

KNOWN INFORMATION

1. We are presently out of compliance with our Corps permit regarding mitigation required for the Ridgeview Schools construction. In a call between Haydee Robinson, Leman Kendrick, and Vinny Pero of the Corps, Mr. Pero indicated that the Corps wanted a response by October 21, 2016 as to how we were going to proceed with mitigation
2. Our current Corps permit for the Ridgeview Schools requires that mitigation be done at Ervinton High School (EHS). Deed restrictions were previously placed on the EHS site as part of the Ridgeview permit. If an alternate site is found and a permit modification is approved by the Corps, present restrictions at EHS would be removed from EHS and transferred to the new site
3. In addition to the EHS site, there were three other sites that were also used for Ridgeview mitigation:
 - a. IDA property where Sheriff's office is now located (wetlands mitigation)
 - b. Parcel of County property located near old Honey Camp Landfill (stream mitigation)
 - c. Parcel purchased from James Sykes by School Board near Technology Park (wetlands mitigation)
4. The value of these sites, based on mitigation bank values of \$500 per credit for stream mitigation and \$75,000 per acre for wetlands mitigation is as follows:
 - IDA property - 0.4 acres wetland \$30,000
 - County property – 647 stream credits \$323,500 and 0.12 acres wetland \$9,000
 - Sykes property- 2.7 acres \$202,500No compensation was made to the IDA or County for their properties. The Sykes property was purchased for \$118,770
5. Deed restrictions that severely limit a property's use are part of the mitigation requirements
6. In order to perform mitigation at a site other than EHS, a permit modification must be approved by the Corps
7. The cost of a permit modification will range from \$20,000 to \$60,000 depending on the design requirements
8. Any alternate site must have restricted mineral and gas rights to protect the surface from disturbance
9. Any alternate site must have long term maintenance included as part of the mitigation
10. Spring Fork is a possible alternate site for mitigation and has been found acceptable by the Corps
11. Ervinton Elementary was presented to the Corps as an alternate site and was determined to be unsatisfactory by the Corps
12. A permit modification to use Spring Fork for Ridgeview mitigation was submitted to the Corps last year and is nearing approval
13. Contura/ACIN owns a coal reserve of approximately 20 million tons located in the Nora/Ervinton area east of Open Fork
14. Contura's mine plan does not include any proposed mining under EHS

15. Data from the Commissioner of Revenue's office indicates that there is no mineable coal under or immediately adjacent to EHS
16. Contura's current mine plan would utilize EHS for surface facilities (coal stockpile, load out area, supply yard, etc.) as part of its proposed DM#42 project
17. Contura can mine the Nora/Ervinton reserves from its existing DM#41 mine or construct the DM#42 mine facility in Russell County
18. If DM#42 is developed in Russell County, Dickenson will receive no machinery and tools tax revenue from the operation. This tax is estimated at \$20 million over the life of the mine.
19. Due to market conditions and recent emergence from bankruptcy, Contura has indicated that no monies are budgeted in the next 2 years for development of DM#42
20. The only two known sites that are acceptable to the Corps for Ridgeview mitigation are EHS and Spring Fork
21. The School Board is actively seeking an alternate mitigation site. To date, no potential alternate sites have been identified
22. The construction costs for a mitigation site vary significantly depending on the specific site
23. The estimated cost of constructing the mitigation at EHS is \$120,000
24. The estimated cost of constructing the mitigation at Spring Fork is \$74,000
25. The estimated cost of constructing mitigation at an undetermined site is unknown
26. The cost of acquiring surface and restricted rights for minerals and gas at an undetermined site is unknown
27. The overwhelming majority of mineral in Dickenson County is owned/controlled by ACIN/Contura
28. The majority of surface in Dickenson County is owned/controlled by Heartwood Forestland Fund, the Corps of Engineers, and Jefferson Nation Forest
29. The vast majority of gas in Dickenson County is owned/controlled by Pine Mountain Oil & Gas/EnerVest
30. If mineral or gas rights are privately owned but under lease, the Lessee would have to agree with any restrictions placed on the rights
31. The Relocation Contract with the Corps requires that the EHS property be conveyed to the County upon satisfactory demolition of the EHS buildings. Demolition is currently in process with completion scheduled for January, 2017
32. Any alternate site to replace the EHS site for mitigation must provide approximately 800 stream credits

SCENARIOS

A. Mitigation is performed at EHS

Pros

- 1) We have an existing Corps permit to perform mitigation
- 2) Long term maintenance is not a requirement of our existing permit
- 3) No additional property acquisition or restricted rights acquisition is necessary

┆ Cons

- 1) Restrictions as a result of mitigation will render the property unusable for any mine related surface facilities
- 2) County will not receive any compensation for value of EHS
- 3) If DM#42 is developed in Russell County, County will lose machinery and tools tax estimated at \$20 million over 20 years

B. Mitigation performed at Spring Fork and Contura exercises Option

Pros

- 1) Corps has done a field visit and the site is acceptable for mitigation
- 2) County will receive \$400,000 plus \$122,040 (cost of acquiring Spring Fork property)
- 3) EHS property will be location of DM#42 and County will receive machinery & tools taxes for the mine's 20 year projected life
- 4) The Ridgeview Corps permit modification to use this area for mitigation is currently in process and close to approval
- 5) Contura is bearing the expense of the Corps permit modification
- 6) Restricted surface rights for mineral and gas owners are included as part of the option

Cons

- 1) Long term maintenance will be required by the Corps
- 2) County is required to initially pay \$122,040 for the Spring Fork property but this amount will be refunded when, and only when, option is exercised

C. Mitigation performed at Spring Fork and Contura does not exercise option

Pros

- 1) Restricted surface rights for mineral and gas owners are included as part of the option
- 2) The County will own approximately 12 acres that can be used as mitigation for a future project. The Corps has approved 2,000 mitigation credits for the 12 acres. Present values for a mitigation credit is \$500, making the potential future value of the site to the County equal to \$1,000,000
- 3) EHS property will be unencumbered and can be utilized in the future as surface facility support for a mining operation

Cons

- 1) The County will not receive any reimbursement for purchasing the Spring Fork property
- 2) Property comes off County tax rolls which results in a loss of real estate taxes

D. Mitigation at some other site

Pros

- 1) EHS property will be unencumbered and can be utilized in the future as part of a mining operation

Cons

- 1) Surface and restricted rights to disturb surface must be acquired from the owners of surface, minerals, and gas if these rights are not already owned
- 2) The site must meet Corps approval as a suitable mitigation site
- 3) The County will have to bear the cost of the Ridgeview Corps permit modification estimated at \$20,000-\$60,000
- 4) If owners of minerals and gas must relinquish surface rights, they will very likely ask for substantial compensation
- 5) If the site is not already owned by the County, it will have to be purchased for an unknown amount
- 6) The cost of constructing the mitigation at an undetermined site is unknown
- 7) No County, IDA, or School Board properties are known which might be considered for mitigation
- 8) If property is purchased then the property comes off County tax rolls which results in a loss of real estate taxes
- 9) Finding a suitable mitigation site is likely to be very time consuming and, if the site has to be purchased, additional time for negotiation will be required. The School Board is presently out of compliance with the Ridgeview permit which exposes us to action from the Corps. The Corps can levy large fines, potentially freeze additional school reimbursements, or simply direct us to perform mitigation at EHS. Mitigation was originally scheduled at EHS for 2014 and we don't know at what point the Corps will take action. Any Corps action will not bode well for Dickenson County.