

EUREKA COUNTY BOARD OF COMMISSIONERS
PUBLIC HEARING - July 21, 2008

STATE OF NEVADA)
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COUNTY OF EUREKA)

CALL TO ORDER

The Board of Eureka County Commissioners met pursuant to law for a public hearing on July 21, 2008, at the Eureka Opera House. Present were Chairman Jim Ithurralde; Vice Chairperson Donna Bailey; Member Leonard Fiorenzi; District Attorney Theodore Beutel; and Clerk & Treasurer Jackie Berg. Also present for this public hearing were Bob Dyer, Chairman of the Eureka Townsite Annexation Committee, and Tim Arnold, General Manager for Eureka Moly, LLC. Chairman Ithurralde called the meeting to order at 7:05 p.m.

APPROVAL OF AGENDA

Commissioner Bailey motioned to approve the agenda as posted; Commissioner Fiorenzi seconded the motion; motion carried 3-0.

PUBLIC HEARING

Notice was given that the Board of Eureka County Commissioners would hold a public hearing to provide information, invite public comment, and to take action on a resolution whether to declare that it is in the best interests of the public to lease appraised County property, APN 001-221-02 and APN 001-221-05, commonly referred to as the 'annexed property', without offering it to the public and for less than fair market value, pursuant to NRS 244.2815 and NRS 244.2795. A copy of the proposed lease has been on file at the Eureka County Clerk's office at the County Courthouse for public review.

Chairman Ithurralde welcomed everybody and said that before public comments were heard, Jim Evans, Community Development Coordinator, would show a slide presentation to bring everyone up to date.

SLIDE PRESENTATION

Background: Jim Evans stated that the presentation would focus on the annexed land, the proposed resolution, and the proposed lease agreement. Initially, General Moly indicated that a man camp was being considered at the Romano Ranch in northern Diamond Valley. This raised concerns related to provision of County services such as law enforcement, fire, and ambulance, as well as infrastructure demands. During the fall of 2007, the Eureka Townsite Annexation Advisory Committee was commissioned to assist with development of a conceptual plan for a subdivision site at the annexed property near the Eureka County Fairgrounds. Once developed and accepted by the Board of Commissioners, this design (titled the Eureka Canyon Subdivision) was presented to the citizens in the form of a public hearing and open house to consider citizen comments and concerns.

Eureka Moly, LLC: The design concept was presented to Eureka Moly, LLC, and talks and negotiations began between the County and the mine regarding possible housing at this site. Eureka Moly developed a tentative plan in relation to the subdivision design, and their plan very much blended with, or complemented, the County design developed by Lumos & Associates. Eureka County granted Eureka Moly a letter of entry to investigate the site for development potential.

Property Appraisals: The Board obtained two independent appraisals of the property. Chairman Ithurralde explained the immense variation in the two appraisals, which is not uncommon in Eureka County due to the lack of comparable sales. The Ruby Mountain appraisal used 10 and 20 acre parcels for comparable sales, and the Duval appraisal incorporated large acre parcels.

Proposed Resolution: Mr. Evans reviewed the points of the resolution, which recognized Eureka Moly's need for temporary construction worker housing; recognized the County's concerns for providing infrastructure and emergency services if this temporary housing is placed at the Romano Ranch where it could eventually become permanent housing. The resolution further declared that a conceptual plan for development of the annexed property was prepared; a letter of entry was granted to Eureka Moly for inspection of the site; a lease agreement has been proposed between the two parties for temporary construction worker housing; a development agreement will be entered into to allow Eureka Moly to eventually place permanent housing on the site; Eureka Moly has submitted a subdivision application to the Planning Commission; two independent appraisals have been obtained on the property; and the Board finds it in the best interest of the public to enter into this lease without offering the real property to the public and for less than fair market value.

Proposed Lease Agreement: A lease agreement has been drafted by County staff and reviewed by Eureka Moly. On July 7th, the County received a copy of the lease agreement signed by Eureka Moly. Pursuant to NRS, the County may lease real property for establishment of a new commercial enterprise or facility within the County. The County has determined that it is in the best interest of the public to concentrate development where existing infrastructure and services are available.

Mr. Evans reviewed the proposed lease document in detail. Highlights of the agreement include: the lease is for temporary construction worker housing; in lieu of rent, Eureka Moly agrees to: bear the costs of infrastructure, relocate the dog pound, construct a perimeter fence, provide a security guard, remediate conflicts with adjacent property owners, shall not permit excessive use of alcoholic beverages or controlled substances, shall not permit the use of firearms on the property, shall not impede utility services to adjacent properties, shall not encumber the property in any way, shall maintain liability coverage, shall provide a field engineer inspector, will comply with state and federal laws, adhere to requirements related to temporary or permanent improvements, etc. Mr. Evans also detailed the terms of default or termination of the lease.

Subdivision Plans: Concurrently with the lease agreement, which allows for temporary construction worker housing, Eureka Moly is developing a subdivision plan for permanent housing and this application is under consideration by the Planning Commission. The application will not be approved unless and until the parties enter into a development agreement separate and apart from any lease agreement related to the property.

