforceable to any extent, the remainder of this Agreement and the application thereof shall not be affected and shall be enforceable to the fullest extent permitted by law.

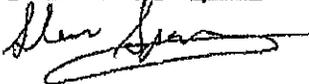
IN WITNESS WHEREOF, the PRINCIPAL and INDEMNITORS, intending to be legally bound hereby, have signed and sealed this Agreement the day and year first above written.

\*\*\* SIGNATURE PAGES FOLLOW \*\*\*

Initials  
Revised 3/1/2011

Page 6 of 9 Pages

EXHIBIT B  
Page 6 of 10

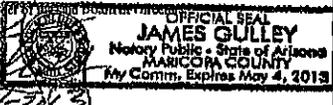
<b>PRINCIPAL</b>	
<b>ATTEST:</b> By: <u>STEVE Spady</u>  Type Name / Title: <u>project manager</u> [AFFIX CORPORATE SEAL]	<b>PRINCIPALS: Skyline Contractors Inc.</b> Address: 12402 North Division St., Suite 209 City, State, Zip: Spokane, WA 99218 Tax ID: 26-1309184 By: <u>Lisa B. Roberts</u> Type Name: Lisa B. Roberts Title: President

**ACKNOWLEDGEMENT OF CORPORATE PRINCIPAL**

**NOTICE TO NOTARY PUBLIC:** Do not notarize this document if you are an employee of any of the companies listed, or are family related to any of the company owners or spouses.

STATE OF ARIZONA }  
 COUNTY OF MARICOPA } ss.  
 On this 14 day of APRIL 2011, before me, personally appeared Lisa B. Roberts, personally known to me or proved to me on the basis of satisfactory evidence to be the person who is subscribed to in this instrument, who, being duly sworn, did depose and say that he/she is the President of Skyline Contractors Inc., the corporation described in, and which executed, the within instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by resolution of the Board of Directors of said corporation, which resolution is attached to this instrument, and that he signed his name thereto by like order or resolution; and the deponent further said that he is acquainted with Lisa B. Roberts and knows that he/she is the President of said corporation and that he subscribed his name to the within instrument by a like order or resolution.

Sworn to and subscribed before me this 14 day of APRIL 2011

[SEAL]  My Commission Expires MAY 01 2013

**ACKNOWLEDGEMENT OF PRINCIPAL**  
(other than a Corporation)

**NOTICE TO NOTARY PUBLIC:** Do not notarize this document if you are an employee of any of the companies listed, or are family related to any of the company owners or spouses.

STATE OF \_\_\_\_\_ }  
 COUNTY OF \_\_\_\_\_ } ss.  
 On this \_\_\_\_\_ day of \_\_\_\_\_, before me, personally appeared \_\_\_\_\_ of the firm of \_\_\_\_\_, personally known to me or proved to me on the basis of satisfactory evidence to be the person who is described in and who executed the foregoing instrument, and acknowledged to me that (s)he executed the same as and for the act and deed of the said firm.

Sworn to and subscribed before me this \_\_\_\_\_ day of \_\_\_\_\_ Notary Public \_\_\_\_\_  
 My Commission Expires: \_\_\_\_\_

[SEAL]

**ACKNOWLEDGEMENT OF SOLE OFFICER CORPORATE PRINCIPAL**

**NOTICE TO NOTARY PUBLIC:** Do not notarize this document if you are an employee of any of the companies listed, or are family related to any of the company owners or spouses.

STATE OF \_\_\_\_\_ }  
 COUNTY OF \_\_\_\_\_ } ss.  
 On this \_\_\_\_\_ day of \_\_\_\_\_ before me personally appeared \_\_\_\_\_ to me personally know, or proved to me on the basis of satisfactory evidence, to be the person who is subscribed to in this instrument, who, being duly sworn, did depose and say that (s)he is the President of \_\_\_\_\_, the corporation described in, and which executed, the within instrument; that (s)he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by resolution of the Board of Directors of said corporation, which resolution is attached to this instrument; that (s)he signed his/her name thereto by like order or resolution; and the deponent further said that (s)he is the sole officer of said corporation in accordance with the laws of the state of (incorporation of said corporation).

Sworn to and subscribed before me this \_\_\_\_\_ day of \_\_\_\_\_ Notary Public \_\_\_\_\_  
 My Commission Expires: \_\_\_\_\_

[SEAL]

INDIVIDUAL INDEMNITOR(S)	
Signature <i>Lisa B. Roberts</i>	Signature
Name: <u>Lisa B. Roberts</u> SS # <u>516-66-2872</u>	Name: _____ SS # _____
Home Address: <u>11519 N. Lloyd Charles Ln, Spokane, WA 99218</u>	Home Address: _____
Residence Phone #: <u>509-844-1223</u>	Residence Phone #: _____
Signature	Signature
Name: _____ SS # _____	Name: _____ SS # _____
Home Address: _____	Home Address: _____
Residence Phone #: _____	Residence Phone #: _____

One (1) "Individual" per Notary Acknowledgment

**INDIVIDUAL ACKNOWLEDGEMENTS**

**NOTICE TO NOTARY PUBLIC:** Do not notarize this document if you are an employee of any of the companies listed, or are family related to any of the company owners or spouses.

