

AGREEMENT OF INDEMNITY

This Agreement, made this 11th day of June,
19 81, between Kinlock Coals, Inc.

(Hereinafter referred to as "Principal" and collectively with the Indemnitor as "Indemnitors"),

Charles H. Raines and wife, Anne Raines and Ellis Taylor and wife, Etha Taylor (hereinafter whether one, or more than one, referred to as "Indemnitor" and collectively with Principal as "Indemnitors"), and American Resources Insurance Company, Inc. of Mobile, Alabama (hereinafter referred to as "Indemnitee"), as follows:

W I T N E S S E T H:

WHEREAS, Indemnitee, at the special insistence and request of Principal and Indemnitor, and because of the promise of Indemnitors to execute this Indemnity Agreement, has assumed or may in the future assume suretyship on surface mining reclamation bonds or other obligations in various amounts and on various dates, on behalf of any one or more of Indemnitors' subsidiary, associated or affiliated companies (any and all of the aforesaid being hereafter referred to as "Indemnitors") and in favor of different obligees, any and all of which bonds and other obligations are made a part hereof to all intents and purposes as if fully written herein; and

WHEREAS, Indemnitors expressly agree that upon the Indemnitee's acceptance of the application from a representative who is believed by Indemnitee in good faith to be an authorized agent of Principal, the execution of a bond shall constitute in each instance a request from Indemnitors that Indemnitee assume suretyship, both prior and subsequent to the execution of this Agreement, and each of such bonds, obligations, continuations, extensions, alterations, and renewals shall be within the provisions of this Agreement; and

WHEREAS, The Indemnitors have a substantial, material and beneficial interest in the obtaining of the bonds or in the Indemnitee's refraining from cancelling said bonds;

NOW, THEREFORE, in consideration of the above premises and the mutual covenants and conditions hereinafter set forth, faithfully to be kept by the parties hereto, it is agreed as follows:

SECTION I

INDEMNITY

In consideration of the premises, Indemnitors hereby agree for themselves, their successors and assigns, to at all times indemnify Indemnitee, its successors and assigns, against any and all claims, suits, actions, debts, damages, costs, charges, and expenses, including court costs and attorneys' fees, and against all liability, losses, and damages of any nature whatever, that Indemnitee shall or may at any time sustain or be put to by reason of the execution by Indemnitee of any and all such bonds, obligations, or any continuations, extensions, alterations or renewal thereof, and any new bond or obligation. Indemnitors agree to pay Indemnitee the face amount of bond or bonds upon the occurrence of any of the following events: (1) when liability exists or is asserted against Indemnitee, because of its execution of said bond or bonds, whether or not Indemnitee shall have made any payment therefor; (2) if Principal has not followed the reclamation plan and schedule and any amendments thereto initially provided to the State Surface Mining Reclamation Commission (or any agency designated by law to give permits to Principal for surface mining), a copy of which initial plan and schedule Principal agrees to immediately provide Indemnitee; (3) upon

American Resources Ins. Co., Inc.
1051 Oak Mtn. Off. Pk. Dr.
Pelham, Ala. 35124

any breach of the covenants of this agreement; (4) upon any breach of the terms of any bond(s) mentioned above provided by Indemnatee for surface mining or reclamation; (5) upon the death of, insolvency of, general assignment by, judgment against, filing of petition in bankruptcy by or against, or the filing of application in any court for receiver for Principal; (6) upon the transfer of materials, supplies, merchandise, equipment, or inventory not in the ordinary course of business by Principal; (7) upon assignment, sale, transfer or other disposition of the ownership or beneficial ownership of Principal; (8) upon the failure of Principal to pay any bond premium or other debt (including insurance premium) due by Principal to Indemnatee; or (9) upon the failure by Principal to provide Indemnatee the reclamation plan and schedule within thirty (30) days from the date hereof.

SECTION II

WAIVER OF EXEMPTIONS

Indemnitors agree to waive and do hereby waive any right to claim any property as exempt under the Constitution and laws of the United States of America or of any state, states, or territory from levy, execution, attachment, sale, or other method of seizure at law or in equity. Without limiting the foregoing, Indemnitors do hereby specifically waive the homestead exemption.

