

2. Term. The Term of this Lease shall be an initial period of 10 years commencing on the 1st day of May, 2012 ("Term"). So long as the Company is not in default hereunder, the Company may obtain a ten (10) year extension of the Term after the end of the initial Term by written notice to Lessor at least thirty (30) days prior to the end of the initial Term and payment of the sum of \$0. The period of the extension of the initial Term pursuant hereto shall be subject to the terms and conditions of this Lease. In the event the parties cannot agree, the matter shall be submitted to mediation/arbitration pursuant to paragraph 20 of the lease.
3. Sales Royalties.
- a. Subject to Paragraph 3.B. and 4, for all Materials sold from the Property during each calendar month, the Company shall pay to Lessor a "Sales Royalty" calculated from a "Base Royalty" at the rate of \_\_\_\_\_ per Net Sales Ton, adjusted as set forth below, within \_\_\_\_\_ days after the close of each calendar month.
  - b. The Company shall keep and maintain adequate and accurate records of the quantities of Materials mined and sold. The Sales Royalty payments shall be accompanied by a monthly statement with the royalty calculation that includes an accounting of the tons of Materials mined from the Property and sold or deemed sold pursuant to Paragraph 5.C. for the month. Lessor shall have the right at all reasonable times during business hours and upon reasonable prior notice to examine such records of the Company at the offices of the Company and to verify the quantities of Material removed and sold, and the accuracy of the scales used to weigh the Materials.
  - c. The Company reserves the right to import inert materials (broken concrete, and asphalt) into the pit for recrushing and sale. No royalty will be charged for concrete or asphalt resold from the pit. The Company will sell no more than 2500 tons/year of this material.
4. Weighing of Materials; Commingling. For purpose of calculation of Sales Royalty, quantities of Materials removed from the Property on which Sales Royalty is due will be measured as follows:
- a. Use of Scales: All materials shall be weighed on a certified scale upon sale and removal from the Property. If materials on which sales royalty is due are mixed with non-excavated materials (for example, in case of mixing sand and gravel with water and Portland Cement in the concrete batch plant), then for purpose of calculating the sales royalty, the weight of the Subject material used in the mixture will be determined using the certified scales at the Property to measure the

Lessor's tenants, agents, employees, licensees or invitees on the Property.

- c. The Company shall defend, indemnify, and hold harmless Lessor from any and all liability resulting from the Company operations hereunder pursuant to all local, state and federal environmental laws, ordinances, rules and regulations, including but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. § 9601 *et seq.*) and the Resource Conservation and Recovery Act (42 U.S.C. § 6901 *et seq.*), as any of such laws, ordinances, rules and regulations have been or are amended from time to time.
- d. The foregoing indemnifications shall all survive the termination of this Lease. The indemnity provisions set forth in this Lease shall apply to amounts paid in settlement of a claim by an indemnified party only if such settlement is approved by the indemnifying party, which approval shall not be unreasonably withheld and shall include any and all legal fees, costs and expert witness fees incurred by the party being indemnified.
- e. The Company shall provide Lessor with evidence of Company's financial ability to provide the indemnification set forth above.

8. Insurance.

- a. The Company shall maintain at its sole expense and at all times statutory Workers Compensation Insurance coverage as required under the laws and regulations of the State of Colorado for all its officers and employees who perform work for the Company hereunder.
- b. The Company shall purchase, at its sole expense, and shall maintain at all times the following minimum insurance protection with Lessor designated as an additional insured providing for written notice to Lessor thirty (30) days prior to cancellation. Company shall provide Lessor with a certificate of such insurance annually.
  - i. Comprehensive General Liability in the amount of combined single limit;
  - ii. Employer's Liability Insurance in the amount of \_\_\_\_\_ each occurrence;
  - iii. Automobile Liability Insurance in the amount of combined single limit; and
  - iv. Adequate and reasonable insurance for other risks ordinarily insured against in similar operations.