

**CALENDAR ITEM
C101**

A 75, 77

S 36

3/29/2012
PRC 7301.2
V. Perez

**CONSIDER ISSUANCE OF
STATE SOLID MINERAL EXTRACTION
LEASE NO. PRC 7301.2,
SAN DIEGO COUNTY**

APPLICANT:

Hanson Aggregates Pacific Southwest, Inc.
Attn.: Mr. Marvin E. Howell
P.O. Box 639069
San Diego, CA 92163-9069

AREA, LAND TYPE, AND LOCATION:

Approximately 102.323 acres more or less, of State 100 percent (100%) reserved mineral interest (RMI) school land located in portions of the north half of the southwest quarter and the southwest quarter of the northwest quarter, all in Section 36, Township 14 South, Range 1 West, San Bernardino Meridian and situated in west-central San Diego County in the vicinity of Lakeside.

AUTHORIZED USE:

Extraction of rock, sand, gravel, crusher dust, blends and dirt.

LEASE TERM:

Ten years beginning January 1, 2012, with a preferential right to renew for one (1) successive term not to exceed ten (10) years upon such reasonable terms and conditions as may be prescribed by the State.

CONSIDERATION:

Six and one-half percent (6.5%) of the gross sales price for all rock, sand, gravel, crusher dust, blends and dirt extracted and sold from the Lease Premises with a Minimum Annual Royalty of \$7,500 per annum.

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INSURANCE:

Not less than \$1,000,000.

BOND:

\$40,000.

BACKGROUND:

State Mineral Extraction Lease No. PRC 7301.2 was originally issued to Nelson & Sloan Company on July 1, 1989, for an initial term of 10 years for the extraction of rock, sand and gravel minerals on approximately 120 acres of State 100 percent (100%) RMI land with a right to renew the lease for two successive periods of 10 years each. On or about March 27, 1999, Hanson Aggregates Pacific Southwest, Inc. (Hanson), a Delaware corporation acquired 100 percent (100%) of the original Lessee's title and interest in the Lease by merging with Nelson Holding Company, d.b.a. Nelson & Sloan. Hanson is the current operator of Lease No. PRC 7301.2.

Hanson is requesting California State Lands Commission (Commission) approval for a new lease to continue extraction of rock, sand and gravel minerals from the leased land. The initial term of Lease No. PRC 7301.2 expired on June 30, 1999. In June 1999, Hanson submitted an application to renew its lease for a term of 10 years as allowed by the original lease. However, negotiation of lease terms and issuance of a lease renewal were put in abeyance pending resolution of litigation over mineral extraction in San Francisco Bay between Hanson's parent company and the Commission. Thus, the lease has been in holdover status since that time. After lengthy negotiations, the Commission staff and Hanson have agreed to terms for a new lease.

Since 1999, Hanson has continued to meet all terms and conditions of the Lease No. PRC 7301.2, including payment of the Minimum Annual Royalty of \$7,500 and other royalty for minerals produced. In 1999, Hanson also applied to San Diego County for an expanded project. The original project Environmental Impact Report (EIR) only covered mining of 48 acres of the 180-acre site of the Vigilante Quarry. A Supplemental EIR (SCH No. 1992041089) was prepared and approved by San Diego County in 2000, which contemplated expanded mining areas within Lease No. PRC 7301.2, as well as two areas owned or controlled by Hanson adjacent to the Lease Premises inclusive of the property owned by Baxter Drilling Company.

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Although Hanson was approved by the County for expanded extractive operations, the challenging economy and the recent downturn in housing construction and infrastructure have resulted in decreased production. In 2009, Hanson contemplated quitclaiming the Lease No. PRC 7301.2. After numerous meetings and extensive negotiations, Commission staff and Hanson have come to agreement on lease terms that are mutually acceptable. One of the topics of negotiation was the royalty formula. Hanson's original 1989 Lease No. PRC 7301.2 provides for a royalty of 10 percent (10%) of the value of all rock, sand and gravel produced, extracted, shipped, used or sold under this lease, less allowable processing costs, but not less than \$0.25 per ton of rock, sand and gravel. In many cases, processing costs exceeded gross proceeds resulting in no royalty under that methodology and, therefore, the \$0.25 per ton minimum royalty prevailed. Processing costs includes expenditures such as material, repair and maintenance, rentals, depreciation, utilities, and property taxes.

The proposed lease provides for a royalty of six and one-half percent (6.5%) of the gross sales price for all aggregate materials sold without deduction for processing costs. The new royalty structure differs from the original lease as it eliminates the need to conduct audits of all the processing costs. Also, under the original lease, no royalty was due on crusher dust and dirt. Over time, crusher dust has become a more valuable commodity to which the new royalty structure also will be applied. Hanson hopes to return to production within two years at which time they believe that their average sales price for rock products sold should be about \$11.00 per ton. Therefore, the State's royalty should exceed \$0.70 per ton, almost tripling the \$0.25 per ton royalty rate typically received and significantly augmenting revenue for the State Teachers Retirement System (STRS). As the economy improves and aggregate sales increase, it is likely that the gross sales price per ton will go up, further increasing revenue for STRS.

STATUTORY AND OTHER REFERENCES:

- A. Public Resources Code, Division 6.
- B. Public Resources Codes, Division 13.
- C. California Code of Regulations, Title 14, sections 15301 and 15378.
- D. California Code of Regulations, Title 2, section 2200.

OTHER PERTINENT INFORMATION:

- 1. The proposed lease provides for an initial term of 10 years and shall commence on January 1, 2012 and extend through December 31, 2021. Hanson shall have a preferential right to renew this lease for one (1) successive term not to exceed ten (10) years upon such reasonable terms

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and conditions as may be prescribed by the Commission. This period coincides closely with the term of the Conditional Use Permit/Reclamation Plan, which has an expiration date of February 28, 2030. The term of Hanson's first renewal will be from January 1, 2022, through December 31, 2031.

2. Hanson has agreed to apply for a lease renewal two years prior to expiration of the proposed lease.
3. Since 1999, Hanson has also mined rock from non-state lands, which is located directly adjacent to and southeast of the Lease Premises. To verify correct accounting of mined materials extracted only from the Lease Premises, the Lease requires a formal reconciliation to be performed confirming, within five percent (5%), the tonnage of products mined and sold claimed by Hanson. A formal reconciliation has not been performed for the leased lands since July 1, 1999. To satisfy this requirement, Hanson agrees to retain a qualified engineering contractor who will conduct an aerial survey of the Leased Premises in March 2012 and then make a topographic map based on the survey. A comparison of this map will then be made to a similar map drawn in 1999 to derive the quantity of products mined from the proposed lease to determine whether the quantity of products that Hanson has reported and paid royalty on is within 10 percent (10%) of that derived from the 2012 engineering survey. The contractor has advised Hanson, that due to the five (5) foot contour intervals from the 1999 survey, coupled with engineering factors for conversion of cut and fill slopes, an error rate of five percent (5%) called for in the original lease is not attainable. Hanson and staff have agreed that the resolution for this reconciliation and that required in the future, shall be performed to an accuracy rate of 10 percent (10%) for tonnage calculated versus that reported by Hanson for the reporting period. Completion of the survey and reconciliation shall be done no later than March 31, 2013.
4. Commission staff conducted a lease inspection on January 22, 2009, and found normal extraction operations, producing approximately 250 tons of aggregate per day.
5. The amount of the bond to ensure compliance with the lease terms shall be increased from \$20,000 to \$40,000, effective within 30 days after approval of the issuance of the lease by the Commission. At the election

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of the State, the bond may be increased to \$80,000 on the fifth anniversary of the Lease.

6. For all rock, sand, gravel crusher dust, blends, and dirt extracted and sold from the Lease Premises to "Outside" or "Inside" Sales, Hanson shall pay a royalty of six and one-half percent (6.5%) of the gross sales price. There shall be no deductions of any kind including, but not limited to, processing and transportation in the calculation of the gross sales prices.
7. Hanson shall pay to State, on January 25th of each year, a minimum annual royalty of \$7,500.00.
8. Hanson shall pay within 30 days of the approval of the proposed lease, \$3,750 for the Minimum Annual Royalty due for the six-month period of July 1, 2011 through December 31, 2011 for the prior lease that is being replaced. Hanson shall pay within 30 days of the approval of this lease the \$7,500 Minimum Annual Royalty, which is due the 25th of the month, at the beginning of each lease year.
9. Per Hanson's request, the Lease Premises have been reduced from approximately 120 acres to 102.323 acres more or less. Approximately 17.7 acres have been mined out and reclaimed into a portion of a 27.4 acre level pad where part of the processing facility is currently situated. These approximately 17.7 acres were not included in the County's new Major Use Permit and are now rezoned as "High Impact Industrial".
10. For issuance of the proposed State Solid Mineral Extraction Lease No. PRC 7301.2: An EIR SCH#1992041089 was prepared for this project by San Diego County and certified on September 17, 2000. Commission staff has reviewed such document and Mitigation Monitoring Program prepared in conformance with the provisions of CEQA (Pub. Resources Code, § 21081.6) and adopted by the lead agency.
11. Findings made in conformance with the State CEQA Guidelines (Cal. Code Regs., tit. 14, § 15091 and §15096) are contained in Exhibit D, attached hereto.

Authority: Public Resources Code section 21065 and California Code of Regulations, Title 14, sections 15060, subdivision (c)(3) and 15378.

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12. Hanson's financial security with San Diego County as the lead agency for the Surface Mining and Reclamation Act is in the amount of \$469,659 to ensure proper reclamation.

EXHIBITS:

- A. Lease Premises Land Description
- B. Location Map and Lease Map
- C. Mitigation Monitoring Program
- D. CEQA Findings
- E. Lease Form

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDINGS:

1. Find that an EIR SCH#1992041089 was prepared for this Project by San Diego County and certified on September 17, 2000, and that the Commission has reviewed and considered the information contained therein.
2. Adopt the Mitigation Monitoring Program, as contained in Exhibit D, attached hereto.
3. Adopt the Findings made in conformance with California Code of Regulations, Title 14, sections 15091 and 15096, subdivision (h), as contained in Exhibit E (attached hereto).

AUTHORIZATION:

1. Authorize issuance of State Mineral Extraction Lease No. PRC 7301.2 to Hanson Aggregates Pacific Southwest, Inc. for the extraction of rock, sand, gravel, crusher dust, blends and dirt to be extracted and sold from the Lease Premises described in Exhibit A (attached hereto) for a term of 10 years commencing January 1, 2012, with terms and conditions substantially similar to those found in the lease form designated as Exhibit E (attached hereto).
2. Authorize the Executive Officer or his designee to execute any documents necessary to implement issuance of the lease.

EXHIBIT A

LAND DESCRIPTION

A parcel of school land, being the North $\frac{1}{2}$ of the Southwest $\frac{1}{4}$ and the Southwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of Section 36, T 14 S, R 1 W, SBM, in the County of San Diego, State of California, according to the official plat thereof.

EXCEPTING THEREFROM all that land contained in the following described parcel:

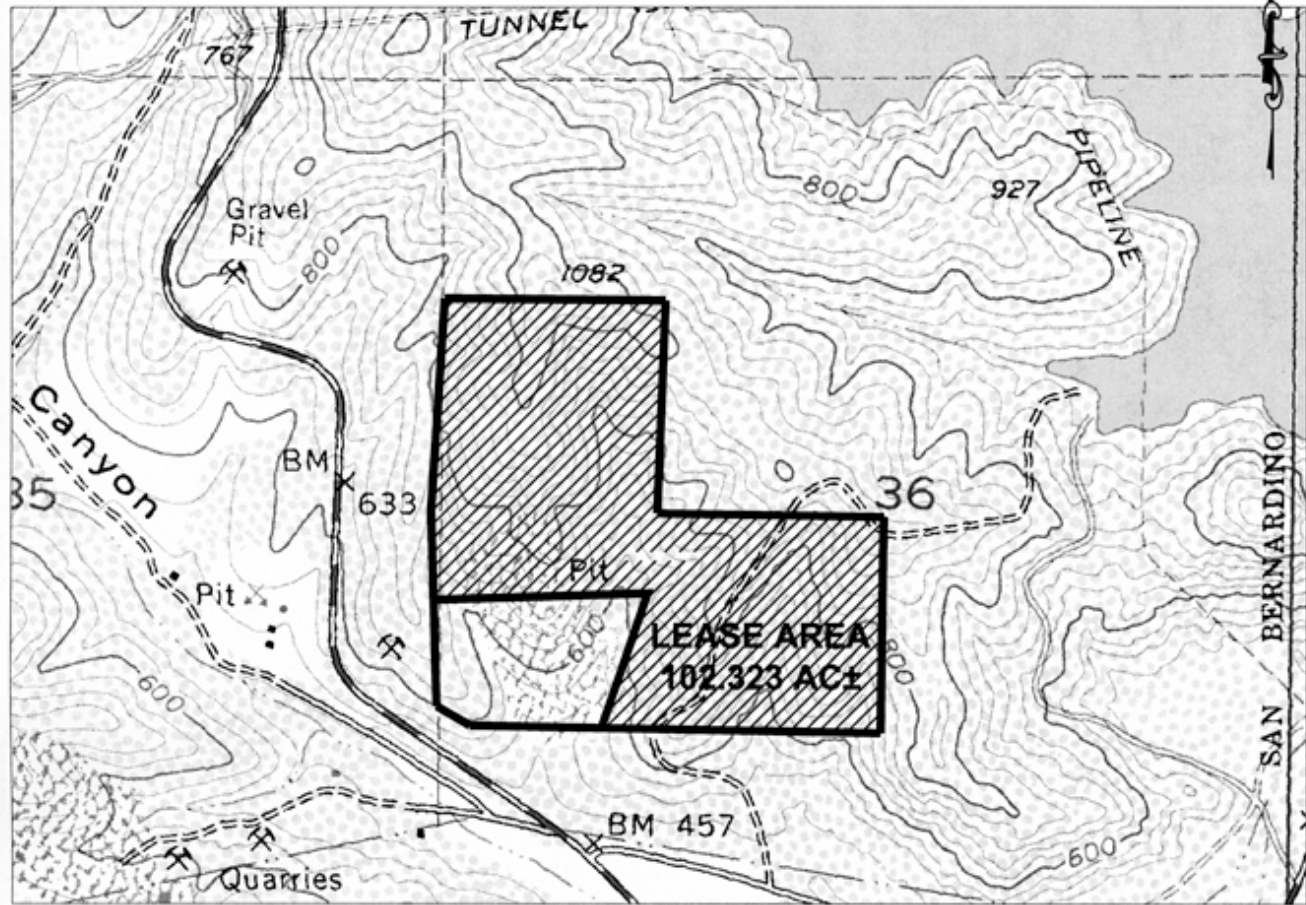
BEGINNING at the northwest corner of Lot 1 of the above said Section 36, thence North $01^{\circ}43'29''$ West, 760.98 feet along the westerly line of said Section 36; thence North $88^{\circ}16'31''$ East, 1,311.18 feet; thence South $19^{\circ}04'34''$ West, 865.41 feet to the north line of said Lot 1; thence along the north line of said Lot 1 North $88^{\circ}59'10''$ West, 1,005.00 feet to the point of beginning.

END OF DESCRIPTION



NO SCALE

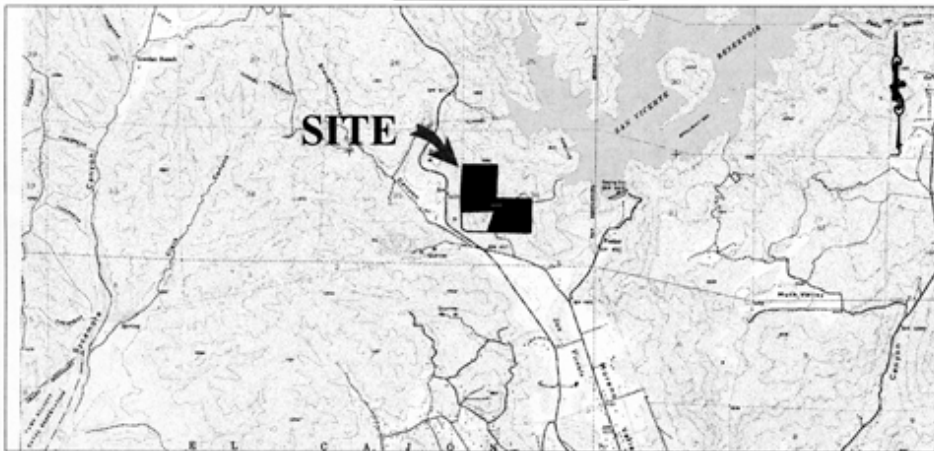
SITE



**HANSON AGGREGATES PACIFIC SW MINERAL LEASE
SCHOOL LANDS PORTION OF SECTION 36 T 14 S, R1 W, SBM**

NO SCALE

LOCATION



MAP SOURCE: USGS QUAD

This Exhibit is solely for purposes of generally defining the lease premises, is based on unverified information provided by the Lessee or other parties and is not intended to be, nor shall it be construed as, a waiver or limitation of any State interest in the subject or any other property.

Exhibit B

PRC 7301
HANSON AGGREGATES
APN 326-060-23
MINERAL EXTRACTION
SAN DIEGO COUNTY



LIST OF MITIGATION MEASURES AND ENVIRONMENTAL DESIGN CONSIDERATIONS

Comprehensive Listing of Mitigation Measures Proposed for the Project:

Mitigation for 2.1.3.a. Granitic Chamise Chaparral Impacts:

Approximately 13.19 acres of Granitic Chamise Chaparral would be lost on the Hanson property. Hanson will preserve 5.19 acres of Core area habitat, and 7.77 acres of non-Core area Granitic Chamise Chaparral habitat. Using mitigation ratios established by the BMO, this will result in an overall credit of 4.96 acres (excess mitigation lands exist) which may be applied to other Tier III impacts.

The mitigation measures listed below will reduce significant impacts to Granitic Chamise Chaparral to below a level of significance.

1. Prior to use and reliance upon Major Use Permit P77-066W¹, the applicant shall, to the satisfaction of the Department of Planning and Land Use, dedicate to the County of San Diego an open space easement associated with biological habitats as shown on Figure 2.1-3 of this document. This open space easement is for the protection of Granitic Chamise Chaparral, Diegan Coastal Sage Scrub, and non-Native Grassland habitats. The total area of on-site preservation equals 35.08 acres. Adequate Tier III mitigation lands (19.49 acres of mitigation credit) (i.e., Granitic Chamise Chaparral and Non-Native Grassland) are available on-site to off-set impacts to Non-Native Grassland.

This open space easement shall prohibit brushing, clearing, grading, placement of structures or any other thing, installation or maintenance of septic systems, or vegetation addition or removal.

2. An excess of 4.96 acres of mitigation credits may be applied to other habitat mitigation requirements. "In-Tier" (BMO Attachments K and M) credits may be transferred as necessary to meet project mitigation requirements. Refer to Table 2.1-2 for a listing of impacts, required mitigation, and available on-site mitigation credits.

Mitigation for 2.1.3.b: Diegan Coastal Sage Scrub-Inland Form and California gnatcatcher impacts:

The mitigation measures listed below will reduce significant impacts to Diegan Sage Scrub habitat and the California gnatcatcher to below a level of significance:

Hanson Ownership

1. Prior to use and reliance upon Major Use Permit P77-066W¹, the applicant shall, to the satisfaction of the Department of Planning and Land Use, dedicate to the County of San Diego an open space easement associated with biological habitats as shown on Figure 2.1-3 of this document. This open space easement is for the protection of Granitic Chamise Chaparral, Diegan Coastal Sage Scrub, and non-Native Grassland habitats. The total area of on-site preservation equals 35.08 acres.

This open space easement shall prohibit brushing, clearing, grading, placement of structures or any other thing, installation or maintenance of septic systems or vegetation addition or removal.