SECTION III

OBLIGATIONS OF PRINCIPAL

Upon the happening of any of the events set out in Section I, Principal agrees to cease and desist from all coal mining operations on properties under bond by Indemnatee as Indemnatee in its discretion may require. Principal agrees that Indemnatee may obtain an injunction from any court of competent jurisdiction to enforce this provision. Principal, and for Principal's heirs, successors, and assigns, hereby acknowledges and agrees that a restraining order or injunction shall be a proper remedy in favor of Indemnatee in the enforcement of this Section, because of the irreparable damage that continued mining will cause and the inadequacy of any remedy at law to compensate for the injury to be sustained.

SECTION IV

OBLIGATIONS OF INDEMNITEE

This Agreement shall not in any way be construed to require Indemnatee to assume suretyship on any bonds and obligations, or any continuation, extension, alteration or renewal thereof, or any new bond or obligation, or to deprive Indemnatee of any right to withdraw from such suretyship at any time it might desire, except as set forth in any prior bond.

SECTION V

LIABILITY OF INDEMNITORS

No continuation, extension, alteration, or renewal of any such bonds or obligations, no waiver of defense nor any change of whatsoever kind or nature, whether or not consented to by Indemnitors, nor the death of Indemnitors, whether or not Indemnatee has notice thereof, shall in any way relieve Indemnitors, their successors and assigns, from any liability assumed hereunder; and Indemnitors hereby waive notice thereof.

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BOOK

SECTION VI

NON-WAIVER

The acceptance of security or other considerations shall not be taken as a waiver of any right or remedy that Indemnatee might have hereunder by statute or otherwise.



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SECTION VII

CHANGES

Indemnatee is authorized and empowered to assent on behalf of Indemnitors, to any change whatsoever in the bonds or other transactions concerning the bonds, including, without limitation, reclamation of the land referred to in the bonds, change in the time of completion of said contracts, change in the conditions, provisions and obligations, or change in the penalties; it being expressly understood and agreed that Indemnitors shall remain bound under the terms of this Agreement even though any such assent by Indemnatee does or might substantially increase the liability of Indemnitors.

SECTION VIII

ADVANCES

Indemnatee is authorized and empowered to guarantee loans, to advance or lend to the Principal any money, which the Indemnatee may deem fit, for the purpose of any contracts or other transactions including reclamation of land referred to in, or guaranteed by the bonds; and all money expended in the completion of any such contracts or other transactions by Indemnatee, whether lent or advanced from time to time to the Principal, or guaranteed by Indemnatee, and all costs and expenses incurred by Indemnatee in relation thereto, unless repaid when due, shall be presumed to be a loss by Indemnatee for which the Indemnitors shall be responsible, notwithstanding that said money or any part thereof should not be so used by the Principal.

SECTION IX

BOOKS AND RECORDS

At any time, and until such time as the liability of Indemnatee under any and all said bonds is terminated, Indemnatee shall have the right to reasonable access to the books, records, and accounts of Indemnitors.

SECTION X

SETTLEMENTS

Indemnatee shall have the right to adjust, settle or compromise any claim, demand, suit or judgment upon the bonds, all without notice to Indemnitors.

SECTION XI

MODIFICATION AND CANCELLATION

There shall be no modification or change of the terms of this Agreement without the written approval of Indemnatee. Indemnitor shall have the right to request cancellation of this Agreement, provided that

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GENERAL PROVISIONS

This Agreement shall be governed and construed under the law of the State of Alabama. If any provision of this Agreement is unenforceable or invalid, the Agreement shall be ineffective only to the extent of such provision, and shall not affect the validity of the remaining provisions of this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on the date first above written, in the State of Alabama.

