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14 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
15 **COUNTY OF LOS ANGELES, CENTRAL DISTRICT**

16 **ANTELOPE VALLEY GROUNDWATER**
17 **CASES**

18 **INCLUDED ACTIONS:**

19 Los Angeles County Waterworks District No.
20 40 v. Diamond Farming Co., Superior Court of
21 California, County of Los Angeles, Case No.
22 BC325201;

23 Los Angeles County Waterworks District No.
24 40 v. Diamond Farming Co., Superior Court of
25 California, County of Kern, Case No. S-1500-
26 CV-254348;

27 Wm. Bolthouse Farms, Inc. v. City of
28 Lancaster, Diamond Farming Co. v. Lancaster,
Diamond Farming Co. v. Palmdale Water
Dist., Superior Court of California, County of
Riverside, Case Nos. RIC 353840, RIC
344436, RIC 344668;

Rebecca Lee Willis v. Los Angeles County
Waterworks District No. 40
Superior Court of California, County of Los
Angeles, Case No. BC364553;

Wood v. A.V. Materials, Inc., et al. v. Superior
Court of California, County of Los Angeles,
Case No. BC 509546; and

Little Rock Sand and Gravel, Inc. v. Granite
Construction Co., Superior Court of
California, County of Los Angeles, Case No.
MC026932

Judicial Counsel Coordination No. 4408

Santa Clara Case No. 1-05-CV-049053
Assigned to Honorable Jack Komar

**DECLARATION OF GEORGE M. LANE
IN SUPPORT OF OPENING BRIEF OF
LITTLE ROCK SAND AND GRAVEL,
INC. RE TITLE TO GROUNDWATER
ALLOCATION ARISING FROM LITTLE
ROCK SAND AND GRAVEL'S LAND
AND GRANTED UNDER JUDGMENT
AND PHYSICAL SOLUTION**

DATE: June 20, 2018

TIME: 8:30

DEPT: To be determined

1 **DECLARATION OF GEORGE M. LANE**

2 I, GEORGE M. LANE, hereby declare as follows:

3 1. I am over the age of 18 years. I am also President and Chief Financial Officer of
4 Little Rock Sand and Gravel, Inc. ("Little Rock"), President and Chief Financial Officer of Monte
5 Vista Building Sites Inc. ("Monte Vista") and trustee of the George and Charlene Lane Family
6 Trust, Dated December 19, 2007 (the "Lane Family Trust"), each of which is a party to the above-
7 entitled, coordinated litigation known as the Antelope Valley Groundwater Cases ("AVG Cases").
8 Hereafter, Little Rock, Monte Vista and the Lane Family Trust will sometimes collectively be
9 referred to as the "Lane Family Entities."

10 2. I submit this declaration in support of Little Rock's Opening Brief re Title to
11 Groundwater Allocation Arising from Little Rock's Land and Granted under Judgment and
12 Physical Solution (the "Opening Brief"). The facts stated herein are true and correct based on my
13 personal knowledge and, if called to testify, I could and would testify competently hereto.

14 3. I am the custodian of records for the Lane Family Entities, including the records
15 regarding title to real property and real property leases and correspondence that are discussed
16 below and attached hereto or the concurrently-filed Request for Judicial Notice as Exhibits. The
17 documents discussed herein were prepared and/or maintained in the regular course of the Lane
18 Family Entities' business at or near the time of the occurrence of the act, condition or event
19 requiring documentation. Based on my personal knowledge and experience with the Lane Family
20 Entities, I know that these records are accurate and trustworthy.

21 **Background Re Lane Family Entities**

22 4. Little Rock, a California corporation, was established and incorporated in 1954 by
23 my parents, Frank and Yvonne Lane, and was wholly owned and operated by them. After my
24 parents passed away and to date, I and the members of my immediate family have wholly owned
25 and operated Little Rock. My wife, Charlene Lane, and I own all of the shares in Little Rock, and
26 Charlene Lane, my son, Justin Lane, and I are all officers and directors of Little Rock. These facts
27 are supported by the State of California Secretary of State Statements of Information regarding
28 Little Rock attached to the concurrently-filed Request for Judicial Notice as Exhibits 13 and 14.

1 5. Additionally, in 1953, my parents established and incorporated Monte Vista, a
2 California corporation, and wholly owned and operated it. Like Little Rock, after my parents
3 passed away, I and the members of my immediate family have wholly owned and operated Monte
4 Vista. Charlene Lane and I own all of the shares in Monte Vista, and Charlene Lane, Justin Lane
5 and I are all officers and directors of Monte Vista. The facts are supported by the State of
6 California Secretary of State Statements of Information regarding Monte Vista attached to the
7 concurrently-filed Request for Judicial Notice as Exhibits 15 and 16.

8 6. Finally, I, as trustee and settlor, established the Lane Family Trust in December
9 2007.

10 7. Each of the Lane Family Entities owns a portion of the land that Little Rock leases
11 to Granite Construction Company (“GCC”), which land and lease are described below and are the
12 subject of Little Rock’s concurrently-filed Opening Brief.

13 **The Subject Land Leased from Little Rock to GCC**

14 8. As shown below and in Exhibits 1 through 12 to the concurrently-filed Request for
15 Judicial Notice, my parents, Frank and Yvonne Lane, began acquiring the land that is currently
16 leased from Little Rock to GCC (hereafter, the “Leased Land”) in 1951. Over the years, the
17 parcels in the Little Rock area of the Antelope Valley that compose the approximate 236 acres of
18 the Leased Land have been held in various capacities, including in family trusts and family-owned
19 corporations like Little Rock and Monte Vista.

20 9. In connection with this litigation, GCC’s counsel, Robert Kuhs, Esq., took my
21 deposition on November 21, 2017. During that deposition, Mr. Kuhs questioned me about a map
22 of the Leased Land (the “Map”) that shows the boundaries and Assessor’s Parcel Numbers of the
23 parcels that compose the Leased Land and the location of various structures thereon, including
24 groundwater wells. In that line of questioning, Mr. Kuhs asked me to label on the Map each of the
25 five parcels “A” through “E” and the location of each groundwater well “1” through “4.” The
26 Map, with my handwritten labels on it, was attached to my deposition transcript as Exhibit 4 and is
27 attached hereto as Exhibit A and incorporated herein by this reference.

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1 10. Based on a legend at the bottom, left hand corner of the Map, the orientation of the
2 Map is north at the top, south at the bottom, east at the right and west at the left.

3 11. As shown on the Map, the five parcels that compose the Leased Land are identified
4 as follows:

- 5 • “Parcel A” is the northern-most parcel of the Leased Land, identified by my
6 handwritten “A” and has Assessor’s Parcel Number (“APN”) 3050-022-010;
- 7 • “Parcel B” is directly south of Parcel A, identified by my handwritten “B” and has
8 APN 3050-022-014;
- 9 • “Parcel C” is south of Parcel B along the eastern border the Leased Land, identified
10 by my handwritten “C” and has APN 3050-010-006;
- 11 • “Parcel D” is also south of Parcel B in the shape of an “L”, identified by my
12 handwritten “D” and has APN 3050-010-016; and
- 13 • “Parcel E” is the southern-most parcel of the Leased Land, identified by my
14 handwritten “E” and has APN 3050-028-015.

