

## **Exhibit B**

COPY

LEASE

THIS LEASE made this 8 day of <sup>APRIL</sup>~~March~~, 1987, between  
LITTLE ROCK SAND AND GRAVEL, INC., a California corporation,  
hereinafter referred to as "Lessor", and GRANITE CONSTRUCTION  
COMPANY, a California corporation, hereinafter referred to as  
"Lessee".

WITNESSETH

Lessor hereby leases to Lessee and Lessee hereby hires from  
Lessor subject to all of the terms, covenants, and conditions  
hereinafter set forth, that certain parcel of real property  
located in the County of Los Angeles, State of California, which  
is more particularly described in Exhibit 1 attached hereto and  
made a part hereof and incorporated herein.

1. Grant of Lease

Lessor hereby grants to Lessee the right to enter into  
and exercise possession and control of the property, and during  
the terms of this Lease to remain in possession and control  
thereof, and to explore, develop, mine, operate and use the  
property and any surface or underground water or water rights  
occurring therein or appurtenant thereto, and to mine, extract and  
remove from the property any quarry products, stone, rock, sand,  
and aggregate (hereinafter the "Leased Materials"), and to crush,  
process, beneficiate, ship, sell or otherwise dispose of the same  
and receive the full proceeds thereof (subject to the obligation  
of rental and royalty payments specified herein), and to

construct, use and operate thereon and therein structures, excavations, roads, equipment and other improvements or facilities which Lessee shall deem reasonably required for, or in connection with, the full enjoyment of the rights and interest granted to Lessee by this Lease.

2. Title

Lessor hereby warrants that it is entitled to full and exclusive possession of the leased premises except as described in paragraph 11. Lessor further warrants that it has the exclusive right to enter into this Lease and receive for its use and benefit all payments due and payable hereunder.

3. Operations

3.1 During the term of this Lease, Lessee shall have the right to explore, mine and develop the property, and to extract Leased Materials from the property by means of open pit mining operations, and to erect, install, construct, use and maintain on the property such roads, buildings, structures, pipelines, water tanks, power lines, machinery and equipment as may be required by Lessee for the conduct of its mining, crushing, screening, concrete batching, black top mixing, asphalt mixing, and the recycling of blacktop<sup>and concrete</sup> into road base and asphaltic concrete, and the transporting of the Leased Materials from the leased property.

3.2 During the term of this Lease, Lessor grants to Lessee such water rights as Lessor has to the surface and underground water located upon and under the leased premises.

Lessee shall have the right to use all existing water sources presently located upon the leased premises (both above ground and below ground). Lessee, at its expense, shall have the right to develop such further water sources as it may deem necessary or convenient for the operation of its business; provided, however, that Lessee shall avoid wasting water.

3.3 All work done on the property by Lessee shall be done in an orderly, good and workmanlike manner in compliance with all applicable city, county, state, and federal requirements and laws.

3.4 Other than improvements by the Lessee's own forces, Lessee shall not install or attach to the real property, any permanent improvements thereon, or make any permanent improvements or modifications without first having obtained written consent from Lessor so to do (Lessor agreeing not to unreasonably withhold such consent) and shall, after having received such consent, notify Lessor of the time that Lessee commences installing such alterations, modifications or improvements in order that Lessor may post said property with appropriate notices as specified by the Code of Civil Procedure of the State of California.

4. Lease Term

The initial term of this Lease shall be for three (3) years commencing on <sup>WAL</sup> ~~April~~ <sup>MAY</sup> 1, 1987, and ending <sup>WAL</sup> ~~March~~ <sup>APRIL</sup> 31, 1990. If Lessee is not in default hereunder at the end of the term of this Lease, Lessee shall have the option of renewing or extending this Lease for four (4) successive additional terms. The first renewal

term shall be five (5) years and the second renewal term shall be six (6) years. The third and fourth renewal terms shall be ten (10) years each. The same terms and conditions including the rental and royalty adjustments as herein provided shall prevail upon any renewal period of this Lease. If Lessee desires to exercise any of said options it shall give Lessor written notice thereof at Lease thirty (30) days prior to the expiration of the initial term or any successive period by which said Lease is extended.

5. Approvals and/or Permits

Lessee shall have up to six (6) months free of any minimum rental after the commencement of this Lease to diligently pursue satisfactory approvals and/or permits from the City of Palmdale (and other agencies having jurisdiction over the proposed mining projects) authorizing Lessee to mine rock from the leased property and to process same on the site into aggregates, asphaltic concrete, and ready mix concrete. If at the end of said six-month period, Lessee has been unsuccessful in obtaining satisfactory approvals and/or permits, Lessee may extend (a month at a time, up to a maximum of nine (9) additional months) the time to obtain such approvals and/or permits free of the minimum monthly rental, by paying to Lessee in advance of each such month's extension the sum of [REDACTED] for each such monthly extension. Notice to extend the time allowed to obtain satisfactory approvals and/or permits shall be given and payment to Lessor of each such [REDACTED] shall be made not later than

fifteen (15) days prior to expiration of the month immediately preceding the extension period involved. In the event satisfactory approvals and/or permits are not obtained from the City of Palmdale (and other agencies having jurisdiction over the proposed mining projects) by <sup>AUG. WRC</sup> ~~June~~ 1, 1988, this Lease shall be subject to cancellation by either party giving written notice of cancellation to the other.