STATE OF ARIZONA }  
COUNTY OF MARICOPA }  
On this 14 day of APRIL, 2011, before me personally appeared Lisa B. Roberts, personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to in this instrument, and acknowledged to me that (s)he executed the same.

Sworn to and subscribed before me this 14 day of APRIL, 2011.

[SEAL]  Notary Public: *James Coville*  
My Commission Expires: May 4, 2013

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ }  
On this \_\_\_\_\_ day of \_\_\_\_\_, before me personally appeared \_\_\_\_\_, personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to in this instrument, and acknowledged to me that (s)he executed the same.

Sworn to and subscribed before me this \_\_\_\_\_ day of \_\_\_\_\_.

[SEAL] Notary Public: \_\_\_\_\_  
My Commission Expires: \_\_\_\_\_

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ }  
On this \_\_\_\_\_ day of \_\_\_\_\_, before me personally appeared \_\_\_\_\_, personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to in this instrument, and acknowledged to me that (s)he executed the same.

Sworn to and subscribed before me this \_\_\_\_\_ day of \_\_\_\_\_.

[SEAL] Notary Public: \_\_\_\_\_  
My Commission Expires: \_\_\_\_\_

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ }  
On this \_\_\_\_\_ day of \_\_\_\_\_, before me personally appeared \_\_\_\_\_, personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to in this instrument, and acknowledged to me that (s)he executed the same.

Sworn to and subscribed before me this \_\_\_\_\_ day of \_\_\_\_\_.

[SEAL] Notary Public: \_\_\_\_\_  
My Commission Expires: \_\_\_\_\_

Initials: *LR*  
Revised 3/15/2011

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ADDITIONAL CORPORATE INDEMNITOR

ATTEST or 3rd Party Witness:  
By: STEVE Spady  
Type Name / Title: Project manager  
Home Address: 24522 N. Scottsdale Rd #103  
Scottsdale, AZ 85260  
Home Phone #: (602) 653-0523  
[AFFIX CORPORATE SEAL]

Corporate Indemnitors Names: Headwaters Development Group LLC  
Address: 12402 North Division St., Suite 209  
City, State, Zip: Spokane, WA 99218  
Tax ID: 26-1309383  
By: Lisa H. Roberts  
Type Name: Lisa H. Roberts Title: Member

ACKNOWLEDGEMENT OF ADDITIONAL CORPORATE INDEMNITOR  
NOTICE TO NOTARY PUBLIC: Do not notarize this document if you are an employee of any of the companies listed, or are family related to any of the company owners or spouses.

STATE OF ARIZONA }  
COUNTY OF MARICOPA } ss.  
On this 14 day of APRIL 2011, before me, personally appeared Lisa H. Roberts personally known to me or proved to me on the basis of satisfactory evidence to be the person who is subscribed to in this instrument, who, being duly sworn, did depose and say that (s)he is the Member of Headwaters Development Group LLC the corporation described in, and which executed, the within instrument; that (s)he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by resolution of the Board of Directors of said corporation, which resolution is attached to this instrument, and that (s)he signed his/her name therein by like order or resolution; and the deponent further said that (s)he is acquainted with Lisa H. Roberts and knows that (s)he is the (insert here name of officer who attests for Corporation) of said corporation and that (s)he subscribed his/her name to the within instrument by a like order of the said Board of Directors.  
Sworn to and subscribed before me this 14 day of APRIL 2011.  
Notary Public: James Glavin  
[SEAL] My Commission Expires May 4, 2013

ADDITIONAL CORPORATE INDEMNITOR

ATTEST or 3rd Party Witness:  
By: \_\_\_\_\_  
Type Name / Title: \_\_\_\_\_  
Home Address: \_\_\_\_\_  
Home Phone #: \_\_\_\_\_  
[AFFIX CORPORATE SEAL]

Corporate Indemnitors Names: \_\_\_\_\_  
Address: \_\_\_\_\_  
City, State, Zip: \_\_\_\_\_  
Tax ID: \_\_\_\_\_  
By: \_\_\_\_\_  
Type Name: \_\_\_\_\_ Title: \_\_\_\_\_

ACKNOWLEDGEMENT OF ADDITIONAL CORPORATE INDEMNITOR  
NOTICE TO NOTARY PUBLIC: Do not notarize this document if you are an employee of any of the companies listed, or are family related to any of the company owners or spouses.

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } ss.  
On this \_\_\_\_\_ day of \_\_\_\_\_, before me, personally appeared \_\_\_\_\_ personally known to me or proved to me on the basis of satisfactory evidence to be the person who is subscribed to in this instrument, who, being duly sworn, did depose and say that (s)he is the \_\_\_\_\_ of \_\_\_\_\_ the corporation described in, and which executed, the within instrument; that (s)he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by resolution of the Board of Directors of said corporation, which resolution is attached to this instrument, and that (s)he signed his/her name therein by like order or resolution; and the deponent further said that (s)he is acquainted with \_\_\_\_\_ and knows that (s)he is the \_\_\_\_\_ of said corporation and that (s)he subscribed his/her name to the within instrument by a like order of the said Board of Directors.  
Sworn to and subscribed before me this \_\_\_\_\_ day of \_\_\_\_\_.  
Notary Public: \_\_\_\_\_  
[SEAL] My Commission Expires: \_\_\_\_\_

Edmund Scarborough, Individual Surety  
944 Glenwood Station Lane Suite 104  
Charlottesville, VA 22901-1480