15 12. Additionally, as shown by the Deeds attached to the concurrently-filed Request for
16 Judicial Notice as Exhibits 1 through 12, parcels “A” through “E” are owned as follows:

- 17 • Parcel A is owned by Little Rock (see Request for Judicial Notice, Exhibit 2);
- 18 • Parcel B is owned by Little Rock (see Request for Judicial Notice, Exhibit 2);
- 19 • Parcel C is owned by Little Rock (see Request for Judicial Notice, Exhibit 4);
- 20 • Parcel D is owned by the Lane Family Trust (see Request for Judicial Notice,
21 Exhibit 9); and
- 22 • Parcel E is owned by Monte Vista (see Request for Judicial Notice, Exhibit 12).

23 13. Each of the Deeds attached to Little Rock’s Request for Judicial Notice as Exhibits
24 1 through 12 are true and correct copies of the Deeds maintained in the Lane Family Entities’
25 respective records regarding their respective real estate holdings and are incorporated herein by
26 this reference.

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1 **The Lease from Little Rock to Granite Construction Company**

2 14. On or about April 8, 1987, Little Rock entered into an agreement with GCC titled
3 "LEASE" (the "Lease"). A true and correct copy of the Lease is attached hereto as Exhibit B and
4 incorporated herein by this reference.

5 15. Under the Lease, Little Rock agreed to lease to GCC the Leased Land with the
6 expectation that GCC would conduct a mining operation thereon. See Exhibit B, section 1.

7 16. The Lease provides that, in connection with GCC's mining of the Leased Land,
8 GCC may, for the term of the Lease, use all of Little Rock's groundwater rights occurring in or
9 appurtenant to the Leased Land. Those Lease terms are as follows:

10 1. Grant of Lease

11 Lessor hereby grants to Lessee the right to enter into and exercise
12 possession and control of the property, and **during the term of this Lease** to
13 remain in possession and control thereof, and to explore, develop, mine, operate
14 and use the property and any surface or underground water or water rights
15 occurring therein or appurtenant thereto, and to mine, extract and remove from the
16 property any quarry products, stone, rock, sand, and aggregate (hereinafter the
17 'Leased Materials')...

18 3. Operations

19 ...

20 3.1 **During the term of this Lease**, Lessee shall have the right
21 to explore, mine and develop the property, and to extract Leased Materials from
22 the property by means of open pit mining operations ...

23 3.2 **During the term of this Lease**, Lessor grants to Lessee
24 such water rights as Lessor has to the surface and underground water located upon
25 and under the leased premises. Lessee shall have the right to use all existing
26 water sources presently located upon the leased premises (both above and below
27 ground). Lessee, at its expense, shall have the right to develop such further water
28 sources as it may deem necessary or convenient for the operation of its business;
provided, however, that Lessee shall avoid wasting water." (Emphasis added in
bold.)

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

1 office, shop and yard, and for no other purpose, and it is with this understanding
2 that Lessor is willing to Lease the aforesaid property to Lessee. In the event that
3 Lessee decides to change the nature of its business, Lessee will first obtain the
written consent of Lessor.

4 See Exhibit B, Sections 1, 3.1, 3.2 and 15 (emphasis added in bold).

5 17. The initial term thereof was three years with GCC having options to renew or
6 extend the term for successive, additional terms. See Exhibit B, Section 4.

7 18. GCC has exercised options to renew and extend the Lease, such that it is currently
8 scheduled to expire on or about April 8, 2021. Additionally, GCC has an additional, unexercised
9 option available to extend the term of the Lease to April 30, 2041.

10 19. On or about April 6, 1987, Little Rock entered into a lease of Parcel D from Frank
11 and Yvonne Lane and entered into a lease of Parcel E from Monte Vista so that it could sublease
12 those parcels to GCC along with its lease of Parcels A, B and C. True and correct copies of the
13 leases with Frank and Yvonne Lane and Monte Vista are attached hereto as Exhibits C and D,
14 respectively, and are incorporated herein by this reference.

15 20. Little Rock's leases with Frank and Yvonne Lane and Monte Vista provide as
16 follows:

17 During the term of this Lease, Lessor grants to Lessee such water rights as Lessor
18 has to the surface and underground water located upon and under the leased
19 premises. Lessee shall have the right to use all existing water sources presently
20 located upon the leased premises (both above ground and below ground). Lessee,
21 at is expense, shall have the right to develop further water sources as it may
deem necessary or convenient for the operation of its business; provided,
however, that Lessee shall avoid wasting water.

22 See Exhibit C, Section "SIX", and Exhibit D, Section "SIX".

23 **Granite Construction Company's Possession of the Leased Land**

24 21. Based on my management of the Lease on behalf of Little Rock, I am informed
25 that, under the Lease, GCC has occupied and operated a mine on the Leased Land since around
26 April 1987. In connection therewith, GCC installed three groundwater wells on the Leased Land.

27 ///

28 ///

1 22. Based on my entry on the Leased Land over the last 30+ years, I am familiar with
2 the location of the wells that GCC drilled into the Leased Land.

3 23. As identified on the Map of the Leased Land attached hereto as Exhibit A, the
4 groundwater wells are located as follows:

- 5 a. On Parcel C, at or near the location of my handwritten “1” on the Map is a
6 groundwater well located near GCC’s rock plant that is referred to in the Opening
7 Brief as “Pump 1”;
- 8 b. In the northwest corner of Parcel E, at or near the location of my handwritten “2”
9 on the Map is a groundwater well that is referred to in the Opening Brief as “Pump
10 2”;
- 11 c. In the south-southeast portion of Parcel E, at or near the location of my handwritten
12 “3” on the Map is the groundwater well that is referred to in the Opening Brief as
13 “Pump 3”.¹

14 **The Antelope Valley Groundwater Cases and the Failed Negotiations with Granite**
15 **Construction Company Therein**

16 24. As landowners in the Antelope Valley region of Los Angeles County, in 2011,
17 Little Rock, Monte Vista, the Lane Family Trust, and other Lane Family entities were made
18 parties to the AVG Cases.

19 25. Initially, the Lane Family Entities were represented in the AVG Cases by Jim
20 Lewis, Esq. In 2014, Theodore A. Chester, Esq., took over representation of the Lane Family
21 Entities in the AVG Cases, and he and his firm, Musick, Peeler & Garrett, LLP, remain the Lane
22 Family Entities’ counsel to date.

23 26. After several years of litigation, in March 2014, I was informed by counsel that the
24 parties to the AVG Cases were going to make efforts to negotiate a resolution under which each
25 party to the AVG Cases would ultimately be granted an annual groundwater allocation.

26 _____
27 ¹ There is a fourth well located on the Leased Land near the northern border and identified by my
28 handwritten “4” on the Map. I believe that well “4” has not been in use during GCC’s possession
of the Leased Land.

1 27. As President of Little Rock, I was charged with negotiating and, if acceptable,
2 agreeing to a resolution of the AVG Cases on behalf of Little Rock.

3 28. During those negotiations, I, on behalf of Little Rock, agreed to an annual
4 allocation of 234 acre-feet of groundwater for the Leased Land (the "Allocation"). However, I
5 was informed by counsel that GCC was trying, by negotiation, trade-offs and bartering with all of
6 the parties to the AVG Cases, to obtain permanent title to all or a portion of the Allocation, which
7 I believed belonged to the Lane Family Entities as the owners of the Leased Land.