2. In-tier credits shall be purchased in an established off-site mitigation land bank. These credits shall be purchased by the project proponent to offset all impacts to Diegan Coastal Sage Scrub habitat not already mitigated for using on-site preservation. Off-site mitigation credits shall be purchased at a 1:1 ratio (27.47 acres) if purchased within the MSCP Core Biological Area, OR, at a 1.5:1 ratio (41.66 acres) if purchased outside of the Core area. Refer to Table 2.1-2 for a listing of all impacts, required mitigation, and available on-site mitigation credits.

In addition to on-site preservation identified in Item 2.1.3.b 1, above, Hanson holds properties adjacent to the Tijuana River in south San Diego. As an alternative to purchase of DSS habitat within an established preserve (as described in Item 2.1.3.b 2, above), Hanson may choose to preserve portions of the a site owned by the company in Tijuana River Valley.

The Tijuana River property is located east of Dairy Mart Road, south of Servando Avenue. The site consists of two parcels (APNs #664-010-47; 665-010-01). One parcel is approximately 35.43 acres, the other parcel is approximately 34.95 acres (approximately 70.38 total). These parcels are located within the adopted City of San Diego Multi-Species Conservation Program Plan (MSCP) and are indicated as proposed preserve area.

The Tijuana River site contains extremely valuable wildlife habitat which has been formed, in part, by past sand extraction operations. These operations have created year-round open water and have attracted a variety of wildlife, such as ducks, gulls, terns, and other water birds. In addition, the Willow Riparian Woodland habitats nearby are home to the endangered least Bell's vireo and threatened Southwestern Willow Flycatcher. Regionally, the primary resources include the riparian and estuarine-associated habitats. The Tijuana River valley is the subject of efforts to extend protection over the highly valued wildlife resources found in this area.

The riparian habitats found on the Tijuana River property are listed as a Tier I habitat on the MSCP Tier Level chart (BMO - Attachment K). Tier I habitats are the rarest of habitats found within the MSCP preserve design and therefore, are the highest valued (i.e., mitigation ratios are greater). Conversely, the BMO lists DSS habitat, such as that to be impacted at the Highway 67 site, as Tier II habitats. Tier II habitats are more abundant than Tier I habitats and are therefore are subject to reduced mitigation requirements.

Through meetings with the County Department of Planning & Land Use and Parks & Recreation Department, U. S. Fish & Wildlife Service, and California Department of Fish & Game, it has been determined that Hanson may utilize the riparian habitats (Tier I) found on the Tijuana River property as a mitigation for impacts to DSS habitat resulting from continuing operations at the Highway 67 property (Tier II). As such, the following mitigation measure shall apply should Hanson determine to utilize the Tijuana River property.

3. Should Hanson utilize the Tijuana River property as a mitigation site, mitigation for impacts to native habitats shall be provided at a 1:1 ratio (i.e., one acre of DSS impacts for one acre of riparian habitat).

Baxter Property

4. In-tier credits shall be purchased in an established off-site mitigation conservation land bank approved by the Department of Planning and Land Use. These credits shall be purchased by the project proponent to off set all impacts to Diegan Coastal Sage Scrub habitat not already mitigated for using on-site preservation. Off-site mitigation credits shall be purchased at a 1:1 ratio (4.80 acres) if purchased within the MSCF Core Biological Area, OR, at a 1.5:1 ratio (7.2 acres) if purchased outside of the Core area

Mitigation for 2.1.3.c: Non-Native Grassland Impacts:

Adherence to the mitigation measures listed below will reduce direct significant impacts to Non-Native Grassland to below a level of significance:

Hanson Ownership

1. Prior to use and reliance upon Major Use Permit P77-066W¹, the applicant shall to the satisfaction of the Department of Planning and Land Use, dedicate to the County of San Diego an open space easement associated with biological habitats as shown on Figure 2.1-3. This open space easement is for the protection of Granitic Chamise Chaparral, Diegan Coastal Sage Scrub, and non-Native Grassland habitats. The total area of on-site preservation equals 35.08 acres. Adequate Tier III mitigation lands (19.49 acres of mitigation credit) (i.e., Granitic Chamise Chaparral and Non-Native Grassland) are available on-site to off-set impacts to Non-Native Grassland.

This open space easement shall prohibit brushing, clearing, grading, placement of structures or any other thing, installation or maintenance of septic systems or vegetation addition or removal.

2. An excess of 0.95 acres of mitigation credits may be applied to other habitat mitigation requirements. "In-Tier" (BMO Attachments K and M) credits may be transferred as necessary to meet project mitigation requirements. Refer to Table 2.1-2 for a listing of impacts, required mitigation, and available on-site mitigation credits.

Mitigation for 2.1.3.d: Impacts to Sensitive Species:

Mitigation measures listed in Section 2.1.3.b will reduce direct significant impacts to Sensitive Species to below a level of significance. The sensitive species were identified in Diegan Sage Scrub habitat. Mitigation measures that replace disturbed habitat areas through off-site habitat purchase also provides mitigation for sensitive species.

Mitigation for 2.1.3.e: Noise Impacts to the California gnatcatcher:

The following conditions shall become conditions of the Major Use Permit. The mitigation measures listed below will reduce significant noise impacts to the California gnatcatcher to below a level of significance;

1. Each internal combustion engine, used for any purpose on the job or related to the job, shall be equipped with a muffler of a type recommended by the manufacturer. No internal combustion engines shall be operated on the project without a muffler.

2. Stationary noise producing equipment shall not be positioned at on site locations which have a direct line-of-sight to locations where "noise sensitive" species can be present. Maximum noise exposure for sensitive species shall not exceed 60 dBA (unless the limit is modified).
3. During the breeding season for sensitive species (i.e., California gnatcatcher; March 1 to August 15), and where applicable, haul roads on site shall be routed to provide intervening topography between trucks and direct line-of-sight locations where "noise sensitive" species is (are) present.
4. The operator shall comply with all noise control rules, regulations, and ordinances which apply to any work performed in association with the project. If a noise violation is reported and substantiated by field sound level measurements, applicable changes shall be made immediately, as needed. Appropriate measures may include: changes in the hours of operations, use of different equipment types, performing extractive operations at alternative, less impactful locations on-site, and other measures which bring the project-generated noise levels into compliance with applicable standards.
5. During the breeding season for the California gnatcatcher (March 1 to August 15) the operator shall restrict operations in areas adjacent to sensitive habitat to within 250 feet if the D9N bull dozer is used, or 500 feet if the D10 bull dozer is used. Or, if a biological survey of off site sensitive habitat verifies that no California gnatcatchers are present, no operating buffer is required.
6. Should evidence indicate that the 60 dBA threshold for significant impacts to sensitive species is not substantiated or modified, biological noise mitigation measures for sensitive species shall not be required or other applicable limit (if any) should be applied.

Mitigation for Impact 2.2.3.a: Long-Term Visual Impacts from Grading and Topographic Alteration

Mitigation for Impact 2.2.3.a: Long-Term Visual Impacts to the Character of the Area from Grading and Topographic Alteration

The project would not result in a substantial conflict with the existing visual character of the area. Therefore, no mitigation measures are proposed because this issue does not constitute a significant visual quality impact.

Mitigation for Impact 2.2.3.b: Long-Term Visual Impacts to State Route 67 from Grading and Topographic Alteration

1. To reduce the contrast and unify mined lands with natural areas adjacent to the final sloped areas:
 - a. All final cut slopes composed of Stadium Conglomerate materials shall be sprayed with a dark-colored mulch material as part of the hydroseeding program.
 - b. All final cut slopes composed of more than 75% rock material shall be sprayed with an "acid wash," "Permeon®," or equivalent solution to render an old-aged and weathered appearance to the rock.

2. To reduce the amount of cut slope area viewed and to break up long even edges (lines) of level building pads with cut and fill slopes, perimeter berms that vary from 5 feet to 15 feet in height shall be developed at the leading edges of all terraces.
3. Mined lands shall be incrementally revegetated in phases that immediately follow completion of individual extraction phases.
4. To reduce color and texture contrasts with adjacent undisturbed lands and break up long slope faces, all disturbed lands shall be revegetated with herbaceous and woody species contained in one of three species mixes selected to reflect specific growing conditions as follows:
 - a. Building pads and other level to slight gradient slopes composed of backfill soil materials;
 - b. Cut slopes composed of rocky conglomerate materials; and
 - c. Fill slopes and berms soil materials.

Refer to Figure 2.2-13 for location of specific planting areas for seed mixtures. Table 2.2-1 identifies the seed mixtures.

5. To reduce color contrasts with adjacent undisturbed lands, concrete used in perimeter drainage channels shall be tinted and any other structures to remain on the site shall be painted with a flat-valued paint to match the color of immediately adjacent soils. Use the Munsell Soil Color Coding System to identify colors.
6. To restrict views into the project site from SR 67, upon initiation of Phase 1 mining activities, screening trees and shrubs shall be planted to infill existing vegetation located along the south end of the existing processing plant area on the Hanson property (see figure 2.2-13). Screening trees and shrubs are identified on Table 2.2-2.
7. To restrict foreground views from SR 67 into the upper slopes of Phase 2, three rows of screening trees and shrubs shall be planted along the top of the perimeter berm located on the western half of the Baxter property in Phase 1C (see Figure 2.2-13 and 2.2-14). Screening trees and shrubs are identified on Table 2.2-2.
8. To screen foreground views from SR 67 looking into mining Phases 3 and 6:
 - a. Using fill materials, an approximately ten-foot to fifteen-foot-high screening berm with 3:1 side slopes shall be created parallel to the western property line of Phase 3 (Figure 2.2-14).
 - b. Prior to mining of Phase 3, three rows of screening trees and shrubs shall be planted in the State of California (Caltrans) right-of-way as close to Highway 67 as is safe. If a planting easement is not secured from the State, one row of screening trees and shrubs shall be immediately planted along the property line adjacent to Phase 3 and, at the conclusion of Phase 3, screening trees and shrubs shall be planted on the berm identified in Mitigation Measure 8a (see Figures 2.2-13 and 2.2-16). Screening trees and shrubs are identified on Table 2.2-2.

9. To screen foreground views from SR 67 to the upper slopes created in Phase 2 and the area designated as Multiple Rural Use land use, the placement of backfill materials shall be coordinated with Phase 2 mining activities to recreate the scale, line, and form of the nose of the mined hillside as seen from SR 67 (see Figures 2.2-13 and 2.2-15).
10. To screen views of the 1/4:1 cut slope on northeastern pad of the Baxter property, three rows of screening trees shall be planted along the top of the perimeter berm in Phase 1C.

Mitigation for Impact 2.3.3a: Erosion, Sedimentation and Water Quality Impacts:

Hanson Project

1. The sediment pond shall be enlarged to provide for a minimum of .75 acres of surface area and provide for 1,780 cubic yards of sediment storage.
2. The sediment pond shall be dredged yearly to maintain a minimum storage of 1.1 acre-feet below the average pipe inlet elevation of 482.7 feet AMSL.
3. The sediment stored in the ponds shall be removed whenever the capacity is reduced to improperly functioning levels. The maximum level of sediment deposition shall not be greater than one half of the total storage volume. If at any time, this maximum level is exceeded, the basin shall be cleaned, even if it is not due for maintenance clean out.
4. The dredged sediment shall be disposed of in such a manner that will prevent its return to the basin or movement into downstream areas during subsequent runoff.
5. Debris on the pipe spillway shall be cleaned whenever it starts to accumulate.
6. The slopes adjacent to the pond shall be stabilized.

Baxter Project

1. Temporary desilting ponds shall be constructed to contain drainage from the project site.
2. The desilting ponds shall be dredged yearly to remove accumulated sediments.
3. The sediment stored in the pond shall be removed whenever the capacity is reduced to improperly functioning levels. The maximum level of sediment deposition shall not be greater than one half of the total storage volume. If at any time, this maximum level is exceeded, the basin(s) shall be cleaned, even not due for maintenance clean out.
4. The dredged sediment shall be disposed of in such a manner that will prevent its return to the basin or movement into downstream areas during subsequent runoff.
5. Debris on pipe spillways shall be cleaned whenever it starts to accumulate.

6. The slopes adjacent to the desilting basins shall be stabilized.

Mitigation for Impact 2.4.3a: Community Character Impacts

1. Reclamation of the extractive operations shall be completed as identified in RP 77-022W¹ and RP 93-001. These measures shall include the reduction of the large cut slope and revegetation of all slope areas with native species.
2. When future industrial uses are proposed, Design Standards shall be proposed in conformance with the Lakeside Design Guidelines.

Mitigation for Impact 2.5.3.a Slope Stability

1. Slopes cut from Stadium Conglomerate materials shall be no steeper than one horizontal to one vertical (1:1).
2. Slope benches shall be provided at vertical intervals of 33 feet or less to control erosion and falling rock that may loosen and roll down the slope.
3. Where slope benches are used, the slope ratio shall be determined using the toe and top of the slope, and not the actual slope face inclination.
4. Granitic slopes cut at a 1:1 ratio should be stable to a height of about 300 feet. However, where blasting is used to develop the cut slopes, periodic inspection by a Certified Engineering Geologist shall be conducted to assure the stability of the cut slope.
5. Where pre-split blasting is used for the development of the 1/4:1 cut slope on the Baxter property, slope heights in excess of 50 feet shall be inspected by a Certified Engineering Geologist prior to blasting to determine the potential for adversely oriented joints or fractures. If adverse conditions are identified in the examination, stabilization techniques, such as rock anchors may be required.

Mitigation for Impact 2.6.3a: Noise

Mitigation for Impact 2.6.3a: Extraction Operation Noise Impacts.

1. Provide evidence, to the satisfaction of the Director of Planning and Land Use, that compliance with the County's Noise Abatement and Control Ordinance at Chapter 4 of division 6 of title 3 (commencing at Section 36.401) of the County Code has been accomplished by obtaining a Noise Variance pursuant to Section 36.424, or by providing evidence to the satisfaction of the Director that said Variance is not necessary.

Mitigation for Impact 2.6.3b: Noise Impacts to Biological Resources

Noise impacts to biological resources are summarized in this section, but described in more detail in Section 2.1, Biological Resources. Impacts to biological resources which may result from the project and subsequent uses would be mitigated through adoption of mitigation measures identified in Section 2.1 Biology.

Mitigation for Impact 2.6.4c: Noise Impacts to Existing On-site Residence

1. Prior to commencing extractive operations on the Baxter property, residential use of the existing residence shall cease. This structure may be used for business purposes, but residential habitation will no longer be allowed.

Conditions of Approval required to ensure implementation of project design features:

1. Mined edges shall be contoured and rounded such that no sharp edges or abrupt changes are evident (Figure 1.1-14).
2. Slope and bench areas shall be revegetated with a mixture of predominantly native species in the areas shown on Figure 2.2-13 and as listed on Table 2.2-1.
3. Revegetation of slope area shall be phased to immediately follow completion of extraction operations.
4. Topsoil shall be recovered for use in revegetation.

proposed expansion area is generally undisturbed and is characterized by a predominance of steeply sloping, brush covered terrain.

Improvements on the ±32-acre Baxter property include an existing pad with associated business facilities and a caretakers residence located below the pad area. The existing facilities serve as the operations center for a drilling and blasting contracting business. Operations include the storage of explosives, equipment storage, maintenance shop and offices. Topography of the remaining portions of the Baxter site ranges from steeply sloping, brush covered terrain on the north, above the existing pad, to nearly level cleared areas on the southeast.

Elevations on the Hanson property range from 1,150 feet Above Mean Sea Level (AMSL) at the north to approximately 465 feet AMSL on the south. Elevations on the Baxter property range from approximately 700 feet AMSL on the north, to 460 feet AMSL at the southeast corner.

Summary of Significant Effects and Mitigation Measures that Reduce the Significant Effects

ISSUE	POTENTIAL EFFECTS	LOS	MITIGATION MEASURES	LOS W/MIT
Biological Resources	2.1.3.a Granitic Chamise Chaparral. Project implementation will result in the loss of 13.19 acres of Granitic Chamise Chaparral on the Hanson site.	S	<p>1. Prior to use and reliance upon Major Use Permit P77-066W¹, the applicant shall, to the satisfaction of the Department of Planning and Land Use, dedicate to the County of San Diego an open space easement associated with biological habitats as shown on Figure 2.1-3 of this document. This open space easement is for the protection of Granitic Chamise Chaparral, Diegan Coastal Sage Scrub, and non-Native Grassland habitats. The total area of on-site preservation equals 35.08 acres. Adequate Tier III mitigation lands (19.49 acres of mitigation credit) (i.e., Granitic Chamise Chaparral and Non-Native Grassland) are available on-site to off-set impacts to Non-Native Grassland.</p> <p>This open space easement shall prohibit brushing, clearing, grading, placement of structures or any other thing, installation or maintenance of septic systems, or vegetation addition or removal.</p> <p>2. An excess of 4.96 acres of mitigation credits may be applied to other habitat mitigation requirements. "In-Tier" (BMD Attachments K and M) credits may be transferred as necessary to meet project mitigation requirements. Refer to Table 2.1-2 for a listing of impacts, required mitigation, and available on-site mitigation credits.</p>	LS

ISSUE	POTENTIAL EFFECTS	LOS	MITIGATION MEASURES	LOS W/MIT
Biology (Continued)	2.1.3.b Diegan Coastal Sage Scrub-Inland Form. Project will impact approximately 47.67 acres of Diegan Coastal Sage Scrub on the Hanson site. Impacts would occur in phases over the 30-year term of operations.	S	<p>2.1.3.b Hanson Ownership</p> <ol style="list-style-type: none"> 1. Prior to use and reliance upon Major Use Permit P77-066W¹, the applicant shall, to the satisfaction of the Department of Planning and Land Use, dedicate to the County of San Diego an open space easement associated with biological habitats as shown on Figure 2.1-3 of this document. This open space easement is for the protection of Granille Chamise Chaparral, Diegan Coastal Sage Scrub, and non-Native Grassland habitats. The total area of on-site preservation equals 35.08 acres. <p>This open space easement shall prohibit brushing, clearing, grading, placement of structures or any other thing, installation or maintenance of septic systems or vegetation addition or removal.</p> <ol style="list-style-type: none"> 2. In-tier credits shall be purchased in an established off-site mitigation land bank. These credits shall be purchased by the project proponent to off set all impacts to Diegan Coastal Sage Scrub habitat not already mitigated for using on-site preservation. Off-site mitigation credits shall be purchased at a 1:1 ratio (27.47 acres) if purchased within the MSCP Core Biological Area, OR, at a 1.5:1 ratio (41.66 acres) if purchased outside of the Core area. Refer to Table 2.1-2 for a listing of all impacts, required mitigation, and available on-site mitigation credits. <p>Or,</p> <ol style="list-style-type: none"> 3. As an alternative to 2.1.3.b 2 above, and in addition to on-site preservation identified in item 2.1.3.b.1, Hanson may choose to preserve portions of a site owned by the company in Tijuana River Valley. Off-site mitigation credits of 1 acre of riparian habitat preservation for 1 acre of DSS impact shall apply. 	LS

