FINANCIAL ASSURANCE COST ESTIMATE

FOR

HANSON AGGREGATES

SISQUOC MINE

CA MINE ID# *91-42-0003*

Two Year Mining Period:
September 2005 - September 2007

Prepared by:

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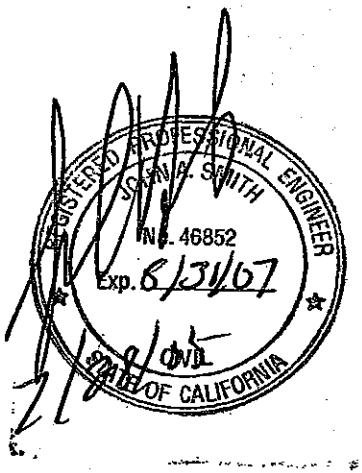

July 26, 2005

I INTRODUCTION

The mining operations covered in this financial assurance estimate relate to the off-channel mining activity included in the 5-Year Mining and Reclamation Plans (MRP) for the Davis Basin - Phase I and the Carranza Basin. Additionally, the estimate covers the in-channel Sisquoc River mining and associated reclamation activities. These operations are defined and presented in the following plans: Carranza Basin MRP, March 2000 (*Skyway Engineering*); the Davis Basin - Phase I MRP, December 2002 (*Skyway Engineering*); the Sisquoc Plant Vegetation Screening, Irrigation and Planting Plan, July 1999 (*2M Associates*); the Sisquoc River Mining Plans, March 2005 (*Skyway Engineering*); and the Mitigation Plan for Sisquoc River Mining and Bank Protection, November 8, 2004, (*LFR-Levine Fricke*). The identified plans cover all near-term proposed in-channel and off-channel mining and reclamation activities by Hanson Aggregates at the Sisquoc site.

This financial assurance estimate is intended to cover a two-year period: September 2005 - 2007. Assumptions made regarding the status of the various mining and reclamation activities included in this estimate are incongruent. Site conditions at Sisquoc could never exist exactly as presented in this estimate. The intended result is an overall conservative financial assurance estimate. This estimate reflects site conditions at the Hanson Sisquoc facility as of July 15, 2005. This estimate is an up-date to the previous estimate, dated January 7, 2003, presented at this time to include river mining operations, scheduled to commence this fall with final approval of the plans and this assurance estimate.

This SMARA Financial Assurances Estimate has been prepared in accord with the State Mining & Geology Board Financial Assurance Guidelines, re-adopted January 16, 1997, revised and re-adopted July 23, 2004. Sections I thru VIII in this estimate are in accordance with Form OMR-23 (1996) provided by the Department of Conservation, State of California.

The estimate is supported by the information included in the following documents:

1. A per-acre proposal for reclamation of side slopes, basin bottoms, and the plant site from Spectrum Agricultural Services, December 23, 2002, based on the Sisquoc Habitat Basin Reclamation Planting prepared by LFR, November 27, 2002 (Appendix A).

2. Cost estimates for perimeter screening (vegetation) along Foxen Canyon Road prepared by 2M Associates, July 13, 1999 (Appendix B).

3. One page August 16, 2001 letter/proposal from Betteravia Land & Byproducts confirming the dismantling and removal of all plant and equipment for the salvage value of the equipment. This substantiates the $0.00 value for Total of all Plant Structures & Equipment Removal Costs in the "Summary of Cost" table. This letter is included as Appendix C attached.

4. Hourly equipment rental rates from Coastal Earthmovers, Inc., Lompoc, November, 2002 (Appendix D).

5. A site reclamation, maintenance, and monitoring estimate prepared by LFR Levine Fricke (Appendix E).

II PRIMARY RECLAMATION ACTIVITIES

The primary reclamation activities in this estimate include the following categories:

A. Earthwork
B. Material Disposal
C. Fencing: Perimeter fencing and revetment fencing

A. EARTHWORK

The following items include all proposed earthwork necessary to restore off-channel mining areas to acceptable reclaimed conditions and to perform required river embankment reconstruction as identified in the permit.

Silt Pond

In accordance with the permit, the silt pond in the northwest portion of the Carranza Unit shall be held to a minimum elevation of 385'. While some areas within the existing silt pond are currently below this elevation, the average grade is approximately 392'. Earthwork would be designed to relocate earth material within the silt pond area such that the minimum elevation of 385' is achieved throughout.

Carranza Basin

The 5-year MRP identifies that all off-channel mining shall occur in Carranza from the existing excavation south to the southerly limits established by off-set requirements of Foxen Canyon Road. Additionally, a portion of the east face of the existing excavation shall be mined further east to limits established that preserve the existing plant site, office, and surrounding operations area. The slope on the north side of Carranza towards the Silt Pond will be constructed to a 2:1 slope from elevation 405' down to elevation 390' with a 4:1 slope from this elevation down to the existing bottom of Carranza at elevation 361'.

Expansion areas 1, 2, and 3 as well as the southerly and easterly expansions included in the 5-year MRP may be mined to a minimum elevation of 355'. While the mining plans identify a minimum acceptable elevation of 347', the operator has established this self-imposed limit to account for the possible presence of ground water and likely degradation in the overall quality of the material anticipated in this zone. The operator reserves the right to revise this estimate in the future should groundwater levels not become a problem and an interest in

mining this zone develops. The south and west faces of this extension will be mined in a step configuration with 30 foot wide horizontal benches at 15 to 20 foot vertical intervals. The east side will be mined to a temporary slope of 1.5:1 from the surface to elevation 390 and 3:1 to elevation 355'. As mentioned previously, the north slope between the Carranza proper and the silt pond will be constructed to a 2:1 slope from elevation 405' to 390' changing to a 4:1 slope from elevation 390' down to the existing bottom. A portion of the west slope of Carranza has been graded and compacted to finished grades.

During reclamation work, the basin bottom will be filled to a minimum elevation of 364'. If mining operations cease, the east, south, and west faces will be reconstructed back to a 2:1 slope in an earth cut activity from the top down to elevation 390' continuing in an earth cut activity with a 4:1 slope from this elevation to the bottom. Portions of the west side that currently exceed 2:1 and 4:1 slopes will be reclaimed back to those grades.

Little Lucy Basin
There is no planned activity in Little Lucy during the next MRP. If Hanson's operations were to cease, earthwork reclamation activities would include reconstructing basin side slopes, to the extent practical, to a 2:1 and 4:1 combination with a grade change at 390' similar to the Carranza Basin.

Davis Basin - Phase I
Davis Basin - Phase I mining will be to elevation 348'. Side slopes will be cut in a step configuration with 30 foot wide horizontal benches at between 15 to 20 foot vertical intervals. During reclamation work the basin bottom will be filled to a minimum elevation of 369' and side slopes will be cut back to 2:1 slope from the top to elevation 390' continuing with a 4:1 slope down to elevation 348'.

River Embankment Reconstruction
A portion of the earth bank between the Sisquoc River and the Davis Basin consists of debris and unconsolidated earth fill material. The Sisquoc River Mining Plans include the requirement to remove this material and reconstruct the embankment in an engineered-fill configuration. The approximate limits of this effort are identified on the plans, as determined by a geotechnical investigation several years ago. The permit requires that this effort reconstruct a minimum of 200 feet in width. The length may vary depending on conditions encountered during the excavation process.

Source of Earth Material
Material required to bring the Silt Pond up to minimum elevations will be made available from within the silt pond area itself. Material in the area east of the current limits of the permitted Carranza Basin will be used to bring Carranza Basin up to minimum elevations through an easterly expansion of the pit above elevation 364. Carranza Basin and Davis Basin sides that

are temporarily cut to slopes steeper than acceptable reclaimed slopes will be laid back to flatter, acceptable slopes during the reclamation process. Little Lucy side slopes will be laid back to acceptable slopes during the reclamation and/or filled in with earth material made available from the hill area north of Little Lucy. The enclosed Exhibit A identifies the extent of the borrow area east of Carranza and the hill area north of Little Lucy. As previously mentioned, the borrow area east of Carranza will be mined to a near level condition through an easterly expansion of the Carranza Basin. No final side slopes in this area shall exceed the 2:1 and 4:1 combination being constructed elsewhere. It is estimated that the final elevation of the borrow area will not drop below 390'. This elevation is above the minimum of 360' allowed by the Reclamation Plan. The hill between Little Lucy and the Sisquoc River shall not be mined below elevation 410'.

Drainage Improvements/Diversion Berm along East-West Portion of Foxen Canyon Road
The Five Year Mining and Reclamation Plans show a combination of drainage interceptor swales and earth berms to be installed along the Foxen Canyon Road right-of-way adjacent to the Carranza Basin. The diversion berm along the southerly face of Carranza from the main entrance extending to the westerly limits has been constructed. A temporary diversion berm along the plant site frontage is in place. A more permanent berm is included in this estimate. A drainage swale is required along this frontage prior to mining of the plant site. Material for the earth berms will be made available from excavations performed in the construction of the interceptor swales. Excess material shall either be processed through the plant or placed as reclamation backfill material in Carranza.