Resolution

Ratifying/Execution of General Indemnity Agreement

At a Special meeting of the Members of Headwaters Development Group LLC (hereinafter called the Company), duly called and held on the

13<sup>th</sup> day of April, 2011, a quorum being present, the following Preambles and Resolutions were adopted:

"Whereas, this Company is materially interested through common ownership in transactions in connection with which Sleyline Contractors Inc. (hereinafter called the Principal) has applied or may hereafter apply to Edmund Scarborough, Individual Surety, (hereinafter called the Surety) for bonds or undertakings; and

WHEREAS, the Surety is not willing to execute such bonds or undertakings as surety unless it receives the written indemnity of this company;

RESOLVED, that this company hereby has requested/intends to request the Surety to execute or procure to be executed such bonds, undertakings and instruments of guarantee as said Principal may require in connection with its business and to renew or continue the same from time to time.

RESOLVED FURTHER, that individuals authorized to execute documents on behalf of this Company, be and hereby are authorized to execute and empowered to execute and/or ratify the execution and indemnity agreement or agreements required by the Surety as consideration for the execution by it of any bond or undertaking on behalf of said Principal.

RESOLVED FURTHER, that the said individuals be and are hereby are authorized and empowered, at any time prior or subsequent to the execution by said Surety of any such bonds or undertakings, to execute any and all amendments to said indemnity agreement or agreements and to execute any other or further agreements relating to any such bonds or undertakings or to any collateral that may have been deposited with the Surety in connection therewith; and to take any and all other actions that may be requested or required by the Surety in the premises."

I, Lisa Roberts (Name of Secretary or empowered party), Managing Member (Title), of Headwaters Development Group LLC (name of Company) have compared the foregoing preambles and resolutions with the original thereof, as recorded in the records of said Company, and do certify that the same are correct and true transcripts therefrom, and the whole of said original preambles and resolutions.

Given under my hand and seal of the Company, in

The City of Spokane State of Washington

This 13<sup>th</sup> day of April, 2011

Lisa Roberts - Managing Member  
(Name of Secretary or empowered party), (Title)

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**ORIGINAL**

<b>PERFORMANCE BOND</b> (See instructions on reverse)	DATE BOND EXECUTED (Must be same or later than date of contract) May 1, 2012	OMB No.: 9000-0045 Expires: 11/30/2012
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Public reporting burden for this collection of information is estimated to average 25 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the FAR Secretariat (MVR), Federal Acquisition Policy Division, GSA, Washington, DC 20405

PRINCIPAL (Legal name and business address) CMEC, Inc. 1101 W. Grange Ave. Post Falls, ID 83854	TYPE OF ORGANIZATION ("X" one) <input type="checkbox"/> INDIVIDUAL <input type="checkbox"/> PARTNERSHIP <input type="checkbox"/> JOINT VENTURE <input checked="" type="checkbox"/> CORPORATION
STATE OF INCORPORATION Idaho	

SURETY(IES) (Name(s) and business address(es)) Edmund Scarborough, Individual Surety 944 Glenwood Station Lane Suite 104 Charlottesville, VA 22901	PENAL SUM OF BOND MILLION(S) THOUSAND(S) HUNDRED(S) CENTS 0                  66                  313                  00 CONTRACT DATE      CONTRACT NO. April 23, 2012      W912EJF-12-P-5056
---	--

**OBLIGATION:**  
We, the Principal and Surety(ies), are firmly bound to the United States of America (hereinafter called the Government) in the above penal sum. For payment of the penal sum, we bind ourselves, our heirs, executors, administrators, and successors, jointly and severally. However, where the Sureties are corporations acting as co-sureties, we, the Sureties, bind ourselves in such sum "jointly and severally" as well as "severally" only for the purpose of allowing a joint action or actions against any or all of us. For all other purposes, each Surety binds itself, jointly and severally with the Principal, for the payment of the sum shown opposite the name of the Surety. If no limit of liability is indicated, the limit of liability is the full amount of the penal sum.

**CONDITIONS:**  
The principal has entered into the contract identified above.  
**THEREFORE:**  
The above obligation is void if the Principal -  
(a)(1) Performs and fulfills all the undertakings, covenants, terms, conditions, and agreements of the contract during the original term of the contract and any extensions thereof that are granted by the Government, with or without notice to the Surety(ies), and during the life of any guaranty required under the contract, and (2) performs and fulfills all the undertakings, covenants, terms, conditions, and agreements of any and all duly authorized modifications of the contract that hereafter are made. Notice of those modifications to the Surety(ies) are waived.  
(b) Pays to the Government the full amount of the taxes imposed by the Government, if the said contract is subject to the Miller Act, (40 U.S.C. 270a-270e), which are collected, deducted, or withheld from wages paid by the Principal in carrying out the construction contract with respect to which this bond is furnished.

**WITNESS:**  
The Principal and Surety(ies) executed this performance bond and affixed their seals on the above date.

PRINCIPAL				
SIGNATURE(S)	1.	2.	3.	Corporate Seal
		(Seal)	(Seal)	
NAME(S) & TITLE(S) (Typed)	1.	2.	3.	
	INDIVIDUAL SURETY(IES)			
SIGNATURE(S)	1. <i>Steven A. Golia</i> STEVEN A. GOLIA, ATTORNEY-IN-FACT (Seal)		2.	(Seal)
	NAME(S) (Typed)		2.	
1. Edmund Scarborough, Individual Surety				
CORPORATE SURETY(IES)				
SURETY A	NAME & ADDRESS		STATE OF INC.	LIABILITY LIMIT
	SIGNATURE(S)	1.	2.	Corporate Seal
	NAME(S) & TITLE(S) (Typed)	1.	2.	