PUBLIC COMMENT

Chairman Ithurralde asked the Clerk to read the following letter into the record:

"July 10, 2008 ¶ Since I will be out of the County during the week of your July 21, 2008 Public Hearing on the 'Resolution whether to declare that it is in the best interests of the public to lease appraised County property.... et al,' I would like the following questions and any answers thereto read into the minutes of that meeting. (1) How can it ever be in the public interest to lease the referred to property without offering it to the public? (2) How can it ever be in the public interest to accept any offer for less than its market value?"

¶ Respectfully submitted, Betty Krambs".

The Chairman opened the floor to public comments. Robert Cobb was concerned that the County should request a bond to protect their interest should the price of molybdenum drop

and Eureka Moly abandon this project at any stage. Chairman Ithurralde commented that the 10 million liability insurance should cover that. Commissioner Fiorenzi felt that construction bonds were a reasonable requirement.

Dan Green asked about the original purchase price of the subject property and its appreciated value. Assemblyman and former Commission Chairman, Pete Goicoechea, stated that he believed the purchase price was around \$375,000.00 and agreed with Mr. Green's statement, which raised the question of why the property would be valued less today. Assemblyman Goicoechea asked if the fact that the mine is now called Eureka Moly and is a limited liability corporation lends some protection or insulation to General Moly. Tim Arnold replied that Eureka Moly is 80 percent owned by General Moly and 20 percent owned by Posco, and is basically a joint venture agreement for the purpose of operating the Mount Hope Project.

Assemblyman Goicoechea agreed that a bond was a reasonable request and 'cheap insurance' should Eureka Moly walk away mid-project. He commented that he would prefer to see Eureka Moly purchase the property outright, thereby eliminating some of the liability risk to the County. Regarding the lease agreement, he cautioned Eureka County officials to 'be carefully what you put in print.'

Beth Cutler had several concerns. She felt the growth, even though it would be concentrated near the town, would still require increases in services and wondered about the anticipated costs to taxpayers. Commissioner Fiorenzi acknowledged there may be increases to services, but it would still be cheaper to manage these services close to town. He added that these issues will be addressed in the socioeconomic aspects of the EIS (Environmental Impact Statement) process. Tim Arnold added that some of these issues would also be addressed in the development agreement, which will deal with the permanent changes rather than temporary construction issues.

Ms. Cutler asked how long the man camp would be utilized. Mr. Arnold anticipated the construction period would last 18 months after the record of decision was received. Ms. Cutler was concerned over the variance in appraisal amounts, felt the rent/lease amount might not be sufficient, proffered the concept of a committee or advisory board to look out for the best interests of the taxpayers, and agreed with the validity of requiring a construction bond.

Carol Bailey asked the rhetorical question whether it is in the best interest of the public to encourage development close to town. She pointed out that if a man camp was constructed at the Romano Ranch (on private property), the County had no control or say in the project. On the other hand, by placing this man camp on County property, the mine was willing to agree, in writing, to several conditions that were beneficial to the County.

Lisa Marshall was concerned that leasing the property would shortchange the County on taxes that the mine should be paying on real property and improvements. Those taxes could counteract the increased costs for law enforcement and emergency services. Commissioner Bailey believed the taxes would be in effect on the leased property. Chairman Ithurralde said the Assessor had confirmed taxes will be collected on the property as soon as it is leased.

Gary McCuin was concerned that once the area had permanent residences, there might be objections to the noise, smell, etc. of the Fairgrounds.

Scott Raine commented on several aspects. He felt that prohibiting firearms within 500 ft. was unnecessarily stringent; he asked if plans would allow for commercial infrastructure and was concerned that if space was not made for commercial businesses, they would go elsewhere and he felt it was more beneficial to keep these in a concentrated area; and he asked if Eureka Moly's investment in the infrastructure would allow them preferential status or some sort of credit when it is offered to them for sale.

The County officials confirmed that the ultimate goal was to offer the property for sale to Eureka Moly for the purpose of permanent construction, but the lease agreement was for

temporary construction worker housing and offered adequate protections so that the County could work towards a development agreement and plan for sale that would prove beneficial to both parties; and these details would be concluded prior to expiration of the lease. Commissioner Fiorenzi commented that many of the concerns raised would be addressed in the Mount Hope Project EIS.

Bob Dyer commented that several entities had been working together towards common goals; the lease agreement and ultimately the development agreement have been a result of cooperative efforts with not only the Commissioners, but the NEPA Committee, the Planning Commission, and the Eureka Townsite Annexation Advisory Committee. He felt the ultimate goal was being accomplished, which was allowing control over growth and development to remain with the County.

Chairman Ithurrealde made a final call for public comment and there were no further comments.

ACTION REGARDING RESOLUTION AND LEASE AGREEMENT

Chairman Ithurrealde called for action from the Board. Commissioner Fiorenzi motioned to table action regarding the resolution and lease agreement until the concerns raised during the night's public hearing could be incorporated into these two documents; specifically bonding issues, construction issues, and protection for the County should the mine default on the project. Commissioner Bailey seconded the motion. Motion carried 3-0.

Chairman Ithurrealde thanked the public for their input, noting that more public hearings will be held as the County works through this process.

ADJOURNMENT

Commissioner Fiorenzi motioned to adjourn the meeting at 8:28 p.m. Commissioner Bailey seconded the motion; motion carried 3-0.

Approved this 5th day of September, 2008.

/s/ J.P. Ithurrealde

J.P. Ithurrealde, Chairman

Attest: /s/ Jackie Berg

Jackie Berg, Clerk