8 29. I was surprised and disappointed by GCC's attempt to take title to the Allocation,
9 because the dealings between the Lane Family and GCC had always been friendly, and the Lease
10 only gave GCC a temporary right to pump groundwater from the Leased Land "during the term of
11 the Lease."

12 30. Between 2014 and 2015, I made several efforts to communicate directly with GCC
13 to resolve its attempt to obtain title to the Allocation, including an offer to mediate the issue,
14 which was accepted at first by GCC and later rejected.

15 31. On November 22, 2014, I wrote and sent a letter to the President of GCC, James
16 Roberts, that stated, in part, "We're concerned that Granite is attempting to move part of our water
17 rights ... The attorneys are attempting to settle this but have not been successful so far." A true
18 and correct copy of my November 22, 2014 letter is attached hereto as Exhibit E and incorporated
19 herein by this reference.

20 32. On December 1, 2014, I sent another letter to GCC that stated, in part, "It was and
21 remains my hope that this matter can be resolved amongst the principals in the near future ..." A
22 true and correct copy of my December 1, 2014 letter is attached hereto as Exhibit F and
23 incorporated herein by this reference.

24 33. On January 13, 2015, I sent another letter to GCC in which I wrote, in part, "... we
25 are concerned that there may be no genuine interest on Granite's part in resolving this matter. ...
26 We wish to resolve this matter." A true and correct copy of my January 13, 2015 letter is attached
27 hereto as Exhibit G and incorporated herein by this reference.

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1 34. Finally, on January 26, 2015, I sent a letter to GCC that stated, in part, “At this
2 point our disagreement remains unresolved. ... This means that our respective companies will
3 execute the overall stipulation to settle the water adjudication, but that the ultimate subdivision of
4 the jointly allocated water right will have to await future determination.” A true and correct copy
5 of my January 26, 2015 letter is attached hereto as Exhibit H and incorporated herein by this
6 reference.

7 35. While I was attempting to resolve the dispute over title to the Allocation directly
8 with GCC, I am informed from counsel that he was concurrently attempting to negotiate a
9 resolution with GCC’s counsel.

10 36. Despite months of effort by Little Rock’s counsel and me, Little Rock never
11 reached an agreement with GCC regarding who, between them, holds title to the Allocation or any
12 portion thereof. This fact is shown by the text of my letters discussed above and by the
13 correspondence between counsel attached to the Declaration of Theodore A. Chester.

14 37. Although Little Rock never reached an agreement with GCC regarding title to the
15 Allocation, I, on Little Rock’s behalf, was willing to agree to the amount of the Allocation for the
16 Leased Land and the allocations for the other parties to the AVG Cases. This includes the
17 allocation of 126 acre-feet to GCC with respect to its “Big Rock Facility” (see Judgment and
18 Physical Solution, Exhibit 4, page 2), which, as I understand, is not supported by GCC’s
19 groundwater pumping on that land.

20 38. Accordingly, in an effort to resolve all but the issue between it and GCC regarding
21 the Allocation, I, on behalf of Little Rock, executed the Stipulation for Entry of Judgment and
22 Physical Solution (the “Stipulation”) on December 24, 2014. (A true and correct copy of the
23 Stipulation executed by me is attached to the concurrently-filed Request for Judicial Notice as
24 Exhibit 25 and incorporated herein by this reference.)

25 39. In executing the Stipulation, I believed that Little Rock was not agreeing to a
26 resolution between GCC and it regarding title to the Allocation. Not only was it clear from my
27 correspondence with GCC that Little Rock and GCC never reached an agreement, but I believed at
28 the time that I executed the Stipulation and I still believe that the terms of the Proposed Judgment

1 and Physical Solution (the “Judgment”), to which the parties agreed by executing the Stipulation
2 (see Stipulation, ¶ 1), leave the disagreement between Little Rock and GCC over the Allocation
3 unresolved. By the Proposed Judgment granting the Allocation to “Granite Construction
4 Company (Little Rock Sand and Gravel, Inc.)”, as opposed to granting the entire Allocation to one
5 of the parties or dividing the Allocation between the parties by stating how much of the Allocation
6 each party was granted, Little Rock’s execution of the Stipulation did not amount to an agreement
7 that GCC owns title to all or even a portion of the Allocation. A true and correct copy of the
8 Judgment and Physical Solution (“Judgment”) is attached to the concurrently-filed Request for
9 Judicial Notice as Exhibit 26 and incorporated herein by this reference; see, Judgment, Exhibit 4,
10 page 2.

11 40. Rather, I, on behalf of Little Rock, understood at the time I executed the Stipulation
12 (and still believe) that the dispute with GCC over title to the Allocation would be resolved after
13 execution of the Stipulation and the entry of the Judgment.

14 41. One of Little Rock’s attempts to resolve the dispute over title to the Allocation was
15 the filing of a separate lawsuit against GCC in the Los Angeles County Superior Court, Antelope
16 Valley Courthouse, Case No. MC026932, which sought a judgment for quiet title and declaratory
17 relief that, pursuant to the Lease, Little Rock owns fee title to the Allocation and that GCC has no
18 interest therein except as provided in the Lease. In its Complaints therein, Little Rock mistakenly
19 alleged and I mistakenly verified that the Leased Land is composed of four parcels of land owned
20 by Little Rock. Rather, as shown above and by the Deeds attached to the Request for Judicial
21 Notice, the Leased Land is composed of five parcels, three of which are owned by Little Rock, one
22 of which is owned by the Lane Family Trust and one of which is owned by Monte Vista. My
23 mistaken verification of this incorrect allegation was based on the terms of the Lease, including a
24 misreading of Section 2, entitled “Title,” and Exhibit 1 thereto, which only defines the Leased
25 Land as being made up of four parcels.

26 42. Despite the many efforts made by the Lane Family and its counsel over more than a
27 year and a half, Little Rock and GCC have never reached an agreement regarding ownership of the
28 Allocation granted by the Judgment.

1 43. It is disappointing to me that Little Rock's long-time tenant, GCC, would attempt
2 to strip Little Rock and the other Lane Family Entities of the groundwater rights that run with the
3 land that they have owned for decades. Despite having other options for obtaining water for its
4 operations (including, pumping groundwater pursuant to its rights under the Lease, buying water
5 rights and obtaining water from the California Aqueduct), GCC and its counsel have tried to
6 leverage the AVG Cases and the settlement negotiations therein to obtain permanent title to
7 groundwater rights in which, under the Lease, it only has a temporary leasehold interest. Whether
8 in connection with the AVG Cases or otherwise, I have never heard of a tenant in the Antelope
9 Valley attempting to take permanent title to groundwater rights that run with its landlord's land. If
10 GCC's efforts are rewarded, the Lane Family Entities would be left with little to no groundwater
11 rights for the benefit of the Leased Land after the Lease with GCC terminates, while tenant GCC
12 would be permitted to take the Allocation away from the Leased Land for GCC's sole benefit and
13 to the drastic detriment of Little Rock and the other Lane Family Entities. Such a circumstance
14 would violate the Lane Family Entities' overlying water rights, breach the terms of the Lease and
15 be patently unfair.

16 I declare under penalty of perjury that the foregoing is true and correct. This Declaration is
17 executed this 12 day of April 2018 at Lancaster, California.

