

## KAISER VENTURES LLC MEMBERS' MEETING

**MODERATOR: RICK STODDARD**

June 20, 2006

11:00 a.m. - California Time

**RICK STODDARD:** Thank you very much. Welcome to the members' meeting of Kaiser Ventures LLC. My name is Rick Stoddard. I'm Chief Executive Officer and Chairman of the Board of Kaiser Ventures LLC.

On behalf of the Company, its management and employees, welcome to our members' meeting. We are also broadcasting this meeting on the Internet at [www.kaiserventures.com](http://www.kaiserventures.com), and some members may be participating in this meeting via a telephone conference call.

All participants on the conference call and members of our audience participating in person will have an opportunity to ask questions at the end of a short presentation by the Company. We will provide you instructions on how to ask your questions later in the meeting.

This morning I'd like to introduce several members of management and our board. First, Ron Bitonti, Manager of the Company; second, Todd Cole, also a Manager and Chairman of our Human Relations Committee; Gerry Fawcett, Vice Chairman of the Board; Marshall Wallach is participating by telephone thanks to a few flight cancellations last night; Jim Verhey, our Executive Vice President and Chief Financial Officer; and Terry Cook, our Executive Vice President, General Counsel, and Secretary.

I'd also like to introduce Al Keen, our company Controller. Also present and representing Moss Adams, the Company's independent public accounting firm, is Devon Wiens. Thank you for joining this morning, Devon..

I also see a former director of the board who served us for many years, Ken Casey. Welcome, Ken. Thank you for joining us.

As in the past, our formal business meeting will be followed by informal brief remarks by me regarding a short update on the Company's projects and activities, and then we will allow for about a half an hour for questions and answers where either I or members of the management team will be glad to answer any of your specific questions.

As in the past, I have asked Terry Cook, Executive Vice President and General Counsel and Secretary of Kaiser to conduct the formal portion of the meeting. Terry?

**TERRY COOK:** Thank you, Rick. And I would also like to extend my personal welcome to each of you that are attending the meeting whether here in person or by conference call or through the Internet.

I will now call the formal portion of this meeting to order. And as part of the minutes of this meeting and as part of the process of the formal meeting, we need to take some formal steps. So let me read so that they will be a part of the minutes and a part of the formal record.

We will be attaching to the minutes today a copy of the printed notice of the meeting to members, and that was dated May 5, 2006, which stated a time, date, and the place of the meeting which we're holding today.

Second, we'll be attaching a complete list certified by ASC Securities, Inc., the Company's transfer agent - a certified list of the Class A unit holders of the Company as of the close of business on April 28, 2006, which was the record date fixed by the Board of Managers to receive notice of and to participate in this meeting.

This list shows that as of April 28, there were 6,731,006 Class A units eligible to vote at this meeting. In addition to those two items we will be attaching as part of the minutes of this meeting the affidavit of ACS Securities, the Company's transfer agent, showing that it caused to be mailed on or about May 5<sup>th</sup> to the members of record as of April 28, 2006, a copy of the notice of the meeting of members, a proxy statement and form of proxy and our annual report to members.

The last thing that we will be attaching as part of the minutes is the written notice that the office of Inspector of Elections is being filled by Archana Webb, which is an ACS Securities, Inc. employee. She is present and serving as the Inspector of Elections today for our meeting.

Ms. Webb is a representative of ACS Securities, and she is hereby appointed by the Company to be the Inspector of Elections. She has taken her oath in writing, and I direct the oath of the Inspector of Elections be filed with the minutes of this meeting. An inspector's report will then certify the total results of the vote after this meeting closes today.

For ease in tallying the votes, I request those persons who desire to vote in person to now sign a proxy and vote in that manner. This will allow us to proceed with the formal part of the meeting more quickly and the Inspector will take less time tallying the votes.

So, if anybody's here that hasn't already voted and wishes to vote, there are blank proxy cards out front. And see one of the individuals out front and they will help you, assist you, if you have not completed your voting yet this morning.

Just so you know there are present, at this time in person and by proxy, at least 58 percent of the Company's outstanding units available to vote. And this being more than 50 percent of the Class A Units, we have a duly called meeting with a quorum, and we are able to conduct our business here today.