 ORIGINAL

CORPORATE SURETY(IES) (Continued)

	NAME & ADDRESS	STATE OF INC.	LIABILITY LIMIT \$	
SURETY B	SIGNATURE(S)	1.	2.	Corporate Seal
	NAME(S) & TITLE(S) (Typed)	1.	2.	
	NAME & ADDRESS	STATE OF INC.	LIABILITY LIMIT \$	
SURETY C	SIGNATURE(S)	1.	2.	Corporate Seal
	NAME(S) & TITLE(S) (Typed)	1.	2.	
	NAME & ADDRESS	STATE OF INC.	LIABILITY LIMIT \$	
SURETY D	SIGNATURE(S)	1.	2.	Corporate Seal
	NAME(S) & TITLE(S) (Typed)	1.	2.	
	NAME & ADDRESS	STATE OF INC.	LIABILITY LIMIT \$	
SURETY E	SIGNATURE(S)	1.	2.	Corporate Seal
	NAME(S) & TITLE(S) (Typed)	1.	2.	
	NAME & ADDRESS	STATE OF INC.	LIABILITY LIMIT \$	
SURETY F	SIGNATURE(S)	1.	2.	Corporate Seal
	NAME(S) & TITLE(S) (Typed)	1.	2.	
	NAME & ADDRESS	STATE OF INC.	LIABILITY LIMIT \$	
SURETY G	SIGNATURE(S)	1.	2.	Corporate Seal
	NAME(S) & TITLE(S) (Typed)	1.	2.	
	NAME & ADDRESS	STATE OF INC.	LIABILITY LIMIT \$	

BOND PREMIUM	▶	RATE PER THOUSAND (\$)	TOTAL (\$)
		35.00	2,320.96

INSTRUCTIONS

1. This form is authorized for use in connection with Government contracts. Any deviation from this form will require the written approval of the Administrator of General Services.

2. Insert the full legal name and business address of the Principal in the space designated "Principal" on the face of the form. An authorized person shall sign the bond. Any person signing in a representative capacity (e.g., an attorney-in-fact) must furnish evidence of authority. If that representative is not a member of the firm, partnership, or joint venture, or an officer of the corporation involved.

3. (a) Corporations executing the bond as sureties must appear on the Department of the Treasury's list of approved sureties and must act within the limitation listed therein. Where more than one corporate surety is involved, their names and addresses shall appear in the spaces (Surety A, Surety B, etc.)

headed "CORPORATE SURETY(IES)." In the space designated "SURETY(IES)" on the face of the form, insert only the letter identification of the sureties.

(b) Where individual sureties are involved, a completed Affidavit of Individual Surety (Standard Form 28) for each individual surety shall accompany the bond. The Government may require the surety to furnish additional substantiating information concerning their financial capability.

4. Corporations executing the bond shall affix their corporate seals. Individuals shall execute the bond opposite the word "Corporate Seal", and shall affix an adhesive seal if executed in Maine, New Hampshire, or any other jurisdiction requiring adhesive seals.

5. Type the name and title of each person signing this bond in the space provided.

STANDARD FORM 25 (REV. 5-96) BACK



<b>PAYMENT BOND</b> <i>(See Instructions on reverse)</i>	<b>DATE BOND EXECUTED</b> <i>(Must be same or later than date of contract)</i> May 1, 2012	OMB No.: 9000-0045 Expires: 11/30/2012																				
Public reporting burden for this collection of information is estimated to average 25 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the FAR Secretariat (MVR), Federal Acquisition Policy Division, GSA, Washington, DC 20405																						
<b>PRINCIPAL (Legal name and business address)</b>  CMEC, Inc. 1101 W. Grange Ave. Post Falls, ID 83854	<b>TYPE OF ORGANIZATION ("X" one)</b>  <input type="checkbox"/> INDIVIDUAL <input type="checkbox"/> PARTNERSHIP <input type="checkbox"/> JOINT VENTURE <input checked="" type="checkbox"/> CORPORATION																					
<b>STATE OF INCORPORATION</b> Idaho																						
<b>SURETY(IES) (Name(s) and business address(es))</b>  Edmund Scarborough, Individual Surety  944 Glenwood Station Lane Suite 104 Charlottesville, VA 22901	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <th colspan="4" style="text-align: center;">PENAL SUM OF BOND</th> </tr> <tr> <th style="width:25%;">MILLION(S)</th> <th style="width:25%;">THOUSAND(S)</th> <th style="width:25%;">HUNDRED(S)</th> <th style="width:25%;">CENTS</th> </tr> <tr> <td style="text-align: center;">0</td> <td style="text-align: center;">66</td> <td style="text-align: center;">313</td> <td style="text-align: center;">00</td> </tr> <tr> <th colspan="2">CONTRACT DATE</th> <th colspan="2">CONTRACT NO.</th> </tr> <tr> <td colspan="2" style="text-align: center;">April 23, 2012</td> <td colspan="2" style="text-align: center;">W912EF-12-P-5056</td> </tr> </table>		PENAL SUM OF BOND				MILLION(S)	THOUSAND(S)	HUNDRED(S)	CENTS	0	66	313	00	CONTRACT DATE		CONTRACT NO.		April 23, 2012		W912EF-12-P-5056	
PENAL SUM OF BOND																						
MILLION(S)	THOUSAND(S)	HUNDRED(S)	CENTS																			
0	66	313	00																			
CONTRACT DATE		CONTRACT NO.																				
April 23, 2012		W912EF-12-P-5056																				