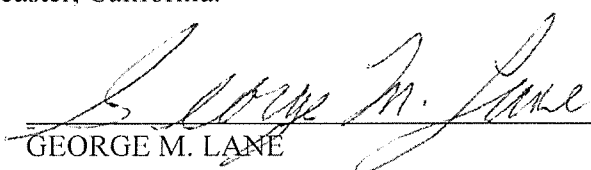
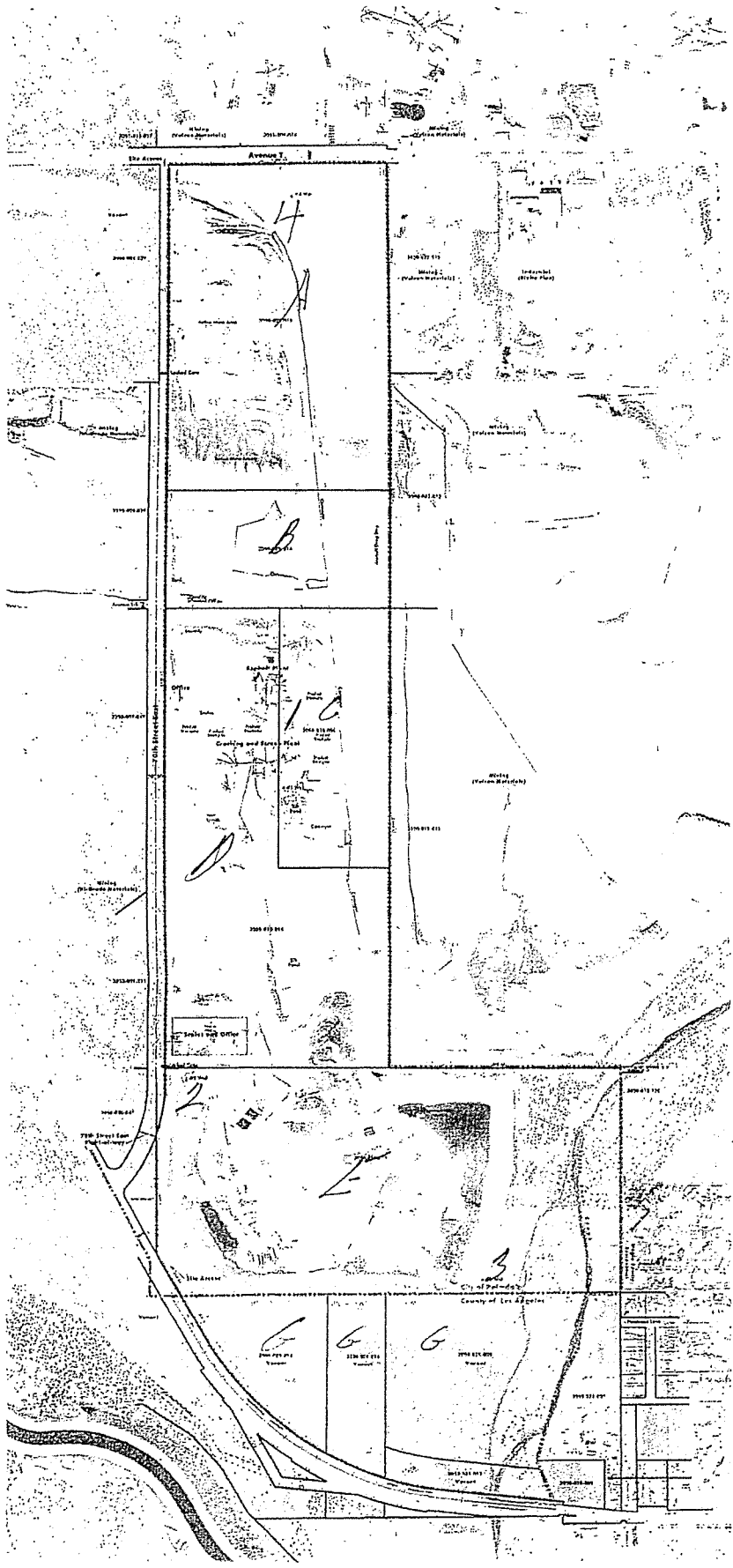
18
19 
20 _____
21 GEORGE M. LANE
22
23
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EXHIBIT “A”

EXHIBIT “A”



| | |
|-----------------------------|-----------------|
| PLF/DEF | <u>1/1/10</u> |
| EXHIBIT | <u>4</u> |
| DATE | <u>11.21.17</u> |
| Vanessa Zaragoza, CSR 13924 | |

Project Boundary

 Parcel Line

 Drainage Course

 Old Road

 Power Poles

 Building and Conveyors

Aerial - Existing Mine Conditions
 Granite Construction Inc., - Little Rock Quarry
 City of Palmdale, California

Figure 3

11/17/2010
 URN

EXHIBIT “B”

EXHIBIT “B”

COPY

LEASE

THIS LEASE made this 8 day of ^{APRIL}~~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^{and concrete} 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 ^{WALY} ~~APRIL~~ ^{MAY} 1, 1987, and ending ^{WALY} ~~MARCH~~ ^{APRIL} 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 ^{AUG. 1, 1988} ~~June 1, 1988~~, ^{W.N.C.} 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 ^{W.N.C.} Palmdale ^(AND OTHER AGENCIES HAVING JURISDICTION OVER THE PROPOSED MINING PROJECT). 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]
[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^{Asphalt Plant.} and concrete batch plant on the leased premises; provided, however, said minimum rental shall commence no later than ^{AUG.} ~~June~~ 1, 1988. WNS

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], 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 undismissed 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. Dobby
WILLIAM G. DOBBY - VICE PRESIDENT

By A.V. Otjch
A.V. OTJCH, 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.

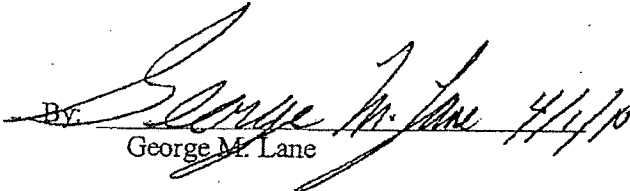
IN WITNESS WHEREOF, the parties have executed this Amendment effective as of the date first written above.

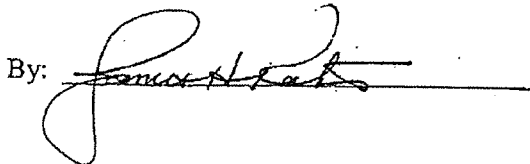
LESSOR:

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

EXHIBIT “C”

EXHIBIT “C”

I N D E X

FAL to LRS6

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GROUND LEASE

This ground lease is made on April 6, 1987, between the parties hereinafter named and referred to respectively as Lessor and Lessee as follows:

1. Lessor: Frank A. Lane and Yvonne M. Lane,
 husband and wife
2. Lessee: Little Rock Sand and Gravel, Inc.,
 a California corporation

ONE: DESCRIPTION OF PREMISES

Lessor hereby leases to Lessee, and Lessee hereby rents and hires from Lessor, the premises legally described as:

PARCEL 1: The southwest quarter 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 2: The west half of the northwest quarter 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.

Except as expressly provided to the contrary in this lease, reference to "premises" is to the described land plus any described appurtenances, exclusive of any improvements hereafter located on the premises, notwithstanding that any such improvements may or shall be construed as affixed to and as constituting part of the real property, and without regard to whether ownership of the improvements is in the Lessor or in the Lessee.