The sole purpose of this meeting is to proceed with the purpose set forth in the notice, which is the election of individuals to serve on the Board of Managers.

So, we will now proceed with the first item of business. The election of five managers to serve until the next members' meeting and until their successors are elected and qualified. The nominees for the Company's Board of Managers are Ronald E. Bitonti, Todd G. Cole, Gerald F. Fawcett, Richard E. Stoddard, and Marshall F. Wallach. Each of these individuals are currently serving on the Board of Managers of the Company.

These are the nominees of the Company, and we did not receive any other nominees in accordance with the procedures set forth in the Company's operating agreement. So these are the only nominees at this time.

So, now it's time for the vote. If you haven't already voted, please go ahead and get a proxy. Anybody here not voted? I see no hands so we can go ahead and proceed with the election.

The Inspector's certificate which I have received indicates that each of the individuals that were nominated will continue to serve on the Board of Managers. And they overwhelmingly received the vote of those that voted in favor of their continued service.

So, the Inspector's certificate, after the completion of this meeting, will be accepted and will be filed with the minutes of this meeting.

Now, the formal portion of the meeting is over because its purpose is solely for the election of individuals to the board.

There will be a short presentation made by Rick. We will follow that short presentation with a question and answer period that will last, time permitting, for up to 30 minutes.

For those of you joining us by telephone, your questions will be taken and they'll be announced over the speakers we have here in the room. You'll need to identify yourself and – clearly identify yourself or who you represent and your particular question.

Rick will answer your question, or someone else from the management team, again, time permitting, all of the questions that we receive. So, with that Rick, and with the formal portion of the meeting being over, I dare say in record time perhaps, we are adjourned and will continue with your short presentation.

Thank you.

**RICK STODDARD:** Thank you, Terry. As Henry the Eighth said to each of his wives, I will not keep you long. I would like to share a few remarks about our two primary businesses and then turn it over for questions as Terry indicated.

First, I'd like to talk about the West Valley Material Recycling Center, or as we refer to it, our MRF. As you recall, or as you may recall, we started this business in 1997. Our initial target goal was 590 tons of waste processed per day, and we had what we thought was a fairly aggressive business plan calling for an increase to approximately 1,500 tons per day through a seven to 10-year period.

Today, we process over 4,000 tons of trash per day. We have achieved greater than a 90 percent share of the market. EBITDA, our favorite measurement of success in that particular business, last year was \$6.9 million and that was slightly off our high of the previous year of \$7.3 million.

The reason for the slight decline from 2004 to 2005 and continuing into 2006 is a very volatile and fluctuating commodity price marketplace. Nevertheless, we believe that the long-term growth prospects of this business have been both phenomenal over the last eight years and future prospects continue to be very positive.

We could not be happier with our operating partner, Burrtec Waste Industries and we are currently in the middle of a permitting an expansion of the project to increase our permitted capacity from 5,000 tons to 7,500 tons per day. Once again, this has been a tremendous growth story and opportunity for Kaiser, and we anticipate it continuing over the years.

Now, just a few words about the final litigation surrounding the Eagle Mountain Landfill Project. Eagle Mountain may very well be the most environmentally reviewed project in the history of the State of California. Literally dozens and dozens of public hearings have occurred.

Every agency at the federal, the state, the county, and the local level has reviewed this project and approved it. And I think in all that time, there was one negative vote on a four-to-one vote by the county planning commission. Every other agency approved it unanimously.

Even the neighboring national park, Joshua Tree National Park, has agreed in a legal contract, in a binding contract, that all environmental laws were complied with, and the effect of the landfill on the park, which is just a few miles away, had been reduced to insignificance.

Even our senior senator, Senator Dianne Feinstein, has written letters indicating that the intent of Congress' legislation in creating and expanding the boundaries of Joshua Tree National Park was to have no effect on the Eagle Mountain Landfill Project.

And yet a single state court judge reviewed the record and found that the project didn't meet her requirements and required us to go back. After years of challenges and further appeals, the California State Court of Appeal and then the Supreme Court unanimously held that she was wrong, that Eagle Mountain had complied with all relevant laws and allowed the project to go forward.

Today we find ourselves in a similar position. One lone federal court judge has decided that he didn't like the project either. To give you a sense of some of his issues and why we strongly disagree with him, I'm going to give you just three examples.