**OBLIGATION:**

We, the Principal and Surety(ies), are firmly bound to the United States of America (hereinafter called the Government) in the above penal sum. For payment of the penal sum, we bind ourselves, our heirs, executors, administrators, and successors, jointly and severally. However, where the Sureties are corporations acting as co-sureties, we, the Sureties, bind ourselves in such sum "jointly and severally" as well as "severally" only for the purpose of allowing a joint action or actions against any or all of us. For all other purposes, each Surety binds itself, jointly and severally with the Principal, for the payment of the sum shown opposite the name of the Surety. If no limit of liability is indicated, the limit of liability is the full amount of the penal sum.

**CONDITIONS:**

The above obligation is void if the Principal promptly makes payment to all persons having a direct relationship with the Principal or a subcontractor of the Principal for furnishing labor, material or both in the prosecution of the work provided for in the contract identified above, and any authorized modifications of the contract that subsequently are made. Notice of those modifications to the Surety(ies) are waived.

**WITNESS:**

The Principal and Surety(ies) executed this payment bond and affixed their seals on the above date.

PRINCIPAL				
SIGNATURE(S)	1.	2.	3.	Corporate Seal
	(Seal)	(Seal)	(Seal)	
NAME(S) & TITLE(S) <i>(Typed)</i>	1.	2.	3.	
INDIVIDUAL SURETY(IES)				
SIGNATURE(S)	1. <i>Stedie</i> STEVEN A. COLIA, ATTORNEY-IN-FACT (Seal)		2.	(Seal)
NAME(S) <i>(Typed)</i>	1. Edmund Scarborough, Individual Surety		2.	
CORPORATE SURETY(IES)				
SURETY A	NAME & ADDRESS		STATE OF INC.	LIABILITY LIMIT
	SIGNATURE(S)	1.	2.	Corporate Seal
	NAME(S) & TITLE(S) <i>(Typed)</i>	1.	2.	

AUTHORIZED FOR LOCAL REPRODUCTION  
 Previous edition is usable

STANDARD FORM 25A (REV. 10-98)  
 Prescribed by GSA-FAR (48 CFR) 53.228(c)

 ORIGINAL

CORPORATE SURETY(IES) (Continued)

SURETY B	NAME & ADDRESS	STATE OF INC.	LIABILITY LIMIT \$	Corporate Seal
	SIGNATURE(S)	1.	2.	
	NAME(S) & TITLE(S) (Typed)	1.	2.	
SURETY C	NAME & ADDRESS	STATE OF INC.	LIABILITY LIMIT \$	Corporate Seal
	SIGNATURE(S)	1.	2.	
	NAME(S) & TITLE(S) (Typed)	1.	2.	
SURETY D	NAME & ADDRESS	STATE OF INC.	LIABILITY LIMIT \$	Corporate Seal
	SIGNATURE(S)	1.	2.	
	NAME(S) & TITLE(S) (Typed)	1.	2.	
SURETY E	NAME & ADDRESS	STATE OF INC.	LIABILITY LIMIT \$	Corporate Seal
	SIGNATURE(S)	1.	2.	
	NAME(S) & TITLE(S) (Typed)	1.	2.	
SURETY F	NAME & ADDRESS	STATE OF INC.	LIABILITY LIMIT \$	Corporate Seal
	SIGNATURE(S)	1.	2.	
	NAME(S) & TITLE(S) (Typed)	1.	2.	
SURETY G	NAME & ADDRESS	STATE OF INC.	LIABILITY LIMIT \$	Corporate Seal
	SIGNATURE(S)	1.	2.	
	NAME(S) & TITLE(S) (Typed)	1.	2.	

INSTRUCTIONS

1. This form, for the protection of persons supplying labor and material, is used when a payment bond is required under the Act of August 24, 1935, 49 Stat. 793 (40 U.S.C. 270a-270e). Any deviation from this form will require the written approval of the Administrator of General Services.

2. Insert the full legal name and business address of the Principal in the space designated "Principal" on the face of the form. An authorized person shall sign the bond. Any person signing in a representative capacity (e.g., an attorney-in-fact) must furnish evidence of authority if that representative is not a member of the firm, partnership, or joint venture, or an officer of the corporation involved.

3. (a) Corporations executing the bond as sureties must appear on the Department of the Treasury's list of approved sureties and must act within the limitation listed therein. Where more than one corporate surety is involved, their names and addresses shall appear in the spaces (Surety A, Surety B, etc.)

headed "CORPORATE SURETY(IES)." In the space designated "SURETY(IES)" on the face of the form, insert only the letter identification of the sureties.

(b) Where individual sureties are involved, a completed Affidavit of Individual Surety (Standard Form 28) for each individual surety, shall accompany the bond. The Government may require the surety to furnish additional substantiating information concerning their financial capability.