ISSUE	POTENTIAL EFFECTS	LOS	MITIGATION MEASURES	LOS W/MIT
Biology (Continued)			Baxter Property 4. In-tier credits shall be purchased in an established off-site mitigation conservation land bank approved by the Department of Planning and Land Use. These credits shall be purchased by the project proponent to off set all impacts to Diegan Coastal Sage Scrub habitat not already mitigated for using on-site preservation. Off-site mitigation credits shall be purchased at a 1:1 ratio (4.80 acres) if purchased within the MSCP Core Biological Area, OR, at a 1.5:1 ratio (7.2 acres) if purchased outside of the Core area	
Biology (Continued)	2.1.3.c Impacts to Disturbed Non-native Grassland. Project will result in impacts to 0.39 acres of disturbed/non-native grassland on the Hanson site.	S	2.1.3.c Hanson Ownership 1. Prior to use and reliance upon Major Use Permit P77-066W ¹ , the applicant shall to the satisfaction of the Department of Planning and Land Use, dedicate to the County of San Diego an open space easement associated with biological habitats as shown on Figure 2.1-3. This open space easement is for the protection of Granitic Chamise Chaparral, Diegan Coastal Sage Scrub, and non-Native Grassland habitats. The total area of on-site preservation equals 35.08 acres. Adequate Tier III mitigation lands (19.49 acres of mitigation credit) (i.e., Granitic Chamise Chaparral and Non-Native Grassland) are available on-site to off-set impacts to Non-Native Grassland. This open space easement shall prohibit brushing, clearing, grading, placement of structures or any other thing, installation or maintenance of septic systems or vegetation addition or removal. 2. An excess of 0.85 acres of mitigation credits may be applied to other habitat mitigation requirements. "In-Tier" (BMO Attachments K and M) credits may be transferred as necessary to meet project mitigation requirements. Refer to Table 2.1-2 for a listing of impacts, required mitigation, and available on-site mitigation credits.	LS
Biology (Continued)	2.1.3.d Impacts to sensitive Bell's Sage Sparrow and the Rufous-crowned Sparrow	S	Mitigation measures listed in Section 2.1.3.b will reduce direct significant impacts to Sensitive Species to below a level of significance. The sensitive species were identified in Diegan Sage Scrub habitat. Mitigation measures that replace disturbed habitat areas through off-site habitat purchase also provides mitigation for sensitive species.	LS

ISSUE	POTENTIAL EFFECTS	LOS	MITIGATION MEASURES	LOS W/MIT
Biology (Continued)	2.1.3.d. Noise Impacts to Sensitive Biological Habitat. Noise study was performed to determine project impacts on the California gnatcatcher. It is expected that the noise threshold of 60 dBA may be exceeded if the project were implemented.	S	<ol style="list-style-type: none"> 1. Each internal combustion engine, used for any purpose on the job or related to the job, shall be equipped with a muffler of a type recommended by the manufacturer. No internal combustion engines shall be operated on the project without a muffler. 2. Stationary noise producing equipment shall not be positioned at on site locations which have a direct line-of-sight to locations where "noise sensitive" species can be present. Maximum noise exposure for sensitive species shall not exceed 60 dBA (unless the limit is modified). 3. During the breeding season for sensitive species (i.e., California gnatcatcher: March 1 to August 15), and where applicable, haul roads on site shall be routed to provide intervening topography between trucks and direct line-of-sight locations where "noise sensitive" species is (are) present. 4. The operator shall comply with all noise control rules, regulations, and ordinances which apply to any work performed in association with the project. If a noise violation is reported and substantiated by field sound level measurements, applicable changes shall be made immediately, as needed. Appropriate measures may include: changes in the hours of operations, use of different equipment types, performing extractive operations at alternative, less impactful locations on-site, and other measures which bring the project-generated noise levels into compliance with applicable standards. 5. During the breeding season for the California gnatcatcher (March 1 to August 15) the operator shall restrict operations in areas adjacent to sensitive habitat to within 250 feet if the D9N bull dozer is used, or 500 feet if the D10 bull dozer is used. Or, if a biological survey of off site sensitive habitat verifies that no California gnatcatchers are present, no operating buffer is required. 6. Should evidence indicate that the 60 dBA threshold for significant impacts to sensitive species is not substantiated or modified, biological noise mitigation measures for sensitive species shall not be required or other applicable limit (if any) should be applied. 	LS

ISSUE	POTENTIAL EFFECTS	LOS	MITIGATION MEASURES	LOS W/MIT
Visual, Grading, Topographic Alteration	<p>2.2.3.a Long-term Visual Impacts to Visual Character of the Project Area from Grading and Topographic Alteration. Extended operations on the site will result in the continued extraction of hillside terrain. Current operations have resulted in the creation of an approximate 300-foot high cut slope. Continued extraction will initially expand the visual perception of this feature, but over the long term, reclamation will reduce the visual prominence of extraction on the site.</p>	NS	<p>No mitigation is proposed for changes in long term visual character. Implementation of the Reclamation Plan reduces impacts to below a level of significance.</p>	LS

ISSUE	POTENTIAL EFFECTS	LOS	MITIGATION MEASURES	LOS W/MIT
<p>Visual, Grading, Topographic Alteration</p>	<p>2.2.3.b Long-term Visual Impacts to Highway 67 from Grading and Topographic Alteration.</p> <p>Extractive operations will result in substantial topographic alteration and increased contrast as vegetation is cleared and lighter colored earth materials are exposed to view from the highway. A series of pad will be developed through phased operations, but a number of high 1.3:1 cut slopes will be highly visible until revegetation is complete.</p> <p>Extraction in Phases 3 and 6 will result in significant land form modification immediately adjacent to SR 67. Although revegetation of slopes will help to reduce these impacts, extraction operations in this area will continue over an extended period of time. Overall, land form modification on the site is significant.</p>	<p>S</p>	<ol style="list-style-type: none"> 1. To reduce the contrast and unify mined lands with natural areas adjacent to the final sloped areas: <ol style="list-style-type: none"> a. All final cut slopes composed of Stadium Conglomerate materials shall be sprayed with a dark-colored mulch material as part of the hydroseeding program. b. All final cut slopes composed of more than 75% rock material shall be sprayed with an "acid wash," "Permeon®," or equivalent solution to render an old-aged and weathered appearance to the rock. 2. To reduce the amount of cut slope area viewed and to break up long even edges (lines) of level building pads with cut and fill slopes, perimeter berms that vary from 5 feet to 15 feet in height shall be developed at the leading edges of all terraces. 3. Mined lands shall be incrementally revegetated in phases that immediately follow completion of individual extraction phases. 4. To reduce color and texture contrasts with adjacent undisturbed lands and break up long slope faces, all disturbed lands shall be revegetated with herbaceous and woody species contained in one of three species mixes selected to reflect specific growing conditions as follows: <ol style="list-style-type: none"> a. Building pads and other level to slight gradient slopes composed of backfill soil materials; b. Cut slopes composed of rocky conglomerate materials; and c. Fill slopes and berms soil materials. 5. To reduce color contrasts with adjacent undisturbed lands, concrete used in perimeter drainage channels shall be tinted and any other structures to remain on the site shall be painted with a flat-valued paint to match the color of immediately adjacent soils. Use the Munsell Soil Color Coding System to identify colors. 6. To restrict views into the project site from SR 67, upon initiation of Phase 1 mining activities, screening trees shall be planted to infill existing vegetation located along the south end of the existing processing plant area on the Hanson property. 	<p>LS</p>

ISSUE	POTENTIAL EFFECTS	LOS	MITIGATION MEASURES	LOS W/MIT
Visual, Grading, Topographic Alteration (continued)	2.2.3.b (continued)	S	<p>7. To restrict foreground views from SR 67 into the upper slopes of Phase 2, three rows of screening trees shall be planted along the top of the perimeter berm located on the western half of the Baxter property in Phase 1C.</p> <p>8. To screen foreground views from SR 67 looking into mining Phases 3 and 6:</p> <ul style="list-style-type: none"> a. Using fill materials, an approximately ten-foot to fifteen-foot-high screening berm with 3:1 side slopes shall be created parallel to the western property line of Phase 3. b. Prior to mining of Phase 3, three rows of screening trees shall be planted in the State of California (Caltrans) right-of-way as close to Highway 67 as is safe. If a planting easement is not secured from the State, one row of screening trees along the property line adjacent to Phase 3 shall be immediately planted and, at the conclusion of Phase 3, screening trees shall be planted on the berm identified in Mitigation Measure 8a. <p>9. To screen foreground views from SR 67 to the upper slopes created in Phase 2 and the area designated as Multiple Rural Use land use, the placement of backfill materials shall be coordinated with Phase 2 mining activities to recreate the scale, line, and form of the nose of the mined hillside as seen from SR 67.</p> <p>10. To screen views of the 1/4:1 cut slope on northeastern pad of the Baxter property, three rows of screening trees shall be planted along the top of the perimeter berm in Phase 1C.</p>	LS
Visual, Grading, Topographic Alteration (Continued)	2.2.3.c Long-Term Visual Impacts to Visual Resources in the Project Area from Grading and Topographic Alteration	NS	<p>With the addition of the above mitigation measures, the project would not result in a substantial adverse impact to any particularly valuable visual resources in the area. Therefore, no additional mitigation measures are proposed because this issue does not constitute a significant visual quality impact.</p>	

ISSUE	POTENTIAL EFFECTS	LOS	MITIGATION MEASURES	LOS W/MIT
<p>Erosion, Sedimentation, and Water Quality</p>	<p>2.3.3 Erosion, Sedimentation, and Water Quality Impacts</p> <p>The project will result in disturbance of currently undisturbed areas on the site. Erosion and sedimentation will increase during the extraction period. The project proposes the construction of erosion and drainage control measures to contain sedimentation on the project site. Completion of the reclamation plan will reduce erosion and sedimentation on the project site. Current sedimentation control measures are not sufficient to meet proposed project demands.</p>	<p>S</p>	<p><u>Hanson Project</u></p> <ol style="list-style-type: none"> 1. The sediment pond shall be enlarged to provide for a minimum of .75 acres of surface area and provide for 1,780 cubic yards of sediment storage. 2. The sediment pond shall be dredged yearly to maintain a minimum storage of 1.1 acre-feet below the average pipe inlet elevation of 482.7 feet AMSL. 3. The sediment stored in the ponds shall be removed whenever the capacity is reduced to improperly functioning levels. The maximum level of sediment deposition shall not be greater than one half of the total storage volume. If at any time, this maximum level is exceeded, the basin shall be cleaned, even if it is not due for maintenance clean out. 4. The dredged sediment shall be disposed of in such a manner that will prevent its return to the basin or movement into downstream areas during subsequent runoff. 5. Debris on the pipe spillway shall be cleaned whenever it starts to accumulate. 6. The slopes adjacent to the pond shall be stabilized. <p><u>Baxter Project</u></p> <ol style="list-style-type: none"> 1. Temporary desilting ponds shall be constructed to contain drainage from the project site. 2. The desilting ponds shall be dredged yearly to remove accumulated sediments. 3. The sediment stored in the pond shall be removed whenever the capacity is reduced to improperly functioning levels. The maximum level of sediment deposition shall not be greater than one half of the total storage volume. If at any time, this maximum level is exceeded, the basin(s) shall be cleaned, even not due for maintenance clean out. 4. The dredged sediment shall be disposed of in such a manner that will prevent its return to the basin or movement into downstream areas during subsequent runoff. 5. Debris on pipe spillways shall be cleaned whenever it starts to accumulate. 6. The slopes adjacent to the desilting basins shall be stabilized. 	<p>LS</p>

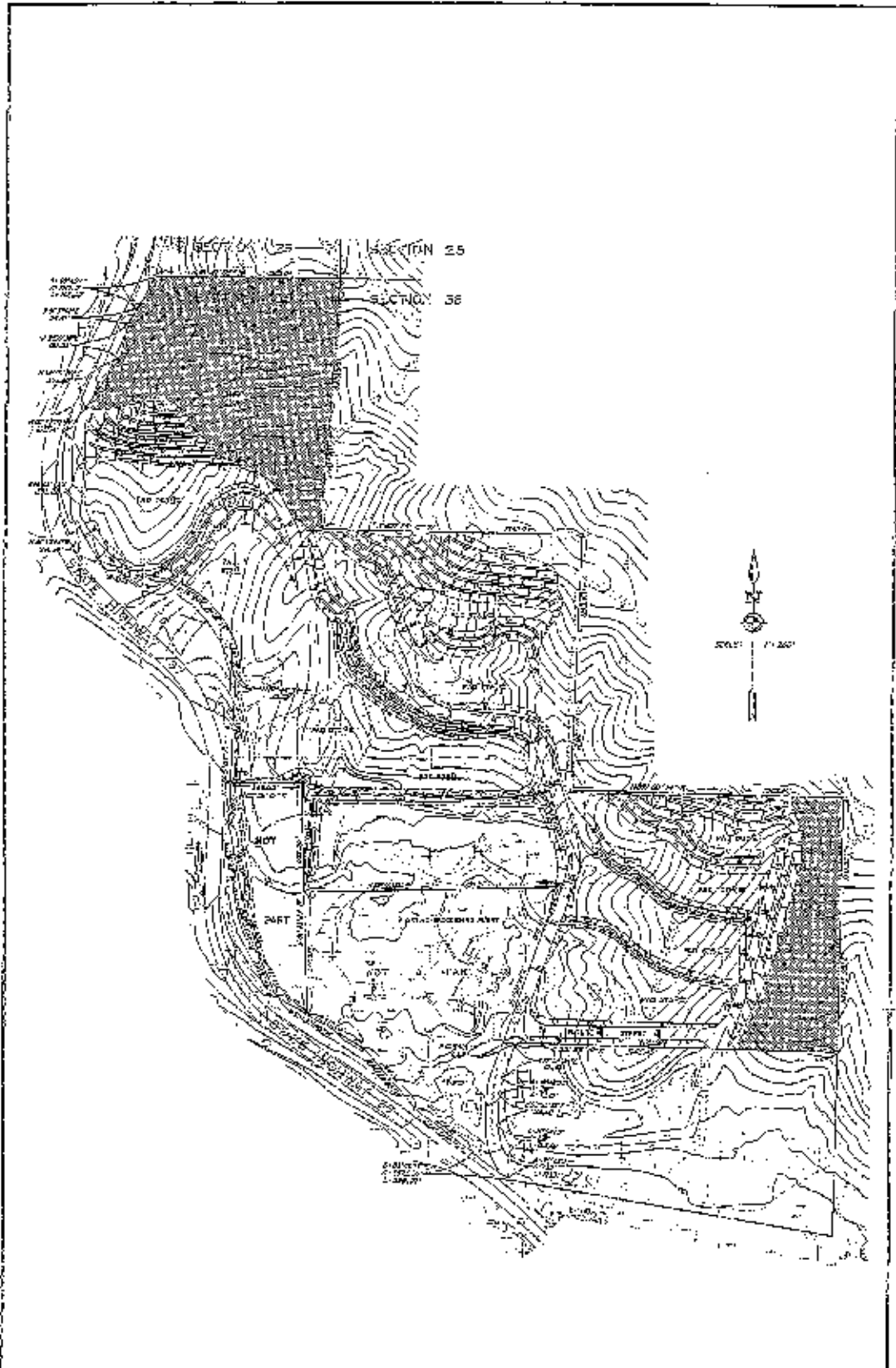
ISSUE	POTENTIAL EFFECTS	LOS	MITIGATION MEASURES	LOS W/MIT
Community Character	2.4.3.a. Community Character Impacts On-going industrial and extractive uses currently dominate the project vicinity. Existing conditions find an approximate 300-foot high cut slope within the central portion of the project site.	S	<ol style="list-style-type: none"> 1. Reclamation of the extractive operations shall be completed as identified in RP 77-011W1 and RP 93-001. These measures shall include the reduction of the large cut slope and revegetation of all slope areas with native species. 2. When future industrial uses are proposed, design standards shall be proposed in conformance with the Lakeside Design Guidelines. 	LS
Slope Stability/Soils	2.5.3.a. Slope Stability The project proposes the creation of a number of pads and cut slopes throughout the project site. A geotechnical study prepared for the project provides a number of practical recommendations to eliminate the potential for slope failure.	S	<ol style="list-style-type: none"> 1. Slopes cut from Stadium Conglomerate materials shall be no steeper than one horizontal to one vertical (1:1). 2. Slope benches shall be provided at vertical intervals of 39 feet or less to control erosion and falling rock. 3. Where slope benches are used, the slope ratio shall be determined using the toe and top of the slope. 4. Granitic slopes cut at a 1:1 ratio should be stable for considerable heights. However, where blasting is used to develop the cut slopes, periodic inspection by a Certified Engineering Geologist shall be conducted. 5. Where pre-split blasting is used for the development of the 1/4:1 cut slope on the Baxter property, slope heights in excess of 50 feet shall be inspected by a Certified Engineering Geologist prior to blasting. 	LS
Noise	2.6.3.a. Extraction Operation Noise Impacts in the M58 Zone County of San Diego limits extraction operations to a one-hour average sound level of 75 dBA. Under a worst case scenario, noise levels would exceed that threshold.	S	2.6.3.a Provide evidence, to the satisfaction of the Director of Planning and Land Use, that compliance with the County's Noise Abatement and Control Ordinance at Chapter 4 of division 6 of title 3 (commencing at Section 36.401) of the County Code has been accomplished by obtaining a Noise Variance pursuant to Section 36.424, or by providing evidence to the satisfaction of the Director that said Variance is not necessary.	LS
Noise	2.6.3.b. Noise Impacts to "noise sensitive" biological resources. Upon expected project expansion at a later date, noise impacts would be considered significant.	S	2.6.3.b Noise Impact mitigation is described in Section 2.1, Biological Resources. Impacts would be mitigated through implementation of mitigation measures identified in Section 2.1.	LS
Noise	2.6.3.c. Noise Impacts to Existing On-site Residence Residential noise standards in relation to the on-site caretakers structure, will be exceeded.	S	2.6.3.c Prior to commencing extractive operations on the Baxter property, residential use of the existing residence shall cease. This structure may be used for business purposes, but residential habitation shall no longer be allowed.	LS

**Table 2.1.2
Core/Non-Core Impacts
and Mitigation Requirements**

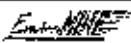
Hanson: Mitigation Requirements for Compliance With the Biological Mitigation Ordinance						
Habitat Type	Diegan Sage Scrub		Granitic Chamise Chaparral		Non-Native Grassland	
Tier	II		III		III	
	Core	Non-Core	Core	Non-Core	Core	Non-Core
Acres Impacted On-Site	-0-	47.67	-0-	13.19	-0-	.39
Acres Preserved On-Site	16.89	4.56	5.19	7.77	0.67	-0-
Required Mitigation Ratio	1:1	1.5:1	0.5:1	1:1	0.5:1	1:1
On-Site Mitigation Credit	16.89	3.04	10.38	7.77	1.34	-0-
Residual Impacts - Off-site Mitigation Requirement	27.47		-4.96* (credit - excess)		-0.95 (credit - excess)	
Required Off-Site Mitigation (ratio)	(1:1) 27.47	(1.5:1) 41.66	(0.5:1) Credit	(1:1) Credit	(0.5:1) Credit	(1:1) Credit

* Excess mitigation credit may be applied to Tier III mitigation requirements only.