Lessor will cooperate with Lessee in its efforts to obtain the necessary approvals and/or permits from the City of <sup>WRC</sup> Palmdale <sup>(AND OTHER AGENCIES HAVING JURISDICTION OVER THE PROPOSED MINING PROJECT)</sup>. All costs associated with the pursuit of such approvals and/or permits will be borne by Lessee. If Lessee is unsuccessful in obtaining such approvals and/or permits or obtains approvals and/or permits unsatisfactory to Lessee, then this Lease shall terminate on the tenth day following final denial of such approvals and/or permits. On the issuance of approvals and/or permits which, in the opinion of Lessee, are unsatisfactory and Lessee's cancellation of the Lease, Lessor may, upon such cancellation, request that Lessee transfer to Lessor any rights Lessee may have in such approvals and/or permits, and all engineering work, studies, records, plans, applications, soil studies, permits and approvals are to be delivered and are assigned to Lessor without expense or liability to Lessor.

6. Reserved Rent and Royalty

Lessor hereby reserves as royalty for the leased premises and the right to quarry rock, sand and gravel therefrom, an amount equal to [REDACTED] [REDACTED] [REDACTED] [REDACTED]

[REDACTED], which said sum Lessor expressly reserves as a minimum rental, beginning on date of issuance of satisfactory approvals and/or permits by the City of Palmdale to Lessee to operate a rock plant and concrete batch plant on the leased premises; provided, however, said minimum rental shall commence no later than <sup>AUG.</sup> June 1, 1988. W N Q

A. The minimum reserved rental shall be paid as follows:

- (1) [REDACTED] upon the execution of this agreement as and for the first two months' rent under this Lease.
- (2) [REDACTED], payable on the 25th day of each month during the Lease term, for the minimum rental of the following month.
- (3) All prepaid rental payments shall be adjusted to the second month so that from and after the execution of this Lease, all rental payments will become due as of the first of each month.
- (4) The said [REDACTED] royalty herein reserved shall be paid not later than the 25th day of the month following the month during which rock, sand and gravel is extracted and removed.
- (5) The said [REDACTED] royalty herein reserved applies to all the rock, sand and gravel extracted and removed from the premises.

The tonnage of asphaltic concrete mixtures and ready-mix concrete shall be computed as follows:

(a) The tonnage of rock, sand and gravel in asphaltic mixtures processed on and/or shipped from the premises shall be considered equal to 94% of the tonnage of such asphaltic concrete mixtures.

(b) The tonnage of rock, sand and gravel in ready-mix concrete processed on and/or shipped from the premises shall be computed on the basis of 1 7/10 tons of rock, sand and gravel to a cubic yard of ready-mix concrete.

7. Credit of Minimum Rental Against Royalties

The sum of [REDACTED] as a minimum rental shall be allowed as a credit against the [REDACTED] royalties; if the royalties payable by Lessee to Lessor for any calendar month, as adjusted on the basis of the Consumer Price Index for All Urban Consumers for Los Angeles-Long Beach-Anaheim, California (see paragraph 9 below), are less than the minimum rent paid by Lessee to Lessor for said month, the amount by which the minimum rent paid for such month exceeds the royalties earned for such month shall constitute a credit which may be applied by Lessee against royalties earned in excess of minimum rent payable for any calendar month during the next succeeding twenty-four (24) month period.

8. Material Subject to Royalty; Exclusion from Leased Premises

After quarrying has started on Lessor's property, all



material extracted and removed from Lessor's property, (or) sold (or) shipped from Lessee's Antelope Valley plant (including but not limited to waste, recycled materials, reject or stock piles) from that day on shall be deemed and paid for as coming from Lessor's property.

If Lessee is denied the use of any portion of the leased premises in its rock, sand and gravel operation by virtue of zoning, any act of a duly constituted authority, or failure to obtain an appropriate exception from the proper authorities, that portion may be dropped from the Lease and the minimum guaranteed rental in such case is to be reduced in proportion (at the rate of \$46.00 per acre per month as adjusted to Consumer Price Index as set forth in paragraph 9, below).

