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PETE CONATY & ASSOCIATES  
GOVERNMENTAL RELATIONS

August 12, 2009

Dave McCracken  
The New 49'er Prospecting Association  
27 Davis Road  
Happy Camp, CA 96039

Dear Dave,

I wanted to take this opportunity to comment about Senate Bill 670 which was signed into law by the Governor despite our best efforts.

SB 670 was the final straw in a very heated battle in the California Legislature that has been ongoing for the past several years through various bills, and also through the budget process. This time we were overwhelmed by the opposition.

During the final days before SB 670 was passed by the Legislature and sent to the Governor, Assemblyman Nielsen tried to broker a deal between the proponents and opposition of the bill to make it less draconian and to prevent the devastation to miners, rural economies and more lost jobs. A meeting was held; but late the evening before they rammed it through on the Assembly Floor, the author's office informed Assemblyman Nielsen that they weren't interested in making any deals. The bill was easily passed and sent to the Governor. While it was awaiting the Governor's action, thousands of postcards & letters were delivered to the Governor's office, letters opposing this bill went to the Governor from our friends in the Legislature, as well as rural counties that would be negatively impacted. A meeting with the Governor's staff was held with several representatives of the opposition and Senator Sam Aanestad was in many media outlets calling for a veto. But despite these efforts and more, the bill was signed into law by Governor Schwarzenegger.

One of the major obstacles that our opposition could not overcome was the support of SB670 by California Indian Tribes, not just the Karuks as with the previous bills which we defeated. The Karuks were able to get the California Tribal Business Alliance behind their efforts.

Because of this, SB 670 had strong momentum right from the beginning that increased throughout the entire process, despite all of our efforts.

While it is not surprising that big money behind anti-mining interests were able to influence legislators who must constantly raise funds for reelection campaigns, we were very surprised and extremely disappointed that the governor signed the bill, especially after he received record numbers of messages from people who opposed SB 670. It is estimated that over 10,000 postcards and letters were delivered or mailed to the Governor.

This was one of the best grassroots efforts I have ever seen in my 23 years at the state Capitol. Miners and businesses sent thousands of postcards and letters to the Governor. Everyone who

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helped in the effort to inform folks and get them to sign postcards, send a letter or call their legislators should be applauded. You did a great job.

One thing I wanted to point out is that SB 670 did not pass because of any lack of effort on the part of the miners. Your industry did an amazing job of organizing opposition to the bill. Rachel Dunn of Gold Pan California in Concord deserves a lot of credit for this. Many, many others also jumped in to help organize letters from hundreds of businesses and thousands upon thousands of personal messages from individuals across America and even from outside of the U.S. Your whole industry really pulled together on this one!

Nobody is more sorry than me that the governor ultimately signed this bill. I know there is a lot of disappointment, not just from me. All I can say is that you should take some comfort in knowing that we did our collective best to defeat SB 670. We didn't miss anything. We opposed it as best we could. We were just overwhelmed by the collective opposition of the Karuks, environmentalists, Indian Gaming Tribes and fishing groups.

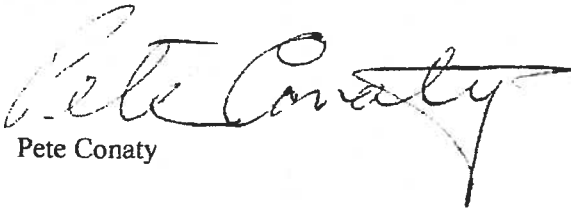
So now it is time to adjust ourselves to the new reality and move forward. I know you are already involved in discussions with your attorneys concerning how to challenge the new law within the court system.

Despite the defeat, it is not time to give up. It is the time to rally the troops together and look ahead to the next challenge to make sure that suction dredge gold mining returns to California. It is time to raise funds for lawsuits, political donations and to make sure that people are focused on the Department of Fish & Game and making sure that they do the Environmental Impact Report (EIR) in a timely and fair manner. We need to make sure that the EIR is completed using real science and not just done with an outcome pre-determined by environmental interests.

As the expertise of my company is in government relations, we are looking towards getting you as much support as possible from your friends in the Legislature as you progress through the Court-ordered California Environmental Quality Act (CEQA) process. Notwithstanding the outcome of any legal challenge you might wage, the sure way we can help to get you guys get back in the California Rivers is to help get the CEQA process completed as soon as possible! We can do that by having friendly legislators like Senator Sam Aanestad and Assemblyman Jim Nielsen keep the pressure on the Department of Fish & Game.

In closing, I want to say how meaningful it is to work with such a dedicated group of hard-working Americans. And while this battle did not come out in our favor, the war is far from over, and I am sure we will come out on top before it is all over.

Sincerely



Pete Conaty