Diversion Berm along the south Property Line south of Little Lucy
If Hanson's operations were to cease, an earth berm planned for the south side of Little Lucy adjacent to the property line would be constructed. Material for this earth berm will be made available form the hill between Little Lucy and the Sisquoc River.

B. MATERIAL DISPOSAL

The following items include all material disposal work necessary to support reclamation activities.

Disposal of Recyclable Material
This item of work specifically deals with the disposal of excess portland cement concrete not removed as part of the plant equipment. Work related to disposal of this material includes loading and hauling to a recycle facility. It is estimated that approximately 2,400 tons of concrete rubble exist at the Sisquoc site. Portland cement concrete can be recycled at a recycle facility or, in some instances, local farmers and ranchers quite often use concrete rubble for rip-rap. Disposal for rip-rap is typically free. In this analysis however, it is assumed that the on-site material is hauled to a recycler. Compensation to the recycler for his effort typically ranges from $5.00 to $20.00 per ton based on the size of the material and the

percent of steel contamination. An average price of $10.00 per ton was used in this evaluation. The local concrete recycler is in Nipomo.

Disposal of Non-Plant Improvements
This item of work specifically deals with the abandonment of the water well and the septic tank. Both items of work will be in accord with the requirements of and under permit by the Santa Barbara County Health Department. The water well will be abandoned by excavation and removal of the top portion of the well and filling of the casing with a sand slurry. The site is then backfilled and compacted. The septic tank will be pumped clean and then destroyed on-site through excavation and in-place demolition of the walls, top, and bottom. The site is then backfilled and compacted. Existing leach fields are left in-place.

Disposal of Bone Yard Material
All bone yard material and all remaining material not suitable for resale or recycle will be loaded and hauled to the landfill. The quantity of material within this category was previously estimated to be 200 tons. Recent clean-up activities have reduced this volume to less than 5 tons. The identified disposal rate is for the City of Santa Maria Landfill located adjacent to the Santa Maria River levee east of the city.

C. FENCING

The fencing category includes perimeter fencing around the plant site and off-channel pits. Additionally, this item includes the installation of revetment fence along a portion of the Sisquoc River as shown on the river mining plans.

Carranza Basin Perimeter Fence
An additional 100 feet of six foot high chain link fence shall be installed along the west side of the Carranza Basin for a total of 200 feet extending to the north from Foxen Canyon Road. The remainder of this side of the basin is presently fenced with barb wire.

Plant Site Perimeter Fence
Six foot high chain link fence will be installed along that portion of Foxen Canyon Road that fronts the plant site east of the main entrance. This fence will connect to the chain link fence to be installed along the west side of the Davis Basin.

River Mining Revetment Fence
Approximately 1340 lineal feet of revetment fence will be installed along the Sisquoc River to protect the portion of the embankment between the Sisquoc River and the Davis Basin. Revetment fencing will be constructed in accordance with Santa Barbara County Flood Control Standards.

PRIMARY RECLAMATION ACTIVITIES

A. EARTHWORK

Equipment	Quantity	Hours (each)	Hours (total)	Equipment Cost		Labor Cost	
				Hourly	Total	Hourly	Total
SILT POND - Graded to a minimum elevation of 385' (73,500 cy)							
637 Scraper	4	40	160	$137.00	$21,920.00	$68.00	$10,880.00
14G Blade	1	48	48	57.00	$2,736.00	68.00	$3,264.00
Water Truck	1	48	48	38.00	$1,824.00	42.00	$2,016.00
D9 Dozer	1	40	40	137.00	$5,480.00	68.00	$2,720.00
SUBTOTAL					$31,960.00		$18,880.00
CARRANZA BASIN - Construct 2:1 and 4:1 side slopes. Refill to elevation 364' (384,500 cy).							
637 Scraper	6	186	1116	$137.00	$152,892.00	$68.00	$75,888.00
14G Blade	1	124	124	57.00	$7,068.00	68.00	$8,432.00
Water Truck	1	124	124	38.00	$4,712.00	42.00	$5,208.00
D9 Dozer	2	184	368	137.00	$50,416.00	68.00	$25,024.00
SUBTOTAL					$215,088.00		$114,552.00
LITTLE LUCY BASIN - Construct 2:1 and 4:1 side slopes as indicated (90,500 cy).							
637 Scraper	6	42	252	$137.00	$34,524.00	$68.00	$17,136.00
14G Blade	1	54	54	57.00	$3,078.00	68.00	$3,672.00
Water Truck	1	54	54	38.00	$2,052.00	42.00	$2,268.00
D9 Dozer	2	42	84	137.00	$11,508.00	68.00	$5,712.00
SUBTOTAL					$51,162.00		$28,788.00
DAVIS BASIN - PHASE I. Refill to elevation 369' (290,000 cy).							
637 Scraper	6	160	960	$137.00	$131,520.00	$68.00	$65,280.00
14G Blade	1	176	176	57.00	$10,032.00	68.00	$11,968.00
Water Truck	1	176	176	38.00	$6,688.00	42.00	$7,392.00
D9 Dozer	2	160	320	137.00	$43,840.00	68.00	$21,760.00
SUBTOTAL					$192,080.00		$106,400.00

Equipment	Quantity	Hours (each)	Hours (total)	Equipment Cost		Labor Cost	
				Hourly	Total	Hourly	Total
Diversion Berm along Foxen Canyon Road at plant site east of main entrance (850 cy)							
637 Scraper	1	8	8	$137.00	$1,096.00	$68.00	$544.00
14G Blade	1	8	8	57.00	$456.00	68.00	$544.00
Cat Roller	1	8	8	67.00	$536.00	68.00	$544.00
D4H Dozer	1	8	8	57.00	$456.00	68.00	$544.00
Water Truck	1	8	8	38.00	$304.00	42.00	$336.00
SUBTOTAL					$2,848.00		$2,512.00
Little Lucy Diversion Berm (1,000 cy)							
637 Scraper	1	12	12	$137.00	$1,644.00	$68.00	$816.00
14G Blade	1	16	16	57.00	$912.00	68.00	$1,088.00
Cat Roller	1	16	16	67.00	$1,072.00	68.00	$1,088.00
D4H Dozer	1	16	16	57.00	$912.00	68.00	$1,088.00
Water Truck	1	16	16	38.00	$608.00	42.00	$672.00
SUBTOTAL					$5,148.00		$4,752.00
River Embankment Reconstruction (40,000 cy)							
637 Scraper	2	80	160	$137.00	$21,920.00	$68.00	$10,880.00
14G Blade	1	80	80	57.00	$4,560.00	68.00	$5,440.00
Cat Roller	2	80	160	67.00	$10,720.00	68.00	$10,880.00
D4H Dozer	1	80	80	57.00	$4,560.00	68.00	$5,440.00
Water Truck	1	80	80	38.00	$3,040.00	42.00	$3,360.00
SUBTOTAL					$44,800.00		$36,000.00
TOTALS: EQUIPMENT & LABOR					$543,086.00		$311,884.00

GRAND TOTAL - EARTHWORK **$854,970.00**

PRIMARY RECLAMATION ACTIVITIES

B. MATERIAL DISPOSAL

Activity	Quantity	Hours (each)	Hours (total)	Equipment/ Material Cost		Labor Cost	
				Hourly	Total	Hourly	Total
DISPOSAL OF RECYCLABLE MATERIAL - Recycle 2400 tons of concrete rubble off-site to local recycler							
Loader	1	32	32	$62.00	$1,984.00	$68.00	$2,176.00
Dump Truck	12	32	384	38.00	$14,592.00	42.00	$16,128.00
Disposal	2400 tons			10.00	$24,000.00		$0.00
SUBTOTAL					$40,576.00		$18,304.00
DISPOSAL OF NON PLANT IMPROVEMENTS - Abandon water well and septic tank							
Backhoe	1	16	16	$87.00	$1,392.00	$68.00	$1,088.00
Dump Truck	1	16	16	38.00	$608.00	42.00	$672.00
Sand Slurry	50 yards			45.00	$2,250.00		$0.00
Disposal	5 tons			63.40	$317.00		$0.00
Permits	2			500.00	$1,000.00		$0.00
SUBTOTAL					$5,567.00		$1,760.00
DISPOSAL OF BONE YARD MATERIAL - Load, haul and dispose 5 tons of material							
Loader	1	1	1	$62.00	$62.00	$68.00	$68.00
Dump Truck	1	2	2	38.00	$76.00	42.00	$84.00
Disposal	5 tons			63.40	$317.00		$0.00
SUBTOTAL					$455.00		$152.00
TOTALS: EQUIPMENT & LABOR					$46,598.00		$20,216.00

GRAND TOTAL - MATERIAL DISPOSAL **$66,814.00**

PRIMARY RECLAMATION ACTIVITIES

C. FENCING: Perimeter and Revetment

Description	Unit	Approximate Quantity	Unit Cost	Total Cost
CARRANZA BASIN				
Install 6' high chain link perimeter fence	LF	100	$11.50	$1,150.00
REVETMENT FENCE				
Install revetment fencing - south side	LF	1,340	$65.00	$87,100.00
PLANT SITE				
Install 6' high chain link perimeter fence	LF	1,100	$11.50	$12,650.00
GRAND TOTAL - PERIMETER FENCING				**$100,900.00**

GRAND TOTAL: PRIMARY RECLAMATION ACTIVITIES **$1,022,684.00**

III REVEGETATION

The revegetation effort will be in compliance with the Carranza Basin Habitat Reclamation Plan, prepared by EIP Associates; the Davis Basin (Phase I) Habitat Reclamation Plan, prepared by LFR Levine Fricke; and the Sisquoc River Mining and Bank Protection Plan, prepared by LFR Levine Fricke (November 8, 2004). The effort described in these documents is consistent throughout the Sisquoc facility.