Baxter: Mitigation Requirements for Compliance With the Biological Mitigation Ordinance						
Habitat Type	Diegan Sage Scrub		Granitic Chamise Chaparral		Non-Native Grassland	
Tier	II		III		III	
	Core	Non-Core	Core	Non-Core	Core	Non-Core
Acres Impacted On-Site	-0-	4.80	-0-	-0-	-0-	-0-
Acres Preserved On-Site	-0-	-0-	-0-	-0-	-0-	-0-
Required Mitigation Ratio	1:1	1.5:1	0.5:1	1:1	0.5:1	1:1
On-Site Mitigation Credit	-0-	-0-	-0-	-0-	-0-	-0-
Residual Impacts - Off-site Mitigation Requirement	4.80		-0-		-0-	
Required Off-Site Mitigation (ratio)	(1:1) 4.80	(1.5:1) 7.20	(0.5:1) -0-	(1:1) -0-	(0.5:1) -0-	(1:1) -0-



2-17



On Site Habitat Preservation

Figure 2.1-3

**Table 2.2-1
Preliminary Seed Mixtures**

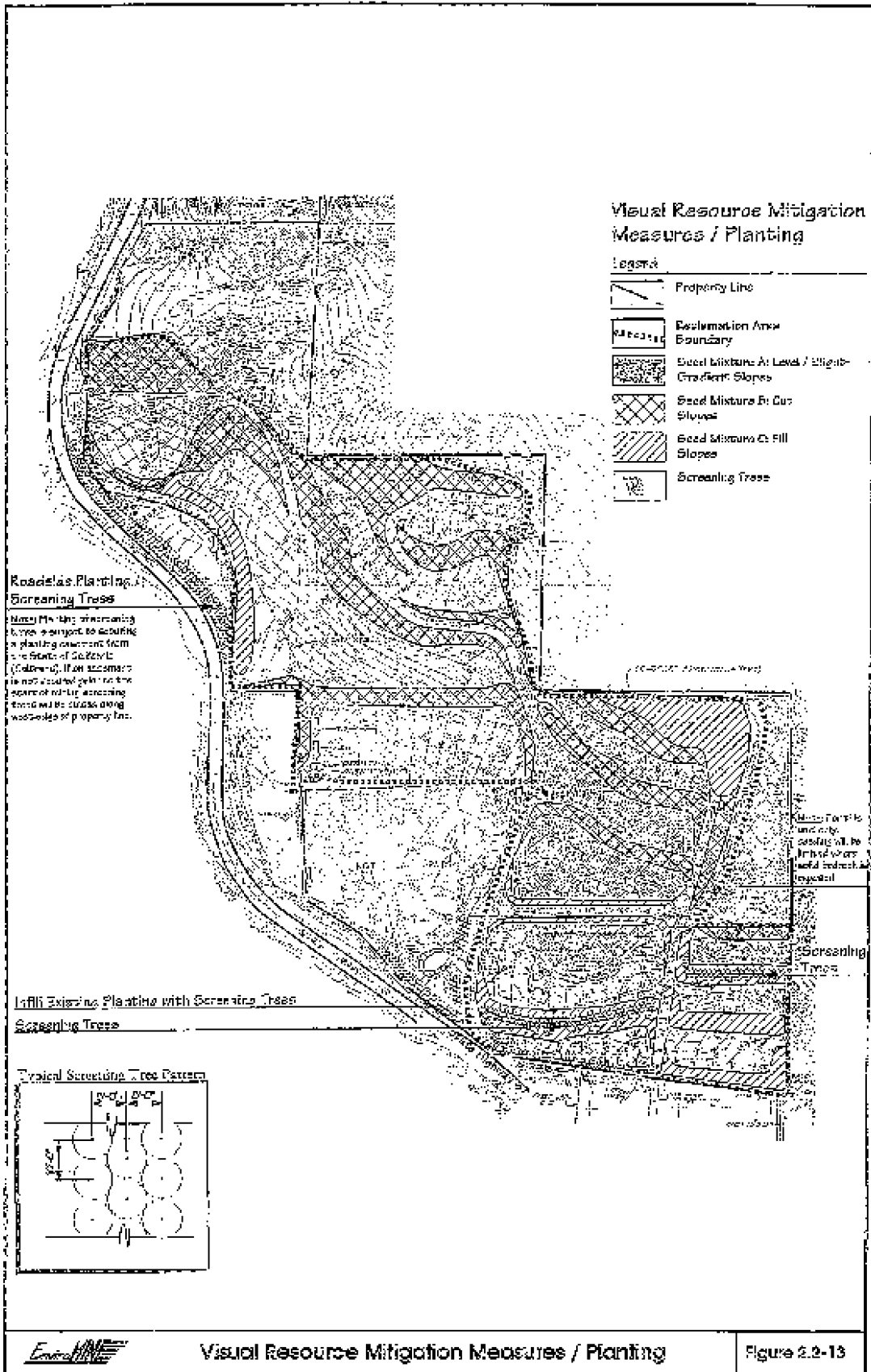
Scientific Name	Lbs./Acre (seeds only)	AREA A	AREA B	AREA C
<i>Adenostoma fasciculatum</i> *	2	X	X	
<i>Artemisia californica</i> *	4		X	
<i>Baccharis sarothroides</i> *	2			X
<i>Bromus hordeaceus</i>	10	X		
<i>Ceanothus tomentosus</i> *	4		X	X
<i>Eriogonum fasciculatum</i> *	8		X	X
<i>Eschscholzia californica</i>	8	X		
<i>Heteromeles arbutifolia</i> *	2		X	X
<i>Lotus scoparius</i> *	4	X	X	
<i>Lupinus albusfrons</i> *	6	X	X	X
<i>Lupinus bicolor</i>	6	X	X	X
<i>Lupinus succulentus</i>	6	X	X	X
<i>Malosma laurina</i> *	1		X	X
<i>Mimulus aurantiacus</i> *	2	X	X	X
<i>Rhamnus crocea</i> *	4		X	
<i>Rhus ovata</i> *	2		X	X
<i>Salvia apiana</i> *	2		X	X
<i>Salvia mellifera</i> *	2		X	
<i>Trifolium hirtum</i>	10	X		
<i>Vulpia myuros</i>	10	X		
<i>Xylococcus bicolor</i> *	1		X	

Area A = Level or slight-gradient slopes
Area B = Cut slopes
Area C = Fill slopes and berms
* = Perennial species

Source: 2M Associates
Reference: S&S Seeds, Carpinteria, CA
Jepson Manual: Higher Plants of California, 1993.

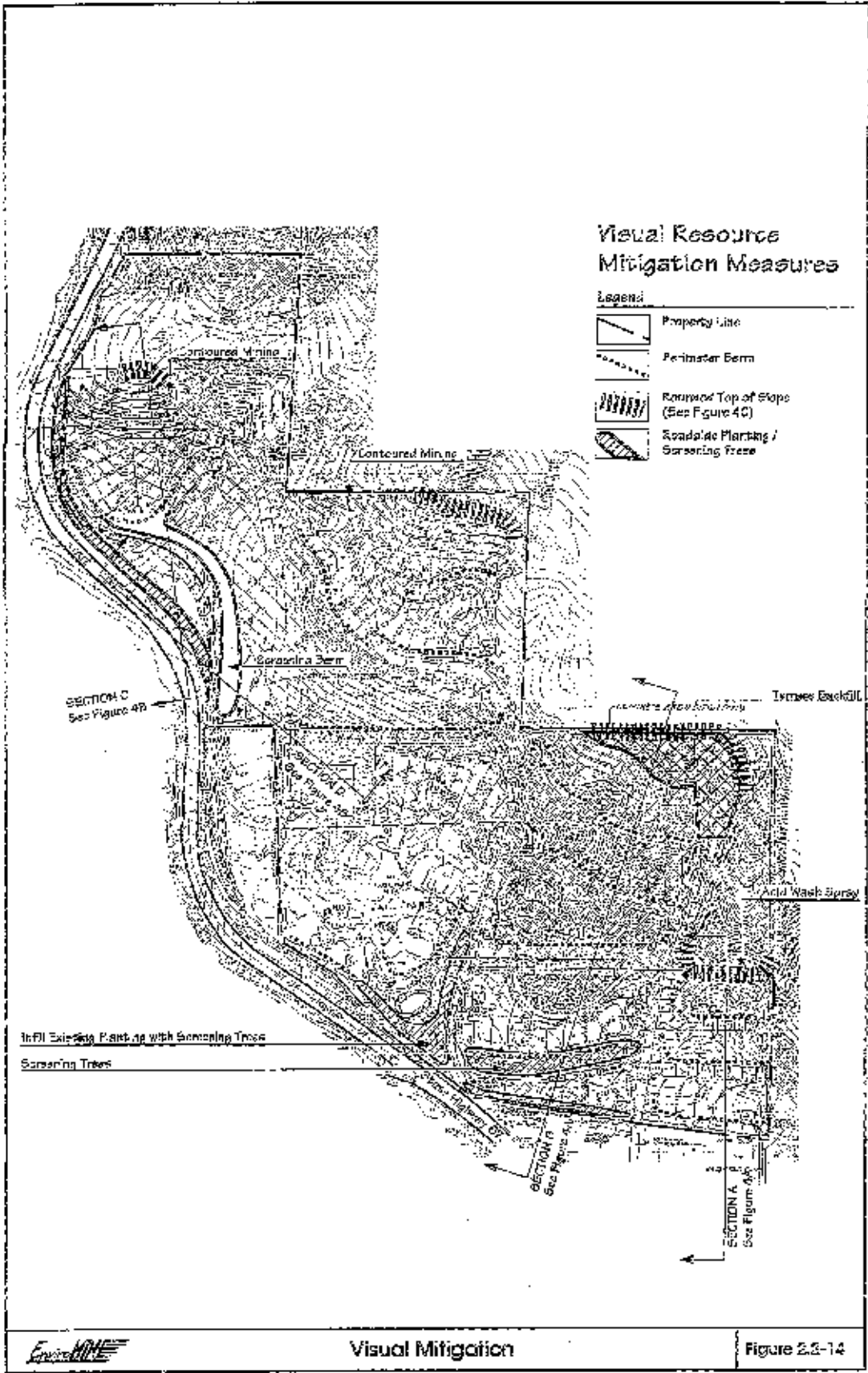
**Table 2.2-2
Screening Trees and Shrubs**

	Scientific Name	Common Name
Screening Trees	<i>Casuarina cunninghamiana</i>	River She-oak
	<i>Eucalyptus leucoxylon</i>	White Ironbark
	<i>Eucalyptus sideroxylon</i>	Red Ironbark
	<i>Pinus halepensis</i>	Aleppo Pine
	<i>Quercus agrifolia</i>	Coast Live Oak
Screening Shrubs	<i>Eucalyptus lehmannii</i>	Bushy Yate
	<i>Heteromeles arbutifolia</i>	Toyon
	<i>Malosma laurina</i>	Laurel Sumac
	<i>Nertum oleander</i>	Oleander
	<i>Rhamnus alaternus</i>	Italian Buckthorn



Visual Resource Mitigation Measures / Planting

Figure 2.2-13



2-49



Visual Mitigation

Figure 2.3-14

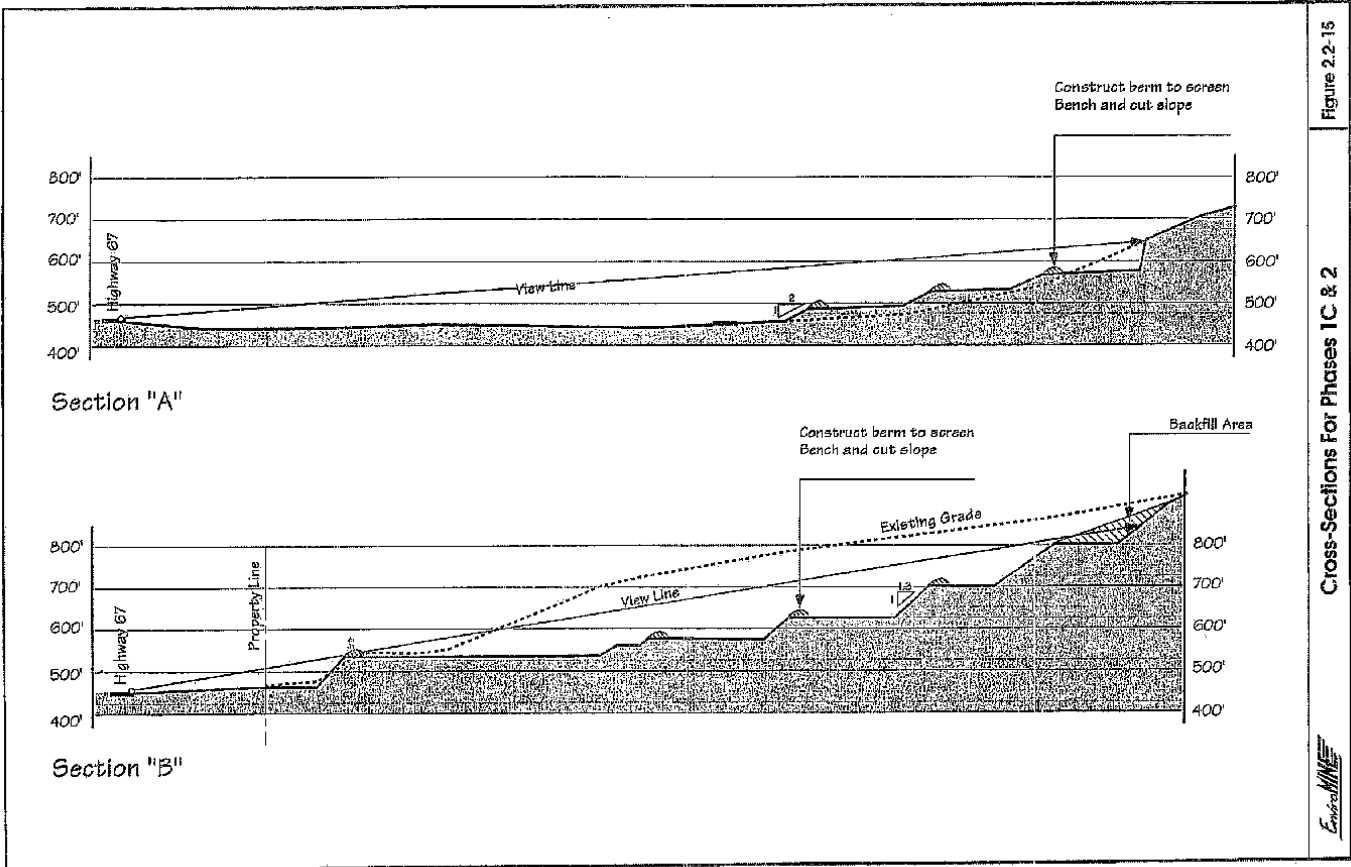
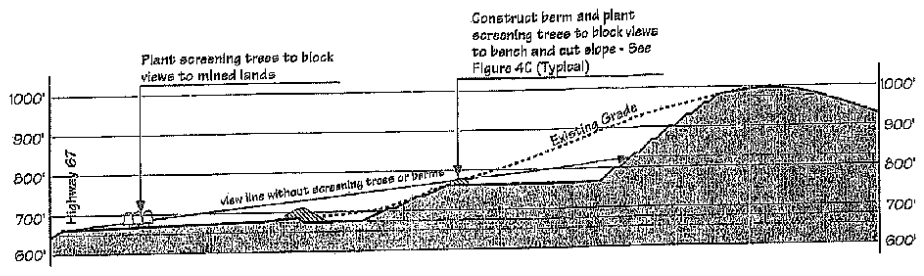


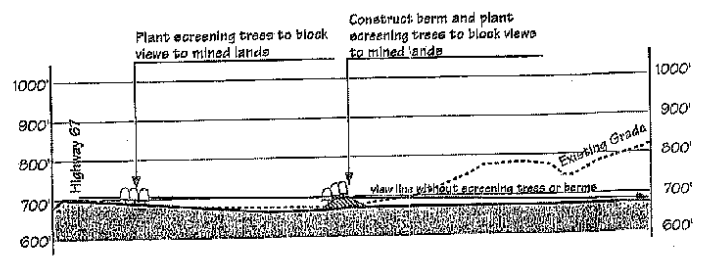
Figure 2.2-15

Cross-Sections For Phases 1C & 2





Section "C"



Section "D"

Sections
 Existing and proposed elevations based on Existing and Section Control Elevations by James R. Robinson, and D. Eugene, dated 10/20/92 and dated 04/19/92.

Scale
 1" = 200'
 1" = 400'

This drawing is conceptual and for planning purposes only. Program information, scale, location of areas, and other information shown are subject to field conditions and modifications.



EXHIBIT D

PRC 7301.2

HANSON AGGREGATES PACIFIC SOUTHWEST, INC. PROJECT

STATEMENT OF FINDINGS

INTRODUCTION

The California State Lands Commission (CSLC), acting as a responsible agency under the California Environmental Quality Act (CEQA), makes these findings to comply with CEQA as part of its discretionary approval to authorize issuance of a Solid Mineral Extraction Lease to Hanson Aggregates Pacific Southwest, Inc. (Hanson) for use of State reserved mineral interest (RMI) school lands associated with the proposed “Hanson Aggregates Major Use Permit and Reclamation Plan, Baxter Drilling Company Major Use Permit and Reclamation Plan” (Project). (See generally Pub. Res. Code, § 21069; State CEQA Guidelines, § 15381.)¹ The CSLC has jurisdiction and management authority over all ungranted tidelands, submerged lands, and the beds of navigable lakes and waterways. The CSLC also has certain residual and review authority for tidelands and submerged lands legislatively granted in trust to local jurisdictions (Pub. Res. Code, §§ 6301, 6306). All tidelands and submerged lands, granted or ungranted, as well as navigable lakes and waterways, are subject to the protections of the Common Law Public Trust.

The CSLC is a responsible agency under CEQA for the Project because the CSLC must approve the Solid Mineral Extraction Lease for the Project to go forward and because San Diego County (County), as the CEQA lead agency, has the principal responsibility for approving the Project and has completed its environmental review under CEQA. The County analyzed the environmental impacts associated with Project implementation in a Final Supplemental Environmental Impact Report (EIR) (State Clearinghouse No. 1992041089) and, on March 17, 2000, certified the EIR and adopted Findings and the Project Mitigation Monitoring and Reporting Program (MMRP). The Project approved by the County has three components.

- Major Use Permit No. P 77-066W would extend existing aggregate extraction, without expanding production capability, on areas described as future reserve in an EIR prepared for the current Special Use Permit (P 77-066) and Reclamation Plan (RP 79-011) approved in 1978. Hanson proposes to extend the life of this operation for approximately 30 years to enable the extraction of the regionally significant Stadium Conglomerate aggregate resources, which occur on-site.

¹ CEQA is codified in Public Resources Code section 21000 et seq. The State CEQA Guidelines are found in California Code of Regulations, Title 14, section 15000 et seq.

- Reclamation Plan No. RP 79011W would result in creation of nine pads suitable for future industrial use on the Hanson properties. These pads would be cut in place and would require the placement of approximately 139,000 cubic yards of fill materials. Fill materials would be by-products of the aggregate processing and will originate on-site. Proposed revegetation of reclaimed slopes and slope benches with native species would reduce visual contrast and restore habitat values.
- Major Use Permit No. P 89-033 would amend Baxter Drilling Company's existing Major Use Permit (P 76-080), issued for explosive storage. The amended permit would be for explosive storage, extraction of aggregate resources to enlarge an existing six-acre industrial pad, and creation of four new pads. The Project proposes to move the existing explosive storage magazines to a newly created pad at the northeast portion of the site. Extraction of the aggregate resources is planned to be completed in series with the Hanson operations.

Due to the interrelationship of these proposals, the County prepared one Reclamation Plan to address both operations, but accounted for the Baxter proposal separately as RP 93-001. Reclamation of the Baxter property would be phased to follow aggregate extraction, and would be completed within five years following approval (depending on market demand for aggregate materials). All slopes would be revegetated with native species similar to those found on adjacent off-site areas.

The overall objectives of the Project are to:

1. Maximize the extraction potential of the regionally significant sand and gravel deposit located within the Project site in a safe and efficient manner.
2. Utilize the existing processing plant located adjacent to the Project site.
3. Service the established market area, which includes an approximate 10-mile radius from the Project site and extended areas to the east.
4. Create usable land forms suitable for future industrial development, which will be compatible with the surrounding area, and which will be a valuable asset to the Community of Lakeside.
5. To the greatest extent possible, visually harmonize the created landscape with the surrounding area, and wherever possible, relate final slopes and revegetation to Lakeside Community Plan design guidelines.
6. Mitigate, by design, potential environmental impacts on the land that might otherwise be created by this highly visible "side-hill" aggregate extraction operation.

Because the proposed activities occur on State RMI school land, Hanson must obtain a Solid Mineral Extraction Lease from the CSLC. The previous lease, permitting the former extraction activities, expired on June 30, 1999. In July 12, 2000, Hanson submitted an application for a new Solid Mineral Extraction Lease that would permit the proposed Project.

The County determined that the Project could have significant environmental effects on the following environmental resources:

- Biological Resources
- Visual Quality
- Erosion, Sedimentation, and Water Quality
- Community Character
- Slope Stability
- Noise

The County also determined that the Project could have a significant cumulative impact on the following environmental resources:

- Drainage
- Visual Quality

In certifying the EIR and approving the Project, the County imposed various mitigation measures for Project-related significant effects on the environment as conditions of Project approval. The County also determined that the Project would not have significant environmental effects on three environmental resource areas—Cultural Resources, Public Safety, and Air Quality—and thus did not impose mitigation measures as CEQA does not require mitigation for impacts that are less than significant.