He said in his opinion that we had failed to study the big horn sheep. Just to give you an example of this issue, the big horn sheep is not an endangered species. In fact, hunting permits are issued for the big horn sheep.

And attached to the record was a 50-page study of the effects of the landfill on the big horn sheep that was in front of him that apparently he did not see.

Secondly, the judge ruled, whose sole job was to decide whether or not the Interior Board of Land Appeals had acted arbitrarily and capriciously when they approved the [land exchange] decision of the Bureau of Land Management in a lengthy opinion. The federal judge didn't even mention this opinion but referred only to the BLM record for the parts that he thought might be relevant.

And finally, in deciding whether or not the Secretary of Interior, acting through the BLM, had found that the project was in the public interest, the judge stated, it is not acceptable merely for the agency to state that the project is in the public interest but rather it must explain its rationale. And the agency did not do that.

Curiously enough, the judge in his own opinion went on to say, now, granted the agency listed 18 separate reasons the project was in the public interest. But apparently that wasn't enough.

These are some examples why we have now appealed this decision to the 9<sup>th</sup> Circuit Court of Appeals. And we expect this decision to be overturned very similarly to the state court

decision. And this is the final step; this is the final agency which has any authority over the project. If we are successful, Eagle Mountain will go forward.

These are two major projects and updates. Obviously the litigation is not the step we wanted to take over this past year. But we would have been in front of the 9<sup>th</sup> Circuit under either situation. And we are fully confident that we will achieve victory there.

With that, I'd like to turn it over for questions about the MRF, about Eagle Mountain, or any other issues regarding the Company.

Terry, do we have instructions as to . . .

**TERRY COOK:** No. For those on the telephone you just will have to identify yourself. The question will come through the speakers. For any those of you in the audience, stand up, identify yourselves. Again, we will repeat your question so that it can be broadcast to those on the telephone conference call and for those listening on the Internet.

So, if we have – do we have any questions? Let's first ask in the audience. Yes, sir.

**BOB PATTERSON:** This is Bob Patterson. I thought that we had sold Eagle Mountain or were in the process of selling it. Can you clarify that?

**RICK STODDARD:** Yes, Bob. Thank you for the question. The question was whether or not we had sold Eagle Mountain or were in the process of selling Eagle Mountain. Nothing has changed since the last report to you. We are under contract to sell Eagle Mountain for a purchase price of \$41 million plus interest to the Los Angeles County Sanitation District.

That contract has not closed. It was originally designed to have two separate closings, one to actually close some of the real estate issues and title issues followed by eventual payment when the litigation was over.

In all likelihood that contract will close and get paid at the same time, at the end of the litigation. So nothing has changed. And we, as a matter of fact, we extend that contract from time to time. And just this week I signed the most recent extension.

Yes?

**(ED):** ((inaudible))

**RICK STODDARD:** Yes. Thank you, Ed. The question was, as a follow up to the sale of Eagle Mountain, has the purchase price been accruing interest? And the answer is yes. The purchase price is set forth in two different increments, one \$39 million pool and one \$2 million pool totaling \$41 million.

To date, it has been accruing interest at the rate, at the investment rate of the sanitation district. They have pooled funds within the sanitation district. And whatever rate they are receiving on the money has accrued to us. So the purchase price is up.

We have an estimate of that over time. I don't know if you have that available, Jim, or not.

**JIM VERHEY:** ((inaudible))

**RICK STODDARD:** So we would anticipate – I don't know, you probably couldn't hear Jim, but the accrued interest to date is in the \$5 to \$6 million range right now for a total purchase price of \$46 to \$47 million.

**(ED):** And what kind of (forecast) ((inaudible)). How much of that ((inaudible)).

**RICK STODDARD:** Yes, Jim, would you like to, would you like to address that question? Ed's question was a follow-up question as to what is the cash burn rate. And I don't know if you want to give it net of the MRF distribution. However you want to answer that, Jim.

**JIM VERHEY:** Basically where we are right now is that our operating expenses are running right around between \$2 and \$2 and a half million a year in terms of cash expenses outgoing. We have two sources right now of cash inflow. One is the interest on the cash that we are retaining for reserves, which is right now approximately, I think it's \$9 million, \$8 and a half, \$9 million, plus our short-term, and the cash distributions from the West Valley MRF, which have, over the last two years, been \$2.2 million in 19 – \$2.2 million in 2004 and \$2 million last year.