9. Adjustment of Royalty and Minimum Rental

The royalty of [REDACTED] shall be adjusted upwards or downwards percentagewise on January 1 of each year, beginning on January 1, 1989, if the Consumer Price Index for All Urban Consumers for Los Angeles-Long Beach-Anaheim, California, as published by the United States Department of Labor's Bureau of Labor Statistics, has increased over the Base Period Index or decreased from a preceding Extension Index. The Base Period Index shall be the Index for the first calendar month in which rentals commence. The Base Period Index shall be compared with the Index for the particular January involved (herein referred to as the Extension Index). If the Extension Index is higher than the Base

Period Index (or, after 1989, the preceding Extension Index), then the royalty per ton and the guaranteed minimum monthly rental for the year commencing on said January 1 shall be increased by the identical percentage. If the Extension Index is lower than the preceding Extension Index, then the royalty per ton and the guaranteed minimum monthly rental for the year commencing on said January 1 shall be decreased by the identical percentage. In no event shall either the royalty per ton or the guaranteed minimum monthly rental be less than that provided for initially in this Lease.

If the United States Department of Labor's Bureau of Labor Statistics discontinues publication of the above Index, or publishes such Index less frequently, or alters such Index in some other manner, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

10. Payments and Books of Account

10.1 All payments shall be made to Lessor at its address at 44909 North Tenth Street West, Lancaster, California, or at such other address as Lessor shall hereafter designate in a written notice to Lessee.

10.2 Any sum payable to Lessor under the terms of this Lease shall bear interest from the date due until paid at the prime rate (plus two percent) of the Bank of America National

Trust and Savings Association (or its successor), as established on January 2 of the calendar year involved.

10.3 Each ton or fraction thereof, of rock, sand and gravel and asphaltic concrete mixture shall be weighed on the premises before being shipped or removed and shall be evidenced by a weight certificate prepared and certified to as correct by a certified weigh master.

10.4 Lessee shall keep full, complete and proper books and records showing all material extracted and removed from the leased ground which shall include, but not be limited to, all weight certificates and sales tax reports that Lessee may be required to furnish to any governmental agency. Said records shall at all reasonable times be open to inspection of Lessor, Lessor's auditor or authorized representative or agent at some location in Los Angeles County or Kern County, California.

10.5 Within twenty-five (25) days after the end of each month from and after the commencement of this Lease and continuing for the duration of this Lease or any renewal or extension thereof, Lessee shall furnish Lessor with a statement to be certified as correct by Lessee or the employee of Lessee authorized to so certify, which shall set forth the gross tonnage of rock, sand and gravel and asphaltic concrete mixture and cubic yards of ready-mix concrete shipped or removed from the leased premises for the month just concluded and with each statement, Lessee shall pay to Lessor, the amount of additional royalty which is payable to Lessor as shown thereby. Said statement will be

certified by a certified public accountant annually in January for the previous calendar year at Lessee's expense. Lessor may at reasonable times cause an audit of the Lessee's records pertaining to aggregates removed from the leased premises to be made by an accountant of Lessor's own selection and if the statements of gross tonnage previously made by Lessee to Lessor shall be found to be less than the amount of Lessee's gross tonnage shipped or removed, Lessee shall immediately pay the costs of said audit as well as the additional rental therein shown to be payable by Lessee to Lessor; otherwise the cost of such audit shall be paid by Lessor.

10.6 The acceptance by Lessor of any monies paid to Lessor by Lessee as royalties for the leased premises as shown by Lessee shall not be an admission of the accuracy of said statement or of the sufficiency of the amount of said additional rental payment but Lessor shall be entitled to at any time within four (4) years after the receipt of any such additional rental payments, to inquire into and question the sufficiency of the amount thereof and/or the accuracy of the statement or statements furnished by Lessee to justify same; for the purpose of enabling Lessor to check the accuracy of such statement and the sufficiency of any royalty payment to be made in accordance therewith, Lessee shall for a period of four (4) years after submission to Lessor of any such statement or statements, keep safe and intact all of Lessee's records, books, accounts and other data which in any way bears upon or are required to establish in detail the gross

tonnage as shown by any such statement or statements and shall upon request make the same available to Lessor, Lessor's accountant, representative or agent for examination at any time during the four (4) year period.

11. Drag Strip Sublease

Lessee agrees to sublease portions of the leased property as shown on Exhibit 2 (portions shown as 20 acre parcel and two 10 acre parcels) for the purpose of operating an automobile drag strip provided that the operation of said drag strip does not interfere with Lessee's sand and gravel operations and satisfactory insurance can be provided to Lessee.

Lessee shall conduct its mining operations in a manner that will cause the sand and gravel under the drag strip to be mined last.

Lessor understands that certain drag strip parking areas and peripheral activities to the drag strip may have to be immediately relocated or curtailed to accommodate Lessee's mining activities and other related operations.