Revegetation of the Sisquoc site falls within the following three general categories:

A. Carranza, Davis - Phase I, and Little Lucy Basins

Work primarily includes the application of a hydroseed mixture to promote the development of mulefat scrub (2:1 portion of slopes) and seasonal meadow (4:1 slopes and basin bottoms). The documentation from EIP Associates and LFR Levine Fricke address reclamation activities in the Carranza, Davis - Phase I, and Little Lucy Basins after completion of all earthwork and side-slope reconstruction. Weed control will occur on the side slopes and basin bottoms.

Combined areas:

2:1 slopes = 23.4 acres.
4:1 slopes = 27.0 acres.
Basin bottoms = 61.5 acres.

B. The Plant Site

The plant site is scheduled to be an earth borrow area after all plant improvements and site facilities have been removed. Once borrow is complete, the site will be graded relatively level (less than 2% cross slope) and will receive a revegetation treatment similar to that scheduled for the basin bottoms. Area of Revegetation = 32.0 acres.

C. Landscape Screening

The document from 2M Associates identifies the type, quantity, and extent of landscaping to be installed along Foxen Canyon Road adjacent to the south side of Carranza Basin, the plant site, and the west side of the Davis Basin. Additionally, the plans include screening around the southwest corner of the Davis Basin, the south side of the Davis Basin, and the south side of Little Lucy. The estimate has been reduced by 40% to reflect that portion that has been installed.

Sisquoc River Mitigation

The Sisquoc River mitigation focuses on an area within the Carranza Basin designated as a mitigation area for vegetative habitat removed during river mining and river bank stabilization efforts. This mitigation effort is detailed in the LFR Levine Fricke plan.

REVEGETATION

Activity	Quantity	Unit	Unit Cost	Total
A Carranza, Davis - Phase I, Little Lucy				
From LFR - Levine Fricke Estimate				$609,767.00
(Estimate attached)				
B The Plant Site				
Re-vegetate plant site similar to basin bottoms.	32	Acres	$2,544.00	$81,408.00
SUBTOTAL				$81,408.00
C Landscape Screening along perimeter as described				
Install landscape screening including irrigation system				$83,000.00
SUBTOTAL				$83,000.00
GRAND TOTAL - REVEGETATION				**$774,175.00**

IV PLANT STRUCTURES AND EQUIPMENT REMOVAL

Within this item of work all existing plant and material process equipment, all office buildings and shop structures including foundations, and all support equipment, vehicles, tools, and scrap steel are removed from the site. These items will be sold.

The conservative position is taken with regards to this item of work and its impact on the financial assurance requirements for site reclamation. While it is fully expected that the value of the reusable equipment, tools, structures, vehicles and scrap steel will more than off-set the expense of demolition and off-site disposal of any residual items deemed worthless by the purchaser, the overall transaction is shown to have a neutral impact on the financial assurance requirements for reclamation of the site.

PLANT STRUCTURES AND EQUIPMENT REMOVAL

Activity	Quantity	Unit	Unit Cost	Total
Plant Structures and Equipment Removal				
Remove off-site all existing plant and processing equipment, buildings, and support equipment (net value after sale). Refer to attached letter from Betteravia Land and Byproducts				$0.00
SUBTOTAL (net value)				$0.00
GRAND TOTAL - PLANT STRUCTURES AND EQUIPMENT REMOVAL				**$0.00**

V MISCELLANEOUS COSTS

There are no miscellaneous costs associated with the reclamation of the Hanson - Sisquoc plant site and mining areas that are not included in the other sections of this estimate.

GRAND TOTAL - MISCELLANEOUS COSTS	**$0.00**

VI MONITORING & MAINTENANCE

Monitoring and maintenance activities will be performed for a period of 5 years. The scope of monitoring is described in the LFR Levine Fricke documents. The fee estimate has been provided by LFR Levine Fricke.

GRAND TOTAL - MONITORING & MAINTENANCE **$668,842.00**

VII SUPERVISION & OVERHEAD/CONTINGENCIES/MOBILIZATION

A. Supervision. The cost value for Supervision will be determined from Graph 1 - Reclamation Management, included in the Financial Assurance Guidelines provided by the State Mining & Geology Board. This cost will be reflected in the appropriate space in Section VII, Summary of Cost.

B. Profit and Overhead. The cost value for Profit and Overhead will be determined from Graph 2 - Profit and Overhead, included in the Financial Assurance Guidelines provided by the State Mining & Geology Board. This cost will be reflected in the appropriate space in Section VII, Summary of Cost.

C. Contingencies. The cost value for Contingencies shall be based on a percentage of the level of direct costs of reclamation operations according to the following:

Total Direct Cost ($)	Contingency (%)
0 - $500,000	10
$500,000 - 5 million	7
5 million - 50 million	4
Greater than 50 million	2

The contingency value will be reflected in the appropriate space in Section VII, Summary of Cost.

D. Mobilization. The cost value for Mobilization shall be based on a percentage of the direct costs of reclamation operations. This percent will be between one and five percent. The mobilization value will be reflected in the appropriate space in Section VII, Summary of Cost.

VIII SUMMARY OF COST

Total of all Primary Reclamation Activities Costs	$	1,022,684.00
Total of all Revegetation Costs	$	774,175.00
Total of all Plant Structures & Equipment Removal Costs	$	0.00
Total of all Miscellaneous Costs	$	0.00
Total of all Monitoring & Maintenance Costs	$	668,842.00
Total of Direct Costs	$	2,465,701.00
Supervision (4.0 %)	$	98,628.00
Profit/Overhead (7.8 %)	$	192,325.00
Contingencies (7.0 %)	$	172,599.00
Mobilization (1.0 %)	$	24,657.00
Total of Indirect Costs	$	488,209.00
Total of Direct and Indirect Costs	$	2,953,910.00
Lead Agency Administrative Cost (1.0 %)	$	29,539.00
TOTAL ESTIMATED COST OF RECLAMATION (rounded)	**$**	**2,983,000.00**

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APPENDIX A

SPECTRUM AGRICULTURAL SERVICES RECLAMATION ESTIMATE

Spectrum Agricultural Services

From:	Stan Roberts
To:	John Smith
Company:	Skyway Engineering, Inc.
Fax Number:	928-2251
Date:	December 23, 2002
Time:	8:00 am
# of pages:	1

Dear Mr. Don Smith,

In regards to the Projected costs for the Carranza, Davis, Little Lucy, and Plant Site Re-Vegetation.

Area		Per Acre	Acres	Total
2:1 Slopes	-	$9,200	23.4	$215,280
4:1 Slopes	-	$9,477	27.0	$255,879
Basins and Plant Site	-	$2,544	93.5	$237,864
TOTAL				$709,023

Seed Cost -$980 per acre
Waddles - $28 per 25 feet.
Labor $20 per Hour.

If you have any questions, please call.

Sincerely,

Stanley S. Roberts

Fax: 805-386-1525
Phone: 805-386-2111

APPENDIX B

2M SCREENING ESTIMATE

Projection of Probable Planting Costs (a)

Project: Sisquoc Mining and Reclamation Plan

Phase: 1 (includes all perimeter screening)

Date Prepared: 9/3/1998; revised 7/13/1999

ITEM	QUANTITY	UNIT	UNIT PRICE*	TOTAL
Screening Plants (b)				
1 gal.	1113	Ea.	$35.00	$38,955.00
SUB-TOTAL PLANTING				$38,955.00
Irrigation				
Point of Connection		Allow.		$1,000.00
18 Station Controller	1	Ea.	$2,400.00	$2,400.00
Check Valves	2	Ea.	$135.00	$270.00
Mainline Pipe: 2-1/2" SCH 40 PVC	6320	L.F.	$5.25	$33,180.00
Lateral Line Pipe: SCH 40 PVC	9000	L.F.	$2.50	$22,500.00
Wiring for Remote Control Valves	6320	L.F.	$1.25	$7,900.00
Remote Control Valve	18	Ea.	$420.00	$7,560.00
Pop-up Spray Heads: Toro 570 Series L	1144	Ea.	$60.00	$68,640.00
SUB-TOTAL IRRIGATION				$143,450.00
Replacement Planting	222	Ea.	$35.00	$7,770.00
Contingency @ 10%				$18,240.50
Design Review @ 2%				$2,869.00
Const. Mgm. @ 7.5%				$10,758.75
SUB-TOTAL				$39,638.25
TOTAL				$222,043.25

* 1999 costs

(a) for all plants indicated as 'screening trees and shrubs' as illustrated on the figure titled Landward and River Reclamation Plan: Planting dated 8/6/97.