TWO: TERM OF LEASE

The term of this lease is for thirty-four years and one month beginning April 6, 1987 and ending at midnight on May 5, 2021, unless sooner terminated as provided for in this lease.

THREE: RIGHT OF FIRST REFUSAL

If Lessor determines to sell the premises to other than Frank A. Lane, Yvonne M. Lane, or George M. Lane, a partnership in which any of said three named persons is a general partner, or a corporation in which any of said three named persons, either individually or collectively, owns a controlling stock interest, Lessor shall notify Lessee in writing of the terms on which Lessor will be willing to sell.

If Lessee, within 15 days after receipt of Lessor's written notice, indicates in writing its agreement to purchase the premises on the terms stated in Lessor's notice, Lessor shall sell and convey the premises to Lessee on the terms stated in the notice. If Lessee does not indicate its agreement within 15 days, Lessor thereafter shall have the right to sell and convey the premises to a third party on the same terms stated in the notice. If Lessor does not sell and convey the premises within 180 days, any further transaction shall be deemed a new determination by Lessor to sell and convey the premises and the provisions of this paragraph shall be applicable.

FOUR: RESERVED RENT

This lease is being executed in contemplation of a sublease that Lessee will shortly enter into with Granite Construction Company, a California corporation, covering the above described real property plus approximately an additional 180 acres. Lessor herein reserves the sum of one-fourth of all rental hereinafter received by Lessee as rents and/or royalties under the contemplated lease with Granite Construction Company. Lessee herein shall pay said one-third to Lessor herein within thirty (30) days of receipt thereof by Lessee herein.

FIVE: TAXES; ASSESSMENTS

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.

SIX: OPERATIONS

During the term of this Lease, Lessee and/or its approved sublessee 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 and/or its approved sublessee for the conduct of its mining, crushing, screening, concrete batching, black top mixing, asphalt mixing, and the recycling of blacktop into road base and asphaltic concrete, and the transporting of the leased materials from the leased property.

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.

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.

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.

SEVEN: USE OF PREMISES

It is recognized and understood by and between the parties hereto that Lessee and/or its approved sublessee 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 and/or its approved sublessee decides to change the nature of its business, Lessee and/or its approved sublessee 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.

EIGHT: INDEMNITY BY LESSEE

Lessee agrees to protect and save Lessor harmless and protect Lessor's 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 Lessor.

NINE: UTILITIES

Lessee shall during the term hereof pay all charges for telephone, gas, electricity and water used in or on the leased premises and for the removal of rubbish therefrom before they become delinquent, shall maintain all utilities in name of Lessee and shall hold Lessor harmless from any liability therefor.

TEN: MAINTENANCE; REPAIRS; ALTERATIONS; RECONSTRUCTION

Throughout the term, Lessee shall, at Lessee's sole cost and expense, maintain the premises and all improvements in good condition and repair, ordinary wear and tear excepted, and in accordance with all applicable laws, rules, ordinances, orders and regulations of (1) federal, state, county, city, and other governmental agencies and bodies having or claiming jurisdiction and all their respective departments, bureaus, and officials; (2) the insurance underwriting board or insurance inspection bureau having or claiming jurisdiction; and (3) all insurance companies insuring all or any part of the premises or improvements or both.

Except as otherwise herein provided, Lessee shall promptly and diligently repair, restore, and replace as required to

maintain or comply as above, or to remedy all damage to or destruction of all or any part of the improvements. The completed work of maintenance, compliance, repair, restoration, or replacement shall be equal in value, quality, and use to the condition of the improvements before the event giving rise to the work, except as expressly provided to the contrary in this lease. Lessor shall not be required to furnish any services or facilities or to make any repairs or alterations of any kind in or on the premises. Lessor's election to perform any obligation of Lessee under this provision on Lessee's failure or refusal to do so shall not constitute a waiver of any right or remedy for Lessee's default, and Lessee shall promptly reimburse, defend, and indemnify Lessor against all liability, loss, cost, and expense arising from it.

No deprivation, impairment, or limitation of use resulting from any event or work contemplated by this paragraph shall entitle Lessee to any offset, abatement, or reduction in rent nor to any termination or extension of the term.

ELEVEN: OWNERSHIP OF IMPROVEMENTS

All improvements constructed on the premises by Lessee as permitted by this lease shall be owned by Lessee until expiration of the term or sooner termination of this lease. Lessee shall not, however, remove any improvements from the premises nor waste, destroy, or modify any improvements on the premises, except as permitted by this lease. The parties covenant for themselves and all persons claiming under them that the improvements are real property.

All improvements on the premises at the expiration of the term or sooner termination of this lease shall, at the option of Lessor, without compensation to Lessee, then become Lessor's property free and clear of all claims to or against them by Lessee

or any third person, and Lessee shall defend and indemnify Lessor against all liability and loss arising from such claims or from Lessor's exercise of the rights conferred by this paragraph.

At the expiration or sooner termination of the term, Lessor may, at Lessor's election, demand the removal from the premises of all fixtures and improvements or of certain fixtures or improvements or both, as specified in the notice provided for below. A demand to take effect at the normal expiration of the term shall be effected by notice given at any time within three months before the expiration date. A demand to take effect on any other termination of the lease shall be effected by notice given in or concurrently with notice of such termination or within 60 days after such termination.

Lessee shall comply with the notice before the expiration date, for normal termination, and within 60 days after the notice for other terminations.

The duty imposed by this provision includes but is not limited to the duty to demolish and remove all basements and foundations, fill all excavations, return the surface to grade, and leave the premises safe and free from debris and hazards.

TWELVE: ASSIGNMENTS; SUBLETTING

Lessee shall neither assign this lease nor sublet the leased premises without first obtaining the written consent of Lessor to do so. 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.

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.

THIRTEEN: FIRE AND CASUALTY INSURANCE

As additional rent, during the term of this lease or any extension thereof, Lessee shall provide and pay for fire and extended coverage insurance for the full insurable value of the real property improvements. The fire and extended coverage insurance to be furnished by Lessee shall name Lessor and Lessor's lenders, if any, as additional named insureds as their interests appear, and Lessor and said lenders shall be entitled to a certificate of the insurer showing such insurance to be in effect, and wherein the insurance carriers agree to give the Lessor and Lessor's lenders not less than thirty (30) days' written notice of cancellation.

FOURTEEN: 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.

FIFTEEN: TERMINATION AND SURRENDER

A. Default

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

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

2. 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.

3. 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.

4. 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.

5. 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 undismissed or undischarged for a period of thirty (30) days after the levy thereof.

B. 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.

C. 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.

SIXTEEN: LESSOR'S RIGHT OF ENTRY

Lessor is hereby granted the right and privilege, either in person or by a duly authorized agent or representative, to enter upon said premises during normal business hours to inspect the same and to make necessary repairs, to show the premises to prospective lessees, purchasers, mortgagees or beneficiaries under trust deeds, or to take possession thereof in the event that any of the conditions or covenants in this agreement are breached, provided that Lessor shall not unreasonably interfere with Lessee's business.

SEVENTEEN: WAIVER OF ANY BREACH

The waiver by the 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.

EIGHTEEN: COVENANTS AND CONDITIONS

All promises and provisions herein made by Lessee shall be construed as covenants and conditions as though the words importing such covenants and conditions were used in each instance and that all such promises and provisions shall bind Lessee and inure to the benefit of Lessor and their respective heirs, legal representatives, successors, and assigns.