12. Mining and Reclamation

12.1 All activities conducted on the leased premises by Lessee, its agents, employees, sub-tenants or assigns shall be carried out in strict conformity with all applicable state, county, local or other governmental agencies' rules, regulations, directives, ordinances and/or laws (including but not limited to reclamation, reclamation plans and/or environmental protection); similarly, all things required from time to time by any

governmental agency, to be done in connection with the abandonment of any worked-out portions of the leased ground shall be promptly done by Lessee, its agents, employees, sub-tenants or assigns, as the case may be. Lessee agrees to meet and comply with all conditions and provisions of existing conditional use permits (drag strip) which are brought to the attention of Lessee prior to the execution of this Lease.

12.2 In the excavation of the rock, sand and gravel, Lessee shall do so to a depth below which the same cannot, in Lessee's good faith judgment, be excavated in commercially paying quantities, and shall appropriate the same in a continuous manner so that one single pit is developed to such a depth and continuously enlarged as excavation progresses as long as the aggregate quality is consistent and the mining operations are in conformance with the approvals and/or permits of the City of Palmdale.

It is understood that because of the nature of the deposit on the leased premises Lessee contemplates that some materials excavated may not be commercially usable and will be rejected by Lessee. To the extent that such reject materials (including sand and other waste materials) are available, Lessee shall refill the quarried portion of the leased premises to a smooth grade. Such refilling and leveling are to be done each year to the extent that reject materials are available.

12.3 As Lessee excavates the rock, sand and gravel material to its full depth, the remaining pit and/or the refilled

land refilled in accordance with the provisions of the paragraph immediately preceding shall, at the option of Lessor (but subject to the right of Lessee to retain portions of pit or refilled land necessary to its operation), revert back to Lessor, at such times and in such amounts as Lessor may determine.

(a) The exercise of this option by Lessor shall not be construed to relieve Lessee of its obligations in connection with abandonment, reclamation, reclamation plans and/or environmental protection.

(b) Lessor shall be responsible for its proportionate share of the taxes as to any real property which is reverted back to Lessor by reason of the exercise of the option set forth in this paragraph 12.

(c) The guaranteed minimum monthly rental shall be reduced at the rate of [REDACTED] on which Lessor exercises its option under this paragraph 12 (as adjusted to Consumer Price Index as set forth in paragraph 9 above).

13. Protection From Liens and Damages

Lessee shall take reasonable precautions to keep the property, and the whole and every part thereof, free and clear of liens for labor done or performed upon the property or materials furnished to it on or for the property, or for the development and operation thereof under this Lease. A lien on the property shall not constitute a default if Lessee, in good faith, disputes the validity of the claim, in which event the existence of the lien

shall constitute a default only from thirty (30) days after the validity of the lien has been adjudicated adversely to Lessee.

14. Taxes, Assessments, Acreage Charges and/or Fees

Lessee shall pay all taxes assessed upon any personal property, improvements, alterations or modifications attached to the aforesaid premises.

Lessee shall also pay as additional rental, upon demand, an amount that is equal to any taxes, assessments, acreage charges and/or fees payable or assessed (including any improvement bonds) upon the real property included in the above defined leased premises. It is further understood and agreed that if there is not a separate tax or assessment or acreage charge and/or fee bill for the leased premises and therefore the taxes and/or assessments and/or acreage charges and/or fees for the leased premises are covered in a tax bill or statement which also covers other adjoining parcels, then the taxes and/or assessments and/or acreage charges and/or fees to be paid hereunder by Lessee as additional rent shall be computed as an amount equal to that proportion of said taxes and/or assessments and/or acreage charges and/or fees as the area of the leased premises bears to the total area covered by said tax and/or assessment and/or acreage charge and/or fee bill.

If this Lease is in effect for only a portion of any tax period, Lessee shall be liable only for the applicable pro rata share of such taxes, assessments, acreage charges and/or fees.



Lessee at its cost shall have the right, at any time, to contest any tax, assessment, acreage charges and/or fees. On final determination of such contest, Lessee shall be entitled to a credit (in the amount of the reduction of the tax, assessment, acreage charge and/or fee) on the rent next falling due under this Lease. Lessor shall not be required to join in any contest brought by Lessee unless the provisions of any law require that the contest be brought by or in the name of Lessor. In that case Lessor shall join in the contest or permit it to be brought in Lessor's name as long as Lessor is not required to bear any cost.

Lessee shall not be responsible for any state or federal income tax payable by Lessor.

15. Use of Leased Premises

It is recognized and understood by and between the parties hereto that Lessee intends to use the premises herein leased, as and for a rock, sand and gravel quarrying operation and the outside sale of same, and the production, sale and dispatching of ready-mixed concrete and asphaltic concrete, a construction office, shop and yard, and for no other purpose, and it is with this understanding that Lessor is willing to Lease the aforesaid property to Lessee. In the event that Lessee decides to change the nature of its business, Lessee will first obtain the written consent of Lessor.

Lessee shall not dump or permit the dumping of trash or debris on the leased premises or on any portion of the leased

premises relinquished to Lessor, and Lessee shall not commit or suffer to be committed, any nuisance on said premises.