(b) assumes the following:

- no erosion control seeding or other measures associated sith drainage channel development
- see plans dated July 8, 1999 for plants
- shrubs and trees to be planted at 1 gallon size
- replacement planting at 20% of total

Allow. = Allowance
C.Y. = Cubic Yard
Ea. = Each
L.F. = Linear Foot
S.F. = Square Foot

APPENDIX C

BETTERAVIA LAND & BYPRODUCTS SALVAGE VALUE DOCUMENTATION

BETTERAVIA

2105 SINTON ROAD • SANTA MARIA, CA 93458
TEL 805.348.1042 • FAX 805 348.1043

August 16, 2001

Steve Zacks, Environmental Services
Hanson Aggregates
3555 Vineyard Ave.
Oxnard, CA 93030

RE: Demolition - Sisquoc

Dear Steve,

This letter will serve as a written proposal for the demolition and facilities clean up of the Hanson Aggregate rock and sand and hot plant located at Sisquoc, California. The clean up would cover removal of all equipment, facilities and buildings and the removal and disposal of all concrete foundations under the equipment. The facility divides into three areas. First, office, shop and out buildings. Second, the sand and gravel facilities, including the cone, screens, conveyors and bunkers. Third, the asphalt plant, including the rotary dryer, elevator, screens, pug mill, conveyors and bag house. Please see the attached list for a detailed itemization of machinery and equipment.

The cost to remove the above items and all foundations from the site would be $287,550.

Betteravia Land & Byproducts would complete the above job at a no cost basis in exchange for the salvage rights to all equipment located at the Sisquoc plant site. See attached list as indicated in paragraph 1.

Clean up could be completed in a 120-day period upon the signing of a contract to remove. All insurance and safety forms are currently on file with Hanson Aggregates for Betteravia Land & Byproducts.

If you have any questions, please fell free to contact me.

Sincerely,

Wynn R. Dewsnup
President, Betteravia Land & Byproducts

WRD:br

APPENDIX D

COASTAL EARTH MOVERS
FEE SCHEDULE

November, 2002

COASTAL EARTHMOVERS, INC.

HOURLY EQUIPMENT RENTAL RATES
OPERATED AND MAINTAINED

Exhibit "A"
page 1 of 2

EQUIPMENT	HOURLY RATE
DOZERS	
D-8	$ 165.00
D-9L	$ 205.00
834 Dozer	$ 160.00
D4H Dozer	$ 125.00
Slope Boards - Add (Plus Installation)	$ 25.00
SCRAPERS	
613 Paddle Wheel	$ 125.00
623 Paddle Wheel	$ 150.00
637 Push-Pull	$ 205.00
LOADERS AND BACKHOES	
977 Track Loader	$ 155.00
966*	$ 130.00
Skip and Gannon	$ 105.00
COMPACTORS	
825 Steel Wheel	$ 150.00
5 X 5 Sheeps Foot	$ 165.00 /day
CAT 86" Smooth Drum Compactor Roller	$ 135.00
MOTOR GRADERS	
14-G Blade	$ 125.00
140-G Blade	$ 125.00

November, 2002

Exhibit "A"
page 2 of 2

WATER TRUCKS AND TANK

4,000 Gallon 6 X 6 Truck	$	80.00	
10,000 Gallon Klien Tank	$	157.00	/day
	$	525.00	/week
	$	1,480.00	/month

MISCELLANEOUS EQUIPMENT **P.O.R.**

Hydro-ax	$	330.00	
36" Brush Disc		P.O.R.	16'
Bee - Gee		P.O.R.	
Portable Fuel Storage		P.O.R.	
Field Service Trucks		P.O.R.	
Field Maintenance Truck		P.O.R.	
Lazer Attachments		P.O.R.	
Sonar Trackers		P.O.R.	
Portable Crushers and Screening Plants		P.O.R.	
Portable Shop		P.O.R.	

LABOR

Foreman with Pick Up Truck	$	85.00
Operator	$	68.00
Laborer	$	33.00
Pick Up Truck Only	$	25.00

Above rates do not include move-in and move-out.
Rates quoted above are straight time hours only, overtime hours are extra.
Service for equipment is included in above rates up to a thirty mile radius.
Wear on tires and ground engaging equipment will be prorated at additional costs.

1. Permits are not included. Prices do not include move-in or move-out. These rates are for Coastal Earthmovers, Inc. equipment only.
2. Any material, supplies, rental equipment, dump fees or other cost incurred during the performance of work will be charged at actual costs plus ten percent (10%) overhead and ten percent (10%) profit.
3. All prices shown are subject to fuel surcharge.
4. Prices subject to change without notice.

APPENDIX E

LFR LEVINE FRICKE
SITE RECLAMATION, MAINTENANCE, AND MONITORING ESTIMATE

Sisquoc River/Hanson Restoration/Maintenance/Monitoring/Reporting Cost Estimate

Total Acreage to be planted - 68 acres (does not include basin bottoms): Carranza, Davis I, Little Lucy
Basin Bottoms are included for weed abatement cost (107 total acres)

PRICE CALCULATIONS			SUBTOTAL	TOTAL
Site Preparation				
Straw Wattling for Bank stabilization/ erosion control				
Subcontractor: KCI				
All slopes - four wattle rows (2 on 2:1; 1 between 2:1 & 4:1; 1 on 4:1) = 11200 linear feet X 4				
$2.80 per linear foot	$30,800.00	--------	$30,800.00	
Sisquoc River bank stabilization - 4.5 acres: Erosion Control Not Required				
Total cost of Straw Wattling (installed)				$30,800
Alternate Straw Wattling Bid: Acacia Erosion Control				
$9.75 per linear foot	*$107,250.00*			
Soil Testing				
Subcontractor: Fruit Growers Laboratory				
$125 per acre				
$125.00 per acre	--------	--------	$8,500.00	
Total cost of Soil Testing				$8,500
Weed Abatement - Initial weed control (grow and kill)				
Subcontractor: All Seasons Weed Control				
Total for weed abatement includes basin bottoms (104 acres)				
$165.00 per acre	$17,160.00	x two treatments	$34,320.00	
Notes:				
1. Price assumes treatment by power spray and driving on slope with 4x4 ATV Quads or truck; handspray would increase costs to $345/acre				
2. Price per acre prices are based on 12/2/04 phone conversation with Stewart Nelson				
Total cost initial weed control				$34,320
Alternate Initial Weed Abatement Bid: KCI				
$430.00 per acre	*104 acres*	*$44,720.00*		
Initial Pest control (ground squirrels)				$3,000
Subcontractor: (Estimate; Likely to use Spectrum)				

Sisquoc River/Hanson Restoration/Maintenance/Monitoring/Reporting Cost Estimate

Total Acreage to be planted - 68 acres (does not include basin bottoms): Carranza, Davis I, Little Lucy
Basin Bottoms are included for weed abatement cost (107 total acres)