4. Corporations executing the bond shall affix their corporate seals. Individuals shall execute the bond opposite the word "Corporate Seal"; and shall affix an adhesive seal if executed in Maine, New Hampshire, or any other jurisdiction requiring adhesive seals.

5. Type the name and title of each person signing this bond in the space provided.

STANDARD FORM 25A (REV. 10-98) BACK

 ORIGINAL

**AFFIDAVIT OF INDIVIDUAL SURETY**  
(See Instructions on reverse)

STATE OF <b>Virginia</b>	SS. Virginia
COUNTY OF <b>Albemarle</b>	

I, the undersigned, being duly sworn, depose and say that I am: (1) the surety to the attached bonds, (2) a citizen of the United States; and of full age and legally competent. I also depose and say that, concerning any stocks or bonds included in the assets listed below, that there are no restrictions on the resale of these securities pursuant to the registration provisions of Section 5 of the Securities Act of 1933. I recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Sections 1001 and 494. This affidavit is made to induce the United States of America to accept me as surety on the attached bond.

1. NAME (First, Middle, Last) (Type or Print) <b>Edmund Craig Scarborough</b>	2. HOME ADDRESS (Number, Street, City, State, Zip Code) <b>1921 Fray's Ridge Crossing Earlsville, VA 22936</b>
3. TYPE AND DURATION OF OCCUPATION <b>Individual Surety, 5 years; Heavy Highway/General Construction, 20 plus years; and, other business interests.</b>	4. NAME AND ADDRESS OF EMPLOYER (if Self-employed, so state) <b>Self-employed as individual surety, with office at: 944 Glenwood Station Lane Suite 104 Charlottesville, VA 22901</b>
5. NAME AND ADDRESS OF INDIVIDUAL SURETY BROKER USED (if any) <b>None</b>	6. TELEPHONE NUMBER <b>Business Office -- 434-974-9777 Claims Department -- 434-974-9777</b>

7. THE FOLLOWING IS A TRUE REPRESENTATION OF THE ASSETS I HAVE PLEDGED TO THE UNITED STATES IN SUPPORT OF THE ATTACHED BOND.  
(a) Real estate include a legal description, street address and other identifying description; the market value, attach supporting certified documents including recorded lien; evidence of title and the current tax assessment on the property. For market value approach, also provide a current appraisal

**N/A**

(b) Assets other than real estate (describe the assets, the details of the escrow account, and attach certified evidence thereof)

See description of asset(s) in Irrevocable Trust Receipt No. CMECP104272012 submitted herewith; see also the related Trust Indenture and Security Agreement dated April 16, 2009 containing an escrow agreement, and Indenture Supplement No. 2 (provided upon request), all of which are incorporated herein as if fully set forth.

8. IDENTIFY ALL MORTGAGES, LIENS, JUDGMENTS, OR ANY OTHER ENCUMBRANCES INVOLVING SUBJECT ASSETS INCLUDING REAL ESTATE TAXES DUE AND PAYABLE.

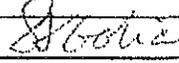
**None.**

NOTE: The fee for this bond is fully earned upon receipt of this instrument by Principal and Oblige. A "Consent of Surety" is required for release of all Progress Payments including retainage. The surety reserves the right to implement Funds Control at its sole discretion, and the Oblige(s) are bound by this condition. This Bond is a guarantee, it is not an insurance policy. Seek qualified and licensed insurance companies for all Workers Compensation and General Liability exposures. Nothing in this performance bond shall be deemed to include coverage for or assurance of payment of delay damages, whether liquidated or actual, or any other form of consequential damages. Such damages are specifically excluded from the scope of this performance bond. Void without attached IRREVOCABLE TRUST RECEIPT. The Owner agrees that the exclusive source of funds to pay any available claim under the terms of this bond is the assets represented by the attached Irrevocable Trust Receipt. This bond is valid only for one year from the date indicated on its face. Any renewal or extension of that term will be at the sole discretion of the surety upon request of the obligee and subject to payment of additional fees. For Labor and Materialmen's Payment Bonds, payment for work performed outside the term of this bond is not protected by this bond.

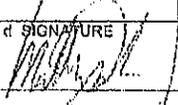
9. IDENTIFY ALL BONDS, INCLUDING BID GUARANTEES, FOR WHICH THE SUBJECT ASSETS HAVE BEEN PLEDGED WITHIN 3 YEARS PRIOR TO THE DATE OF EXECUTION OF THIS AFFIDAVIT

**None as to the allocated portion of the asset pledged as security for this Bond.**

DOCUMENTATION OF THE PLEDGED ASSET MUST BE ATTACHED

10. SIGNATURE  <b>Steven A. Golia, Attorney in Fact</b>	11. BOND AND CONTRACT TO WHICH THIS AFFIDAVIT RELATES (Where appropriate) <b>Contract No. W9126F-12-P-5036 Bond No. CMECP04272012</b>
--	--

12. SUBSCRIBED AND SWORN TO BEFORE ME AS FOLLOWS:

a. DATE OATH ADMINISTERED <b>MONTH DAY YEAR 4 30 2012</b>	b. CITY AND STATE (Or other jurisdiction) <b>Haddonfield, NJ</b>		Official Seal
c. NAME AND TITLE OF OFFICIAL ADMINISTERING OATH (Type of print) <b>Matthew Golia, Notary Public</b>	d. SIGNATURE 		

