

SAC HEADSTART SUBCONTRACTOR PERFORMANCE BOND

Surety: THE GUARANTEE COMPANY OF NORTH AMERICA

Bond No. _____

Obligee: _____

Principal: _____

Bond Amount: _____

This SAC Headstart Subcontractor Performance Bond No. _____ (the "Bond") is dated _____, 20_____.

Pursuant to this Bond the Principal and the Surety and each of their heirs, executors, administrators, successors and assigns, are bound, jointly and severally, to the Obligee in the Bond Amount set out above with respect to that contract between the Principal and Obligee dated _____, 20 _____ for _____

_____ (the "Contract")

For valuable consideration, the sufficiency of which is acknowledged, the undersigned hereby agrees, subject to the terms and conditions set out below, that if:

1. The Principal shall be in default under the Contract; and
2. The Obligee is not in default under the Contract and it has properly performed its obligations thereunder; and
3. The Obligee has taken the work under the Contract out of the hands of the Principal; and
4. The Obligee delivers to the Surety a Notice of Claim Letter by either registered mail or courier (including the documents and information requested by the Surety) in the Surety's required form found www.theguarantee.com/headstart

Option 1 - The Headstart Option

The Obligee elects to take control of completion of the Contract in accordance with the Completion Proposal in the Notice of Claim for the purposes of expediting the completion work. The Obligee will arrange for prompt resumption of the work in accordance with this Option 1 after the occurrence of the following:

- a. The Surety accepts the Completion Proposal by the Obligee in the Notice of Claim Letter; and
- b. The Surety shall, within three (3) business days from receipt of the Notice of Claim Letter (including the documents and information requested by the Surety), provided the Surety has not denied liability under this Bond or rejected the Completion Proposal, tender to the Obligee the Mitigation Agreement in the form of the Surety's standard form Mitigation Agreement at www.theguarantee.com/headstart; and
- c. The Obligee and the Surety shall promptly enter into the Mitigation Agreement if delivered by the Surety under (b) above.

In the event the Surety rejects the Completion Proposal, the Obligees and the Surety shall proceed under this Bond in accordance with Option 2.

Option 2 - Surety-Controlled Completion

Subject to the Surety's reasonable opportunity to investigate the Notice of Claim, if the Principal shall be in default under the Contract, the Surety shall promptly select from the following options in response to the Notice of Claim Letter:

1. Cure the Principal's default to allow the Principal to continue to perform the Contract;
2. Take over the completion of the Contract;
3. Solicit bids by tender or negotiate a proposal with a completion contractor for completion of the Contract and arrange for a completion contract to be entered into by the Obligees and the completion contractor. The Surety shall then make available to the Obligees such amounts necessary to pay to complete the obligations of the Principal under and in accordance with the Contract (including reasonable expenses incurred by the Obligees directly related to complete the remaining work under the Contract) less the Contract price on the date of the Notice of Claim Letter after deducting any amounts properly paid by the Obligees to the Principal under the Contract;
4. Pay the Obligees the amount for which the Surety may be liable to the Obligees under this Bond; or
5. Deny liability with written reasons for doing so to be provided to the Obligees.

General Terms

- a. The Surety shall have no obligation under this Bond if the Principal is performing its obligations under the Contract or has completed its obligations under the Contract.
- b. The Surety's liability under this Bond is limited in total to the Bond Amount and shall not exceed that amount.
- c. Only the Obligees named herein, or the heirs, executors, administrators or successors of the Obligees and no other person shall have any right, or right of action, against the Surety, under or in respect of this Bond.
- d. Subject to paragraph (e) below, notwithstanding any other provision of this Bond, if the Surety at any time denies liability under the Bond, then the Surety shall have no further obligation hereunder.
- e. The provisions of this Bond are subject always to the rights, obligations and remedies of the parties under applicable law.
- f. Any suit or action by the Obligees must be commenced before the expiration of two (2) years from the earlier of:
 - I. The date of Substantial Performance of the Contract as defined in the lien legislation where the work under the Contract is taking place, or, if no such definition exists, the date when the work is ready for use or is being used for the purpose intended, or
 - II. The date the Obligees delivers the Notice of Claim Letter to the Surety.

Pre-Claim Resolution Conference

If any circumstances exist that entitle the Obligee to take the work out of the hands of the Principal, the Obligee may make a request, in writing, to the Surety and Principal for a resolution meeting to be held in person or by telephone conference ("Pre-Claim Resolution Conference") to have a frank and candid discussion on a without prejudice basis to resolve or facilitate the resolution of any dispute. The Obligee, Principal and Surety shall, each acting reasonably, cooperate to schedule the Pre-Claim Resolution Conference after receipt of the Obligee's written request to do so. The Pre-Claim Resolution Conference shall not limit or waive any other right or obligation of the Obligee, Principal or Surety under this Bond.

IN WITNESS WHEREOF, the Principal, Surety and Obligee have signed and sealed this Bond dated the _____ day of _____, 20_____.

SIGNED, SEALED and DELIVERED in the presence of:

[Principal] _____

By: _____
Signature

Name of person signing

Title: _____

I have the authority to bind the corporation

THE GUARANTEE COMPANY OF NORTH AMERICA

By: _____
Signature

Name: _____

Attorney-in-Fact

[Obligee] _____

By: _____
Signature

Name of person signing

Title: _____

I have the authority to bind the corporation