16. Additional Documents

Lessor agrees, during the term of this Lease to execute such documentation as may from time to time be necessary and requested by Lessee to apply for or obtain approvals, permits or authorizations from any city, county, state or federal agency exercising jurisdiction or authority over the property including, but not limited to, the erection and construction of water lines, pipelines and electrical power or transmission lines and roads; provided, however, that Lessor is not required to bear any costs or expense by reason thereof.

17. Indemnity by Lessee

Lessee agrees to protect and save Lessor harmless and protect its interest in the leased premises and keep same free and clear from all encumbrances and further, to protect Lessor from any damage that Lessor may sustain by reason of Lessee's use of the aforesaid premises or the activity of Lessee's agents, servants or employees on, about or in connection with the aforesaid leased premises and will defend Lessor should Lessor be joined in any lawsuit or should judgment be recovered against Lessor by reason of any activity by Lessee, or its agents, servants or employees in, about or in connection with the leased premises, it being the intent of this particular provision to protect Lessor from any liability whatsoever that may arise by reason of Lessee's use of the premises, either by Lessee or by

Lessee's agents, servants or employees as well as sub-tenants, concessionaires, licensees, contractors, invitees or permittees either arising from or growing out of the use, maintenance, occupation or operation of the leased premises during and throughout the term of this Lease.

Lessee further agrees that in the event Lessor incurs any legal costs or obligations in connection with any act by or on behalf of Lessee as specified herein, Lessee will pay to Lessor all reasonable attorneys' fees incurred by it.

18. Insurance

18.1 Workers' Compensation Insurance

Lessee, at its sole expense, shall cause to be issued and maintained during the term of this Lease and at all times while conducting activity upon the property, workers' compensation insurance in accordance with the provisions of the applicable laws of the State of California.

18.2 Liability Insurance

Lessee hereby agrees to procure and maintain at its own cost and keep in force at all times during and throughout the term of this Lease, a policy or policies of insurance commonly known and referred to as Public Liability and Property Damage Insurance, by a responsible insurance company or companies, naming Lessor as an additional insured insofar as its interest may appear, providing not less than [REDACTED]

[REDACTED], covering all of the premises which are the subject of this Lease, irrespective of the

occupancy and use thereof, and insuring the Lessor against loss, damage or liability, with (1) a liability limit in an amount of not less than [REDACTED]

[REDACTED]

The [REDACTED] amounts above specified shall be adjusted upwards percentagewise on the first day of each renewal term of this Lease if the Consumer Price Index for All Urban Consumers for Los Angeles-Long Beach-Anaheim, California, as published by the United States Department of Labor's Bureau of Labor Statistics, has increased over the Base Period Index. The Base Period Index shall be the Index for the first calendar month in which rentals commence. The Base Period Index shall be compared with the Index for the beginning month of the renewal term involved (herein referred to as the Extension Index). If the Extension Index is higher than the Base Period Index, then the liability insurance coverage amount for the Lease renewal term involved shall be increased by the identical percentage. In no event shall the liability insurance coverage be less than that provided for initially in this Lease.

If the United States Department of Labor's Bureau of Labor Statistics discontinues publication of the above Index,

or publishes such Index less frequently, or alters such Index in some other manner, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

18.3 Certificates of Insurance

Lessee shall, prior to the commencement of any operations on the property, furnish to Lessor certificates of insurance for all insurance policies required hereunder. Lessee shall cause Lessor to be notified not less than thirty (30) days prior to any cancellation or restrictive modification of the above enumerated policies.

19. Inspection

During the term of this Lease, the duly authorized representative of Lessor shall be permitted to enter on the property and workings thereon for the purpose of inspection, or any other reasonable purpose, but shall enter said property at Lessor's own risk and in such manner so as not to hinder the operation of Lessee.

20. Termination and Surrender

20.1 Default

The occurrence of any of the following events shall constitute a default by Lessee:

(a) Failure to pay any rental or royalty or to make any other payment of money, when the same is due.

(b) Failure (i) to perform any of Lessee's covenants hereunder (other than the payment of monies), and (ii) to remedy such failure within thirty (30) days after written demand is made therefor.

(c) The filing of any form of voluntary petition in bankruptcy by Lessee, or the filing of an involuntary petition by Lessee's creditors, if such petition remains undischarged for a period of sixty (60) days.

(d) The appointment of a receiver to take possession of substantially all of Lessee's assets or of the interest held by Lessee under this Lease, if such receivership remains undissolved for a period of thirty (30) days.

(e) The attachment or other judicial seizure of substantially all of Lessee's assets or of the interest held under this Lease, if such attachment or other seizure remains undismised or undischarged for a period of thirty (30) days after the levy thereof.

