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CTE Job No. 10-7960G

Mr. Ted Odmark
C/O: Cynthia Eldred, Esq.
2481 Congress Street
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Subject: Mineral Resource Zone Report
Response to County of San Diego Geotechnical Review Comments
Pala Club Estates, TM 5499
Pala Road, Pauma Valley
County of San Diego, California

References and Glossary: At End of Text

Mr. Odmark:

Construction Testing and Engineering, Inc. (CTE) is pleased to provide this Mineral Resource Zone Report in response to geotechnical review comments presented in the County of San Diego, TM 5499 Geotechnical Report Review dated June 25, 2007. The subject geotechnical review referred to a County of San Diego (County) scoping letter dated June 30, 2006 that requested the project ascertain the significance of mineral resource deposits as they applied to development of the property. This letter follows the October 11, 2007 meeting between Mr. Jim Bennett (County DPLU), Ms. Cynthia Eldred, Esq., and Mr. Gregory F. Rzonca (CTE) to discuss the applicability and requirements of the referenced June 25, 2007 County document. A decision of that meeting was that the sand and gravel mineral resources associated with the proposed Pala

Club Estates (Site) have been lost due to residential and commercial development adjacent to the Site. Consequently, development of the Site does not present a significant loss to mineral resources. This brief letter, in lieu of a Determination of Significance following County Mineral Resources format and content requirements (County, 7/30/07), was requested by Mr. Bennett to document the determination that the site does not pose a loss to mineral resources.

Following is further discussion of the Site setting and significance of Site development from a mineral resource perspective. This letter is not intended or required (per County meeting of 10/11/07) to follow the "County of San Diego Report Format and Content Requirements" dated July 30, 2007.

1.0 RESOURCE SETTING

The approximate 48-acre site is on the east margin of the San Luis Rey River basin in Pauma Valley, San Diego County, California. It is located within a Mineral Resource Zone (MRZ) established by the California Department of Mines and Geology (CDMG) Special Report 153 (Kohler and Miller, 1982) to identify possible sand and gravel aggregate source areas in San Diego County. In 1985 the State of California Mining and Geology Board required local and lead regulatory agencies in western San Diego County incorporate mining resources and mineral resource management policies in their General Plan.

The Site is located in MRZ-2, which is defined as “Areas of mineral deposits where geologic data indicate that significant measured or indicated resources are present.” (Miller, 1996). Geotechnical soil borings and laboratory test data conducted by Western Soil and Foundation Engineering, Inc. (Western, 7/11/05) and Construction Testing and Engineering, Inc. (CTE, 12/1/05) indicate the site is underlain by silty sand and gravel associated with deposition of the San Luis Rey River load. These data suggest the site materials may be utilized as an aggregate resource. However, the scope of the geotechnical work was not intended to evaluate proven reserves, suitability (including chemical reactivity, durability, hardness, mineralogy, etc.), and potential economic factors associated with a sand and gravel resource

2.0 SITE AND ADJACENT LAND USES

The Site is approximately 48 acres in size and has been utilized for agricultural purposes including citrus orchards and row crops. The east approximate one-third of the property bounds Pala Road, and currently supports an orchard. The remaining portion of the property is predominantly fallow row crop land with a minor area supporting chaparral vegetation. The property slopes to the east at less than a 5:1 (horizontal to vertical) surface ratio, and an approximately 30 feet high west facing slope descending to the San Luis Rey River is near the west one-fifth of the property. According to DPLU, the property and general area of the site is zoned Rural Residential with one-acre lots, and the west approximate one-fifth of the Site near the San Luis Rey River is an

“Environmentally Constrained Area” and is also located within a designated 100 year flood plain boundary.

The adjacent (within approximately 1,300 feet) area of the site is utilized for residential purposes and an exclusive private golf course. These adjacent properties include an exclusive destination golf course with private house estates bounding the south margin of the property, an exclusive hill top residence to the west across the San Luis Rey River, and private residential properties north and west of the Site. Developed residential properties and golf course appurtenances bound and are within 100 feet of the Site.

3.0 CONCLUSIONS

Development of the Site is not considered to present a significant environmental impact toward loss of a mineral resource (aggregate production) as the potential deposit has been lost due to adjacent residential and commercial developments, which are incompatible with a mining operation. Some of these developments are within 100 feet of the Site boundary. In addition, the Site has not been proven to be a mineable commodity as a proven reserve, which would take into account physical and chemical properties of the sand and gravel, and development issues such as transportation costs and impact to the environment.

4.0 LIMITATIONS

The information presented in this report was conducted according to current geotechnical practice and the standard of care exercised by reputable geotechnical consultants

performing similar tasks in this area. No other warranty, expressed or implied, is made regarding the conclusions, recommendations and opinions expressed in this report. Variations may exist and conditions not observed or described in this report may be encountered during construction.

This report has not been prepared in accordance with the County of San Diego "Report Format and Content Requirements, Mineral Resources" dated July 30, 2007 or the scoping requirements presented in the County letter dated June 30, 2006. These reference documents have not been followed per verbal discussions with County staff on October 11, 2007.

Our conclusions and recommendations are based on an analysis of the observed conditions. If conditions different from those described in this report are encountered, our office should be notified and additional recommendations, if required, will be provided upon request.

We appreciate this opportunity to be of service on this project. If you have any questions regarding this report, please do not hesitate to contact the undersigned.

Respectfully Submitted,

CONSTRUCTION TESTING & ENGINEERING, INC.



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GFR/MES/DTM:nri
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Attachments:

- Appendix A Cited References
- Appendix B Glossary