

0009

*OK Outgoing
5/28/08*

From: Daron Haddock
To: Angela Nance; Charles Reynolds; Mark Reynolds
CC: Pete Hess
Date: 5/28/2008 11:08 AM
Subject: Re: Hiawatha Bond

The Division is willing to work with you regarding this bonding issue, but we are somewhat limited in what we can allow. First off, at no time can the bond at the Hiawatha Mine complex be allowed to lapse. There has to be bond coverage at all times. This means that the letter of credit in the amount of \$2,838,000 must either be replaced or extended by the June 16, 2008 deadline. If this does not happen and the bond is allowed to lapse, the Division would be required to take immediate enforcement action. Secondly, we do have more latitude with regard to the increase. We can allow until the end of June for you to complete the process for providing the additional bond to bring the total bond to \$3.7 million. Again, if we don't have the required bond of \$3.7 million by the end of June, we would take enforcement action. I hope this helps resolve the issues regarding the bond at the Hiawatha complex. Please call if you have questions.

Sincerely,
Daron R. Haddock

>>> Charles Reynolds <charles.reynolds@cwmining.com> 5/27/2008 6:43 PM >>>
Angela,

Hiawatha Coal Company is still working on an approval to increase the bond to a total of \$3.7 Million. They will be unable to make the June 16 deadline. To resolve this Hiawatha will be posting a cash bond for the difference between the Chase bond and \$3.7 million. They are trying to obtain the entire amount by the deadline, but may be unable to get the entire amount until around June 23rd. Would the Division be willing to work with them if they can post the majority of the bond by June 16th, and the remaining portion the following week? Also, Hiawatha Coal Company plans to work with Chase in converting the entire amount of the bond to cash within the next while, and prior to the Chase letter of credit expiring. if the Division is amenable to this, I will have Mark send a formal letter requesting the additional time. Again, the majority of the bond will be posted prior to the deadline.

Please let me know. Thanks.

Charles Reynolds