As a responsible agency, the CSLC complies with CEQA by considering the lead agency's EIR and reaching its own conclusions on whether, how, and with what conditions to approve a project. In so doing, the CSLC may require changes in a project to lessen or avoid the effects, either direct or indirect, of that part of the project which the CSLC will be called on to carry out or approve. In order to ensure the identified mitigation measures and/or project revisions are implemented, the CSLC adopts the MMRP as set forth in Exhibit C as part of its Project approval. All tables and figures referenced in the mitigation measures provided in these Findings are found at the end of the MMRP in Exhibit C.

FINDINGS

The CSLC's role as a responsible agency affects the scope of, but not the obligation to adopt, findings required by CEQA. Findings are required under CEQA by each public agency that approves a project for which an EIR has been certified that identifies one or more significant impacts on the environment (Pub. Res. Code, § 21081, subd. (a); State CEQA Guidelines, § 15091, subd. (a)). Because the EIR certified by the County for the Project identifies potentially significant impacts that fall within the scope of the CSLC's approval, the CSLC makes the Findings set forth below as a responsible agency under CEQA. (CEQA Guidelines, § 15096, subd. (h); *Resource Defense Fund v. Local Agency Formation Comm. of Santa Cruz County* (1987) 191 Cal.App.3d 886, 896-898.)

While the CSLC must consider the environmental impacts of the Project as set forth in the County's EIR, the CSLC's obligation to mitigate or avoid the direct or indirect environmental impacts of the Project is limited to those parts which it decides to carry out, finance, or approve (Pub. Res. Code, § 21002.1, subd. (d); CEQA Guidelines, §§ 15041, subd. (b), 15096, subds. (f)-(g)). Accordingly, because the CSLC's exercise of discretion involves only the issuance of a Solid Mineral Extraction Lease for the Project, the CSLC is responsible for considering only the environmental impacts related to lands or resources subject to the CSLC's jurisdiction. With respect to all other impacts

associated with implementation of the Project, the CSLC is bound by the legal presumption that the EIR fully complies with CEQA.

The CSLC has reviewed and considered the information contained in the County's EIR. All significant adverse impacts of the Project identified in the EIR relating to the CSLC's approval of a Solid Mineral Extraction Lease, which would authorize Hanson's Project activities on State sovereign land, are included herein and organized according to the resource affected. These Findings, which reflect the independent judgment of the CSLC, are intended to comply with CEQA's mandate that no public agency shall approve or carry out a project for which an EIR has been certified that identifies one or more significant environmental effects unless the agency makes written findings for each of those significant effects. The possible findings on each significant effect are:

- (1) Changes or alterations have been required in, or incorporated into, the project which mitigate or avoid the significant effects on the environment;
- (2) Those changes or alterations are within the responsibility and jurisdiction of another public agency and have been, or can and should be, adopted by that other agency;
- (3) Specific economic, legal, social, technological, or other considerations, including considerations for the provision of employment opportunities for highly trained workers, make infeasible the mitigation measures or alternatives identified in the EIR.²

Whenever Finding (3) is made, the CSLC has determined that sufficient mitigation is not practicable to reduce the impact to a less than significant level, and even after implementation of all feasible mitigation measures, there will be or could be an unavoidable significant adverse impact due to the Project. Significant impacts requiring Finding (3) were not identified in the EIR.

These Findings are based on the information contained in the EIR, as well as information provided by to CSLC staff by the County and the Applicant, all of which is contained in the administrative record. The mitigation measures are briefly described in these Findings; more detail on the mitigation measures is included in the County's EIR.

The CSLC is the custodian of the record of proceedings upon which its decision is based. The location of the CSLC's record of proceedings is in the Sacramento office of the CSLC, 100 Howe Avenue, Suite 100-South, Sacramento, CA 95825.

I. IMPACTS REDUCED TO LESS THAN SIGNIFICANT LEVELS WITH MITIGATION

The following impacts were determined in the EIR to be potentially significant absent mitigation. After application of mitigation, however, the impacts were determined to be less than significant.

² See Public Resources Code section 21081, subdivision (a), and State CEQA Guidelines section 15091, subdivision (a).

A. BIOLOGICAL RESOURCES

CEQA FINDING NO. 2.1.3.a

Impact: **2.1.3.a. Impacts to Granitic Chamise Chaparral.** The project would result in the loss of approximately 13.19 acres of Granitic Chamise Chaparral.

Finding(s): (1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR.

FACTS SUPPORTING THE FINDING(S)

Impacts to Granitic Chamise Chaparral habitat are mitigated to a level of less than significant because 12.96 acres of Granitic Chamise Chaparral habitat will be dedicated in an on-site biological open space easement area. The easement places legal restrictions over the area that preclude any grading, construction, or disturbance that would prevent the area within the easement from remaining in its natural state. This action meets the requirements of the County of San Diego Multiple Species Conservation Program (MSCP) and the Biological Mitigation Ordinance (BMO).

On-site dedication in compliance with BMO will exceed mitigation requirements by 4.96 acres. Compliance with the MSCP and BMO meet the CEQA thresholds of less than significant because the County Board of Supervisors adopted the BMO to enable the County to achieve the conservation goals set forth in the Subarea Plan for the MSCP. The BMO protects the County's biological resources and prevents their degradation and loss by establishing criteria for: (1) avoidance of impacts to biological resource Core areas; (2) avoidance of impacts to plant and animal populations within Core areas; and (3) mitigation requirements for all projects requiring a discretionary permit. Specific habitats are preserved in a regional scale with off-site mitigation and habitat avoidance. Impacted areas and preserved areas are reported to the U.S. Fish and Wildlife Service (USFWS) and the California Department for Fish and Game (CDFG) by the lead agency on an annual basis. These reports, in part, quantify impacts to, and preservation of, specific habitat types.

Mitigation for 2.1.3.a. Granitic Chamise Chaparral Impacts:

Approximately 13.19 acres of Granitic Chamise Chaparral would be lost on the Hanson property. Hanson will preserve 5.19 acres of Core area habitat, and 7.77 acres of non-Core area Granitic Chamise Chaparral habitat using mitigation ratios established by the BMO; this will result in an overall credit of 4.96 acres (excess mitigation lands), which may be applied to other Tier III impacts.

The mitigation measures listed below will reduce significant impacts to Granitic Chamise Chaparral to below a level of significance.

1. Prior to use and reliance upon Major Use Permit P77-066W1, the applicant shall, to the satisfaction of the Department of Planning and Land Use, dedicate to the

County of San Diego an open space easement associated with biological habitats as shown on Figure 2.1-3 of this document.³ This open space easement is for the protection of Granitic Chamise Chaparral, Diegan Coastal Sage Scrub, and non-Native Grassland habitats. The total area of on-site preservation equals 35.08 acres. Adequate Tier III mitigation lands (19.49 acres of mitigation credit) (i.e., Granitic Chamise Chaparral and Non-Native Grassland) are available on-site to offset impacts to Non-Native Grassland. This open space easement shall prohibit brushing, clearing, grading, placement of structures or any other thing, installation or maintenance of septic systems, or vegetation addition or removal.

2. An excess of 4.96 acres of mitigation credits may be applied to other habitat mitigation requirements. "In-Tier" (BMO Attachments K and M) credits may be transferred as necessary to meet project mitigation requirements. Refer to Table 2.1-2 for a listing of impacts, required mitigation, and available on-site mitigation credits.⁴

LEVEL OF SIGNIFICANCE AFTER MITIGATION

With the mitigation described above, this impact is reduced to a less than significant level.

CEQA FINDING NO. 2.1.3.b

Impact: **2.1.3.b. Impacts to Diegan Coastal Sage Scrub — Inland Form and the California Gnatcatcher.** The project would result in the loss of 47.67 acres of Diegan Coastal Sage Scrub on the Hanson property and 4.80 acres on the Baxter property.

Finding(s): (1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR.

FACTS SUPPORTING THE FINDING(S)

Impacts to Diegan Coastal Sage Scrub Inland Form and the California Gnatcatcher are mitigated to a level of less than significant because 21.45 acres of Granitic Chamise Chaparral habitat will be dedicated in an on-site biological open space easement area. The easement places legal restrictions over the area that preclude any grading, construction, or disturbance that would prevent the area within the easement from remaining in its natural state. This action meets MSCP and BMO requirements.

On-site dedication must be augmented by off-site habitat dedication in an approved mitigation land bank in compliance with BMO. Dedication of 27.47 acres of Core area habitat, or 41.66 acres of non-Core area habitat, meets the requirements of the MSCP and BMO for the Hanson Project. Dedication of 4.80 acres of Core area habitat, or 7.20 acres of non-Core area habitat meets the requirements of the MSCP and BMO for

³ Figure is provided in the MMRP in Exhibit C.

⁴ Table is provided in the MMRP in Exhibit C.

the Baxter Project. Compliance with the MSCP and BMO meets the CEQA thresholds of less than significant because the County Board of Supervisors adopted the BMO to enable the County to achieve the conservation goals set forth in the Subarea Plan for the MSCP. The BMO protects the County's biological resources and prevents their degradation and loss by establishing criteria for: (1) avoidance of impacts to biological resource Core areas; (2) avoidance of impacts to plant and animal populations within Core areas; and (3) mitigation requirements for all projects requiring a discretionary permit. Specific habitats are preserved in a regional scale with off-site mitigation and habitat avoidance. Impacted areas and preserved areas are reported to the USFWS and CDFG by the lead agency on an annual basis. These reports, in part, quantify impacts to, and preservation of, specific habitat types.

Mitigation for 2.1.3.b. Diegan Coastal Sage Scrub-Inland Form and California gnatcatcher impacts:

The mitigation measures listed below will reduce significant impacts to Diegan Sage Scrub habitat and the California gnatcatcher to below a level of significance.

Hanson Ownership

1. Prior to use and reliance upon Major Use Permit P77-066W1, the applicant shall, to the satisfaction of the Department of Planning and Land Use, dedicate to the County of San Diego an open space easement associated with biological habitats as shown on Figure 2.1-3 of this document. This open space easement is for the protection of Granitic Chamise Chaparral, Diegan Coastal Sage Scrub, and non-Native Grassland habitats. The total area of on-site preservation equals 35.08 acres. This open space easement shall prohibit brushing, clearing, grading, placement of structures or any other thing, installation or maintenance of septic systems or vegetation addition or removal.
2. In-tier credits shall be purchased in an established off-site mitigation land bank. These credits shall be purchased by the project proponent to offset all impacts to Diegan Coastal Sage Scrub habitat not already mitigated for using on-site preservation. Off-site mitigation credits shall be purchased at a 1:1 ratio (27.47 acres) if purchased within the MSCP Core Biological Area, OR, at a 1.5:1 ratio (41.66 acres) if purchased outside of the Core area. Refer to Table 2.1-2 for a listing of all impacts, required mitigation, and available on-site mitigation credits.

In addition to on-site preservation identified in Item 2.1.3.b 1 above, Hanson holds properties adjacent to the Tijuana River in south San Diego. As an alternative to purchase of DSS habitat within an established preserve (as described in Item 2.1.3.b 2 above), Hanson may choose to preserve portions of the site owned by the company in Tijuana River Valley.

The Tijuana River property is located east of Dairy Mart Road, south of Servando Avenue. The site consists of two parcels (APNs #664-010-47; 665-010-01). One parcel is approximately 35.43 acres, the other parcel is approximately 34.95 acres (approximately 70.38 total). These parcels are located within the adopted

City of San Diego Multi-Species Conservation Program Plan (MSCP) and are indicated as proposed preserve area.

The Tijuana River site contains extremely valuable wildlife habitat which has been formed, in part, by past sand extraction operations. These operations have created year-round open water and have attracted a variety of wildlife, such as ducks, gulls, terns, and other water birds. In addition, the Willow Riparian Woodland habitats nearby are home to the endangered least Bell's vireo and threatened Southwestern Willow Flycatcher. Regionally, the primary resources include the riparian and estuarine-associated habitats. The Tijuana River valley is the subject of efforts to extend protection over the highly valued wildlife resources found in this area.

The riparian habitats found on the Tijuana River property are listed as a Tier habitat on the MSCP Tier Level chart (BMO - Attachment K). Tier I habitats are the rarest of habitats found within the MSCP preserve design and therefore, are the highest valued (i.e., mitigation ratios are greater). Conversely, the BMO lists DSS habitat, such as that to be impacted at the Highway 67 site, as Tier II habitats. Tier II habitats are more abundant than Tier I habitats and are therefore are subject to reduced mitigation requirements.

Through meetings with the County Department of Planning & Land Use and Parks & Recreation Department, U. S. Fish & Wildlife Service, and California Department of Fish & Game, it has been determined that Hanson may utilize the riparian habitats (Tier I) found on the Tijuana River property as a mitigation for impacts to DSS habitat resulting from continuing operations at the Highway 67 property (Tier II). As such, the following mitigation measure shall apply should Hanson determine to utilize the Tijuana River property.

3. Should Hanson utilize the Tijuana River property as a mitigation site, mitigation for impacts to native habitats shall be provided at a 1:1 ratio (i.e., one acre of DSS impacts for one acre of riparian habitat).

Baxter Property

4. In-tier credits shall be purchased in an established off-site mitigation conservation land bank approved by the Department of Planning and Land Use. These credits shall be purchased by the project proponent to offset all impacts to Diegan Coastal Sage Scrub habitat not already mitigated for using on-site preservation. Off-site mitigation credits shall be purchased at a 1:1 ratio (4.80 acres) if purchased within the MSCP Core Biological Area, OR, at a 1.5:1 ratio (7.2 acres) if purchased outside of the Core area

LEVEL OF SIGNIFICANCE AFTER MITIGATION

With the mitigation described above, this impact is reduced to a less than significant level.

CEQA FINDING NO. 2.1.3.c

Impact: **2.1.3.c. Impacts to Disturbed/Non-Native Grassland.** The project would result in the loss of 0.39 acre of Disturbed/Non-Native Grassland on the Hanson property.

Finding(s): (1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR.

FACTS SUPPORTING THE FINDING(S)

Impacts to Disturbed/Non-Native Grassland are mitigated to a level of less than significant because 0.67 acre of non-native grassland habitat will be dedicated in an on-site biological open space easement area. The easement places legal restrictions over the area that preclude any grading, construction, or disturbance that would prevent the area within the easement from remaining in its natural state. This action meets the requirements of the MSCP and the BMO. On-site dedication must be augmented by off-site habitat dedication in an approved mitigation land bank in compliance with BMO.

Dedication of 0.67 acre of Core area habitat meets the requirements of the MSCP and BMO. Compliance with the MSCP and BMO meets the CEQA thresholds of less than significant because the County Board of Supervisors adopted the BMO to enable the County to achieve the conservation goals set forth in the Subarea Plan for the MSCP. The BMO protects the County's biological resources and prevents their degradation and loss by establishing criteria for: (1) avoidance of impacts to biological resource Core areas; (2) avoidance of impacts to plant and animal populations within Core areas; and (3) mitigation requirements for all projects requiring a discretionary permit. Specific habitats are preserved in a regional scale with off-site mitigation and habitat avoidance. Impacted areas and preserved areas are reported to the USFWS and CDFG by the lead agency on an annual basis. These reports, in part, quantify impacts to, and preservation of, specific habitat types.

Mitigation for 2.1.3.c. Non-Native Grassland Impacts:

Adherence to the mitigation measures listed below will reduce direct significant impacts to Non-Native Grassland to below a level of significance.

Hanson Ownership

1. Prior to use and reliance upon Major Use Permit P77-066W1, the applicant shall to the satisfaction of the Department of Planning and Land Use, dedicate to the County of San Diego an open space easement associated with biological habitats as shown on Figure 2.1-3. This open space easement is for the protection of Granitic Chamise Chaparral, Diegan Coastal Sage Scrub, and non-Native Grassland habitats. The total area of on-site preservation equals 35.08 acres. Adequate Tier III mitigation lands (19.49 acres of mitigation credit) (i.e., Granitic Chamise Chaparral and Non-Native Grassland) are available on-site to off-set impacts to Non-Native Grassland. This open space easement shall

prohibit brushing, clearing, grading, placement of structures or any other thing, installation or maintenance of septic systems or vegetation addition or removal.

2. An excess of 0.95 acre of mitigation credits may be applied to other habitat mitigation requirements. "In Tier" (BMO Attachments K and M) credits may be transferred as necessary to meet project mitigation requirements. Refer to Table 2.1-2 for a listing of impacts, required mitigation, and available on-site mitigation credits.

LEVEL OF SIGNIFICANCE AFTER MITIGATION

With the mitigation described above, this impact is reduced to a less than significant level.

CEQA FINDING NO. 2.1.3.d

Impact: **2.1.3.d. Impacts to Sensitive Species.** The project would result in significant impacts to Bell's sage sparrow and Rufous-crowned sparrow through habitat destruction.

Finding(s): (1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR.

FACTS SUPPORTING THE FINDING(S)

Impacts to sensitive species are mitigated to a level less than significant because habitat will be dedicated in an on-site biological open space easement area and additional lands will be dedicated in an offsite mitigation land bank area. The easements place legal restrictions over the area that preclude any grading, construction, or disturbance that would prevent the areas within the easements from remaining in a natural state. This action meets the requirements of the MSCP and the BMO. On-site dedication must be augmented by off-site habitat dedication in an approved mitigation land bank in compliance with BMO.

Dedication of 21.45 acres of Diegan Coastal Sage Scrub habitat, 12.96 acres of Granitic Chemise Chaparral habitat, 0.67 acre of Non-native Grassland, plus an additional 27.47 acres of off-site habitat dedication meets the requirements of the MSCP and BMO. Compliance with the MSCP and BMO meets the CEQA thresholds of less than significant because the County Board of Supervisors adopted the BMO to enable the County to achieve the conservation goals set forth in the Subarea Plan for the MSCP. The BMO protects the County's biological resources and prevents their degradation and loss by establishing criteria for: (1) avoidance of Impacts to biological resource Core areas; (2) avoidance of impacts to plant and animal populations within Core areas; and (3) mitigation requirements for all projects requiring a discretionary permit. Specific habitats are preserved on a regional scale with off-site mitigation and habitat avoidance. Impacted areas and preserved areas are reported to the USFWS and CDFG by the lead agency on an annual basis.

Mitigation for 2.1.3.d. Impacts to Sensitive Species:

Mitigation measures listed in Section 2.1.3.b will reduce direct significant impacts to sensitive species to below a level of significance. The sensitive species were identified in Diegan Sage Scrub habitat. Mitigation measures that replace disturbed habitat areas through off-site habitat purchase also provide mitigation for sensitive species.

LEVEL OF SIGNIFICANCE AFTER MITIGATION

With the mitigation described above, this impact is reduced to a less than significant level.

CEQA FINDING NO. 2.1.3.e

Impact: **2.1.3.e. Noise Impacts to the California Gnatcatcher.** The project will exceed the 60 dBA threshold for impacts to the California gnatcatcher. Noise levels that exceed 60 dBA are considered to be significant noise impacts.

Finding(s): (1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR.

FACTS SUPPORTING THE FINDING(S)

Noise impacts to the California gnatcatcher are mitigated to a level less than significant by adoption of conditions that require the use of noise reduction apparatus on heavy earth moving equipment used in the operations, by positioning of noise producing equipment to eliminate the potential for direct line-of-sight to locations where noise sensitive species can be present, and by modifying operations during the breeding season for the California gnatcatcher (March 1 and August 15). These requirements ensure that noise produced by the operations will not exceed the 60 dBA noise threshold during the breeding season. Noise levels of less than 60 dBA do not affect the California gnatcatcher's ability to reproduce on habitat lands located adjacent to the operations areas of the site. Therefore, CEQA requirements to change or alter the Project to avoid significant impacts have been successfully achieved.

Mitigation for 2.1.3.e. Noise Impacts to the California gnatcatcher:

The following conditions shall become conditions of the Major Use Permit. The mitigation measures listed below will reduce significant noise impacts to the California gnatcatcher to below a level of significance.