We expect the cash flow again this year should be about \$2 million. The only, the only element that has now come out of that which is different than what we had planned is the litigation. We call it the Slemmer litigation, which you can read about in our 10-KSB.

And that is the litigation where we were brought into a suit by a party that bought shares of the Cucamonga County Water District [sic: Fontana Union Water Company]. And we have spent approximately \$1.2 million in litigation expenses to defend ourselves. We have a settlement. We are now out of that litigation. Terry could explain it further.

And we are now filing claims with our insurance carrier for reimbursement. They have reimbursed approximately \$650,000 to date. And we are in mediation with them trying to recover the other \$600,000.

So other than that, our whole goal is to balance in the inflow from the West Valley MRF and the interest on our investments against the cash expenses of the company.

**MALE:** ((inaudible))

**JIM VERHEY:** Yes, sir. We are...

**MALE:** ((inaudible))

**JIM VERHEY:** Well, the question was why are we, where are we holding our cash and why are we holding it where we are holding it. We decided that – the Board of Managers and the Company decided that our business was not investing in the stock market or in interest rates.

And so we placed our money with PIMCO. We are now with two PIMCO funds, their total return fund, which is the largest bond fund in the world and probably one of the safest, and their low duration fund.

And so we are – we decided to keep our cash in a relative short-term, low duration. So the low duration fund is about 1.3 years of duration. So most of our cash from the low duration

fund is earning in the neighborhood of three to three and a half to four percent right now. And the total return fund is in the neighborhood of about a three to four year duration.

We invested in those funds because the time frame, we felt at the time we invested in those funds, the four to five years was appropriate for the time when which we needed those funds. And so we wanted to invest in something in which we took as little risk as we thought there was going to be in terms of duration.

And we invested in a time when everyone knows that the rates were relatively low. And so we tried to invest shorter term so that as rates went up we would not be hurt on the principal.

**MALE:** With interest rates higher and probably going to move higher, is it appropriate that the funds be kept in those investments when Treasuries are paying 5% or more?

**JIM VERHEY:** It's appropriate that we look at those. It's appropriate that we look at our cash management strategy at least on an annual basis and adapt them to the circumstances in the marketplace. Very good point.

**MALE:** ((inaudible))

**JIM VERHEY:** We have...

**TERRY COOK:** The question is how many employees do we have. So let me count on my fingers. And I'm missing half of one. So, that'll be a part-time person. I believe we have six full-time employees and four part-time employees. We have 10.

The person that does the payroll is nodding her head in the back. So, four full time, six – no, six full time, six full time, four part time.

**MALE:** ((inaudible))

**TERRY COOK:** Actually, a lot of work is done out at Eagle Mountain. That's correct. But actually, since we do all the accounting for the West Valley MRF, so we're pretty accounting intensive. And just being a public company and other things keeps us pretty busy, there is litigation and so forth.

**MALE:** So you are busy.

**MALE:** Come, come share my world.

**RICK STODDARD:** Thank you Bob, for the suggestions on the cash management issue. Any other questions? Do we have any telephone call questions or Internet questions?

**TERRY COOK:** They would be coming through the speakers if there were questions.

**OPERATOR:** There are none pending on the phone lines.

**DON STEINMAN:** I have a couple of questions but I wanted everybody else to get in first. My name is Don Steinman. I wanted to ask you a few questions ((inaudible)). Can you give us a sense of realistically about how long will it take for the appeal?

**RICK STODDARD:** Yes, I can, Don. The question was what is a realistic assessment of the time frame in the appeal. And I'm always hesitant to make predictions of how fast our judicial system moves.

But we believe our best estimate is at the – we will have a decision approximately the end of '07 or the beginning of '08. We anticipate now – we do have a briefing scheduled. The briefing actually starts at early August of this year, will be completed in either late December or late January of next year.

We believe that our oral argument before the 9<sup>th</sup> Circuit panel will be mid-year June. Is that right, Terry?

**TERRY COOK:** June or July.

**RICK STODDARD:** June/July time frame. Those are probably relatively reliable dates. They may shift a month or two. What we do not have control over is once oral arguments are heard when the decision will actually be issued.