## INSTRUCTIONS

 ORIGINAL

1. Individual sureties on bonds executed in connection with Government contracts, shall complete and submit this form with the bond. (See 48 CFR 28.203, 53.22B(e)). The surety shall have the completed form notarized.
2. No corporation, partnership, or other unincorporated associations or firms, as such, are acceptable as individual sureties. Likewise members of a partnership are not acceptable as sureties on bonds which partnership or associations, or any co-partner or member thereof is the principal obligor. However, stockholders of corporate principals are acceptable provided (a) their qualifications are independent of their stockholdings or financial interest therein, and (b) that the fact is expressed in the affidavit of justification. An individual surety will not include any financial interest in assets connected with the principal on the bond which this affidavit supports.
3. United States citizenship is a requirement for individual sureties. However, only a permanent resident of the place of execution of the contract and bond is required for individual sureties in the following locations - any foreign country; the Commonwealth of Puerto Rico; the Virgin Islands; the Canal Zone; Guam; or any other territory or possession of the United States.
4. All signatures on the affidavit submitted must be originals. Affidavits bearing reproduced signatures are not acceptable. An authorized person shall sign the bond. Any person signing in a representative capacity (e.g. an attorney-in-fact) must furnish evidence of authority if that representative is not a member of a firm, partnership, or joint venture, or an officer of the corporation involved.

All claims will be handled thru the offices of The IBCS Group, Inc., the risk management company for Edmund Scarborough, Individual Surety. In order to expedite any and all settlements and claims, please follow the steps below.

- 1) Contact The IBCS Group Inc. immediately for any suspected claims at (434) 974-9777 on the bonded project.
- 2) E-Mail, fax or mail any and all documents pertaining to said claim to: IBCS Group, Inc., 944 Glenwood Station Lane, Suite 104, Charlottesville, VA 22901 and/or
- 3) Jones Day LLP, 555 California Street Suite 2600, San Francisco, CA. 94104, to the attention of:  
David Buoncristiani (fax) (415) 875-5700



ORIGINAL

E1183

**POWER OF ATTORNEY FOR EDMUND SCARBOROUGH**

944 Glenwood Station Lane Suite 104 Charlottesville, VA 22901  
www.ihes.com

KNOW ALL MEN BY THESE PRESENTS that EDMUND SCARBOROUGH, Individual Surety ("Principal"), hereby makes, constitutes and appoints:

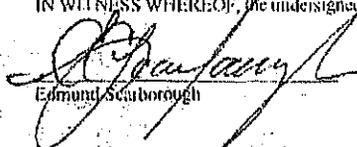
**STEVEN A. GOLIA**

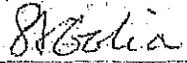
to be Principal's true and lawful attorney-in-fact ("Attorney-in-Fact"), for him and in his name, place and stead to deliver and acknowledge, for and on behalf of Principal, bonds, undertakings and contracts of suretyship giving and granting unto said Attorney-in-Fact full power and authority to do and to perform every act necessary, requisite or proper to be done in connection therewith as Principal could do, and all of the acts of said Attorney-in-Fact, pursuant to these presents, are hereby ratified and confirmed.

That the signature of the Attorney-in-Fact, either original or facsimile, affixed to any such document relating to the purpose of this Power of Attorney as authorized herein shall be valid and binding upon the Principal with respect to any bond, undertaking or contract of suretyship to which it is attached.

The undersigned hereby ratifies and confirms all that said Attorney-in-Fact shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this limited Power of Attorney as of this 12 day of Sept, 2011.

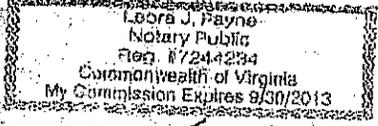
By:   
Edmund Scarborough

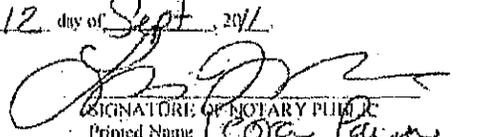
Specimen signature of Attorney-in-Fact:  
  
Steven A. Golia

STATE OF VIRGINIA  
COUNTY OF ALBEMARLE

Be it Known, That on the 12 day of Sept, 2011, before me, Lora Payne, a Notary Public in and for the State of Virginia, duly commissioned and sworn, appeared EC Scarborough, personally known to the undersigned Notary Public, who executed the within Power of Attorney, and he/she acknowledged the within Power of Attorney to be act and deed.

SWORN TO AND SUBSCRIBED before me this 12 day of Sept, 2011.

  
Lora J. Payne  
Notary Public  
Reg. #7244234  
Commonwealth of Virginia  
My Commission Expires 9/30/2013

  
SIGNATURE OF NOTARY PUBLIC  
Printed Name Lora Payne

Personally Known  Produced Identification \_\_\_\_\_

Type of Identification Produced: \_\_\_\_\_

NOTICE: This document is automatically VOIDED if there are any erasures, cross-outs or corrections of any kind.