#### 20.2 Remedies

If Lessee commits a default, Lessor shall have all the remedies provided a Lessor by California law, including but not limited to those set forth in Sections 1951.2 and 1951.4 of the California Civil Code.

#### 20.3 Surrender

At the expiration of said term or any extension thereof or any sooner termination of this Lease, Lessee will quit

and surrender the premises in as good order and condition as reasonable wear and tear will permit. Should Lessee hold over and continue in possession after the termination of this Lease or any extension thereof, with the expressed or implied consent of Lessor such holding over shall be construed only as a tenancy from month to month and Lessee does hereby agree to pay as rent for such term, the amount as is herein reserved.

21. Removal of Property

Any and all equipment and plants erected on the premises by Lessee shall remain the property of Lessee and upon termination of this Lease, including any extension thereof, or sooner, shall be removed by Lessee at its expense. Lessee shall have, and is hereby given, ninety (90) days after a valid forfeiture, surrender or other termination of this Lease in which to remove from the leased premises all machinery, equipment, personal property and improvements erected or placed in or upon the premises by it. Lessor shall not in any way be responsible for the property of Lessee remaining on the premises during this 90 day period. If not so removed by Lessee within said 90 day period, Lessor may either require Lessee to remove such property at its expense, purchase such property on the same terms and conditions as it is being offered for sale to other parties in whom Lessee does not have an interest, or elect by written notice to take title to said property.

22. Reclamation

As to all of the property mined by Lessee hereunder,

Lessee shall reclaim the property in accordance with the Reclamation Plan in existence at the time of issuance of approval and/or permit by the City of Palmdale or a subsequent Reclamation Plan which is made a part of a future approval and/or permit by the City of Palmdale or any other governmental agency involved.

23. Right of First Refusal to Purchase

In the event Lessor shall receive a bona fide offer (other than an offer from a member of the Frank A. Lane family or an entity in which a member of the Frank A. Lane family has an interest) to purchase the land and improvements leased hereunder, or in the event Lessee shall receive a bona fide offer to purchase its business, equipment, improvements and leasehold interest maintained by Lessee on the leased premises during the term of this Lease, or any extension thereof, each party hereto agrees to give to the other the right to purchase the property at the price and on the terms of the offer so made, said right to be given by a written notice sent to the other party by United States mail at its mailing address, requiring the other party to accept said offer in writing and to sign a suitable form of contract of purchase within the period of thirty (30) days after the mailing of such notice. In the event of the failure of the party receiving such notice to accept such offer to purchase or sign such contract, within said period, then and in that event, the right of said party to purchase shall thereupon be null and void, and the other party shall be at liberty to sell the property to another person, firm or corporation. Such sale shall be subject



to this Lease, and all of the terms, covenants, and conditions of such Lease on the part of Lessor and Lessee shall remain in full force and effect.

24. Notices

Any and all notices or demands by or from Lessor to Lessee, or Lessee to Lessor shall be in writing. They shall be served either personally or by registered or certified mail, return receipt requested. If served personally, service shall be conclusively deemed made at the time of service. If served by registered or certified mail, service shall be deemed made on the second business day following deposit thereof in the United States mail, postage prepaid, addressed to the party to whom such notice or demand is to be given as hereinafter provided.

Any notice or demand to Lessor may be given to Little Rock Sand and Gravel, Inc., 44909 North Tenth Street West, Lancaster, California 93534.

Any notice or demand to Lessee may be given to Granite Construction Company, Post Office Box 900, Watsonville, California 95077.

25. Inurement

All covenants, conditions, limitations and provisions contained herein apply and are binding upon the parties hereto and their heirs, devisees, successors and assigns.

26. Assignment and Subletting

Lessee shall neither assign this Lease nor sublet the

leased premises without first obtaining the written consent of Lessor to do so, provided, however, that Lessor shall not arbitrarily or unreasonably refuse to grant its consent to such assignment or subletting, and provided further that a consent to one assignment or subletting by Lessor shall not be deemed a consent to any subsequent assignment or subletting. Any assignment or subletting without the consent of Lessor shall be void and shall, at the option of Lessor, terminate this Lease.

Lessee immediately and irrevocably assigns to Lessor as security for Lessee's obligations under this Lease, all rent from any subletting of all or a part of the premises as permitted by this Lease, and Lessor, as assignee and as attorney-in-fact for Lessee, or a receiver for Lessee appointed on Lessor's application, may collect such rent and apply it toward Lessee's obligations under this Lease; except that, until the occurrence of an act of default by Lessee, Lessee shall have the right to collect such rent.

If Lessee requests Lessor to consent to a proposed assignment or subletting, Lessee shall pay to Lessor, whether or not consent is ultimately given, Lessor's reasonable attorneys' fees incurred in connection with each such request.

27. Complete Lease

This Lease and all of the terms and covenants contained herein are deemed to be the complete and unequivocal written agreement of the parties and no other agreement, either oral or written, exists with respect to said property. If any part of

this Lease shall be adjudicated to be unenforceable, then the remainder of this Lease shall continue to be of full force and effect as if such portion were not a part hereof.

