

OFFICE OF NAVAJO AND HOPI INDIAN RELOCATION —
PREFERRED SANDS OF ARIZONA, LLC:
LEASE AMENDMENT NO. 1.

WHEREAS:

1. The Office of Navajo and Hopi Indian Relocation, an independent agency in the Executive Branch of the United States Government ("ONHIR"), entered into a Lease Agreement with Engelhard Corporation, a predecessor-in-interest to Preferred Sands of Arizona, LLC ("Preferred"), as of February 6, 2006 (the "Lease"); and

2. The Lease was for 30 acres of Navajo Trust Land in the Nahata' Dził Chapter which had been acquired for the Navajo Nation pursuant to the Navajo-Hopi Settlement Act (the "Act"); and

3. The purpose of the Lease was for developing, using and occupying the Leased Premises for maintaining an office and shop, constructing a sand processing and storage facility, and similar purposes and uses; and

4. Preferred has now requested that the Leased Premises be expanded to include an additional 34.5 acres of land so that Preferred may expand its operations in the Nahata' Dził Chapter; and

5. Such expansion will provide additional employment of Navajo Relocates and others in the Nahata' Dził Chapter, and is consistent with the goals of the Act and the interests of Navajos affected by the Act; and

6. The Nahata' Dził Commission Governance as the governing body of the Nahata' Dził Chapter by Resolution of June 28, 2012 has approved the Lease Modification as set forth in Exhibit "B" hereto.

IT IS THEREFORE AGREED THAT THE LEASE IS HEREBY MODIFIED AS FOLLOWS:

1. Section 2 of the Lease, "Leased Premises" is modified by (a) changing "thirty (30)" to "sixty-four and one half (64.5).

2. Section 5(A) of the Lease "Rental; CPI Adjustment" is modified by changing "\$50,000" to "\$107,500."

3. Neither ONHIR nor Preferred has knowledge of the occurrence of any default in the performance of the terms and conditions of the Lease.

4. Except as expressly modified by this Lease Amendment No. 1, the Lease and all of the applicable terms thereof shall remain unchanged and shall continue in full force and effect.

5. This Lease Amendment No. 1 may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

OFFICE OF NAVAJO AND HOPI INDIAN RELOCATION —
PREFERRED SANDS OF ARIZONA, LLC;
LEASE AMENDMENT NO. 1.

6. Preferred shall develop a reclamation plan for the Leased Premises and shall post a bond or similar financial assurance in an amount reasonably sufficient to restore the Leased Premises in accordance with the reclamation plan. Following termination of the Lease, Preferred shall be permitted access to the Leased Premises, free of charge, in order to perform such restoration.

IN WITNESS WHEREOF, ONHIR and Preferred have executed this Lease Amendment No. 1 effective as of June 28, 2012.

ONHIR:

THE OFFICE OF NAVAJO AND HOPI INDIAN RELOCATION, an independent agency in the Executive Branch of the Government of the United States

By: 

Name: Christopher J. Bavasi

Title: Executive Director

PREFERRED:

PREFERRED SANDS OF ARIZONA, LLC, a Delaware limited liability company

By: 

Name: Robbie J. Loudon

Title: Plant Manager—Sanders

CONCURRENCE

NAHATA' DZIIIL COMMISSION GOVERNANCE

By: 

Name: Arnold Begay

Title: President

OFFICE OF NAVAJO AND HOPI INDIAN RELOCATION —
PREFERRED SANDS OF ARIZONA, LLC:
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EXHIBIT A

[Legal Description of Additional Leased Premises comprised of 34.5 (approximately) acres of land]

OFFICE OF NAVAJO AND HOPI INDIAN RELOCATION —
PREFERRED SANDS OF ARIZONA, LLC:
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EXHIBIT A-1

[Legal Description of Original Leased Premises comprised of 30.0 (approximately) acres of land]

BEARING REFERENCE
N88°38'11"W
2008.61'

(N88°25'0" - 2008.31' SEE REF. 1)
PER BLM PLAT. SEE REF. 1)

LEGEND

○ SET 1/2" IRON ROD w/ ELASTIC PLASTIC CAP

✕ FOLDS 3" 1003 BLM BRASS CAP, OR NOTED ON PLAT

◇ FOLDS 3" 1003 BLM BRASS CAP, OR NOTED ON PLAT

T21N, R29E, G. & S. R.M.