PRICE CALCULATIONS			SUBTOTAL	TOTAL
Maintenance (5 years)				
Irrigation system maintenance				
Total cost of Irrigation Maintenance for 68 acres				
Subcontractor: Spectrum				
Extrapolated from Verbal Quote (2/24/05) from Stan Roberts for 15.2 acres; assume monthly visits				
For maintenance only, not operation of irrigation system				
Assumes from previous quote that this price includes erosion/gopher control				
$1,500 per month	Year 1	18,000.00		
$1,500 per month	Year 2	18,000.00		
$1,500 per month	Year 3	18,000.00		
$1,500 per month	Year 4	18,000.00		
$1,500 per month	Year 5	18,000.00		
			$90,000.00	$90,000
Subcontractor: KCI				
All Irrigated Areas (68 acres total to cover)				
$275 per acre, per year	*Year 1*	*18,700.00*		
$275 per acre, per year	*Year 2*	*18,700.00*		
$275 per acre, per year	*Year 3*	*18,700.00*		
$275 per acre, per year	*Year 4*	*18,700.00*		
$275 per acre, per year	*Year 5*	*18,700.00*		
			$93,500.00	
KCI Notes:				
1. No monitoring is included in cost estimate				
2. KCI reserves the right to modify pricing				
3. Irrigation system maintenance includes activities necessary for normal operation. It does not include system replacement caused by others or catastrophic damage repair resulting from flood or other such events.				
Focused Weed Control In Restoration Areas (Hand Spray)[1]				
And Miscellaneous Maintenace (such as gopher control or minimal erosion control)				
Subcontractor: KCI -7-8-05 faxed bid				
Total for weed control includes basin bottoms (107.5 acres) Carranza, Davis I, Little Lucy, & Bank Stabilization				
$18,025 per treatment (5 treatments/year)	Year 1	90,125.00		
$18,025 per treatment (5 treatments/year)	Year 2	90,125.00		
$11,900 per treatment (3 treatments/year)	Year 3	35,700.00		
$11,900 per treatment (3 treatments/year)	Year 4	35,700.00		
$11,900 per treatment (3 treatments/year)	Year 5	35,700.00		
			$287,350	
Notes:				
1. No monitoring is included in cost estimate				
2. KCI reserves the right to modify pricing				
First and Second Year (monthly scheduled treatments)				**$180,250**
Third-Fifth Year (bimonthly scheduled treatments, every two months)				**$107,100**
Second Bid: All Seasons Weed Control				
All Seasons will bill for time and material for each treatment				
MAINTENANCE SUBTOTAL				$377,350
ONE ACRE TEST PLOT MAINTENANCE TOTAL (See Separate Page)				$17,492
MAINTENANCE TOTAL				$394,842
RESTORATION INSTALLATION TOTAL				$609,767
MAINTENANCE TOTAL (FIVE YEARS)				$394,842
MONITORING/REPORTING TOTAL (FIVE YEARS), See Separate Page for Details				$274,000
10% subcontractor markup				$100,461
GRAND TOTAL FOR PROJECT (RESTORATION, MAINTENANCE, MONITORING; Includes No Contingency)				**$1,379,069**

Sisquoc River/Hanson Restoration/Maintenance/Monitoring/Reporting Cost Estimate

Total Acreage to be planted - 68 acres (does not include basin bottoms): Carranza, Davis I, Little Lucy
Basin Bottoms are included for weed abatement cost (107 total acres)

PRICE CALCULATIONS			SUBTOTAL	TOTAL
Plantings				
Cuttings				
Clusters of 5 cuttings with a total of 50 cuttings per acre; 23.91 total acres				
Subcontractor: KCI - 12/1 bid for 4.9 acre basin ($1,764 for 245 cuttings)				
4:1 slopes - 23.91 acres (note that no 4:1 slopes are included for Little Lucy)		# of cuttings		
$7.20 per cutting	50 cuttings/acre	1200	$8,640.00	
Total cost of Cuttings				$8,640
Alternate Bid: Spectrum	*Total cuttings*			
$3.96 per cutting	*1200*	*$4,752.00*		
Alternate Bid: Acacia Erosion Control	*Total cuttings*			
$9.65 per cutting	*1200*	*$11,580.00*		
Gopher Baskets for Cuttings, optional (not specified as needed in plan)				
Subcontractor: KCI	*Total cuttings*			
$12.53 per basket	*1200*	*$15,036.00*		
Seed Applications				
Subcontractor: S & S Seeds				
Carranza, Little Lucy, Davis I, and Bank Stabilization Area = 68 + 4.5 = 72.5 acres				
Mulefat Scrub Mix (51 pounds per acre)				
$2,164 per acre	———	--------	$156,890.00	
Total cost of seed				$156,890
Hydroseeding				
Carranza, Little Lucy, Davis I, Bank Stabilization Area (72.5 acres)				
Acacia Erosion Control - 2 step process per specs				
$1,785 per acre	———	--------	$129,412.50	
$2,100 mobilization cost	———	———	$2,100.00	
Total cost Hydroseeding				$131,513
Second Bid: KCI				
Carranza Basin 4:1 slopes and Basin Floor				
$2,260 per acre	*72 acres*	*$163,850.00*		
Third Bid: Spectrum				
$2,867 per acre	*72 acres*	*$207,857.50*		
Fourth Bid: Dorman Hydroseeding				
$2,783 per acre	*72 acres*	*$201,767.50*		

Sisquoc River/Hanson Restoration/Maintenance/Monitoring/Reporting Cost Estimate

Total Acreage to be planted - 68 acres (does not include basin bottoms): Carranza, Davis I, Little Lucy
Basin Bottoms are included for weed abatement cost (107 total acres)

PRICE CALCULATIONS			SUBTOTAL	TOTAL
Irrigation				
Subcontractor: Spectrum				
Carranza, Little Lucy, Davis I, (68 acres in three separate basins)				
cost			$228,770.00	
(Price based on Schedule 40 instead of Brownline Pipe and extrapolated from lump sum bid for 15.2 acres)				
Total cost Irrigation				**$228,770**
Alternate Bid: KCI [1] EXTRAPOLATED FROM EARLIER BID				
2:1 and 4:1 slopes (72 acres)				
Mainline and Pump Connection [2]				
$12,140 one time purchase price		——	*$12,140.00*	
2:1 and 4:1 slopes (72 acres)				
Sprinkler heads and Lateral pipe [3]				
$4,690 per acre	——	——	*$337,680.00*	
Optional Automate irrigation system [4]				
$922 per acre	——	-------	*$66,384.00*	
		Total KCI Cost	*$416,204.00*	

KCI Notes:

1. Maintenance and operation is not included in the KCI pricing

2. Mainline and pump connection is based on installation of 2,800 linear feet of mainline pipe from Hanson's pump to service the individual lines of sprinklers; price includes the purchase and installation of a manually operated gas booster pump

3. Sprinkler heads and lateral: pipe pricing is based on a less than head to head coverage; priced as a manually operated irrigation system; pipe is priced as standard white PVC in lieu of Brownline with respect to cost considerations.

4. Automate irrigation system: priced utilizing battery operated controllers installed on remote control valves; this system would not control the Hanson pump

RESTORATION SUBTOTAL		**$602,433**
ONE ACRE TEST PLOT RESTORATION INSTALLATION TOTAL (On Separate Page)		**$7,334.00**
RESTORATION (INSTALLATION) TOTAL		**$609,767**

ANNUAL RECALCULATION OF FINANCIAL ASSURANCES

The question keeps coming up: "Do financial assurances have to be recalculated every year?" The answer is: "Yes."

The "financial assurance amount" is the amount of money necessary to conduct and complete reclamation in accordance with the approved reclamation plan, plus lead agency administrative costs and expenses.[1] The amount of financial assurances required of a surface mining operation for any one year must be adjusted annually to account for new lands disturbed by surface mining operations, inflation, and the reclamation of lands accomplished in accordance with the approved reclamation plan.[2] This requirement is in addition to the financial assurance calculation required when a reclamation plan or reclamation plan amendment is submitted to a lead agency for approval.[3]

Annual submission by mine operators. In order for the lead agency or the Department of Conservation (Department) to determine what annual adjustments, if any, are appropriate to the financial assurance amount, the operator must annually submit to the lead agency a revision of the calculation of the financial assurance amount.[4]

Lead agency responsibility. The lead agency must submit a copy of the calculation of the financial assurance amount to the Department for review. It must include the information and documentation relied upon in calculating the amount of the proposed financial assurance and it must indicate to the Department that the financial assurance amount is adequate for the reclamation of the mined lands in accordance with the approved reclamation plan.[5] A lead agency can meet this requirement by attaching a copy of the revised financial assurance amount calculation to the new Surface Mining Inspection Report Form and indicating in the "Financial Assurance comments" section that the proposed amount is adequate.

For more information on this topic, please refer to the fall 2003 and fall 1997 issues of the SMARA Update, which contain related articles. See also Public Resources Code Section 2773.1(a)(3) and 2774(c); California Code of Regulations, Title 14, Sections 3804, 3805, and 3805.5; and Guideline 16 of the State Mining and Geology Board's Financial Assurance Guidelines. All of this information is available on the Department's Web site at http://www.conservation.ca.gov.

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[1] California Code of Regulations, Title 14 (CCR), Section 3802(b) and (c).
[2] Public Resources Code (PRC) Section 2773.1(a)(3).
[3] State Mining and Geology Board – Financial Assurance Guidelines, Guideline 16. PRC Section 2773.1(f) states, "On or before March 1, 1993, the board shall adopt guidelines to implement this section. The guidelines are exempt from the requirements of Chapter 3.5 (commencing with Section 11340) of Part I of Division 3 of Title 2 of the Government Code, and are not subject to review by the Office of Administrative Law."
[4] CCR Section 3804(c).
[5] CCR Section 3805.

Public Resources Code

Section 2773.1(a)(3): The **amount of financial assurances** required of a surface mining operation for any one year **shall be adjusted annually** to account for new lands disturbed by surface mining operations, inflation, and reclamation of lands accomplished in accordance with the approved reclamation plan. *[Emphasis added.]*

California Code of Regulations, Title 14

Section 3804(a): The Financial Assurance Amount shall be calculated as prescribed in Public Resources Code Section 2773.1....