1. Each internal combustion engine, used for any purpose on the job or related to the job, shall be equipped with a muffler of a type recommended by the manufacturer. No internal combustion engines shall be operated on the project without a muffler.
2. Stationary noise producing equipment shall not be positioned at on site locations which have a direct line-of-sight to locations where "noise sensitive" species can

be present. Maximum noise exposure for sensitive species shall not exceed 60 dBA (unless the limit is modified).

3. During the breeding season for sensitive species (i.e., California gnatcatcher: March 1 to August 15), and where applicable, haul roads on site shall be routed to provide intervening topography between trucks and direct line-of-sight locations where "noise sensitive" species is (are) present.
4. The operator shall comply with all noise control rules, regulations, and ordinances which apply to any work performed in association with the project. If a noise violation is reported and substantiated by field sound level measurements, applicable changes shall be made immediately, as needed. Appropriate measures may include: changes in the hours of operations, use of different equipment types, performing extractive operations at alternative, less impactive locations on-site, and other measures which bring the project-generated noise levels into compliance with applicable standards.
5. During the breeding season for the California gnatcatcher (March 1 to August 15) the operator shall restrict operations in areas adjacent to sensitive habitat to within 250 feet if the D9N bull dozer is used, or 500 feet if the D10 bull dozer is used. Or, if a biological survey of off-site sensitive habitat verifies that no California gnatcatchers are present, no operating buffer is required.
6. Should evidence indicate that the 60 dBA threshold for significant impacts to sensitive species is not substantiated or modified, biological noise mitigation measures for sensitive species shall not be required or other applicable limit (if any) should be applied.

LEVEL OF SIGNIFICANCE AFTER MITIGATION

With the mitigation described above, this impact is reduced to a less than significant level.

B. VISUAL QUALITY

CEQA FINDING NO. 2.2.3.b

Impact: **2.2.3.b. Long-Term Impacts to Views from State Route (SR) 67.**
Physical change resulting from the project would adversely affect the viewshed of a designated scenic highway (SR 67). Although project design substantially reduces the-severity of these Impacts by rounding and contouring cut slopes and immediately revegetating slopes following operations, visual impacts to SR 67 are significant.

Finding(s): (1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR.

FACTS SUPPORTING THE FINDING(S)

Visual impacts to views from SR 67 are mitigated to a level less than significant by adoption of conditions that reduce visual impacts by reducing color contrast between adjacent undisturbed sites and the Project. The conditions include revegetating all created slopes or treating rock materials to create a weathered appearance, spraying revegetated slopes with colored mulch, using colored concrete to blend with native soils, reducing contrast with existing land forms by grading slopes to respect existing contours, and by screening views of the site from SR 67. These measures meet CEQA requirements to substantially lessen the negative visual Impacts.

Mitigation for Impact 2.2.3.b. Long-Term Visual Impacts to State Route 67 from Grading and Topographic Alteration

Adherence to the mitigation measures listed below will reduce long-term visual impacts to SR 67 associated with grading and topography alterations to less than significant.

1. To reduce the contrast and unify mined lands with natural areas adjacent to the final sloped areas:
 - a. All final cut slopes composed of Stadium Conglomerate materials shall be sprayed with a dark-colored mulch material as part of the hydroseeding program.
 - b. All final cut slopes composed of more than 75% rock material shall be sprayed with an "acid wash," "Permeon®," or equivalent solution to render an old-aged and weathered appearance to the rock.
2. To reduce the amount of cut slope area viewed and to break up long even edges (lines) of level building pads with cut and fill slopes, perimeter berms that vary from 5 feet to 15 feet in height shall be developed at the leading edges of all terraces.
3. Mined lands shall be incrementally revegetated in phases that immediately follow completion of individual extraction phases.
4. To reduce color and texture contrasts with adjacent undisturbed lands and break up long slope faces, all disturbed lands shall be revegetated with herbaceous and woody species contained in one of three species mixes selected to reflect specific growing conditions as follows:
 - a. Building pads and other level to slight gradient slopes composed of backfill soil materials;
 - b. Cut slopes composed of rocky conglomerate materials; and
 - c. Fill slopes and berms soil materials.

Refer to Figure 2.2-13 for location of specific planting areas for seed mixtures. Table 2.2-1 identifies the seed mixtures.

5. To reduce color contrasts with adjacent undisturbed lands, concrete used in perimeter drainage channels shall be tinted and any other structures to remain on the site shall be painted with a flat-valued paint to match the color of

immediately adjacent soils. Use the Munsell Soil Color Coding System to identify colors.

6. To restrict views into the project site from SR 67, upon initiation of Phase 1 mining activities, screening trees and shrubs shall be planted to infill existing vegetation located along the south end of the existing processing plant area on the Hanson property (see figure 2.2-13). Screening trees and shrubs are identified on Table 2.2-2.
7. To restrict foreground views from SR 67 into the upper slopes of Phase 2, three rows of screening trees and shrubs shall be planted along the top of the perimeter berm located on the western half of the Baxter property in Phase 1C (see Figure 2.2-13 and 2.2-14). Screening trees and shrubs are identified on Table 2.2-2.
8. To screen foreground views from SR 67 looking into mining Phases 3 and 6:
 - a. Using fill materials, an approximately ten-foot to fifteen-foot-high screening berm with 3:1 side slopes shall be created parallel to the western property line of Phase 3 (Figure 2.2-14).
 - b. Prior to mining of Phase 3, three rows of screening trees and shrubs shall be planted in the State of California (Caltrans) right-of-way as close to Highway 67 as is safe. If a planting easement is not secured from the State, one row of screening trees and shrubs shall be immediately planted along the property line adjacent to Phase 3 and, at the conclusion of Phase 3, screening trees and shrubs shall be planted on the berm identified in Mitigation Measure 8a (see Figures 2.2-13 and 2.2-16). Screening trees and shrubs are identified on Table 2.2-2.
9. To screen foreground views from SR 67 to the upper slopes created in Phase 2 and the area designated as Multiple Rural Use land use, the placement of backfill materials shall be coordinated with Phase 2 mining activities to recreate the scale, line, and form of the nose of the mined hillside as seen from SR 67 (see Figures 2.2-13 and 2.2-15).
10. To screen views of the 1/4:1 cut slope on northeastern pad of the Baxter property, three rows of screening trees shall be planted along the top of the perimeter berm in Phase 1C.

LEVEL OF SIGNIFICANCE AFTER MITIGATION

With the mitigation described above, this impact is reduced to a less than significant level.

C. EROSION, SEDIMENTATION, AND WATER QUALITY

CEQA FINDING NO. 2.3.3.a

Impact: **2.3.3.a. Erosion, Sedimentation and Water Quality impacts.** The project will alter drainage patterns, increase erosive potential and runoff through vegetation clearing, and increasing sediment production.

Finding(s): (1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR.

FACTS SUPPORTING THE FINDING(S)

The Project will reduce the potential for erosion, sedimentation, and water quality impacts to a level less than significant by requiring:

- implementation of a drainage plan that prescribes enlargement of an existing sediment pond;,
- annual and as-needed dredging to maintain sediment storage capacity;
- storage of removed sediments such that the sediments cannot not re-enter drainage structures or move downstream;
- removal of debris from pipe spillway whenever accumulation occurs; and
- stabilization of slopes adjacent to sedimentation ponds.

These measures are designed to control runoff and sedimentation from the 100-year runoff event. Runoff control is provided by the implementation of the Drainage Control Plans identified in Section 1.1.12 of the Project Description and as shown on Figure 1.1-13 of the County EIR. These measures must be implemented in phases to follow mining progress on the site. Compliance with the mitigation measures eliminates the potential for uncontrolled drainage and sedimentation of downstream areas. The mitigation measures meet CEQA requirements by making alterations in the project design that will avoid potential erosion and sedimentation Impacts by collecting and treating all runoff waters in on-site detention basins. This prevents pollution of downstream surface waters.

Mitigation for Impact 2.3.3a. Erosion, Sedimentation and Water Quality Impacts:

Adherence to the mitigation measures listed below will reduce erosion, sedimentation and water quality impacts to below a level of significance.

Hanson Project

1. The sediment pond shall be enlarged to provide for a minimum of .75 acres of surface area and provide for 1,780 cubic yards of sediment storage.
2. The sediment pond shall be dredged yearly to maintain a minimum storage of 1.1 acre-feet below the average pipe inlet elevation of 482.7 feet AMSL.
3. The sediment stored in the ponds shall be removed whenever the capacity is reduced to improperly functioning levels. The maximum level of sediment deposition shall not be greater than one half of the total storage volume. If at any time, this maximum level is exceeded, the basin shall be cleaned, even if it is not due for maintenance clean out.

4. The dredged sediment shall be disposed of in such a manner that will prevent its return to the basin or movement into downstream areas during subsequent runoff.
5. Debris on the pipe spillway shall be cleaned whenever it starts to accumulate.
6. The slopes adjacent to the pond shall be stabilized.

Baxter Project

1. Temporary desilting ponds shall be constructed to contain drainage from the project site.
2. The desilting ponds shall be dredged yearly to remove accumulated sediments.
3. The sediment stored in the pond shall be removed whenever the capacity is reduced to improperly functioning levels. The maximum level of sediment deposition shall not be greater than one half of the total storage volume. If at any time; this maximum level is exceeded, the basin(s) shall be cleaned, even not due for maintenance clean out.
4. The dredged sediment shall be disposed of in such a manner that will prevent its return to the basin or movement into downstream areas during subsequent runoff.
5. Debris on pipe spillways shall be cleaned whenever it starts to accumulate.
6. The slopes adjacent to the desilting basins shall be stabilized.

LEVEL OF SIGNIFICANCE AFTER MITIGATION

With the mitigation described above, this impact is reduced to a less than significant level.

D. COMMUNITY CHARACTER

CEQA FINDING NO. 2.4.3.a

Impact: **2.4.3.a. Community Character Impacts.** Implementation of the project will result in substantial landform alteration over a period of several years prior to reclamation and revegetation activities. Landform alterations significantly impact the community character of the area.

Finding(s): (1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR.

FACTS SUPPORTING THE FINDING(S)

Community Character impacts resulting from landform alterations will be mitigated to a level less than significant by reclamation of the site in compliance with Reclamation Plans RP 79-011W1 and RP 93-001 and a requirement for any future industrial development to comply with Lakeside Design Guidelines. Compliance with Reclamation Plans will result in the reduction of the existing large cut slope, and revegetation of reclaimed slope areas to blend the site with surrounding undisturbed

areas. Requiring future Industrial development proposals to comply with the Lakeside Design Guidelines will assure that all future development meets established community design standards. Application of these mitigation measures meets CEQA requirements to substantially reduce significant Community Character impacts by implementing work plans that lessen visual impacts, and by requiring future development to be designed with respect for adopted community design standards.

Mitigation for Impact 2.4.3a. Community Character Impacts

Adherence to the mitigation measures listed below will reduce community character impacts to below a level of significance.

1. Reclamation of the extractive operations shall be completed as identified in RP 77-022W1 and RP 93-001. These measures shall include the reduction of the large cut slope and revegetation of all slope areas with native species.
2. When future industrial uses are proposed, Design Standards shall be proposed in conformance with the Lakeside Design Guidelines.

LEVEL OF SIGNIFICANCE AFTER MITIGATION

With the mitigation described above, this impact is reduced to a less than significant level.

E. SLOPE STABILITY

CEQA FINDING NO. 2.5.3

Impact: **2.5.3. Slope Stability.** Extractive operations will result in the construction of 14 cut/fill slopes on the project site. Created slopes include 1:1 cut slopes for Stadium Conglomerate materials, 2:1 fill slopes, and a 1/4:1 cut slope on the northeastern pad on the Baxter property. Without conformance to proper geological engineering design standards, slope construction could result in significant slope stability impacts.

Finding(s): (1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR.

FACTS SUPPORTING THE FINDING(S)

Slope stability impacts are reduced to a level of less than significant by adoption of conditions that require adherence to specific design standards. These standards require that:

- slopes cut from Stadium Conglomerate materials shall be no steeper than 1:1;
- slope benches shall be provided at vertical intervals of 33 feet or less, where pre-spill blasting is used for the development of the 1/4:1 cut slope on the Baxter property; and

- slope height in excess of 50 feet shall be inspected by a Certified Engineering Geologist to determine appropriate blasting and stabilization techniques.

Compliance with these standards meets CEQA mitigation requirements by requiring project design changes that would reduce the potential for slope failure impacts to level less than significant.

Mitigation for Impact 2.5.3. Slope Stability

Adherence to the mitigation measures listed below will reduce slope stability impacts to below a level of significance.

1. Slopes cut from Stadium Conglomerate materials shall be no steeper than one horizontal to one vertical (1:1).
2. Slope benches shall be provided at vertical intervals of 33 feet or less to control erosion and falling rock that may loosen and roll down the slope.
3. Where slope benches are used, the slope ratio shall be determined using the toe and top of the slope, and not the actual slope face inclination.
4. Granitic slopes cut at a 1:1 ratio should be stable to a height of about 300 feet. However, where blasting is used to develop the cut slopes, periodic inspection by a Certified Engineering Geologist shall be conducted to assure the stability of the cut slope.
5. Where pre-split blasting is used for the development of the 1/4:1 cut slope on the Baxter property, slope heights in excess of 50 feet shall be inspected by a Certified Engineering Geologist prior to blasting to determine the potential for adversely oriented joints or fractures. If adverse conditions are identified in the examination, stabilization techniques, such as rock anchors may be required.

LEVEL OF SIGNIFICANCE AFTER MITIGATION

With the mitigation described above, this impact is reduced to a less than significant level.

F. NOISE

CEQA FINDING NO. 2.6.3.a

Impact: **2.6.3.a. Extraction Operation Noise Impacts in the M58 Zone.** The project would result in noise exposure to the off-site area for a total of eight days over the proposed 30-year approval period.

Finding(s): (1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR.

FACTS SUPPORTING THE FINDING(S)

Noise impacts to surrounding areas are reduced to a level less than significant by issuance of a Noise Variance pursuant to Section 36.424 of County Code, or by providing evidence to the satisfaction of the Director of the Department of Planning and Land Use that a variance is not necessary.

Although noise limits could exceed the allowable property line noise exposure of 75 dBA, no land uses are present that would be impacted by operational noises in excess of these levels. Therefore, if no conflicting land uses are present, no impacts can occur. Issuance of a variance allows operations that would exceed the 75 dBA threshold to be conducted unless a noise sensitive land use is established. CEQA mitigation requirements are achieved by prohibiting noise exposure in excess of County standards where noise sensitive receptors would be affected.

Mitigation for Impact 2.6.3a. Extraction Operation Noise Impacts.

Adherence to the mitigation measure listed below will reduce extraction operation noise impacts to below a level of significance.

1. Provide evidence, to the satisfaction of the Director of Planning and Land Use, that compliance with the County's Noise Abatement and Control Ordinance at Chapter 4 of division 6 of title 3 (commencing at Section 36.401) of the County Code has been accomplished by obtaining a Noise Variance pursuant to Section 36.424, or by providing evidence to the satisfaction of the Director that said Variance is not necessary.

LEVEL OF SIGNIFICANCE AFTER MITIGATION

With the mitigation described above, this impact is reduced to a less than significant level.

CEQA FINDING NO. 2.6.3.b

Impact: **2.6.3.b. Noise impacts to "Noise Sensitive" Biological Resources.** The project will exceed the 60 dBA threshold for impacts to the California gnatcatcher. Noise levels that exceed 60 dBA are considered to be significant noise impacts.

Finding(s): (1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR.

FACTS SUPPORTING THE FINDING(S)

Noise Impacts to the 'Noise Sensitive' biological resources are mitigated to a level of less than significant by adoption of conditions that require the use of noise reduction apparatus on heavy earth moving equipment used in the operations, by positioning of noise producing equipment to eliminate the potential for direct line-of-sight to locations

where noise sensitive species can be present, and by modifying operations during the breeding season for the California gnatcatcher (March 1 and August 15). These requirements ensure that noise produced by the operations will not exceed the 60 dBA noise threshold during the breeding season. Noise levels of less than 60 dBA do not affect the California gnatcatcher's ability to reproduce on habitat lands located adjacent to the operations areas of the site. Therefore, the Project, as conditioned, meets CEQA requirements to avoid significant impacts.

Mitigation for Impact 2.6.3.b. Noise Impacts to Biological Resources

Adherence to Mitigation Measure 2.1.3.e. will reduce noise impacts to "Noise Sensitive" biological resources to below a level of significance.

LEVEL OF SIGNIFICANCE AFTER MITIGATION

With the mitigation described above, this impact is reduced to a less than significant level.

CEQA FINDING NO. 2.6.3.c

Impact: **2.6.3.c. Noise impacts to Existing On-site Residence.** Extractive operations adjacent to an existing on-site residence will exceed residential noise standards of 60 dBA.

Finding(s): (1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR.

FACTS SUPPORTING THE FINDING(S)

Noise impacts to the existing residence will be mitigated to a level less than significant by prohibiting residential habitation of this structure. This measure meets CEQA standards by avoiding exposure to noise levels in excess of residential noise standards of 60 dBA. Therefore, noise impacts would not occur.

Mitigation for Impact 2.6.3.c. Noise Impacts to Existing On-site Residence

Adherence to the mitigation measure listed below will reduce noise impacts to the existing on-site residence to below a level of significance.

1. Prior to commencing extractive operations on the Baxter property, residential use of the existing residence shall cease. This structure may be used for business purposes, but residential habitation will no longer be allowed.

LEVEL OF SIGNIFICANCE AFTER MITIGATION

With the mitigation described above, this impact is reduced to a less than significant level.

G. CUMULATIVE IMPACTS

CEQA FINDING: VISUAL QUALITY

Impact: Substantial incremental physical changes to permanent landforms or other aesthetic features within the viewshed of the project area would constitute a significant cumulative effect.

Finding(s): (1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR.

FACTS SUPPORTING THE FINDING(S)

For purposes of evaluating cumulative impacts relative to landform alteration and visual quality, the Asphalt, Inc. Major Use Permit Modification project was considered.

The proposed project involved the mining of aggregate, significantly affecting the existing landform and visual environment. When considered with other resource extraction projects in the project vicinity, the project contributes to cumulatively significant impacts associated with landform alteration and visual quality. For this cumulative effects evaluation, landform alteration and visual quality impacts associated with the Asphalt, Inc. project were considered.

Mitigation for Cumulative Impact: Visual Quality.

Cumulative impacts associated with the projects evaluated would be mitigated through revegetation of slopes as mining is completed in each phase and through the terracing of slopes and rounding of mined slope tops as part of the proposed Reclamation Plan. The terracing of slopes will include benches. Mulched vegetation and surface soils removed prior to mining will be placed on the terraced slopes and planted. Additionally, the mining of both projects would be phased so that all impacts would not occur during one period of time. Following each extraction phase, revegetation of mined areas would occur.

LEVEL OF SIGNIFICANCE AFTER MITIGATION

Mitigation measures proposed by the project and the phased mining of resource in accordance with approved Reclamation Plans would mitigate potential cumulative impacts.

CEQA FINDING: DRAINAGE

Impact: Substantial incrementally effects to local drainage characteristics would be considered a significant cumulative impact.

Finding(s): (1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR.

FACTS SUPPORTING THE FINDING(S)

The project site is located within an east/west trending canyon and hilly terrain, with well-developed canyons and drainage swales ascending away from the canyon floor toward the north. The project site drains off-site to an adjacent industrial area to Slaughterhouse Canyon Creek and ultimately to San Vicente Creek and the San Diego River. Portions of the project site are underlain by Olivenhain cobbly loam, which exhibits a high erosion potential. Runoff can transport eroded soils to surrounding creeks, potentially resulting in downstream siltation. This potential can be exacerbated by other development projects within the watershed which drain into the same creeks.

For the evaluation of cumulatively significant drainage impacts, the following criteria were applied to the projects evaluated for cumulative effects:

- 1) Projects which may result in the potential erosion of Olivenhain cobbly loam, or similar highly erodible soil type; and
- 2) Projects which drain into San Vicente Creek.