NINETEEN: LESSEE'S RIGHT TO TERMINATE LEASE

Lessee can elect to terminate this lease, in whole or in part, on sixty (60) days written notice to Lessor.

TWENTY: ATTORNEY FEES

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.

TWENTY-ONE: 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 Frank A. Lane and Yvonne M. Lane, 44909 North Tenth Street West, Lancaster, California 93534.

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

TWENTY-TWO: SINGULAR AND PLURAL; GENDER

The singular number includes the plural whenever the context so requires. The neuter gender includes the feminine and masculine, the masculine includes the feminine and neuter, and the feminine includes the neuter, and each includes corporation, partnership, or other legal entity when the contract so requires.

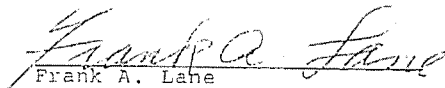
TWENTY-THREE: ENTIRE AGREEMENT

This lease contains the entire agreement between the parties relating thereto. All prior negotiations or stipulations concerning its matter which preceded or accompanied the execution hereof are conclusively deemed to be superseded hereby, provided, however, that this lease may in the future be altered by written agreement of the parties, but not otherwise.


IN WITNESS WHEREOF, Lessor and Lessee have executed this lease on the date first above written, and they specifically agree that they bind themselves, their heirs, executors, successors and assigns.

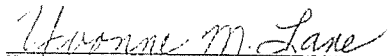
LESSOR:

LESSEE:


Frank A. Lane

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

By 
Frank A. Lane, President


Yvonne M. Lane

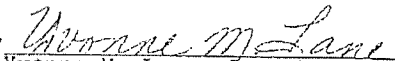
By 
Yvonne M. Lane, Secretary

EXHIBIT “D”

EXHIBIT “D”

MUBS to LRSG

I N D E X

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| ENTIRE AGREEMENT | TWENTY-THREE | 13 |

GROUND LEASE

This ground lease is made on April 6, 1987, between the parties hereinafter named and referred to respectively as Lessor and Lessee as follows:

1. Lessor: Monte Vista Building Sites, Inc.,
a California corporation
2. Lessee: Little Rock Sand and Gravel, Inc.,
a California corporation

ONE: DESCRIPTION OF PREMISES

Lessor hereby leases to Lessee, and Lessee hereby rents and hires from Lessor, the premises legally described as:

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.

Except as expressly provided to the contrary in this lease, reference to "premises" is to the described land plus any described appurtenances, exclusive of any improvements hereafter located on the premises, notwithstanding that any such improvements may or shall be construed as affixed to and as constituting part of the real property, and without regard to whether ownership of the improvements is in the Lessor or in the Lessee.

TWO: TERM OF LEASE

The term of this lease is for thirty-four years and one month beginning April 6, 1987 and ending at midnight on May 5, 2021, unless sooner terminated as provided for in this lease.

THREE: RIGHT OF FIRST REFUSAL

If Lessor determines to sell the premises to other than Frank

A. Lane, Yvonne M. Lane, or George M. Lane, a partnership in which any of said three named persons is a general partner, or a corporation in which any of said three named persons, either individually or collectively, owns a controlling stock interest, Lessor shall notify Lessee in writing of the terms on which Lessor will be willing to sell.

If Lessee, within 15 days after receipt of Lessor's written notice, indicates in writing its agreement to purchase the premises on the terms stated in Lessor's notice, Lessor shall sell and convey the premises to Lessee on the terms stated in the notice. If Lessee does not indicate its agreement within 15 days, Lessor thereafter shall have the right to sell and convey the premises to a third party on the same terms stated in the notice. If Lessor does not sell and convey the premises within 180 days, any further transaction shall be deemed a new determination by Lessor to sell and convey the premises and the provisions of this paragraph shall be applicable.

FOUR: RESERVED RENT

This lease is being executed in contemplation of a sublease that Lessee will shortly enter into with Granite Construction Company, a California corporation, covering the above described real property plus approximately an additional 160 acres. Lessor herein reserves the sum of one-third of all rental hereinafter received by Lessee as rents and/or royalties under the contemplated lease with Granite Construction Company. Lessee herein shall pay said one-third to Lessor herein within thirty (30) days of receipt thereof by Lessee herein.

FIVE: TAXES; ASSESSMENTS

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.

SIX: OPERATIONS

During the term of this Lease, Lessee and/or its approved

sublessee 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 and/or its approved sublessee for the conduct of its mining, crushing, screening, concrete batching, black top mixing, asphalt mixing, and the recycling of blacktop into road base and asphaltic concrete, and the transporting of the leased materials from the leased property.

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.

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.

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.

SEVEN: USE OF PREMISES

It is recognized and understood by and between the parties hereto that Lessee and/or its approved sublessee 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 and/or its approved sublessee decides to change the nature of its business, Lessee and/or its approved sublessee 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.

EIGHT: 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.

NINE: UTILITIES

Lessee shall during the term hereof pay all charges for telephone, gas, electricity and water used in or on the leased premises and for the removal of rubbish therefrom before they become delinquent, shall maintain all utilities in name of Lessee and shall hold Lessor harmless from any liability therefor.

TEN: MAINTENANCE; REPAIRS; ALTERATIONS; RECONSTRUCTION

Throughout the term, Lessee shall, at Lessee's sole cost and expense, maintain the premises and all improvements in good condition and repair, ordinary wear and tear excepted, and in accordance with all applicable laws, rules, ordinances, orders and regulations of (1) federal, state, county, city, and other governmental agencies and bodies having or claiming jurisdiction and all their respective departments, bureaus, and officials; (2) the insurance underwriting board or insurance inspection bureau having or claiming jurisdiction; and (3) all insurance companies insuring all or any part of the premises or improvements or both.

Except as otherwise herein provided, Lessee shall promptly and diligently repair, restore, and replace as required to maintain or comply as above, or to remedy all damage to or destruction of all or any part of the improvements. The completed

work of maintenance, compliance, repair, restoration, or replacement shall be equal in value, quality, and use to the condition of the improvements before the event giving rise to the work, except as expressly provided to the contrary in this lease. Lessor shall not be required to furnish any services or facilities or to make any repairs or alterations of any kind in or on the premises. Lessor's election to perform any obligation of Lessee under this provision on Lessee's failure or refusal to do so shall not constitute a waiver of any right or remedy for Lessee's default, and Lessee shall promptly reimburse, defend, and indemnify Lessor against all liability, loss, cost, and expense arising from it.

No deprivation, impairment, or limitation of use resulting from any event or work contemplated by this paragraph shall entitle Lessee to any offset, abatement, or reduction in rent nor to any termination or extension of the term.

ELEVEN: OWNERSHIP OF IMPROVEMENTS

All improvements constructed on the premises by Lessee as permitted by this lease shall be owned by Lessee until expiration of the term or sooner termination of this lease. Lessee shall not, however, remove any improvements from the premises nor waste, destroy, or modify any improvements on the premises, except as permitted by this lease. The parties covenant for themselves and all persons claiming under them that the improvements are real property.

All improvements on the premises at the expiration of the term or sooner termination of this lease shall, at the option of Lessor, without compensation to Lessee, then become Lessor's property free and clear of all claims to or against them by Lessee or any third person, and Lessee shall defend and indemnify Lessor

against all liability and loss arising from such claims or from Lessor's exercise of the rights conferred by this paragraph.