Section 3804(c): In order for the lead agency or the Department of Conservation to determine what annual adjustments, if any, are appropriate to the Financial Assurance Amount, the **operator shall annually submit to the lead agency** a revision of the written calculation required under Section 3804(a). *[Emphasis added.]*

Section 3805: Pursuant to Section 2774(c), Public Resources Code, the **lead agency shall submit** a copy of the proposed Financial Assurance and the **Calculation of Financial Assurance Amount submitted by the operator** pursuant to Section 3804 **to the Director** of the Department of Conservation for review. With this submittal the lead agency **shall include the information and documentation relied upon in calculating the amount** of the proposed Financial Assurance and **indicate** to the Director that the **Financial Assurance Amount is adequate** for the lead agency or the Department of Conservation to conduct and complete reclamation on the mined lands in accordance with the approved reclamation plan. The Director shall have 45 days, upon receipt, to prepare written comments regarding the proposed Financial Assurance, if he/she so chooses. *[Emphasis added.]*

State Mining and Geology Board – Financial Assurance Guidelines

(16) WHEN SHOULD THE AMOUNT OF THE FINANCIAL ASSURANCE BE ADJUSTED?

The amount of the financial assurance must be reviewed annually by the lead agency and, if necessary adjusted to reflect changes in: (1) the cost of reclamation (as reflected in the Construction Cost Index or other generally used index), pursuant to the approved reclamation plan, of land disturbed since January 1, 1976; (2) land reclaimed in the previous year to the satisfaction of the lead agency; (3) new land disturbed both vertically and horizontally, and (4) land to be disturbed in the next year. **In addition**, when an approved reclamation plan is amended, and the amendment is approved by the lead agency, following Department review, financial assurances must be adjusted accordingly. Reference: SMARA Section 2773.1(a)(3). *[Emphasis added.]*

STATE MINING & GEOLOGY BOARD
DEPARTMENT OF CONSERVATION
STATE OF CALIFORNIA

ARNOLD SCHWARZENEGGER
GOVERNOR

SURFACE MINING AND RECLAMATION ACT

FINANCIAL ASSURANCE GUIDELINES

APPENDIXES:

A	Cost Estimate Calculations
A1	Financial Assurance Cost Estimate Worksheet
B	Bond and Undertaking Laws
C	Examples of payable statements
D	Example: Irrevocable Letter of Credit
E1	Example: Surety Bond (Sole Proprietor)
E2	Example: Surety Bond (Partnership)
E3	Example: Surety Bond (Corporation)
F	Example: Certificate of Deposit

GUIDELINES REVISED AND RE-ADOPTED: JANUARY 16,1997-A; JULY 23, 2004
BOND FORMS REVISED AND ADOPTED JUNE 10,1998

STATE MINING & GEOLOGY BOARD
DEPARTMENT OF CONSERVATION
STATE OF CALIFORNIA
ARNOLD SCHWARZENEGGER
GOVERNOR

SURFACE MINING AND RECLAMATION ACT

FINANCIAL ASSURANCE GUIDELINES

Sections 2770 and 2773.1 of the Surface Mining and Reclamation Act of 1975 (SMARA, Public Resources Code Section 2710 et seq.) require surface mining operators to obtain lead agency (city, county, or State Mining and Geology Board (SMGB)) approved financial assurances for reclamation. SMARA was amended in 1992 by the enactment of AB 3098 (Sher, Chapter 1077, Statutes of 1992) which required the SMGB to adopt financial assurance guidelines by March 1, 1993, to implement SMARA Section 2773.1 and to assist mining operators and lead agencies in complying with the Act's financial assurance requirements. The Guidelines serve to clarify and supplement existing statute. They do not create new requirements for mining operators or local lead agencies. By statute, the Guidelines are exempt from the requirements of Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, and are not subject to review by the Office of Administrative Law. The Guidelines are reviewed, revised and re-adopted as necessary. Should SMARA be amended, statute will supersede this document.

(1) WHY ARE FINANCIAL ASSURANCES REQUIRED?

The State Legislature amended the Surface Mining and Reclamation Act (SMARA, Public Resources Code Section 2710 et seq.) to require surface mining operators to obtain lead agency (city, county, SMGB) approved financial assurances for the reclamation of mined lands, and surrounding lands affected by mining activities, so that the public will not bear the cost of reclaiming an abandoned surface mine site. In the event of such abandonment or financial incapability by the operator, the financial assurance funds will be used by the lead agency or the Department of Conservation (Department) to reclaim both the mined lands and those surrounding affected lands.

The term "mined lands", when used in the context of SMARA, refers to all lands disturbed by the mining process.

Reference: SMARA Sections 2729, 2733, 2770 (a), and 2773.1

(2) WHAT IS THE PURPOSE OF FINANCIAL ASSURANCES?

Financial assurances serve as an assurance that lands affected by a surface mining operation will be reclaimed in accordance with the requirements of its lead agency approved reclamation plan.

Reference: SMARA Section 2773.1(a).

(3) WHAT DO FINANCIAL ASSURANCES GUARANTEE?

Financial assurances guarantee that funds will be available to the lead agency and to the Department to reclaim mined lands, and surrounding lands affected by mining activities, in accordance with the approved reclamation plan, including: (1) areas disturbed after January 1, 1976; (2) areas scheduled for disturbance in the next year; and (3) areas not successfully reclaimed pursuant to the lead agency approved reclamation plan, if the mine operator is not able to perform the reclamation.

Reference: SMARA Sections 2770(d); 2773.1(a); and 2776

(4) WHAT IS THE LEAD AGENCY'S REVIEW PROCESS FOR FINANCIAL ASSURANCES?

The lead agency should develop a time schedule for the review and approval of the financial assurance and provide it to the mine operator upon submittal by the operator of the proposed financial assurance cost estimate calculation. The schedule should indicate: (1) the amount of time the lead agency and the Department have to review and comment on the proposed financial assurance calculation and amount; and, (2) when the operator can expect to receive final approval or denial of the proposed financial assurance amount. Upon final action, the lead agency should provide to the mine operator written notice of the following: (1) approval of the financial assurance mechanism and the amount; or, (2) denial of the financial assurance mechanism or amount, for what reasons, and a course of action available to the mine operator as well as the consequences of not providing an adequate and acceptable financial assurance.

Reference: SMARA Section 2770(d)

(5) WHAT HAPPENS IF MY FINANCIAL ASSURANCES ARE NOT APPROVED BY THE LEAD AGENCY?

If an operator's proposed financial assurances are not approved by the lead agency, the operator should carefully examine the reasons provided by the lead agency for the denial of the financial assurances. If the operator believes that the financial assurances have not been approved because of lead agency inaction, or were denied for reasons not related to the requirements in SMARA or the SMGB's Regulations, then the operator may appeal the lead agency's inaction or denial of financial assurances to the SMGB within 15 days of exhausting his or her rights to appeal according to the procedures of the lead agency. The SMGB may either accept or decline to hear the appeal based on the evidence supplied by the appellant in the request. The SMGB may approve a financial amount after a public review and hearing, which is binding on both the operator and the lead agency.

Reference SMARA Section 2770(e)(f)(g)

(6) DOES THE DEPARTMENT REVIEW FINANCIAL ASSURANCES AND WHAT IS THE DEPARTMENT'S REVIEW PROCESS?

SMARA provides that the lead agency annually approve all financial assurances, and any amendments thereto; however, the Department is provided the opportunity to review all financial assurances, and any amendments, 45 days prior to lead agency approval. The Department review period shall start upon the Department's receipt of the proposed financial assurance, and end 45 calendar days after receipt. The financial assurance should be forwarded to the Department for review after review and preliminary approval of the assurance. The Department will review the proposed financial assurance for its consistency with the requirements provided in SMARA Sections 2770 and 2773.1.

If the Department finds the financial assurance to be inconsistent with statutory requirements, written comments specifying the deficiency(ies), and if appropriate, suggested corrections, will be forwarded to the lead agency for consideration. If the lead agency's position is at variance with the Department's recommendations and conclusions regarding the financial assurance, or any amendments thereto, the lead agency must submit to the Department a statement of findings specifying the reasons for its position. Any amendments or changes to an existing financial assurance must be submitted to the Department for review prior to lead agency approval of the changes.
Reference: SMARA Sections 2774(c)-(d)

(7) WHAT IS AN ADEQUATE AMOUNT FOR A FINANCIAL ASSURANCE?

The amount of the financial assurance must be sufficient to ensure that the lead agency or the Department can reclaim (as described in SMARA Section 2733), pursuant to the approved reclamation plan, the mined lands (as defined in SMARA Section 2729) subject to the assurance described above.
Reference: SMARA Section 2773.1(a)

(8) HOW SHOULD THE AMOUNT OF THE FINANCIAL ASSURANCE BE CALCULATED?