28. Waiver

The waiver by Lessor of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition on any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of rent under this Lease by Lessor shall not be deemed to be a waiver of any preceding breach by Lessee of any term, condition or covenant herein contained other than the failure of Lessee to pay the particular rental so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such rent.

29. Condemnation

If any part of the premises shall be taken or condemned for a public or quasi-public use, and a part thereof remains which is susceptible of occupation hereunder, this Lease shall, as to the part so taken, terminate as of the date title shall vest in the condemnor, and the rent payable hereunder shall be adjusted so that Lessee shall be required to pay for the remainder of the term only such portion of such rent as the area of the part remaining after the condemnation bears to the area of the entire premises at the date of condemnation. If all the leased premises, or such part thereof be taken or condemned so that there does not remain a portion susceptible to occupation hereunder, this Lease shall

terminate thereupon. It is further understood that any condemnation award or any other proceeds whatsoever received from any such condemnation shall belong solely to Lessor and Lessee shall have no interest therein whatsoever; provided, however, that Lessee shall be entitled to receive any amount awarded as compensation for the taking of improvements, fixtures and equipment owned by Lessee or for the expense of removing or repairing the same.

30. Royalty on Other Minerals

If, in conjunction with the removal of rock and aggregates from the property, gold or any other precious or semi-precious mineral is found in sufficient quantities in the opinion of Lessee to justify the installation of facilities to recover same, Lessee shall have the right to remove such material, subject to an obligation to pay Lessor [REDACTED].

31. Attorney Fees and Costs

In the event that either party hereto shall commence any legal action or proceeding, including an action for declaratory relief, against the other by reason of the alleged failure of the other to perform or keep any term, covenant, or condition of this Lease by it to be performed or kept, the party prevailing in said action or proceeding shall be entitled to recover, in addition to its court costs, a reasonable attorney's fee to be fixed by the court, and such recovery shall include court costs and attorney's fee on appeal if any. As used herein, "the party prevailing" means the party in whose favor final judgment is rendered.

32. Interpretation

This Lease shall be construed in accordance with the laws of the State of California.

Executed at Lancaster, California, on March \_\_\_\_\_, 1987.

LESSOR: Little Rock Sand and Gravel, Inc.,  
a California corporation

By \_\_\_\_\_  
Frank A. Lane, President

By \_\_\_\_\_  
Yvonne M. Lane, Secretary

LESSEE: Granite Construction Company,  
a California corporation

By William G. Donby  
WILLIAM G. DONBY - VICE PRESIDENT

By A.V. Otch  
A.V. OTCH, VICE PRESIDENT  
AND ASSISTANT SECRETARY

EXHIBIT 1

PARCEL 1: The northwest quarter of the northwest quarter of Section 11, Township 5 North, Range 11 West, S.B.B.M., in the County of Los Angeles, State of California.

EXCEPT THEREFROM the east 30 feet.

PARCEL 2: The southwest quarter of the northwest quarter of Section 11, Township 5 North, Range 11 West, S.B.B.M., in the County of Los Angeles, State of California.

EXCEPT THEREFROM the east 30 feet of the north 100 feet thereof.

PARCEL 3: The west half of the southwest quarter of Section 11, Township 5 North, Range 11 West, S.B.B.M., in the County of Los Angeles, State of California.

PARCEL 4: The north half of the northwest quarter of Section 14, Township 5 North, Range 11 West, S.B.B.M., in the County of Los Angeles, State of California.

EXCEPT THEREFROM that portion lying southwesterly of Highway 138.

## FIRST AMENDMENT TO LEASE

This First Amendment to Lease dated April 8, 1987 ("Amendment") is made effective [REDACTED] 2010 by and between LITTLE ROCK SAND AND GRAVEL, INC., a California corporation ("Lessor") and GRANITE CONSTRUCTION COMPANY, a California corporation ("Lessee").

### RECITALS

**WHEREAS** Lessee is interested in adding two additional ten-year lease term extensions to this Lease; and

**WHEREAS** Lessee desires to confirm and expand its right to the use of the lease premises for the importation, stockpiling, processing, sale and shipment of imported materials; and

**WHEREAS** Lessee is interested in remaining in possession of the leased premises following the time that materials may no longer be extracted in commercially paying quantities and adjusting the rents and/or royalties due Lessor at that time.