Application of these criteria results in the consideration of the following projects:

- Hanson/Baxter
- Asphalt, Inc. MUP Modification
- Navy Housing

The Asphalt, Inc. MUP Modification project site is located in an area underlain by Redding cobbly loam. That soil series exhibits a high potential for erosion. The Navy Housing project site is underlain by Fallbrook Vista sandy loam which exhibits a moderate to high erosion potential. An onsite sedimentation pond shall be enlarged to provide for sediment storage for the Hanson portion of the project site while the Baxter portion proposes temporary desilting ponds. Mitigation measures identified in Section 2.3 of the EIR, would mitigate the project's incremental contribution to soils, erosion and siltation.

Mitigation for Cumulative Impact: Drainage.

To mitigate the cumulative effects of incremental contributions associated with other projects which have the potential to erode Olivenhain cobbly loam and which drain, into San Vicente Creek, similar erosion control measures directed at minimizing transport of silt would be implemented. These measures include installation of landscaping to trap sediment and retard soil erosion; installation of sediment detention basins which adequately handle the 100-year flood event; construction of drainage facilities which direct run-off into sediment detention basins; compliance with the County's Grading Ordinance; and application of Best Management Practices as part of the Applicant's National Pollutant Discharge Elimination System (NPDES) permit.

LEVEL OF SIGNIFICANCE AFTER MITIGATION

Implementation of the measures above, diminish the potential of cumulative drainage impacts such that cumulative impacts would not be significant.

EXHIBIT E

PRC 7301.2

CALIFORNIA STATE LANDS COMMISSION STATE OF CALIFORNIA

MINERAL EXTRACTION LEASE FOR ROCK, SAND AND GRAVEL

At its meeting of May 31, 1989, the California State Lands Commission ("Lessor" or "State") authorized issuance of State Mineral Extraction Lease PRC 7301.2 ("Lease") to Nelson and Sloan Co., covering certain State 100% reserved mineral interest patented school lands in the County of San Diego in the vicinity of Lakeside. On or about March 27, 1999, Hanson Aggregates Pacific Southwest, Inc., a Delaware corporation ("Lessee"), by merging with Nelson Holding Company, d.b.a. Nelson & Sloan, acquired 100% of the original lessee's title and interest in the Lease.

The Lease was issued for an initial term of ten (10) years commencing July 1, 1989. Under the provisions of the Lease, the Lessee may renew the Lease for two (2) successive periods of ten (10) years each upon such reasonable terms and conditions as the State may impose. The primary term of PRC 7301.2 expired on June 31, 1999, and since that time the Lease has been in hold-over status. The Lessee applied to exercise its right of renewal for a period of 10 years. Lessor and Lessee considered renewal and amendment of the Lease. Upon further discussion, Lessor and Lessee have agreed that a new Lease is mutually preferable. Lessor acknowledges that Lessee is the owner of the surface estate and as such possesses certain rights and privileges.

This non-exclusive lease is made and entered into pursuant to Division 6 of the California Public Resources Code by and between the State of California, acting by and through the California State Lands Commission, and Hanson Aggregates Pacific Southwest, Inc., whose mailing address is P.O. Box 639069 San Diego, CA 92163-9069.

SECTION 1

GRANT OF EXCLUSIVE LEASE AND TERM

1. Lessor grants to Lessee the exclusive right to mine and remove rock, sand, gravel, crusher dust, dirt, and blends (collectively "Products") and any other mineral deposits except oil, gas, other hydrocarbons and geothermal resources under terms and conditions specified in this Lease for that certain parcel of land situated in San Diego County, California, described in Exhibit "A," attached and made a part of this Lease, and referred to as the "Leased Lands."

2. This Lease shall be effective on January 1, 2012, and shall continue for ten (10) years unless sooner terminated as provided in this Lease. Lessee shall have a preferential right to renew this lease for one (1) successive term not to exceed ten (10) years upon such reasonable terms and conditions as may be prescribed by the State including, but not limited to, a redetermination of rent and royalty.
3. This Lease does not confer upon Lessee any privilege or right not expressly given in this Lease.

SECTION 2

GENERAL COVENANTS

1. Definitions:

- a. Rock: Stone, whether crushed or uncrushed.
- b. Crusher Dust: A byproduct of the rock crushing process which consists of pulverized rock.
- c. Dirt: Material remaining after the removal of rock and crusher dust.
- d. Blends: The combination of rock, dirt and/or crusher dust.
- e. Sand: Small grains or particles of rock, smaller than a pebble.
- f. Gravel: Small stones and pebbles or a mixture of sand and small stones
- g. Fair Market Value: The price for rock, sand and gravel, crusher dust, dirt, and blends at Lessee's scales when there is a willing seller and a willing buyer acting in their own best interests, neither being under any compulsion to buy or sell and both being prudent and reasonably knowledgeable, or if there is no such price at Lessee's scales, then the price representing the normal consideration for rock, sand and gravel sold where there is an open and competitive market and the price is unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.
- h. Inside Sales: Transfer or sale of products without adjustment of any kind to companies or business entities owned by, affiliated with or controlled by Lessee, or the use of rock, sand and gravel by Lessee for the production of other products prior to their sale to third parties. All such transfers, sales or uses shall be measured at Fair Market Value.

- i. Outside Sales: Sale of products to third parties.
- j. Minimum Annual Royalty: The minimum royalty due to Lessor at the beginning of each lease year regardless of whether there is mining or sale of products from the Leased Lands.
- k. Quarterly Royalty: The royalty due Lessor for each lease quarter for rock, sand and gravel mined or otherwise removed from the Leased Lands.
- l. Gross sales price: For Outside Sales, the gross sales price shall be the actual sales price to third parties. Charges for transportation beyond the valuation point shall not reduce the gross sales price. For Inside Sales, the gross sales price shall be calculated as the fair market value of the same material as sold in outside sales by Lessee but never less than the average retail fair market value of the same material sold by similar companies in San Diego County.
- m. Valuation point: Lessee's scales on or adjacent to the Leased Lands.

2. Royalty:

This Lease requires the payment of a Minimum Annual Royalty and Quarterly Royalty as described below.

- a. Minimum Annual Royalty: Lessee shall pay to Lessor on the 25th of the month, at the beginning of each lease year, a Minimum Annual Royalty of \$7500, Seven Thousand Five Hundred Dollars. This Minimum Annual Royalty is due Lessor regardless of whether there is any production of rock, sand, gravel, crusher dust, blends or dirt during the lease year in question. The Minimum Annual Royalty shall be credited against Quarterly Royalties due and paid during a lease year; provided, however, that the Minimum Annual Royalty credit shall not be carried over from one lease year to another. This Minimum Annual Royalty is non-refundable and non-proratable.
- b. Lessee shall pay, within 30 days of approval of this lease by the California State Lands Commission, three thousand seven hundred and fifty dollars for the Minimum Annual Royalty due for the six month period of July 1, 2011 through December 31, 2011 for the prior lease that is being replaced. Lessee shall pay, within 30 days of approval of this lease, the Minimum Annual Royalty, which is due the 25th of the month, at the beginning of each lease year.
- c. Quarterly Royalty:

- i. For all products extracted and sold from the Leased Lands to third parties, i.e. Outside Sales, Lessee shall pay to Lessor, without deduction, delay, offset or credit of any kind, on or before the dates called for in this Lease, a royalty equal to six and one-half percent (6.5%) of the gross sales price. There shall be no deductions of any kind including, but not limited to, processing and transportation costs, in the calculation of the gross sales price.
- ii. For all products extracted and sold from the Leased Lands to an entity owned by, affiliated with or controlled by Lessee or used by Lessee, i.e. Inside Sales, Lessee shall pay a royalty of six and one-half percent (6.5%) of the gross sales price. There shall be no deductions of any kind including, but not limited to, processing and transportation costs in the calculation of the gross sales price. No royalty shall be due for waste or fill material unless it is incorporated in a product that is subsequently sold.
- iii. For all other minerals extracted and sold from the Leased Lands in either Inside Sales or Outside Sales, Lessee shall pay a royalty of six and one-half percent (6.5%) of the gross value. There shall be no deductions of any kind including, but not limited to, processing and transportation costs in the calculation of the gross value.
- iv. Royalties shall be paid quarterly commencing on the last day of the month following the end of the first lease calendar quarter and every three months thereafter.
 - i. The valuation point for all transactions shall be at Lessee's scales.
 - v. All Quarterly Royalties shall be reported on the "Lessee's Quarterly Report of Operations" form.

3. Statement of Reconciliation – Production and Royalty Adjustment:

The Leased Lands (Lessor's lands) are contiguous to lands owned or controlled by Lessee (Lessee's lands). The Lessee does not presently plan to mine Lessee's lands and Lessor's lands concurrently. Should Lessee decide to mine concurrently Lessee's lands and Lessor's lands, such mining shall not occur prior to the following:

- a. Lessee shall notify Lessor in writing of its intentions for concurrent mining within 60 days of such action.
- b. Lessee shall make an accurate survey of Lessor's lands. This survey shall be based upon aerial photographic data, GPS data or other

acceptable survey techniques. From this survey, Lessee shall make and submit to Lessor a map at suitable scale together with a volumetric calculation of the amount of material available for mining on Lessor's lands. The survey, map and calculations shall be made to the reasonable satisfaction of Lessor.

- c. Within 60 days of the end of each lease year in which Lessee conducted concurrent mining and as often as Lessor might request thereafter, Lessee shall resurvey Lessor's lands and gather information sufficient to prepare a new map and calculate the volume and tonnage of material removed from Lessor's lands since the prior survey. The results shall be used to verify reported production and to make any necessary royalty adjustments. Unreported production and operating costs shall be allocated back to each reporting period until the time of the last survey. Unreported royalties exceeding a five percent (10%) discrepancy shall bear interest at the rate of one and one-half percent (1 ½%) per month from their original due date.
- d. Lessee grants Lessor the right to enter at reasonable times upon any land owned, leased or controlled by Lessee for the production or storage of rock, sand and gravel to inspect and measure the quantities of rock, sand and gravel mined and/or stored on it. If Lessor discovers in the course of the inspection a five percent or greater discrepancy between the amount measured and that reported on the Quarterly Reports, Lessee shall account for such discrepancy by providing credible evidence of the discrepancy resulting from the delivery of rock, sand and gravel from sources other than the Leased Lands. If Lessee cannot provide such evidence, then Lessee shall be in breach of this Lease and shall have an opportunity to cure the breach pursuant to paragraph 21. Failure to cure such a breach may result in termination of this Lease.
- e. Lessee has submitted and Lessor has reviewed and agrees that Lessee's survey and report dated February 26, 2002, confirms that the material mined and sold from the Leased Lands from July 1, 1989 through June 31, 1999, is within 5% of the claimed production for that period as required by the Lease.
- f. Since 1999, Lessee has mined rock from Lessee's lands, known as the Baxter Property, adjacent to and southeast of Lessor's lands. A formal reconciliation has not been performed as of issuance of this Lease to confirm whether Products mined and sold from the Leased Lands from July 1, 1999 through March 31, 2011, are within 5% of that claimed by Lessee as required in the Lease. To satisfy the reconciliation requirement in the original lease, Lessee has agreed to retain a qualified engineering contractor who will conduct an aerial survey of the Leased Premises in

March 2012 and make a topographic map based on the survey. A comparison of this map will be made to a similar map drawn in 1999 to derive the quantity of Products mined from the Leased Lands to determine whether the quantity of Products that Lessee has reported and paid royalty on is within a certain percentage of that derived from the 2012 engineering survey. The contractor has advised the Lessee and Lessor, that due to the 5' foot contour intervals from the 1999 survey, coupled with engineering factors for conversion of cut and fill slopes, an error rate of 5%, as dictated by the existing lease, is not attainable. Due to Lessor's experience from the prior reconciliation and the difficulties encountered, Lessor is in agreement that the 5% accuracy rate is not reasonable. Consequently, the Lessee and Lessor have agreed that the resolution for this reconciliation and those required in the future, shall be performed to a resolution of 10% for tonnage calculated versus that reported by the Lessee for the reporting period. The survey and reconciliation shall be completed no later than March 31, 2013. Lessee's failure to provide the reconciliation and royalty payment, if due, within 60 days following March 31, 2013, shall be considered a default of this Lease. Lessor and Lessee shall work diligently and in a cooperative fashion to accomplish the reconciliation by March 31, 2013. In the event that the Lessor and Lessee fail to reach a mutually satisfactory agreement by March 31, 2013, Lessor may take whatever action it deems appropriate to resolve this issue. Any applicable statute of limitations on a claim by Lessor against Lessee on this matter shall not begin to run until March 31, 2013.

- g. The Minimum Annual Royalty shall be due on the 25th of the month following the beginning of the lease year.
- h. Royalty payments in excess of the Minimum Annual Royalty shall be made quarterly and shall be due and payable on the 25th day of the month following each quarterly period.
- i. The first quarterly period shall be the first three months following the effective date of this Lease, and each three-month period thereafter shall be a quarterly period. A lease year shall be the first twelve months following the effective date of this Lease, and every twelve-month period thereafter shall be a lease year.

4. Interest and Penalties:

- a. Royalties and other monetary considerations that are not paid when due shall bear interest at the rate of one and one-half percent (1½%) per month from the due date until they are paid.
- b. Royalties and other monetary considerations that are not paid when due may

be assessed a penalty of five percent (5%) of the amount overdue.

5. **Environmental Impact:** The environmental document that allows continued mineral extraction activity after the issuance of this Lease is Final Supplemental Environmental Impact Report (SCH# 92041089) approved and adopted by the San Diego County Department of Planning and Land Use on March 17, 2000 (the "Final SEIR"). Lessee shall abide by the restrictions and all other terms of this environmental document, and shall comply with the terms of the mitigation measures and such other measures as Lessor may reasonably require to restrict, limit, modify or minimize the environmental impact of Lessee's operations under the Lease in accordance with the Final SEIR. Lessee shall promptly furnish the State with copies of any mitigation monitoring reports prepared for, by or on behalf of the County.

6. **Plan of Development:**

a. Lessee shall develop the Leased Lands in accordance with all mining conditional use permits and reclamation plans submitted to and approved by the San Diego County Planning Commission. Any modifications to the Mining Conditional Use Permit/Reclamation Plan (CUP/RP) after issuance of this Lease, which are not subject to environmental documentation prepared and circulated by San Diego County through the State Clearinghouse, shall be submitted to Lessor for approval prior to implementation. Failure to develop the Leased Lands according to the Mining CUP/RP, or any approved modifications of the Mining CUP/RP, shall be considered a default of this Lease.

The reclamation plan currently applicable to the Leased Lands is Reclamation Plan No.79-011W1 and Major Use Permit No.77-066W1 issued by the County of San Diego and approved on March 17, 2000 (the "Reclamation Plan"). Lessee acknowledges and agrees that its reclamation of the Leased Lands shall be in compliance with the Reclamation Plan (as that plan may be amended or subsequently issued) and the Surface Mining and Reclamation Act of 1975.

b. Lessee shall conduct all operations authorized under this Lease in a safe, miner-like manner, according to accepted industry methods and practices, and in conformance with such equipment modifications and operating procedures as may be established by the State to ensure the protection of life and property, the protection and preservation of the environment, and the conservation of its natural resources including, but not limited to, wildlife and mineral resources.

7. **Bond:**

a. Lessee shall furnish within 30 days of the date this Lease is approved by

the California State Lands Commission, and shall maintain throughout the term of this Lease, a bond or other security device in favor of Lessor in the amount of \$40,000 to guarantee the faithful performance by Lessee of the requirements, terms, covenants and conditions of this Lease, the provisions of the Public Resources Code and the rules and regulations of the State. The bond shall be executed on the first day of this Lease and be maintained throughout the life of this Lease.

- b. The bond or other security device shall require the surety to give Lessor and Lessee at least one hundred twenty (120) days written notice of its intention to cease acting as guarantor. If a surety gives timely notice of its intention to cease acting as guarantor, Lessee shall provide to Lessor within sixty (60) days of such notice, a replacement bond or other security device of equal value to become effective upon the expiration of the existing bond or other security device. Failure to provide a replacement bond or other security device within the required time shall constitute a default entitling Lessor to levy against the entire amount of the existing bond or other security device. The amount of the bond or other security device shall not be construed as a limitation on Lessee's liability.
- c. In place of a corporate surety bond, Lessee may post cash, pledge a deposit account or provide an irrevocable standby letter of credit from a state or nationally chartered bank or provide another financial instrument acceptable to Lessor.
- d. Lessor may require an increase in the amount of the surety bond or other security device to cover any additionally authorized improvements, alterations, changes to authorized use, modifications of considerations or inflationary impacts on costs on the initial or any succeeding fifth anniversary of this Lease. Should Lessor fail to exercise its right to increase the amount of the bond or other security device on any fifth anniversary, it may do so effective on any one of the next four anniversaries following such fifth anniversary without prejudice to its right to require an increase on the next or any succeeding fifth anniversary.

8. Insurance:

- a. Liability Insurance: Lessee shall procure and maintain personal liability and property damage insurance (combined single limit) for the benefit of Lessor in an amount not less than \$1,000,000.
 - i. Insurance policy(ies) shall insure Lessor and Lessee against any and all claims or liabilities arising out of the ownership, use, occupancy, condition or maintenance of the Leased Lands and the improvements on the Leased Lands.

- ii. The insurance policy (ies) shall name the State of California, its officers, employees and volunteers as insureds as to the Leased Lands and shall identify the Lease by its assigned number. Lessee shall provide Lessor with a certificate of insurance and shall keep the certificate current. The policy (ies) or endorsement must provide that the insurer will not cancel the insureds' coverage without thirty (30) days prior written notice to Lessor. Lessor will not be responsible for any premiums or other assessments on the policy (ies). The coverage provided to Lessee shall be primary and non-contributing.
 - iii. The insurance coverage specified in this Lease shall be in effect at all times during the term of this Lease and until all of the Leased Lands have been restored by Lessee as required in this Lease.
 - iv. Lessor may require an increase in the amount of the insurance to cover any additionally authorized improvements, alterations, changes to authorized use, modifications of considerations or inflationary impacts on costs on the initial or any succeeding fifth anniversary of this Lease. Should Lessor fail to exercise its right to increase the amount of insurance on any fifth anniversary, it may do so effective on any one of the next four anniversaries following such fifth anniversary without prejudice to its right to require an increase on the next or any succeeding fifth anniversary.
- b. Workers' Compensation Insurance: At all times in all operations under this Lease and in all work in and upon the Leased Lands, Lessee shall carry full workers' compensation insurance covering all employees.

9. Indemnification:

- a. Lessee shall indemnify, save harmless and, at the option of the State, defend, except in matters involving title, the State of California, its officers, agents and employees, against any and all claims, losses, demands, causes of action or liabilities of any kind which may be asserted against or imposed upon the State of California, or any of its officers, agents or employees, by any third person or entity arising out of or connected with operations under this Lease, or the use by Lessee, or its agents, employees or contractors, of the Leased Lands. Without limiting the generality of the foregoing, such indemnification shall include any claim, loss, demand, cause of action or liability asserted against or imposed upon the State of California or any of its officers, agents or employees, arising out of or connected with any alleged or actual violation by Lessee, its agents, employees or contractors, of property or contractual rights of

any third person or entity. This provision shall not be construed to require Lessee to indemnify Lessor for any alleged acts of negligence or other wrongful act of Lessor, or its officers, agencies or employees, except to the extent that such negligence or other wrongful act is alleged to consist of the issuance of this Lease, the adoption and enforcement of the provisions set forth in this Lease, or any alleged failure of Lessor to enforce adequately any such provisions.