The average time frame for the 9<sup>th</sup> Circuit at this point in time is approximately six months. So when we add that to the June or July '07 date, the end of '07 or early '08 is our best guess. Sometimes that can be very quickly announced, a matter of months, and we do have a couple cases that we are aware of that are taking a couple years.

But we do not anticipate the kind of delays that we experienced in the federal district court.

**DON STEINMAN:** OK. What happens if you lose the appeal?

**RICK STODDARD:** That also is a very good question. And the question was what happens if we lose. Unfortunately there's no "yes" or "no" answer to that question. The judge found against us in about six, or it might have been seven, specific areas.

And each one of those areas could have a different answer because the Court of Appeals for the 9<sup>th</sup> Circuit could say you're wrong, project's approved on one end of the spectrum. It could say the judge was right on all issues, decision upheld on the other end, or it could take each one of those six or seven issues, say you win one, you lose another, this is how you lost, this is how you won.

So there are, I think, three different results that could come out of that - kind of boiling it all down and getting away from the legalese. One, we could win, go forward, close with the sanitation district. Two, we could lose so badly that we would simply abandon the project or find an alternate use for it but abandon the landfill as we now know it.

Or three, there could be a minor fix. For example, one that I think we have talked about before is if there is a dispute about whether or the appraisal for the federal land in question was done properly. And the court could tell us, no, you didn't do it quite right. Go back and do a new appraisal.

If that were the case, I'm 99 percent sure that the board would conclude, fine, let's go do it. The balancing payment, just to give you a sense of that issue, was \$20,000. I guarantee you we'll lose \$20,000 on a revision to one of these briefs.

So it could be any of those three alternatives.

**DON STEINMAN:** OK. Do you have a number of other pieces of land that are owned by Kaiser Ventures? I was told that ((inaudible)) you would take care of that very quickly wrapping)that up. Why hasn't there been any movement on that issue ((inaudible))?

**RICK STODDARD:** Thank you. The question was about the other miscellaneous pieces of property nearby but not including, including the Eagle Mountain site.

**MALE:** ((inaudible))

**RICK STODDARD:** Sorry. I had to check to make sure what we had publicly stated. You're right, there has been a lot of movement, actually. We are under contract to sell most of our property at Lake Tamarisk and that we are within about 60 or 90 days of finding out whether or not that sale will close, which will, if it does close, will dispose of the bulk of our miscellaneous properties between the actual mine site where the landfill is and Interstate 10.

**MALE:** ((inaudible))

**RICK STODDARD:** Yes, it's in the \$4 million range.

**DON STEINMAN:** Now, what is to prevent you from, let's say that we have early '08, whatever it is, what is to prevent you from having another [lawsuit] starting right up from say from different quarters or whatever ((inaudible)) start all over?

**RICK STODDARD:** Yes. The question was what's to prevent more litigation and other litigation starting the whole process over? Thank God there's a good answer to that one. This is the final litigation. If we win at the 9<sup>th</sup> Circuit level, barring an appeal to the United States Supreme Court, there is nowhere left for the opponents to go.

Now, that doesn't mean there won't be more litigation. But there's a difference between permitting or entitlement litigation and operating litigation. Every landfill in America of any size has what in the business is known as nuisance litigation that you're not quite complying with this air permit or this water permit needs something or the desert tortoise issue should be amended.

That will go on for the life of the project. But none of that operating litigation, as we refer to it, will in any way slow down or stop the development or building of the project itself.

**DON STEINMAN:** OK. Now, let's say if you win, you still have this railroad repair issue. Does that have to be completed before you actually close the sale?

**RICK STODDARD:** That is an issue we will be negotiating with the Los Angeles County Sanitation District. It's about a 10 to 12 month repair job. And I don't have any answer for you on that. We've agreed to defer it because our obligation is to repair it to a certain standard.

And I think no one in their right mind would say, let's repair that to a standard that may be 20 years out of date. So it's pretty clear in my mind having watched the san district for years now that they will bring that railroad up to 2005 standards.

And it would make no sense whatsoever for us to spend the \$4 million bringing it up to 1950 standards and then have them tear it down to bring it up to new standards. So, I would expect that there will be some purchase price credit for that and that we would close without resolving that issue. And it would simply end up being that we would credit them on the purchase price, the agreed upon estimate of what the repair work would have been.