Wells Fargo Bank Northwest, N.A.  
Corporate Trust Lease Group

MAC U1240-026  
260 N. Charles Lindbergh Drive  
Salt Lake City, UT 84116-2812

Tel: 801 246 6000  
Fax: 801 246 7142  
wellsfargo.com/cor/corporate-trust/lease

CORR 45429

Writers Direct Number:  
(801) 246-6418  
E-Mail [jennifer.mroziakiewicz@wellsfargo.com](mailto:jennifer.mroziakiewicz@wellsfargo.com)

April 27, 2012

VIA FedEx

Steven Golla  
112 West End Avenue  
Haddonfield NJ, 08033

RE: ITR No. CMECPP04272012

Steven,

Enclosed please find the signed above referenced ITR.

Regards,

Jennifer Mroziakiewicz  
Account Associate

Enclosures

Wells Fargo Bank Northwest, N.A.



**IRREVOCABLE TRUST RECEIPT NO. CMECPP04272012**  
**(Confirmation of First Priority Security Interest)**

IRREVOCABLE TRUST RECEIPT No. CMECPP04272012, dated as of April 27, 2012 (this "ITR"), of Wells Fargo Bank Northwest, N.A. ("Indenture Trustee").

**WITNESSETH:**

WHEREAS, the Trust Indenture and Security Agreement (Surety Bond Trust No. 2), dated as of April 16, 2009, as amended (the "Indenture"), between Edmund C. Scarborough, an individual, the surety under the Bond (defined below) and the owner of the assets described on Schedule A hereto ("Owner"), and Indenture Trustee, provides for the execution and delivery of Irrevocable Trust Receipts, including this Irrevocable Trust Receipt (this "ITR").

WHEREAS, the Indenture relates to the assets described on Schedule A hereto and made a part hereof, which assets are a portion of the Trust Indenture Estate (as defined in the Indenture).

NOW, THEREFORE, THIS ITR WITNESSETH that, in consideration of the premises and other good and valuable consideration, the receipt of which is hereby acknowledged, and in order to secure the CASH payment by Owner of all amounts payable to or for the benefit of the Beneficiary specified on Schedule A hereto ("Beneficiary") under the Bond specified on Schedule A hereto (the "Bond") outstanding from time to time, and to secure the performance by Owner of its obligations under the Bond (collectively, such amounts and obligations, the "Obligations"), Indenture Trustee hereby, for the benefit and security of Beneficiary respecting the Obligations, confirms that it holds for Beneficiary and its successors and assigns, a first priority security interest in all of Owner's estate, right, title and interest in and to the following described assets, whether now owned or hereafter acquired (other than Excepted Property (as defined in the Indenture):

all of the assets described on Schedule A hereto;

all substitutions, renewals or replacements of the assets described on Schedule A hereto whether the same are now owned or hereafter acquired by Owner; and

all property insurance proceeds related thereto.

Any moneys received or held by Indenture Trustee with respect to the assets described on Schedule A hereto shall be distributed by Indenture Trustee to Beneficiary as specified in Section 5.03 of the Indenture.

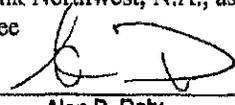
This ITR is governed by the laws of the State of Utah.

AND, FURTHER, Indenture Trustee hereby acknowledges that the assets described on Schedule A hereto are subject to the security interest, and the terms and conditions, of the Indenture. A copy of the Indenture has been given to Beneficiary.

CMECPP04272012

IN WITNESS WHEREOF, Indenture Trustee has caused this ITR to be duly executed on the day and year first above written.

Wells Fargo Bank Northwest, N.A., as  
Indenture Trustee

By:   
Name: Alan D. Doty  
Title: Assistant Vice President

Address for notices:

MAC: U1240-026  
260 North Charles Lindbergh Drive  
Salt Lake City, UT 84116  
Telecopy No.: (801) 246-6148

**SCHEDULE A**  
to  
**Irrevocable Trust Receipt No. CMECPP04272012**

**DESCRIPTION OF ASSETS**

Description	Quantity	Location
surface, previously mined, coal	2,319.16 gross tons	Those certain six tracts of land in Pike County, Kentucky, owned by Owner(Kentucky Berwind tracts 1006. 1272, 173, 540, 1007 and a portion of certain Kentucky Berwind tracts described in Deed Book 607, page 647, of the Pike County Clerk's office)

Obligee/Beneficiary: USAED, Walla Walla – Contracting Division

Obligee/Beneficiary's address for notices: 201 N. Third Avenue, Walla Walla, WA 99362

Bond: CMECPP04272012

Bond amount: \$66,313.00

Solicitation No.: W912EF-12-P-5056

STATE OF WASHINGTON, OFFICE OF THE INSURANCE COMMISSIONER

In re the Matter of

EDMUND C. SCARBOROUGH and  
WALTER W. WOLF,

Respondents

No. 13-0084

DECLARATION OF  
EMAILED DOCUMENT  
(DCLR)

---

I declare as follows:

1. I am the party who received the foregoing email transmission for filing.
2. My address is: 3400 Capitol Blvd. SE #103, Tumwater WA 98501
3. My phone number is (360) 754-6595.
4. I have examined the foregoing document, determined that it consists of 45 pages, including this Declaration page, and that it is complete and legible.

I certify under the penalty of perjury under the laws of the State of Washington that the above is true and correct.

Dated: January 21, 2014 at Tumwater, Washington.

Signature: \_\_\_\_\_

Print Name: James Lincoln