30 ACRE TRACT

790-162-1

GENERAL NOTES AND SURVEY

A TRACT OF LAND LIES IN SECTION 23, T21N, R29E, G. & S. R.M. CANYON AREA, GARAGE COUNTY, ARIZONA

REFERENCE

1. BLM PLAT. 1003, T21N, R29E, G. & S. R.M.

OFFICE OF NAVAJO AND HOPI INDIAN RELOCATION —
PREFERRED SANDS OF ARIZONA, LLC:
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EXHIBIT B

Nahata' Dziil Commission Governance Resolution

**RESOLUTION OF THE
NAHATA DZIIL COMMISSION GOVERNANCE**

**SUPPORTING AN AMENDMENT TO THE LEASE AGREEMENT FOR
PREFERRED SANDS OF ARIZONA, LLC TO GRANT AN ADDITIONAL 34.5 ACRES**

WHEREAS:

1. The Nahata Dziil Chapter is a Governance-certified, land use plan approved certified chapter of the Navajo Nation and the unit of local government in the Nahata Dziil Community; and
2. The Commission Governance of the Nahata Dziil Chapter is the duly elected government of the Chapter; and
3. At the request of the Navajo Nation and after discussions with Nahata Dziil Commission Governance, in 2006 the Office of Navajo and Hopi Indian Relocation ("ONHIR") negotiated a Business Site Lease for 30 acres within the chapter with Engelhard Corporation so that Engelhard Corporation could construct and operate a "frac" sand processing plant; and
4. All rentals from the Business Site Lease are paid to the Nahata Dziil Chapter; and
5. Engelhard Corporation was later acquired by BASF Catalysts LLC and the frac sand processing plant was operated by BASF Catalysts LLC for a time; and
6. In 2010 BASF Catalysts LLC requested ONHIR to approve an assignment of the Business Site Lease to Preferred Sands of Arizona, LLC and after consulting with the Nahata Dziil Chapter and the Navajo Nation ONHIR approved the assignment; and
7. Preferred Sands now proposes to expand its processing plant in the Nahata Dziil Chapter with an increase in employment and an increase in rental payments to the Chapter of at least \$57,000 per year; and
8. The proposed increase in the lease area is 34.5 acres adjacent to the existing processing plant site; and
9. Two appraisals have been conducted to estimate the fair market rental for the additional acreage and the proposed rental equals the higher appraisal; and
10. This proposed economic development is in the best interests of the members of the Nahata Dziil Chapter and the Navajo Nation.

NOW THEREFORE BE IT RESOLVED THAT:

1. The Commission Governance of the Nahata Dziil Chapter, for and on behalf of the Nahata Dziil Chapter and the residents of the New Lands expresses its support for the amendment of the Business Site Lease with Preferred Sands of Arizona, LLC to add an additional 34.5 acres with

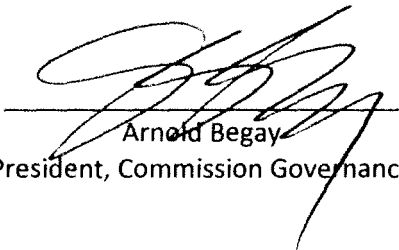
Resolution of Nahata Dziil Commission Governance
Re: Amendment of Preferred Sands of Arizona, LLC Business Site Lease

increased rental for the Nahata Dziil Chapter and increased employment opportunities for Chapter members.

2. The Commission Governance of the Nahata Dziil Chapter asks the Office of Navajo and Hopi Indian Relocation to do all things necessary to implement the amendment of the Preferred Sands of Arizona, LLC Business Site Lease as provided herein.
3. The President of the Commission Governance is authorized and directed to concur in the proposed Lease Amendment (or modification) for and on behalf of the Nahata Dziil Chapter.

CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Commission Governance of the Nahata Dziil Chapter at a duly called special meeting at Flagstaff, Arizona at which a quorum was present and that same was approved by a vote of three (3) in favor, none (0) opposed and one (1) abstaining this 28th day of June, 2012


Arnold Begay
President, Commission Governance

Attest:


Ella Katoney
Secretary, Commission Governance

Motion: Jerry Thompson
Second: Ella Katoney

Birkett & Associates

114 N. San Francisco St. Suite 17
 Flagstaff, AZ 86001
 Certified General Real Estate Appraiser
 No. 30683
 Phone: 928.773.0103 Fax: 928.773.0104

INVOICE**INVOICE NUMBER**

11033

DATE

March 16, 2012

REFERENCE

Internal Order #: 11033
 Lender Case #:
 Client File #:
 Main File # on form: 11033
 Other File # on form:
 Federal Tax ID: 86-0808871
 Employer ID:

TO:

Shasta Moore
 Preferred Sands
 100 Matsford Road
 Suite 101
 Radnor, PA 19087
 Telephone Number: (484) 684-1231
 Alternate Number:

Fax Number:
 E-Mail: smoores@preferred.com

DESCRIPTION

Lender: Preferred Sands Client: Preferred Sands
 Purchaser/Borrower: N/A
 Property Address: 34.5190 Acre Potential Lease Land
 City: Sanders
 County: Apache State: AZ Zip: 86502
 Legal Description: See Attached Land Survey

FEES**AMOUNT**

Consultant Assignment for the Above Referenced Potential Lease of 34.5190 Acres in Sanders, AZ: 500.00

SUBTOTAL 500.00

PAYMENTS**AMOUNT**

Check #:	Date:	Description:	AMOUNT
Check #:	Date:	Description:	
Check #:	Date:	Description:	
SUBTOTAL			
TOTAL DUE			\$ 500.00

Please Return This Portion With Your Payment

FROM:

