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June 25, 2004

David S. Harmon, Esq.
Assistant Attorney General
State Services Section
Office of the Attorney General
1525 Sherman Street
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Denver, Colorado 80203

RE: New Horizons Environmental Consultants, Inc.

Dear Mr. Harmon:

As I indicated to you at our meeting on Wednesday, June 23, 2004, I believe it is necessary to respond to certain of the claims set forth in the Notice of Claim correspondence dated June 18, 2004 prepared by Mr. Havelick and forwarded to various insurance carriers and sureties for New Horizons.

At this time, my investigation of this situation is just beginning; however, there are a number of items which New Horizons will need from Colorado School of Mines (CSM) in order for New Horizons to completely understand the position being taken by CSM.

Although absent from Mr. Havelick's recitation of the work to be performed under Phase I, the CSMRI Creekside Request for Proposal dated December 10, 2001 clearly indicates that the work being performed under Phase I was to be conducted in accordance with the Characterization Survey Work Plan (CSWP) developed by URS Corporation dated July 23, 2001. As such the nature and extent of work performed under Phase I was largely regulated by CSM.

The contract for Phase I provides for New Horizons to complete specific tasks and provide specific documentation based on those tasks. The information reviewed to date by my office does not indicate that the standard of New Horizons' performance under Phase I was anything other than generally accepted engineering practices. I have not seen any documents that would indicate that New Horizons provided any type of performance guaranty or other assurance that the conclusions represented all of the actual materials which could potentially be located at the project site. In fact, the record of

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decision at page 2-14 specifically states: "The actual volumes will depend on site conditions during the excavation and sampling work".

As you are also now aware based on our discussions at the meeting, there were a number of restrictions in place during Phase I that limited the amount of data that formed the basis of the estimates provided by New Horizons. If New Horizons had been required by contract to commit to a lump sum price for the Phase II work, based on the Phase I investigation, the value of the Phase I contract would have been substantially higher. This is not the basis under which the work was undertaken and is not now the basis for a claim of breach of either the Phase I or Phase II contract.

It is the position of New Horizons that their work under Phase I, including the environmental investigation, reporting, removal of materials and development of remedial alternatives, met the standards of work required by the CSM and the Phase I contract. Fortunately, this was also the opinion of Mr. Havelick in his letter of March 8, 2004 forwarded to Mr. Withrow of Co-West Insurance Associates. Please find enclosed a copy of that correspondence from Mr. Havelick to Mr. Withrow.

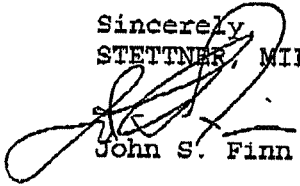
With respect to the work being performed under Phase II, there does not appear to be any legal basis for CSM to withhold the significant payments which are due and owing to New Horizons. Although Mr. Havelick's correspondence refers to breaches under Articles 30, 33 and 34 of the Phase II contract, there does not appear to be any failure to perform to date under that contract. Rather, it appears that CSM is choosing to exercise offset rights relating to services provided under the Phase I contract in direct contradiction of the terms contained at Article 52(G)(e) of the Phase II contract, which permits offset only in the event that an unpaid debt due and owing to the State has been reduced to a judgment as certified by the State Controller.

Although I understand that CSM and New Horizons are attempting to work out a manner of proceeding which would allow the parties to move forward in a more amicable manner, I believe it is equally important for the parties' understanding of the ultimate legal consequences to fully understand each other's position. For this reason, I would appreciate it if your client could provide a specific list of defects as anticipated by Colorado Statutes in association with any alleged construction defect of New Horizon. For both Phase I and Phase II, please refer specifically to the contract requirement that New Horizon has failed to meet, the time period when CSM became aware of that defect and the damage or injury alleged by CSM in association with that defect. This will enable New Horizons to respond within the time period outlined at § 13-20-803(5) of the Colorado Statutes.

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Thank you for your immediate attention to these matters.

Sincerely,
STETTNER, MILLER AND COHN, P.C.



John S. Finn

JSF:jr

Enclosure

Cc: Jonathan Spencer, President, New Horizons Environmental
Consultants, Inc.
Bud Withrow, CoWest Insurance Associates
Robert B. Collins, Westchester Fire Insurance Company
(via U.S. Mail and facsimile #: 215.640.5474)
Robert R. Miller, Esq.

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March 8, 2004

Bud Withrow
CoWest Insurance Associates
P.O. Box 101387
Denver, CO 80250-1387

Sent via fax: (720) 524-9352

**SUBJECT: NEW HORIZONS ENVIRONMENTAL CONSULTANTS, INC.
PERFORMANCE ON CSMRI REMEDIATION PROJECT**

Dear Mr. Withrow:

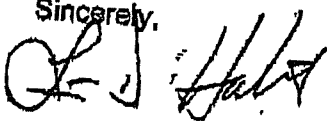
New Horizons (NHEC) and its principals have worked on the CSMRI site in Golden, Colorado for over a decade, including site characterization studies, remediation of hazardous waste drums, building assessment for radioactivity, building demolition, concrete contamination assessment, concrete demolition, and numerous other activities.

In 2002, NHEC signed a "Phase One" contract with the Colorado School of Mines (CSM) to evaluate the site, analyze surface and sub-surface soils, survey soils for radioactivity, and develop options for remediation. That Phase One work also included the removal, appropriate disposal, and recycle of approximately four acres of concrete slabs.

Their performance on the Phase One work was satisfactory to CSM. NHEC's work on environmental investigation, reporting, removal of materials, and development of remedial alternatives also met the standards of work required by CSM.

We hope that NHEC has the opportunity to work with CSM on Phase Two of the Colorado School of Mines Research Institute remediation project.

Sincerely,



Linn D. Havelick
Director, Environmental Health & Safety