[illegible]

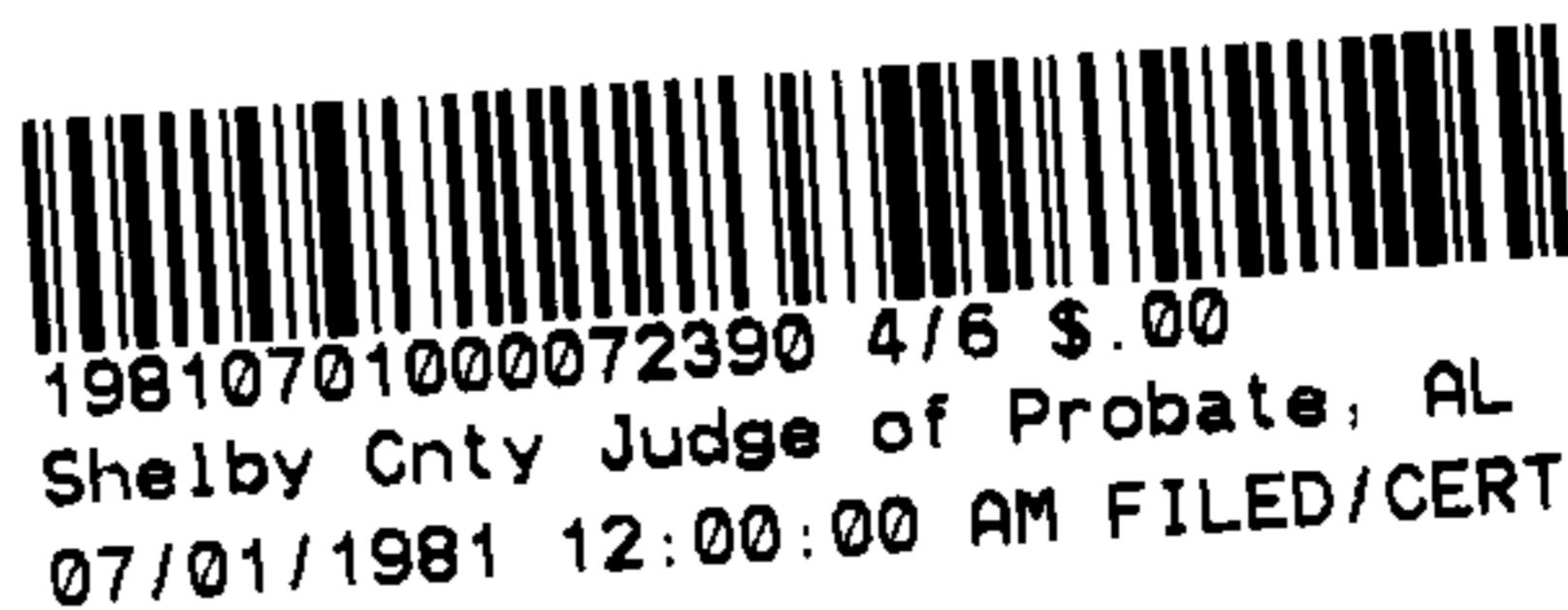
(PRINCIPAL AND ONE OF
THE INDEMNITORS)

Attest

Its _____

Attest:

Its



Charles A. Raines
Individually

William H. Raines
Individually

Ed Dwyer
Individually

Ed Dwyer
Individually

(INDEMNITOR AND ONE OF
THE INDEMNITORS)


AMERICAN RESOURCES INSURANCE COMPANY, INC.

By: Associated Agencies of Alabama, Inc.
or South East Surface Mining Insurance,
Inc.

By: W. A. L. L. L.
Its President

Attest:

Its _____


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PRINCIPALS AND/OR INDEMNITORS

Corporate Acknowledgement

STATE OF ALABAMA)

COUNTY OF JEFFERSON)

I, the undersigned, a Notary Public in and for said County, in said State, hereby certify that Charles H. Raines (Chief Officer), whose name as President (Position), of Kinlock Coals, Inc. (Name of Company), is signed with Mildred Anne Raines, Ellis Taylor and Etha Taylor

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as Principal and one of 4 (number), Indemnitors to the foregoing instrument and who are known to me, acknowledged before me on the day, that, being informed of the contents of the instrument, they, as such officers and with full authority, or they as individuals, executed the same voluntarily for and as the act of said corporation and as their act.

Given under my hand and official seal this the 11th day of June, 19 81.



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[Signature]
Notary Public

[Signature]
Address

My commission expires: 11/9/82



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