- b. The foregoing indemnity is not intended nor shall it be construed to require Lessee to defend the State's title to mineral resources. In the case of litigation involving the titles of Lessee and the State, Lessee and Lessor will join in defending their respective interests, each bearing the cost of its own defense.
- c. For the purpose of satisfying any judgments, settlements, claims or liabilities for damages or trespasses to land or mineral resources resulting from a judicial determination that the State has no title to the land or mineral resources in the Leased Lands and that the owner thereof is entitled to payment for rock, sand and gravel mined under this Lease, this indemnification will be limited to any Lessor liability in excess of the monies received by Lessor, as owner of the mineral resources, in the form of royalties or other payments, including any interest actually earned thereon.

10. Production Records and Reports:

- a. Lessee shall keep for a period of at least five (5) years, accurate records of the operations under this Lease, including all minerals produced or extracted from the Leased Lands, together with the cost of their milling and shipping, and shall file with Lessor copies of all contracts for the disposition of amounts in excess of 10,000 tons of all minerals produced or extracted from the Leased Lands. Lessor may inspect, at all reasonable times, all Lessee's books, records and accounts relating to operations under this Lease.
- b. On or before the 25th day of the month following each quarterly period, Lessee shall deliver to Lessor royalty statements in the form prescribed by Lessor showing the work performed upon the Leased Lands, and the amount, quality and value of all mineral resources produced, extracted, shipped, used or sold therefrom during the prior three-month period. These statements shall be provided to Lessor regardless of whether any mineral resources were produced, extracted, shipped, used or sold, or whether any work was performed on the Leased Lands during the prior quarterly period. At the request of Lessor, Lessee shall provide more detailed statements and explanatory materials in order to aid Lessor in

interpreting and evaluating Lessee's royalty accounting statement. All statements are subject to audit by Lessor.

- c. On or before the 25th day of the month following each quarterly period, Lessee shall deliver to Lessor copies of all physical and factual exploration results, logs, surveys and any other data in any form resulting from any surveys, tests or experiments conducted on the Leased Lands by Lessee or any person or entity acting with the consent of Lessee or with information or data provided by Lessee.
- d. Lessor shall have the right to inspect and review all books, records and logs of Lessee's production activities on lands adjoining or in proximity to the Leased Lands.
- e. Lessor may examine at reasonable times the books and records of any individual, association or corporation which has produced or extracted any minerals from the Leased Lands, and books and records of any such individual, association or corporation with respect to such individual's, association's or corporation's operations, improvements, machinery and fixtures used on or in connection with the Leased Lands. This paragraph 11 shall not apply to individuals, associations, corporations or other entities that merely purchase or transport mined Products from the Leased Lands.
- f. Lessor agrees that copies of all contracts and invoices for the sale of rock, sand and gravel submitted pursuant to this paragraph 11 shall be deemed to have been "obtained in confidence." Lessor agrees not to disclose them pursuant to the Public Records Act (Government Code Section 6250 et seq.) unless Lessor first makes a finding that, on the facts of the particular case, the public interest served by disclosing the records clearly outweighs the public interest served by non-disclosure of the record. However, such records may be disclosed upon issuance of a subpoena or court order requiring their disclosure or to other persons with the written consent of Lessee.

11. Waiver of Use of Data:

Lessee waives any statutory or other right or objection to prevent disclosure to Lessor, its employees or agents of any information, reports, data or studies of any kind, filed by Lessee with any federal, state or local agency relating to the Leased Lands, or any operations carried out in connection with this Lease, irrespective of whether such information, reports, data or studies contain sensitive, proprietary or confidential information or trade secrets. All information, reports, data or studies filed by Lessee with any federal, state or local agency pursuant to this Lease, shall be available at all times for the use of Lessor, its

employees or agents for any purpose. Any information, reports, data or studies obtained by Lessor from any public agency which are not otherwise public records shall be deemed to have been "obtained in confidence" for purposes of Government Code Section 6254(e) and may be disclosed to other persons only with the written consent of Lessee or upon a determination by Lessor that such disclosure is in the public interest.

14. Records and Reports:

Lessee shall supply to Lessor, within thirty (30) days of Lessor's request, the results of all geological, geophysical and chemical experiments, tests, reports and studies, interpretive or factual, irrespective of whether the results of such tests, experiments, reports or studies contain sensitive, proprietary or confidential information or trade secrets. The Commission shall keep any information specified as "confidential" by the Lessee for the confidential use of the Commission and shall be disclosed in litigation, by other court order or with the Lessee's consent; provided, however, that the Commission may use any document or information in any format submitted by Lessee in any action, administrative or judicial, where the Commission and the Lessee are adverse parties. Routine correspondence and royalty reports shall not be considered submitted in confidence.

15. Preservation of Property and Environmental Impact:

- a. Lessee shall perform all work under this Lease with due regard for the preservation of the Leased Lands and the environmental impact of its operations in accordance with the following terms and conditions:
 - i. Pollution of rivers, lakes and other bodies of water and impairment of and interference with navigation in such waters are prohibited. No refuse of any kind, except for normal oversize rock, sand and gravel screenings, from any mining or production activities shall be permitted to be deposited on or pass into waters of any rivers, lakes and other bodies of water without specific written authorization by Lessor.
 - ii. Access to the Leased Lands by the public during mining operations shall be controlled by Lessee to prevent accidents and injury to persons and/or property.
- b. The above are in addition to, and are not to be construed as limitations upon, all rules, regulations, restrictions, mitigating measures and all other measures designed to restrict, limit, modify or minimize the environmental impact of operations carried out under this Lease.

16. Waste of Resources, Damage, Loss and Liability:

Lessee shall use all reasonable precautions to prevent waste of, damage to or loss of mineral resources, fisheries and wildlife on or in the Leased Lands. Lessee shall be liable to Lessor for any waste, damage or loss to the extent that the waste, damage or loss is caused by Lessee's, or its employees', servants', agents' or contractors', negligence, breach of any provision of this Lease, or noncompliance with applicable statutes or regulations. Nothing in this Lease shall diminish any other rights or remedies that Lessor may have in connection with any such negligence, breach or noncompliance.

17. Suspension of Operations:

- a. Lessee shall temporarily suspend production or any other operation under this Lease whenever Lessor finds that the operation or operations, unless suspended, may pose an immediate and serious threat to life, health, property or natural resources. The suspension shall be effective immediately upon either oral or written notice by Lessor to Lessee. Any oral notice shall be followed by written confirmation. Lessor shall lift the suspension when Lessor finds, on the basis of credible evidence submitted by Lessee or otherwise available, that resumption of the suspended operation or operations does not pose an immediate and serious threat to life, health, property or natural resources. If Lessor orders suspension of operations because their continuation may cause or aggravate erosion of the Leased Lands or other properties, the operations shall be resumed only in compliance with a Lessor-approved program for erosion prevention.
- b. No suspension ordered or approved under this paragraph shall relieve Lessee from any obligation under this Lease unless specifically provided in the terms of the suspension.

18. Assignment, Subletting, and Other Transfers :

- a. Lessee shall not either voluntarily or by operation of law, assign, transfer, mortgage, pledge, hypothecate or encumber this Lease and shall not sublet the Leased Lands, in whole or in part, or allow any person other than the Lessee's employees, agents, servants and invitees to occupy or use all or any portion of the Leased Lands without the prior written consent of Lessor, which consent shall not be unreasonably withheld and as otherwise set forth in Public Resources Code Section 6804. The change in the ultimate indirect corporate parent is not an assignment for purposes of this lease.

- b. If Lessee desires to assign, sublet, encumber or otherwise transfer all or any portion of the Lease, Lessee shall do all of the following:
 - i. Give prior written notice to Lessor.
 - ii. Provide the name and complete business organization and operational structure of the proposed assignee, sublessee, secured third party or other transferee; and the nature of the use of and interest in the Lease proposed to be assigned, subleased, encumbered or transferred. If the proposed assignee, sublessee, secured third party or other transferee is a general or limited partnership or a joint venture, provide a copy of the partnership agreement or joint venture agreement, as applicable.
 - iii. Provide the terms and conditions of the proposed assignment, sublease, encumbrancing or other transfer.
 - iv. Provide audited financial statements for the two most recently completed fiscal years of the proposed assignee, sublessee, secured third party or other transferee; and provide pro forma financial statements showing the projected income, expense and financial condition resulting from use of the Leased Lands.
 - v. Provide such additional or supplemental information as Lessor may reasonably request concerning the proposed assignee, sublessee, secured third party or other transferee.
- c. Lessor will evaluate proposed assignees, sublessees, secured third parties and other transferees and grant approval or disapproval according to standards of commercial reasonableness considering the following factors within the context of the proposed use: the proposed party's financial strength and reliability, its business experience and expertise, its personal and business reputation, its managerial and operational skills, the proposed use of the Leased Lands, the projected rental and royalties due under the Lease and other relevant factors.
- d. Lessor shall have a reasonable time from the receipt of all documents and other information required under this provision to grant or deny its approval.
- e. Lessor may condition its consent to an assignment, transfer or sublease to require the assignee, transferee or sublessee to provide financial assurances demonstrating the assignee's, transferee's or sublessee's ability to perform the lease covenants. This may include, but shall not be limited to, an increase in the bond and/or insurance requirements. The

consent to any transfer of any interest in this Lease shall not be deemed consent to any subsequent assignment, subletting or occupancy or use by another person. Any assignment, transfer or subletting without Lessor's consent, whether voluntary or by operation of law, shall be void and transfer no rights to the purported transferee, and any such attempted transfer shall be a breach of this Lease entitling Lessor, at its option, to terminate this Lease. Upon approval of any assignment, transfer or sublease, the assignee, transferee or sublessee shall be bound by the terms of this Lease to the same extent as if such assignee, transferee or sublessee were the original Lessee, any conditions in the assignment, transfer or sublease to the contrary notwithstanding. Lessee shall not be released from any liability under this Lease arising after the effective date of the assignment and not associated with Lessee's use, possession or occupation of or activities on the Leased Lands without the express written release of Lessor.

- f. Lessee's mortgage or hypothecation of this Lease, if approved by Lessor, shall be subject to terms and conditions found in a separately drafted standard form (Agreement and Consent to Encumbrancing of Lease) available from Lessor upon request.
- g. Upon the express written assumption of all obligations and duties under this Lease by an assignee or other transferee approved by Lessor, the Lessee may be released from all liability under this Lease arising after the effective date of assignment or other transfer and not associated with Lessee's use, possession or occupation of or activities on the Leased Lands; provided, however, Lessee shall not be released of liability for any hazardous wastes, substances or materials defined under federal, state or local law, regulation or ordinance, manufactured, generated, used, placed, disposed, stored on or transported on or off the Leased Lands.
- h. Subject to the provisions of any assignment or other transfer, the covenants and conditions of this Lease shall apply to and bind all heirs, successors, executors, administrators and assigns of all of the parties.
- i. Notwithstanding subsections (a) through (h) above, Lessee's employment of contractors and/or subcontractors shall not be considered a sublease or assignment of this Lease. In the event of any contracting and/or subcontracting, Lessee shall remain liable for such third party's activities including the payment of royalties. If such contracting and/or subcontracting is for amounts of 7,500 cubic yards or more of rock, sand and gravel and/or for periods in excess of three (3) consecutive days, Lessee shall obtain Lessor's written consent prior to the commencement of work by the contractor and/ or subcontractor. This paragraph is to provide relief to Lessee for those times when Lessee experiences an

unpredicted short term and minor shortage of rock, sand and gravel and is not intended to be applicable to regular and/or long term contracting and/or subcontracting of rock, sand and gravel mining.

19. Reservations to Lessor:

- a. Lessor shall have the right to go upon the Leased Lands for the purposes of conducting surveys, tests or experiments using any geological, geochemical, geophysical or other method, including core drilling, for determining the presence on or in the Leased Lands of any mineral resources, including but not limited to oil, gas, other hydrocarbons and geothermal resources, as well as other mineral deposits listed in Public Resources Code Section 6407, provided that such surveys, tests, or experiments do not unreasonably interfere with or endanger Lessee's operations under this Lease.
- b. Lessor reserves the right to issue additional nonexclusive exploratory rights to conduct surveys, tests or experiments using any geological, geochemical, geophysical or other method, including core drilling, for determining the presence on or in the Leased Lands of any mineral resource except rock, sand and gravel; provided that operations conducted pursuant to such rights do not unreasonably interfere with or endanger Lessee's operations under this Lease. Lessee shall allow all persons authorized by Lessor to enter upon the Leased Lands in order to conduct such surveys, tests or experiments.
- c. This Lease is entered into with the understanding that its purposes are and its administration shall be consistent with the principle of multiple uses of public lands and resources. This Lease shall allow coexistence of other permits or leases of the same lands for deposits of mineral resources other than rock, sand and gravel under applicable laws. However, operations under such other permits or leases shall not unreasonably interfere with or endanger operations under this Lease, nor shall operations under this Lease unreasonably interfere with or endanger operations under any other permit or lease. This Lease shall not be construed as superseding the authority which any state department or agency has with respect to the management, protection, and utilization of the lands and resources under its jurisdiction. Lessor may prescribe those conditions it deems necessary for the protection of other mineral resources.
- d. Lessor, or persons authorized by Lessor, shall have the right to go upon the Leased Lands at all reasonable times for the purpose of inspecting and protecting the property and all equipment on it and inspecting all

operations of Lessee. No entry by Lessor, or by persons authorized by Lessor, shall give Lessee any right to charge Lessor or subject Lessor to liability for any loss of occupation or quiet enjoyment of the Leased Lands.

- e. Lessor reserves whatever right it may have to grant to any person, upon such terms as it may determine, easements, rights-of-way, permits, leases or other interests in the Leased Lands, including easements for tunnels or wells bored through or in the Leased Lands as Lessor may determine to be necessary or appropriate; provided that interests which unreasonably interfere with or endanger Lessee's operations shall not be granted.

20. Existing Rights:

This Lease is issued subject to all existing rights in the Leased Lands at the effective date of this Lease, and such rights shall not be affected by the issuance of this Lease. If the surface estate of the Leased Lands has been sold by the State of California subject to a mineral reservation, Lessee shall comply with the conditions and limitations prescribed by law, including, but not limited to, those contained in Section 6401 of the Public Resources Code.

21. Breach, Right to Cure Breach and Cancellation:

If Lessee fails to comply with any of the provisions of this Lease, or any applicable permit, regulation or law, Lessee shall have a 30-day period to cure the breach. Such period shall commence with a written notice and demand from Lessor to comply with the breached provision. If Lessee fails to cure the breach, Lessor reserves the right, following the 30-day period to cure, to declare forfeiture and cancel this Lease and to pursue any remedy it has in equity and at law. If this Lease is canceled, Lessee shall comply with the restoration, reclamation and removal conditions in this Lease.

22. Waiver of Breach:

The waiver by Lessor of any default or breach of any term, covenant or condition of this Lease shall not constitute a waiver of any other default or breach whether of the same or of any other term, covenant or condition, regardless of Lessor's knowledge of other defaults or breaches. The subsequent acceptance of monies by Lessor shall not constitute a waiver of any preceding default or breach of any term, covenant or condition, other than the failure of Lessee to pay the particular monies accepted, regardless of Lessor's knowledge of any preceding default or breach at the time of acceptance of such monies, nor shall acceptance of monies after termination constitute a reinstatement, extension or renewal of this Lease or revocation of any notice or other act by Lessor.

23. Surrender of Premises:

If Lessee is not the surface owner at the expiration of this Lease, or at its sooner termination, Lessee shall surrender possession of the Leased Lands with all improvements, structures and fixtures in good order and condition, or Lessor may require Lessee, at its own cost, to remove, within ninety (90) days, all or any designated improvements, structures and fixtures which were put on the Leased Lands by Lessee and restore the Leased Lands to the extent and in the manner specified by Lessor.

24. Quitclaim:

At any time Lessee may make and file with Lessor a written quitclaim of all rights under this Lease as provided in Section 6804.1 of the Public Resources Code. The quitclaim shall be effective upon filing, subject to the continued obligation of Lessee to make payments of all accrued rentals and royalties and perform all other outstanding obligations under this Lease. Lessee, at its own expense, shall immediately restore the land to an environmentally safe and usable condition with due care to carry out all obligations imposed by this Lease to the satisfaction of Lessor. No quitclaim shall release Lessee or his surety from any liability for breach of any obligation of this Lease of which Lessee is in default at the time of the filing of the quitclaim.

25. Holding Over:

Any holding-over by Lessee after the expiration of the lease term, with or without the express or implied consent of Lessor, shall constitute a tenancy from month to month and not an extension or renewal of the lease term, and shall be subject to the terms, covenants, and conditions of this Lease. Upon request of Lessee, Lessor shall confirm in writing Lessee's holdover status. All royalties due under this Lease shall be increased by twenty-five percent (25%) during the holdover period.

26. Compliance with Laws and Rules:

- a. Lessee shall comply with and be bound by all rules, regulations, statutes and ordinances, as they may be modified or amended, of the State Lands Commission and any other governmental entity having lawful authority and jurisdiction over Lessee's operations under this Lease.
- b. In its employment practices, Lessee shall not discriminate against any person because of race, color, religion, sex, ancestry or national origin, physical disability, sexual orientation, AIDS or AIDS related condition, marital status or age.

27. Possessory Interest Taxes and Other Taxes:

- a. Lessee shall pay, when due, all taxes and assessments lawfully assessed and levied under the laws of the State of California, any of its political subdivisions, or the United States of America, against any and all improvements, property or assets of Lessee situate upon the Leased Lands or other rights of Lessee arising out of this Lease. The payment of any taxes by Lessee shall not reduce the amount of consideration due Lessor under this Lease.
- b. The leasehold interest created by this Lease may be a possessory interest subject to property taxation, and Lessee shall pay all property taxes levied on such possessory interest.

28. Modification of Lease:

The parties, by mutual agreement in writing, may alter or modify the terms of this Lease, or may terminate this Lease, with any adjustments and for considerations as may be fair and equitable in the circumstances.

29. Notices:

- a. All notices to be given under this Lease shall be in writing and shall be deemed to have been fully given when deposited with the United States Postal Service, registered and with postage prepaid, or when deposited with a responsible private overnight mail delivery company and addressed to the parties as follows:

To Lessor: California State Lands Commission
200 Oceangate, 12th Floor
Long Beach, CA 90802

To Lessee: Hanson Aggregates Pacific Southwest, Inc.
P.O. Box 639069
San Diego, CA 92163-9069

With a copy to: Lehigh Hanson, Inc.
Attn.: General Counsel
300 E. John Carpenter Fwy, Suite 1645
Irving, TX 75062

The addresses to which the notices shall be sent may be changed by written notice given by one party to the other in any manner provided above.

- b. All notices to Lessee shall also be deemed to have been fully given if

made in writing and personally served upon Lessee or any of its officers.

- c. All payments specified in this Lease shall be made to Lessor at the address above.

30. Force Majeure:

The obligations imposed upon Lessee by this Lease may be suspended by Lessor when Lessee is prevented from complying with them by wars, riots, acute and unusual labor or material shortages, acts of God, laws, rules and regulations of any federal, state, county or municipal agency, or by other unusual conditions beyond the control of Lessee.

31. Time of Essence:

Time is of the essence in this Lease.

32. Relationship of Parties:

This Lease does not constitute, and the parties do not intend it to create, a partnership or joint venture or the relationship of master and servant or principal and agent.

33. Captions:

The captions in this Lease are for convenience only and are not a part of this Lease and do not in any way limit or amplify the provisions of this Lease.

34. Severability:

If any provision of this Lease is judicially determined to be invalid, it shall be considered deleted from this Lease and shall not invalidate the remaining provisions.

35. Binding Date:

This agreement will become binding on Lessor only when approved by the State Lands Commission and when executed on its behalf.

**LESSOR:
STATE LANDS COMMISSION**

**LESSEE:
HANSON AGGREGATES PACIFIC
SOUTHWEST, INC.**

**Marina Voskanian, P.E.
Acting Division Chief,
Mineral Resources Management**

Date: _____

Date: _____

Approved as to Form:

Kamala D. Harris
Attorney General of the State of California

Alan V. Hager
Deputy Attorney General

Signatures of All Parties Must Be Acknowledged.