The SMGB recognizes that the amount of financial assurance is based on the size, complexity, environmental setting, and type of operation described in the approved reclamation plan. The amount of financial assurance must be calculated on a site specific basis that reflects the elements in the related site specific reclamation plan.

The amount of the financial assurance is to be calculated by the mine operator, a licensed engineer, or other professionals experienced in the reclamation of mined lands, and based on: (1) an analysis of the physical activities necessary to implement the approved reclamation plan; (2) the lead agency's (or a third party contract) unit costs for each of the described physical activities; (3) the number of units required to perform each of the activities; (4) an amount to cover contingency costs, (not to exceed 10% of the above calculated reclamation cost) and, (5) actual lead agency administrative costs.

The calculated amount does not include the cost of completing the mining of the site.

The value of mined material stockpiles located on the mine plant site cannot be used to off-set the cost of reclaiming the mine plant site or any other part of the mined lands subject to the reclamation plan.

The estimate used in determining the calculated cost to reclaim the physical plant site, e. g. dismantling and removing the equipment, structures, and related facilities, may be net of the surplus/salvage value of the structures, equipment, and facilities to be dismantled and removed. Any calculated surplus/salvage value cannot be applied to offset any other costs of reclamation of the mined lands.

Documentation of the calculation must be made available for lead agency and Department review. Comments on acceptable procedures for the calculation of the amount of financial assurances are presented in Appendices A and A-1. Third party estimates, bids, or cost calculations from a company or contractor for performing reclamation of the physical plant, or for establishing the surplus/salvage value for the plant structures, equipment and related facilities to be removed, should contain the following information:

a. name & location of company or contractor
b. statement of qualifications and experience
c. location of mine site & California Mine ID #
d. description of work to be done
e. net cost of such work
f. dates that third party estimates, bid, or cost calculations are in effect
g. signature of responsible party, and seal/stamp of licensed professional as required in law

Third party estimates of the surplus/salvage value of the plant structures, equipment and related facilities to be reclaimed also may be based upon bids or quotes from companies in the business of buying scrap metals or similar products.

In the event that the approved reclamation plan lacks specific details for implementation, the unit activities necessary to reclaim the mined site should be detailed in a manner that provides for the approved end use, and the unit costs and number of units should be calculated. Documentation of the calculation must be made available for lead agency and Department review.
Reference: SMARA Section 2773.1(a)

(9) WHAT IS THE DIFFERENCE BETWEEN A "FINANCIAL ASSURANCE" AND A "FINANCIAL ASSURANCE MECHANISM"?

A "financial assurance" is an amount of money, or a guarantee of an amount of money, that is set aside to ensure that funds will be available to complete reclamation on mined lands pursuant to the approved reclamation plan. A "financial assurance mechanism" is the instrument that serves as the financial assurance, such as a surety bond, trust fund or irrevocable letter of credit.
Reference: SMARA Sections 2770(a); and 2773.1(a)(1)

(10) WHAT TYPES OF FINANCIAL ASSURANCE MECHANISMS ARE ACCEPTABLE?

1. **Surety Bonds.** A surety bond is an indemnity agreement in an amount certain executed by an admitted surety insurer as defined in subdivision (a) of Section 995.120 of the Code of Civil Procedure. Surety bonds must meet the applicable requirements of the California Code of Civil Procedures, Part 2, Title 14, commencing with section 995.010 (see Appendix B).

   Surety bonds are issued for a specific period of time and cannot be cancelable by the mining operator until new financial assurances are approved by the lead agency, following a Department review. In addition, bonds must include a clause requiring the notice of cancellation to the lead agency and the Department a minimum of 120 days prior to any such cancellation to ensure the mining operator provides sufficient notice to fulfill the requirements of SMARA Section 2773.1(b).

2. **Trust Funds.** Trust funds are cash or cash certain financial instruments put up by the mine operator. They may take the form of:

   a. a cash account deposited in one or more federally insured accounts;

   b. negotiable bonds, "held in escrow", of the United States, a state, county, or municipality, endorsed by the mine operator, and rated "A" or better by a nationally recognized bond rating organization ("zero-coupon bonds" including "savings bonds" and some types of coupon municipal bonds may be used at their current market value as determined annually, but may not be used at their value at maturity before maturity occurs);

   c. negotiable certificates of deposit in one or more federally insured depositories.

   The lead agency, the Department and the bank holding the funds should maintain a record of the lead agency approved trust fund. Cash accounts and certificates of deposit must not exceed the applicable FDIC, FSLIC or insured account limits. Interest earned is not part of the financial assurance and should be payable to the mining operator at his or her discretion.

3. **Irrevocable Letters of Credit.** A letter of credit is a letter from any bank authorized to do business in the State of California granting credit on behalf of the mine operator. Letters of credit should be for a specific period of time and must not be revocable by the mining operator until reclamation is completed pursuant to the approved reclamation plan and the lead agency, the Department, and any other beneficiaries issue a notice of release to the operator, or the letter of credit is replaced with another acceptable financial assurance mechanism.

4. **Other financial assurance mechanisms specified by the SMGB.** In addition to the mechanisms described in subsections 1, 2, and 3 above, state, county, city, district, or other political subdivisions may use the following mechanisms for surface mines owned and operated by state and local government entities:

(a) Pledge of Revenue – This is a resolution by a political subdivision to commit an established and secure revenue source that it controls, such as fees, rents, or tax revenues, which will be available in a timely manner to conduct and complete reclamation; and,

(b) Budget Set Aside – This is a line item budget amount or specific fund that is committed by a political subdivision for the conduct and completion of reclamation.

A Pledge of Revenue and a Budget Set Aside are mechanisms that are not available to private mine operators; therefore, pledges of revenue streams such as "tipping fees" or percentages of future profits, and proposed budget set asides such as special funds or deposits, cannot be used.

Regulations adopted by the SMGB specifying alternative mechanisms shall be implemented by these *Guidelines.*
Reference: SMARA Section 2773.1(a)(1)

(11) WHO SELECTS THE FINANCIAL ASSURANCE MECHANISM?

The choice of the type of financial assurance mechanism is that of the mine operator so long as the lead agency determines the financial assurance amount is adequate to perform reclamation in accordance with the approved reclamation plan. The mining operator may exchange one acceptable financial assurance mechanism with another acceptable mechanism of equivalent coverage so long as there is no lapse in coverage and the new financial assurance is approved by the lead agency following Department review.
Reference: SMARA Sections 2773.1(a)(1)-(4)

(12) TO WHOM MUST THE FINANCIAL ASSURANCE MECHANISM BE MADE PAYABLE?

The financial assurance must be made payable to the Lead Agency and the Department of Conservation. The financial assurance may also be made payable to additional public agencies, including federal agencies responsible for enforcing reclamation requirements over the mining operation. (See Appendix C for examples of the appropriate wording.) The financial assurance mechanism shall not be made payable to or assigned to the surface mining operator. The operator shall not be named as a beneficiary on the financial assurance.
Reference: SMARA Section 2773.1(a)(4)

(13) WHAT FORMAT SHOULD BE USED FOR THE FINANCIAL ASSURANCE MECHANISM?

Examples of acceptable formats for Irrevocable Letter of Credit and Certificate of Deposit financial assurances are presented in Appendices D and F. The lead agency may accept these or other equivalent formats. Surety Bonds must be in a format approved by the Attorney General. Surety Bond forms in Appendices E-1, E-2, E-3, E-4, and E-5 have been approved by the Attorney General.

(14) WHAT IS THE PERIOD OF LIABILITY FOR THE OPERATOR?

The mine operator is responsible for maintenance of financial assurances continuously throughout the life of the mining operation, (including idle periods and extended monitoring periods), until the reclamation is completed pursuant to the approved reclamation plan and verified by the lead agency and the Department, and the lead agency, the Department, and any other beneficiary agencies have approved the release of the financial assurances. The financial assurance mechanism need not be for the life of the mine, so long as a sequence of mechanisms is maintained which provide continuous coverage without lapse.

Reference: SMARA Sections 2770(h); 2773.1(a); and 2773.1(a)(2)

(15) WHAT TERM IS ACCEPTABLE FOR THE FINANCIAL ASSURANCE MECHANISM?

The financial assurance mechanism can be for the life of the mine or a lesser period of at least one year. The mechanism must remain in effect for the specified term of coverage plus an additional 120 days, during which time the lead agency can take the necessary steps to collect the financial assurance. The additional period of 120 days is not needed if a subsequent mechanism has been offered to and approved by the lead agency. Proof of a new, renewed or existing financial assurance in an adequate amount must be provided annually to the lead agency and the Department pursuant to Public Resources Code Section 2207. Proof of the new or renewed financial assurance mechanism must be submitted prior to the existing financial assurance mechanism's expiration date to prevent a lapse in coverage.