At the expiration or sooner termination of the term, Lessor may, at Lessor's election, demand the removal from the premises of all fixtures and improvements or of certain fixtures or improvements or both, as specified in the notice provided for below. A demand to take effect at the normal expiration of the term shall be effected by notice given at any time within three months before the expiration date. A demand to take effect on any other termination of the lease shall be effected by notice given in or concurrently with notice of such termination or within 60 days after such termination.

Lessee shall comply with the notice before the expiration date, for normal termination, and within 60 days after the notice for other terminations.

The duty imposed by this provision includes but is not limited to the duty to demolish and remove all basements and foundations, fill all excavations, return the surface to grade, and leave the premises safe and free from debris and hazards.

TWELVE: ASSIGNMENTS; SUBLETTING

Lessee shall neither assign this lease nor sublet the leased premises without first obtaining the written consent of Lessor to do so. 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.

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.

THIRTEEN: FIRE AND CASUALTY INSURANCE

As additional rent, during the term of this lease or any extension thereof, Lessee shall provide and pay for fire and extended coverage insurance for the full insurable value of the real property improvements. The fire and extended coverage insurance to be furnished by Lessee shall name Lessor and Lessor's lenders, if any, as additional named insureds as their interests appear, and Lessor and said lenders shall be entitled to a certificate of the insurer showing such insurance to be in effect, and wherein the insurance carriers agree to give the Lessor and Lessor's lenders not less than thirty (30) days' written notice of cancellation.

FOURTEEN: 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.

FIFTEEN: TERMINATION AND SURRENDER

A. Default

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

1. Failure to pay any rental or royalty or to make any other payment of money, when the same is due.
2. 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.
3. 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.
4. 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.
5. 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 undismissed or undischarged for a period of thirty (30) days after the levy thereof.

B. 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.

C. 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.

SIXTEEN: LESSOR'S RIGHT OF ENTRY

Lessor is hereby granted the right and privilege, either in person or by a duly authorized agent or representative, to enter upon said premises during normal business hours to inspect the same and to make necessary repairs, to show the premises to prospective lessees, purchasers, mortgagees or beneficiaries under trust deeds, or to take possession thereof in the event that any of the conditions or covenants in this agreement are breached, provided that Lessor shall not unreasonably interfere with Lessee's business.

SEVENTEEN: WAIVER OF ANY BREACH

The waiver by the 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.

EIGHTEEN: COVENANTS AND CONDITIONS

All promises and provisions herein made by Lessee shall be construed as covenants and conditions as though the words importing such covenants and conditions were used in each instance and that all such promises and provisions shall bind Lessee and inure to the benefit of Lessor and their respective heirs, legal representatives, successors, and assigns.

NINETEEN: LESSEE'S RIGHT TO TERMINATE LEASE

Lessee can elect to terminate this lease, in whole or in part, on sixty (60) days written notice to Lessor.

TWENTY: ATTORNEY FEES

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.

TWENTY-ONE: 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 Monte Vista Building Sites, Inc., 44909 North Tenth Street West, Lancaster, California 93534.

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

TWENTY-TWO: SINGULAR AND PLURAL; GENDER

The singular number includes the plural whenever the context so requires. The neuter gender includes the feminine and masculine, the masculine includes the feminine and neuter, and the feminine includes the neuter, and each includes corporation, partnership, or other legal entity when the contract so requires.

TWENTY-THREE: ENTIRE AGREEMENT

This lease contains the entire agreement between the parties relating thereto. All prior negotiations or stipulations concerning its matter which preceded or accompanied the execution hereof are conclusively deemed to be superseded hereby, provided, however, that this lease may in the future be altered by written agreement of the parties, but not otherwise.

IN WITNESS WHEREOF, Lessor and Lessee have executed this lease on the date first above written, and they specifically agree that they bind themselves, their heirs, executors, successors and assigns.

LESSOR:

Monte Vista Building Sites,
Inc. a California corporation

By *Frank A. Lane*
Frank A. Lane, President

By *George M. Lane*
George M. Lane, Secretary

LESSEE:

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

By *Frank A. Lane*
Frank A. Lane, President

By *Yvonne M. Lane*
Yvonne M. Lane, Secretary

EXHIBIT “E”

EXHIBIT “E”

FRANK A. LANE
PRESIDENT

YVONNE M. LANE
SECRETARY

LITTLE ROCK SAND and GRAVEL, Inc.

INDUSTRIAL AND QUARRY PROPERTIES
42220 10TH STREET WEST, SUITE 101 • LANCASTER, CALIFORNIA 93534-7075
(881) 942-0435 • FAX 942-7485

November 22, 2014

Granite Construction Company
P.O. Box 50085
Watsonville, CA 95077-5085
ATTN: James H. Roberts, President/CEO
Board of Directors

RE: Lease between Granite Construction Co and Little Rock Sand & Gravel Inc, Palmdale CA

Mr. Roberts and Board of Directors:

In 1987, my father dealt with Bill Dorey to lease 240 acres of mineral resource property for sand and gravel production in Palmdale, CA. Within one day, they made a handshake agreement that later became an executed lease. My father spoke very highly of Bill as a very forthright person.

My father acquired most of this acreage decades ago and started in the gravel business by loading his small dump truck by hand.

At this time, the local division of Granite is claiming part of our water rights in an adjudication lawsuit in the Antelope Valley. Our lease clearly states that Granite has the right to use the water rights during the term of the lease. We're concerned that Granite is attempting to move part of our water rights about ten (10) miles away from the Littlerock quarry to their eventual new quarry in Big Rock. The attorneys are attempting to settle this but have not been successful so far.

The wells are located on our property. All of the water has always been used on our property and, the water rights are part of our property. But Granite is trying to permanently acquire our water rights through the adjudication and political tradeoff alliances with other water users. I believe this is not legally or ethically justified and it is directly adverse to the lease terms.

It is my understanding that all other parties in the adjudication that lease property are not making such claims.

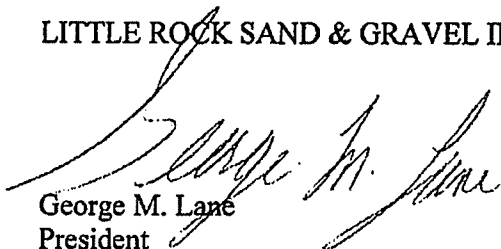
Granite Construction Company has a good reputation in California, but I believe that the leadership in this division is not following the high standards of the company. I think these actions demonstrate greed in order to save a little money. The water rights are important to the future of our family.

We have been long time stockholders in Granite and have followed the ups and downs for many years and we know it is a great company.

This needs your immediate attention.

Thank you.

LITTLE ROCK SAND & GRAVEL INC.



George M. Lane
President

EXHIBIT “F”

EXHIBIT “F”

FRANK A. LANE
PRESIDENT

YVONNE M. LANE
SECRETARY

LITTLE ROCK SAND and GRAVEL, Inc.