They haven't said that. There have been initial discussions. And I doubt that that will be resolved until we find out where we are with the 9<sup>th</sup> Circuit. But that would be my prediction.

**DON STEINMAN:** OK. Given those, those elements, let's say that early '08 we have a favorable decision before the 9<sup>th</sup> Circuit. I realize this a major assumption.

**RICK STODDARD:** Yes.

**DON STEINMAN:** But assuming average times when would money be paid out to shareholders?

**RICK STODDARD:** Yes. No, I believe – and I think, if I may, that the question was when will shareholders get cash flow. I believe the real issue at that point is when will we get the \$41 million from Eagle Mountain because as we – from the san district, because as we are set up now, that would be the anticipated distribution. The use of those proceeds would be distributed to shareholders. That has been our stated plan and continues to be.

How long – the MRF sale, for example, if that's where we go might take some time to sell, is a side issue, but the Eagle Mountain issue is fairly predictable. I think, I think if you were to give us approximately 12 months that we would be able to, subsequent to the sale, close all of the issues with the san district, receive those proceeds and distribute them out to shareholders in approximately that time period.

So, as you indicated, when that 12 months starts is a little bit iffy. But I would think that'd be a very reasonable period of time to actually get it closed, deal with the railroad issues, deal with the water issues, the remaining few contingencies with the contract.

**MALE:** Do you have any sense of what ((inaudible)) what the landfill was worth? I mean, MRF

**RICK STODDARD:** No, there have not been discussions in terms of sale. There have been a lot of discussions in terms of financing alternatives and how we would value it. That's why we report and we like the EBITDA calculation that we do on an annual basis.

And I think if our EBITDA is roughly \$7 million, the range the private businesses like that have sold for over the last several years are somewhere in the seven to nine times EBITDA. The way that valuation formula works is you multiply that EBITDA number times, times the multiplier, subtract off your debt, add back your cash. And then we own half of it so divide by two.

Now, you can use your own estimate of where EBITDA goes and the debt number is published each year. So you can do your own calculation. We don't – we do it internally but we don't publish what our own opinion is.

I will tell you that, at least over the last five years, the growth in that business has been phenomenal so that we would be at the higher end of the multiple, whatever you think that range is.

**MALE:** OK. ((inaudible)) equal amount settled one way or another basically shutting down the Company? Or is there intention between maybe about not shutting down ((inaudible))?

**RICK STODDARD:** Well, I believe we have stated under our cash maximization strategy the intent is to liquidate it out to the shareholders. Now, I suppose things could change in terms of what you might do with the MRF or something just in terms of what the opportunities were.

But in any event we are very cognizant that the shareholders, the unit holders, have not had a liquid market. And we are – and the whole cash maximization strategy is to provide that back to the shareholders one way or another.

But the current intent is to sell off both businesses and to distribute those proceeds to shareholders.

**DON STEINMAN:** Thank you.

Rick Stoddard: Yes? Yes, sorry.

**MALE:** Will the Company be distributing any of the cash it may receive if there is a sale of the Lake Tamarisk property?

**RICK STODDARD:** Since this hasn't arisen we have not had debates about that. If you recall, the Lake Tamarisk, the opportunity a few years ago was viewed to be in the million dollar range. The real estate development issues that have occurred out there have changed dramatically in the last just 12 to 18 months with major developments encroaching from Indio.

The largest project that is relatively controversial, thank God it's not ours, we've had our share of controversy, is in the Chiraco Summit area, which is just 15 miles or so down the road. So on the good end this time we're suffering a little bit from sticker shock and exactly what's going to happen out there.

Whether or not the closing is real in the \$4 million range, time will only tell. But we are very excited about what's going on out there from a real estate standpoint. And we own some of the only real estate that is in private hands out there.

So the short answer to your question is we haven't discussed it. It's the – if it were a million dollars, we probably wouldn't alter anything. At the \$4 million level or above, it's certainly a discussion the board will have when and if it occurs.

Other questions? Thank you very much for attending today. It's a pleasure to see you all again. And we will stand adjourned.

Thank you.

**OPERATOR:** Once again, ladies and gentlemen, that concludes today's call. Thank you for your participation. You may disconnect at this time.

\* E N D \*