Reference: SMARA Section 2773.1(a)(2); and Public Resources Code Section 2207(a)(9)

(16) WHEN SHOULD THE AMOUNT OF THE FINANCIAL ASSURANCE BE ADJUSTED?

The amount of the financial assurance must be reviewed annually by the lead agency and, if necessary adjusted to reflect changes in: (1) the cost of reclamation (as reflected in the Construction Cost Index or other generally used index), pursuant to the approved reclamation plan, of land disturbed since January 1, 1976; (2) land reclaimed in the previous year to the satisfaction of the lead agency; (3) new land disturbed both vertically and horizontally, and (4) land to be disturbed in the next year. In addition, when an approved reclamation plan is amended, and the amendment is approved by the lead agency, following Department review, financial assurances must be adjusted accordingly.

Reference: SMARA Section 2773.1(a)(3)

(17) WHEN SHOULD FINANCIAL ASSURANCES FOR A NEW SURFACE MINING OPERATION BE PROVIDED?

The financial assurance must be approved by the lead agency, following Department review, prior to the start of any mining activities. The financial assurance should be submitted after lead agency approval of the reclamation plan. Financial assurances for new surface mining operations must be calculated, reviewed, and approved in the same manner as financial assurances for existing mining operations. The mine operator should offer to the lead agency a financial assurance for its approval and the Department must have the opportunity to review the financial assurance at least 45 days prior to such approval. The financial assurance must provide for the performance of the approved reclamation plan and include costs for the reclamation of land that will be disturbed in the next year.
Reference: SMARA Section 2770(a)

(18) ARE FINANCIAL ASSURANCES REQUIRED FOR "IDLE" MINES?

Financial assurances are required for idle mines in an amount sufficient to reclaim, pursuant to the lead agency approved reclamation plan, land disturbed since January 1, 1976, land to be disturbed in the next year, and land not reclaimed successfully pursuant to the approved reclamation plan. Financial assurances for idle mines must be calculated, reviewed and approved in the same manner as financial assurances for active mining operations. *Reference: SMARA Sections 2727.1 and 2770(h)(2)*

(19) WHAT MUST BE DONE WITH THE FINANCIAL ASSURANCE WHEN A MINING OPERATION IS SOLD OR OPERATORSHIP OTHERWISE IS TRANSFERRED?

When a mining operation is sold, or operatorship otherwise is transferred, the original operator's financial assurance must remain in effect until the lead agency has approved, following Department review, the replacement assurances provided by the successor operator. The prior operator's financial assurance should be released only upon the approval by the lead agency of the replacement financial assurance. A replacement financial assurance must be approved in the same manner as the existing financial assurance.
Reference: SMARA Section 2773.1(c)

(20) WHEN SHOULD A FINANCIAL ASSURANCE BE RELEASED?

When the operator has completed reclamation, the operator should request a written notice from the lead agency that reclamation has been completed pursuant to the approved reclamation plan. Within 60 days of the lead agency's receipt of such a request, the lead agency should determine if reclamation has been completed pursuant to the approved reclamation plan. Prior to making this determination, the lead agency should conduct an inspection of the mining operations and, if necessary, a review of pertinent records, and otherwise satisfy itself that reclamation of the site has been completed, that any required extended monitoring periods have expired, and that reclamation performance standards as specified in the approved reclamation plan have been met.

Upon determining that reclamation successfully has been completed and prior to releasing the financial assurances, the lead agency shall inform the Department of its

determination and receive the written concurrence of the Department that no reclamation liabilities remain, and that reclamation has been completed in accordance with the approved reclamation plan. Following receipt by the lead agency of the Department's concurrence, the lead agency must notify the operator and any other beneficiaries to the financial assurances that reclamation has been successfully completed and specify the date the financial assurances are proposed to be released.

If the lead agency determines that reclamation has not been completed successfully, it should provide the operator with written notification of its determination along with a list of the specific actions required to successfully complete reclamation pursuant to the approved reclamation plan in order to obtain release of the financial assurance.
Reference: SMARA Section 2773.1(c)

APPENDIXES

APPENDIX A

RECLAMATION COST ESTIMATE CALCULATIONS

The preparation of reclamation cost estimates is a step-by-step process for calculating the amount of financial assurances necessary to perform site reclamation. The calculation will differ between locations based on the tasks necessary to implement the approved reclamation plan.

In response to inquiries from lead agencies and mine operators for guidance, the following Example of a Financial Assurance Cost Estimate calculation work sheet is offered. This information is provided as a guideline only. The work sheets are not to be interpreted by lead agencies or mine operators as a mandatory format for estimating reclamation costs.

Although an individual mining operation may encounter conditions not listed on the work sheets, through the application of basic estimating principles, most tasks can be broken down into component parts, and simplified. The following methodology (or one similar) may be considered in the development of reclamation cost estimates. The idea is to simplify the tasks and provide justification for the listed costs; merely listing the costs is not adequate.

- Describe the task to be performed. Examples would include: spoil grading, highwall reduction, revegetation, etc. Following the identification of broad reclamation categories, the component parts of these tasks should be identified. For example, revegetation may include seed bed preparation, seeding and fertilizing, irrigation and weed control. Each of these subtasks should be estimated individually to simplify the overall process. Where grading of a pit area is part of the reclamation plan, it is recommended that cross-sections and maps of pit areas be used to justify grading quantities.

- Identify the equipment necessary to complete the proposed task.

- Identify the labor requirements.

- Identify the materials to be used.

- Define each of the unit costs.

- Calculate Production Rates.

- Multiply the Unit Cost (e.g. $/hr) by Production Rate (e.g. cubic yards/hr) to determine the total cost for each cost item (e.g. Scrapers). Add the costs for all cost items to find the total cost per category (e.g. Equipment).

- Add Total Cost of all categories (i.e. Equipment. Labor, Materials, etc.) to determine the Total Direct Cost of reclamation.

- Add charges for Supervision, Profit, Overhead, Contingencies and Mobilization.

A number of cost estimating manuals are available to assist you with the preparation of your financial assurance cost estimates. These manuals are available in government and technical book stores. It is often helpful to rely on a variety of sources, as not all categories are clearly defined and tin some cases they are not listed at all. Personal experience can be a good indicator of the actual cost of performing certain tasks; however, the estimator should endeavor to provide justification for all listed costs.

Following is a list of references that may be helpful in calculating reclamation bond estimates:

1. ***The Cost Estimating Guide for Road Construction***, 1988, USDA Forest Service, Intermountain Region, 324 25th Street, Ogden, UT 84401. This publication contains information on road obliteration, earth moving, equipment rental, and wage rates. It is important to remember that equipment rental and wage rates vary, both geographically and with time. In determining labor rates and heavy equipment costs, local rates or rates prevailing in the area of the nearest source should be used.
2. ***The Cost Reference Guide for Construction Equipment***, 1988, The Equipment Guide Book Company (commonly referred to as "The Blue Book"). This lists guidelines for calculating equipment performance and costs per unit of material removed.
3. ***The Mine Cost Service***, 1989, Western Mine Engineering, P. O. Box 9008, Spokane, WA 99209. This publication lists prices and costs for labor, equipment, supplies, transportation, etc. Most Regional Office Mineral Staffs and Mineral Examiners have updated copies and are available to assist in providing helpful information and data for mineral operation costs.
4. ***The Mineral Industry Costs***, 1977 & 1981, Northwest Mining Association, 633 Peyton Building, Spokane, WA 99201. These publications provide data on Time, Risk Factors, Costs, Assessing Costs, and Estimating Various Project Costs. The costs are in 1980 dollars and an adjustment of 1980 dollars to current dollars must be made. Most Mining Engineers and Geologists can supply the factor needed to make the conversion.
5. ***Means Heavy Construction Cost Data, 6th Annual Edition***, 1992, R. S. Means Company, Inc., Construction Consultants and Publisher, 100 Construction Plaza, P. O. Box 800, Kingston, MA 02364-0800. Telephone (617) 585-7880. The manual provides current

equipment and labor rates for a variety of heavy construction activities. This manual is difficult for the beginning estimator to use; however, through practice and familiarity, most tasks can be estimated with a reasonable expectation of accuracy. If questions arise concerning the location or application of certain construction activities, the estimating department will assist with questions by telephone.

6. ***Handbook for Calculation of Reclamation Bond Amounts***, 1987, United States Department of the Interior, Office of Surface Mining Reclamation and Enforcement, 1951 Constitution Avenue NW, Washington, D. C., 20240. This handbook provides an array of examples for estimating common mining reclamation activities. The publication is not recommended for use by the beginning estimator. Proper application of the concepts illustrated requires advanced estimating and technical skills.
7. ***Caterpillar Performance Handbook***, 1991, Caterpillar Inc., Peoria, IL. This handbook lists the equipment specifications and production capabilities of all Caterpillar equipment. It is particularly useful for identifying equipment capabilities, various modifications and production rates.