**NOW THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Lessor and Lessee agree as follows:

### ARTICLE 1

#### LEASE TERM

1.0 Section 4. "Lease Term" is amended in its entirety to read:

"The initial term of this Lease shall be for three (3) years commencing on May 1, 1987, and ending April 30, 1990. If Lessee is not in default hereunder at the end of the term of this Lease, Lessee shall have the option of renewing or extending this Lease for six (6) successive additional terms. The first renewal term shall be five (5) years, the second renewal term shall be six (6) years, the third, fourth, fifth and sixth renewal terms shall be for ten (10) years each. The same terms and conditions as herein provided shall prevail upon any renewal period of this Lease. If Lessee desires to exercise any of said options it shall give Lessor written notice thereof at least sixty (60) days prior to the expiration of the initial term or any successive period by which said Lease is extended."

For clarification the lease terms and extension terms are as follows:

Original Lease	5-1-87 - 4-31-90	(sic)
First Renewal	5-1-90 - 4-30-95	
Second Renewal	5-1-05 - 4-30-01	
Third Renewal	5-1-01 - 4-30-11	
Fourth Renewal	5-1-11 - 4-30-21	
Fifth Renewal	5-1-21 - 4-30-31	
Sixth Renewal	5-1-31 - 4-30-41	

## ARTICLE 2

### USE OF LEASED PREMISES

2.0 Article 3. "Operations" of the Lease is amended by adding the following language to Section 3.1 as follows:

Lessee shall have the right to (i) import and stockpile materials onto the lease property, including but not limited to aggregate, recyclable materials, rap, oil, waste concrete, grinding materials and shingles, (ii) process such materials, (iii) sell such materials and (iv) transport such materials from the lease property. In the event this expanded use of the lease property is construed as a "change in the nature" of the business as contemplated under Section 15 of this Lease, Landlord hereby consents to such expanded use of the lease property as required by such section."

## ARTICLE 3

### RESERVED RENT AND ROYALTY

3.0 Section 6 is modified to add the following language in the first paragraph thereof:

"Once Lessee has made the determination that it is unable to further extract materials in commercially paying quantities from all areas of the leased property, with the exception of the area located beneath Lessee's facilities, as defined in 6.B., Lessor shall no longer have the right to quarry rock, sand and gravel from the leased premises as herein provided. The following language shall be added to Section 6 of the Lease.

6.B. Until Lessee had determined, in its sole and absolute discretion, that it is unable to further extract minerals in commercially paying quantities from all areas of the leased property, with the exception of the area located beneath Lessee's facilities necessary to conduct its operations pursuant to Section 3.0 of this Lease ("facilities"), Lessee shall continue to make all rent and royalty payments required under the Lease.

At any time following such determination, Lessee shall have the following options:

6.B.1. Lessee may import and process materials on the leases premises. Immediately upon the determination to do so, Lessee shall so notify Lessor and pay to Lessor a flat rate sum of [REDACTED] payable in monthly installments, for any portion of the remainder of any and all terms and/or renewal terms of the lease. Such sum shall be subject to an annual Consumer Price Index (CPI) adjustment, commencing on January 1, 2010. Such rate shall continue so long as Lessee imports and processes materials and does not extract and process materials from the area located beneath Lessee's facilities. During any period when such flat rent sums are due and payable, Lessee shall not pay royalties on materials that are imported and processed.

OR



6.B.2. Lessee may extract and process materials located beneath Lessee's facilities. Immediately upon the determination to do so, Lessee shall so notify Lessor and Lessee shall pay to Lessor royalty payments on extracted materials. The amount of royalty payments payable shall be the same as those which existed in the last previous lease term in which royalties were paid, adjusted annually for increases and/or decreases in the consumer Price Index (CPI). Such adjustments shall be calculated on the royalty schedule last in effect, brought forward. If in Lessee's sole opinion the amount of the adjustment would negatively impact Lessee's competitive position in the marketplace to the extent that Lessee would not be able in Lessee's sole opinion, to complete in the then current market conditions and be unable to sell in commercially acceptable quantities, Lessor and Lessee shall negotiate in good faith a mutually acceptable level of royalty payments due for the quantities to be extracted under Lessee's facilities. During any period when such royalties are due and payable, Lessee shall not pay a flat rate annual sum.

6.C. It is mutually agreed that Lessee may exercise either option set forth in 6.B.1 or 6.B.2 at its election and is not required to exercise these options in any particular sequence, or at all.

#### ARTICLE 4

#### GENERAL

**4.0 Counterparts.** This Amendment may be executed in counterpart originals, in which case the counterparts, when fully executed by each of the parties, will constitute one agreement.

**4.1 Terms to Remain in Effect.** Except as expressly modified within this Amendment, the terms of the Lease shall remain in full force and effect.

**IN WITNESS WHEREOF**, the parties have executed this Amendment effective as of the date first written above.

LESSOR:

LESSEE:

**LITTLE ROCK SAND AND GRAVEL, INC.**  
A California Corporation

**GRANITE CONSTRUCTION COMPANY**  
A California Corporation

By:  4/1/10

George M. Lane

By: 

Its: \_\_\_\_\_

President

Its: \_\_\_\_\_

James H. Roberts

Executive Vice President