

**NEW HORIZONS ENVIRONMENTAL CONSULTANTS, INC.**

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June 25, 2004
Project #2135

Linn Havelick
Colorado School of Mines
Chauvenet Hall, Room 194
1015 14th Street
Golden, CO 80401

**Re: Follow-up to June 23, 2004 Meeting re: Project IH 04-010C; CSMRI
Environmental Assessment & Response - Phase II**

Dear Linn:

We are in receipt of your June 18, 2004 Notice of Claim with respect to the above-referenced project. It is New Horizons' position that the claim is totally without merit and, as you are aware, we have retained John Finn of Stettner, Miller & Cohn, P.C. to represent us in this matter and Mr. Finn will respond directly to David Harmon from a legal perspective. Nevertheless, it is New Horizons' preference to settle this claim in an amicable manner, if possible.

In accordance with our meeting Wednesday afternoon, I have prepared this letter to outline what we see as a first step towards achieving our mutual goal of completing the remedial activities at the CSMRI site. To this end we are proposing the following steps be undertaken while reserving to each party any rights and remedies they may have under the contracts:

1. Currently, CSM is holding approximately \$1,135,678 in payments to New Horizons as outlined in my memo to you dated June 10, 2004. In addition, at your request we have incurred significant additional expense (~ \$70,000) on CSM's behalf over the past 45 days maintaining stormwater controls, site security, stabilizing the site, and continuing the perimeter air monitoring required by CDPHE. Thus the current total due is now in excess of \$1,200,000. CSM needs to release 75% of the payments for these completed work activities (i.e. \$900,000) within 14 days. Note that New Horizons is not relinquishing its claim to the balance due but is simply indicating it will not exercise its contractual rights to seek termination of the contract(s) while we continue to attempt to resolve the differences between us.
2. In their June 21, 2004 letter to CSM, CDPHE recommended that additional site characterization be conducted to more precisely define the volume of Class I and Class II soils remaining at the site. New Horizons will prepare a proposal to perform additional characterization activities to assist in this process at a price agreed to by the parties. In

order to make this additional study more financially feasible for CSM, we are willing to structure our pricing proposal as either a cost plus fixed fee contract or provide CSM with a discount of 25% over the professional labor rates presented in our Phase II proposal. Considering the large number of uncertainties at the site, this approach would allow CSM to determine what level of effort they want to undertake and to what degree they want to more precisely define the volumes which will ultimately be managed. Simultaneously, a cost plus fixed fee contract would put a cap on any fees that New Horizons would receive in this renewed characterization effort.

3. New Horizons is also willing to utilize these reduced professional labor rates rates to provide additional engineering services to assist CSM in developing a risk assessment for submittal to CDPHE which may allow the School to dispose of Class I soils at a non-municipal solid waste landfill (e.g. CSI).

As I indicated in our meeting on Wednesday, we will need a timely response to this proposal from CSM. Accordingly, we will look to receive your response no later than 12:00 noon on Friday, July 2, 2004. As always, please feel free to contact me at (303) 932-2220 if you have any questions or comments.

Sincerely,

Jonathan Spencer, P.E., DEE
Principal Engineer / Project Manager

cc: John S. Finn (SM&C)
Bud Withrow (CoWest)