INDUSTRIAL AND QUARRY PROPERTIES
42220 10TH STREET WEST, SUITE 101 • LANCASTER, CALIFORNIA 93534-7075
(661) 942-0435 • FAX 942-7485

December 1, 2014

James H. Roberts, President/CEO
Granite Construction Company
P.O. Box 50085
Watsonville, CA 95077-5085

Dear Mr. Roberts:

Thank you for your email last week. It was encouraging that I would be able to talk directly with Granite's management. I wanted to let you know that I have not yet heard directly from Granite's local management. Instead, our lawyer received an email today from Granite's lawyer, a copy of which I am forwarding to you. It was and remains my hope that this matter can be resolved amongst the principals in the near future and that I would have the opportunity to speak with the appropriate management of Granite to discuss this issue as my dad did with Bill Dorey when negotiating this lease. I would like to bring to their attention to the Lease dated, April 8, 1987, Paragraph 3.2 where it references that during the term of the lease, Granite has the right to use the water.

I look forward to discussing this issue with your designee.

Sincerely,


George M. Lane
President

EXHIBIT “G”

EXHIBIT “G”

FRANK A. LANE
PRESIDENT

YVONNE M. LANE
SECRETARY

LITTLE ROCK SAND and GRAVEL, Inc.

INDUSTRIAL AND QUARRY PROPERTIES
42220 10TH STREET WEST, SUITE 101 • LANCASTER, CALIFORNIA 93534-7073
(661) 942-0435 • FAX 942-7485

January 13, 2015

Mr. James Roberts
President & CEO
Granite Construction, Inc.
P.O. Box 50085
Watsonville, CA 95077-5085

RE: Antelope Valley Water Adjudication

Dear Mr. Roberts:

We were encouraged by, and thank you for, your November 25, 2014 email regarding my family's disagreement with Granite. We outlined in our November 22, 2014 letter to you our concerns and in your email you committed Granite's local management to work directly with us. After several weeks delay, we met with Granite's representative on December 19, 2014. At that meeting, we discussed various issues, and it was our hope that that discussion would lead to a resolution. Granite's representative said he would get back to us the week of January 5, 2015. However, that time has come and gone without any communication from Granite, and we are concerned that there may be no genuine interest on Granite's part in resolving this matter.

To my knowledge, out of the hundreds of litigants in the water adjudication lawsuit, Granite is the only entity trying to claim its landlord's share of water rights. Granite owns property it acquired in 2008. However, rather than claiming water rights for its property against all parties, Granite elected to satisfy its claim solely against us. This may have been a negotiation tactic in a multi-party process, where settlement is attempted by lawyer and party alliances rather than on the basis of the legal merits. In any event, we believe Granite's approach negatively impacts our relationship with Granite, and contradicts the terms of our lease. Unfortunately, I did not become involved early enough in this process to recognize and attempt to deal with this problem.

We wish to resolve this matter. However, I am worried that Granite's local management has shown very little interest in meeting with us. Your November 25 email invited us to contact you if we felt your additional input is needed. It is. I hope this can be considered at the corporate level because it does not appear to have been done so at the local level.

EXHIBIT “H”

EXHIBIT “H”

FRANK A. LANE
PRESIDENT

YVONNE M. LANE
SECRETARY

LITTLE ROCK SAND and GRAVEL, Inc.

January 26, 2015

INDUSTRIAL AND QUARRY PROPERTIES
42220 10TH STREET WEST, SUITE 101 • LANCASTER, CALIFORNIA 93534-7075
(861) 942-0435 • FAX 942-7485

Mr. James Roberts
President & CEO
Granite Construction, Inc.
P.O. Box 50085
Watsonville, CA 95077-5085

RE: Antelope Valley Water Adjudication

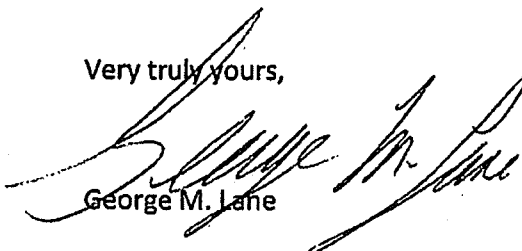
Dear Mr. Roberts:

Thank you for your January 15 email. I understand the Bruce McGowan is authorized to act on behalf of Granite to attempt to resolve this matter. I am disappointed, however, to report to you that there has been very little progress towards that goal.

As I indicated in my January 13 letter, I met with Mr. McGowan on December 19. My second communication with him was by telephone on January 14. In that conversation we discussed our differing settlement positions. I have no sense that Granite is willing to compromise from the position it has taken from the beginning. In light of that, I suggested that our disagreement be mediated and/or arbitrated. In my view, our issues with Granite should not involve any of the other parties in the water adjudication case. Mr. McGowan rejected mediation and/or arbitration and suggested no other solution for resolving this matter.

At this point our disagreement remains unresolved. I have enclosed correspondence between our lawyers that outlines the issues. This means that our respective companies will execute the overall stipulation to settle the water adjudication, but that the ultimate subdivision of the jointly allocated water right will have to await future determination. Judge Komar indicated that he would address our issues after he goes through his approval process for the overall settlement. I believe this is an unfortunate result and that it would be better to settle, with mediation if needed, now.

Very truly yours,



George M. Lane

1 **PROOF OF SERVICE**

2 Antelope Valley Groundwater Cases
3 Santa Clara County Case No. 1-05-CV-049053
4 Judicial Council Coordination ("JCCP") No. 4408
5 California Court of Appeal, Fourth District, Division Two, Case No. E065512

6 At the time of service, I was over 18 years of age and not a party to this action. I am
7 employed in the County of Orange, State of California. My business address is Musick Peeler &
8 Garrett LLP, 650 Town Center Drive, Suite 1200, Costa Mesa, CA 92626-1925.

9 On April 13, 2018, I served the foregoing document described as: **DECLARATION OF
10 GEORGE M. LANE IN SUPPORT OF OPENING BRIEF OF LITTLE ROCK SAND AND
11 GRAVEL, INC. RE TITLE TO GROUNDWATER ALLOCATION ARISING FROM
12 LITTLE ROCK SAND AND GRAVEL'S LAND AND GRANTED UNDER JUDGMENT
13 AND PHYSICAL SOLUTION** on the interested parties in this action by posting the document
14 listed above to the <http://www.avwatermaster.org> website in regard to the Antelope Valley
15 Groundwater Adjudication matter, pursuant to the Electronic Filing and Service Standing Order of
16 Judge Komar and through the OneLegal website (www.onelegal.com).

17 The file transmission was reported as complete to all parties appearing on the
18 <http://www.avwatermaster.org> electronic service list and (www.onelegal.com) for the Antelope
19 Valley Groundwater Cases, Case No. 2005-1-CV-049053; JCCP 4408.

20 **BY MAIL:** I enclosed the document(s) in a sealed envelope or package addressed to the
21 persons at the address listed below and placed the envelope for collection and mailing,
22 following our ordinary business practices. I am readily familiar with the practice of
23 Musick, Peeler & Garrett LLP for collecting and processing correspondence for mailing.
24 On the same day that correspondence is placed for collection and mailing, it is deposited in
25 the ordinary course of business with the United States Postal Service, in a sealed envelope
26 with postage fully prepaid. I am a resident or employed in the county where the mailing
27 occurred. The envelope was placed in the mail at Costa Mesa, California.

28 Attorneys for Granite Construction Company:
Robert G. Kuhs
Bernard C. Barmann, Jr.
Kuhs & Parker
1200 Truxtun Ave., Ste. 200
P.O. Box 2205
Bakersfield, CA 93303

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on April 13, 2018, at Costa Mesa, California.

/s/ Judy Jacobs

Judy Jacobs

1098088.1