

STATE OF COLORADO

DIVISION OF RECLAMATION, MINING AND SAFETY

Department of Natural Resources

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FINANCIAL WARRANTY

ASSURANCE PROJECT-RELATED FIXTURES

Operator: _____

Operation: _____

Permit No.: _____

This form has been approved by the Mined Land Reclamation Board pursuant to sections 34-32-117, C.R.S., of the Mined Land Reclamation Act and 34-32.5-117, C.R.S., of the Colorado Land Reclamation Act for the Extraction of Construction Materials. Any alteration or modification of this form, without approval by the Board shall result in the financial warranty being invalid and result in the voiding of any permit issued in conjunction with such invalid financial warranty and subject the operator to cease and desist orders and civil penalties for operating without a permit pursuant to sections 34-32-123, C.R.S., of the Mined Land Reclamation Act and 34-32.5-123, C.R.S., of the Colorado Land Reclamation Act for the Extraction of Construction Materials.

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, the Colorado Mined Land Reclamation Act, C.R.S. 1973, 34-32-101 et seq. (the "Act"), as amended, provides that no permit may be issued under the Act until the Mined Land Reclamation Board (the "Board") receives a Financial Warranty (or Warranties) as described in the Act.

WHEREAS, _____ (the "Operator") a _____ corporation, has applied for a permit to conduct a mining operation known as _____ (the "Operation") on certain lands in _____ County, Colorado. These lands are described in Exhibit A, attached hereto, and are referred to herein as the "Affected Lands".

WHEREAS, as part of the application, the Operator has agreed to be bound by all requirements of the Act and all applicable rules and regulations of the Board, as amended from time to time.

WHEREAS, in its application for the permit, the Operator has agreed with the Board to provide for reclamation of those Affected Lands that are now, or may become, subject to the permit as required by law.

WHEREAS, the Board has determined, in accordance with the Act, that the estimated costs of reclamation of the Affected Lands are those amounts for the stated periods of time as set forth herein, which may be amended from time to time to reflect revised estimates of said costs of reclamation.

WHEREAS, the Operator, in accordance with the Act, has promised and hereby promises the Board that it will be responsible for all of the estimated costs of reclamation with regard to the Affected Lands.

WHEREAS, the Board has determined that the Financial Warranty by the Operator equals the estimated costs of reclamation, as approved by the Board, with regard to the Affected Lands.

WHEREAS, as proof of its financial responsibility, the Operator has proceeded, pursuant to Section 34-32-117(VIII)(A)(B)(C) of the Act, and agrees to secure the amount of this Financial Warranty with the project-related fixtures and equipment (the "Fixtures") that are within the permit area and are owned or will be owned by the Operator.

WHEREAS, as proof of its financial responsibility, the Operator has proceeded pursuant to Section 34-32-117(VIII)(A)(B)(C) of the Act and agrees to secure the amount of this Financial Warranty with the project-related fixtures and equipment (the "Fixtures") that are within the permit area and are owned or will be owned by the Operator which have a salvage credit at least equal to the amount of this Financial Warranty. The salvage credit shall be equal to the salvage value, less liens and encumbrances, of higher priority. The salvage value shall be fifteen (15) percent of the original invoice price of the Fixtures. The description of the Fixtures and documentation of the salvage credit is attached hereto as Exhibit __ and incorporated herein. Letters from any existing lienholders stating their agreement to subordinate their encumbrances to the lien of the State, established pursuant to C.R.S. 1973, 34-32-118(4)(b) and (c), are attached hereto as Exhibit _____.

NOW THEREFORE, the Operator is held hereby firmly unto the State of Colorado in the amount of __
_____ Dollars (\$ _____) for the periods of
time from _____, _____ to _____, _____, or
until this Financial Warranty is amended or released in accordance with the Act.

The Board may, for good cause shown, increase or decrease the amount and duration of this Financial Warranty. The Operator shall have sixty (60) days after the date of notice of any such adjustment to fulfill all new requirements.

The Operator shall notify the Board immediately of any event which may impair this Financial Warranty. If the Board receives such notice, or otherwise has reason to believe that this Financial Warranty has been materially impaired, it may convene a hearing in accordance with the Act for the purpose of determining whether impairment has occurred.

The Operator shall maintain the Fixtures in good operating condition and shall not remove the Fixtures from the permit area without the prior consent of the Board. The Operator shall fully insure all of the Fixtures for theft, fire and extended coverage.

The obligation of the Operator shall continue until the Board has released this Financial Warranty or has ordered it forfeited in accordance with applicable provisions of the Act. It is understood that periods of years may necessarily be required before determination can be made that reclamation of the Affected Lands has been satisfactorily completed. It is also recognized that, as reclamation is accomplished, the amount of this Financial Warranty may be reduced with the approval of the Board so that it reflects the then current estimated cost of the remaining reclamation of the Affected Lands. No revision, extension, or renewal of the permit, or of the time allowed to complete reclamation, shall diminish the Operator's obligation under this Financial Warranty.

In any single year during the life of the permit, the amount of the Financial Warranty shall not exceed the estimated cost of fully reclaiming all lands to be affected in said year, plus all lands affected in previous permit years and not yet fully reclaimed. Reclamation costs shall be computed with reference to current reclamation costs.

The amount of this Financial Warranty is based upon estimates as to the cost of reclamation, and does not operate to liquidate, limit, enlarge, or restrict the Operator's obligations to complete the reclamation, even though the actual costs thereof may substantially exceed the amount of this Financial Warranty.

This Financial Warranty shall be subject to forfeiture whenever the Board determines that any one or more of the following circumstances exist:

1. A Cease and Desist Order entered pursuant to Section 34-32-124 of the Act has been violated, and the corrective action proposed in such Order has not been completed, although ample time to have done so has elapsed; or

2. The Operator is in default under its performance warranty, and such default has not been cured, although written notice and ample time to cure such default has been given; or

3. The Operator has failed to maintain its Financial Warranty in good standing, as required by the Act; or

4. The Operator no longer has the financial ability to carry out its obligations in accordance with the Act.

The amount of any forfeited Financial Warranty shall be a lien in favor of the State of Colorado upon all Fixtures offered to secure this Financial Warranty. Said lien shall have priority over all other liens and encumbrances irrespective of the dates of recordation, except liens of record on the effective date of this Act and liens of the United States, the State, and political subdivisions thereof, for unpaid taxes. The lien shall attach and be deemed perfected as of the date the Board approves issuance of the permit.

In accordance with the Act, the Board, through the Attorney General, may institute proceedings to secure or recover amounts warranted by forfeited financial warranties by: Foreclosing upon the Fixtures securing this Financial Warranty; collect for payment, take possession of, and; reduce to cash, Fixtures held as security by this Financial Warranty.

The Operator utilizing this Financial Warranty shall pay an annual fee to the Division of Reclamation, Mining and Safety (the "Division"), in an amount to be determined by the Board, sufficient to defray the actual cost to the Division of establishing and reviewing this Financial Warranty.

The description of lands herein is for convenience of reference only, and no error in such description, nor any revision of the permitted mining area, nor the disturbance by the Operator of lands outside of the permitted mining area, shall alter or diminish the obligations of the Operator hereunder, which shall extend to the reclamation of all such lands disturbed.

This Financial Warranty may be executed in multiple copies, each of which shall be treated as an original, but together they constitute only one agreement, the validity and interpretation of which shall be governed by the laws of the State of Colorado.