Shasta Moore
 Preferred Sands
 100 Matsford Road
 Suite 101
 Radnor, PA 19087
 Telephone Number: (484) 684-1231
 Alternate Number:

Fax Number:
 E-Mail: smoores@preferred.com

AMOUNT DUE: \$ 500.00

AMOUNT ENCLOSED: \$

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REFERENCE

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 Employer ID:

TO:

Birkett & Associates
 114 N. San Francisco Street
 Suite 17
 Flagstaff, AZ 86001
 (928) 773-0103

This Appraisal Report is one of the following types:

- ☐ **Self Contained** (A written report prepared under Standards Rule 2-2(a), pursuant to the Scope of Work, as disclosed elsewhere in this report.)
- ☐ **Summary** (A written report prepared under Standards Rule 2-2(b), pursuant to the Scope of Work, as disclosed elsewhere in this report.)
- ☒ **Restricted Use** (A written report prepared under Standards Rule 2-2(c), pursuant to the Scope of Work, as disclosed elsewhere in this report, restricted to the stated Intended Use by the specified client or intended user.)

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no (or the specified) present or prospective interest in the property that is the subject of this report and no (or the specified) personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice that were in effect at the time this report was prepared.
- Unless otherwise indicated, I have made a personal inspection of the property that is the subject of this report.
- Unless otherwise indicated, no one provided significant real property appraisal assistance to the person(s) signing this certification (if there are exceptions, the name of each individual providing significant real property appraisal assistance is stated elsewhere in this report).
- Unless otherwise indicated, I have performed no services regarding the subject property within the prior three years, as an appraiser or in any other capacity.

Note any USPAP related issues requiring disclosure and any State mandated requirements:

SUPERVISORY APPRAISER (only if required):

Signature: John C. Birkett
Name: John C. Birkett
Designation: _____
Date Signed: March 19, 2012
State Certification #: 30683
or State License #: _____
State: AZ
Expiration Date of Certification or License: 07/31/2013

Effective Date of Appraisal: March 17, 2012

Signature: _____
Name: _____
Designation: _____
Date Signed: _____
State Certification #: _____
or State License #: _____
State: _____
Expiration Date of Certification or License: _____
Supervisory Appraiser Inspection of Subject Property:
☐ Did Not ☐ Exterior-only from street ☐ Interior and Exterior

Supplemental Addendum

File No. 11033

Client	Preferred Sands				
Property Address	34.5190 Acre Potential Lease Land				
City	Sanders	County	Apache	State	AZ Zip Code 86502
Appraiser	John C. Birkett				

**A SUMMARY CONSULTATION REPORT OF POTENTIAL LEASE OF 34.5190 ACRES
OF LAND TANGENTIAL TO PRESENTLY LEASED LAND BY PREFERRED SANDS**

**Located in Section 23, Township 21 North, Range 29 East of the Gila and Salt River Base and
Meridian, Apache County, Arizona 86502**

Prepared For

**Preferred Sands
One Radnor Corporate Center
100 Matsonford Road
Suite 101
Radnor, Pennsylvania 19087**

Ms. Shasta Moore
Compliance Coordinator
Preferred Sands
One Radnor Corporate Center
100 Matsonford Road
Radnor, Pennsylvania 19087

Dear Ms. Moore:

Pursuant to your request, I have made an analysis of a potential land lease regarding 34.5190 acres of land located in Apache County, Arizona. The identified vacant land site is located tangential to a large acreage of land upon which a mining operation of sorts is presently being conducted. The consultant assignment consists of physically visiting the 34.5190 acre site, walking as much of the land as possible, photographing as much of the site as possible, and writing a summary report of this appraiser's analysis of a potential lease land price range for the site. The value in use will be to use the surface to park equipment, vehicles of all kinds necessary for the continuance of the mining operation adjacent to this site to the north, and other non-mining surface uses for this site that would likely enhance the mining operation to the north.

The opinion of potential land lease rental rate for the subject is not an appraisal as such, since no valid, reliable and/or credible data is available from which to issue an opinion of value based on the Sales Comparison Approach to rental rate value of this large acreage site for such a potential land lease. The subject site is land that has a specific value in use for an already existing land lease of a mining site directly adjacent to the north of the subject site. Value in Use is defined in the Dictionary of Real Estate Appraisal (Third Edition) as "The value a specific property has for a specific use", which coincides from an auxiliary standpoint with the present situation where the Preferred Sands Company has a need to lease the subject site for a different use, although an auxiliary use, than the mining operation being conducted to the north of the subject site. Verbal indications from the client representative indicate that the subject 34.5190 acre site would be an auxiliary use and not part of the mining operation use per se.

A copy of part of the land lease for the Engelhard Corporation, the lessee on the mining operation land lease to the north, was E-Mailed to this consultant on approximately March 5, 2012. The Lease Agreement omitted pages 2, 3 and 4, which, it is assumed, contained the lease land dollar figures for the lease. In telephone conversations with some of the principals of the agreement, it was indicated that a yearly lease agreement contained a lease fee of \$55,000 per year for the site that presently is the mining operation for Preferred Sands. It is also assumed that Preferred Sands is a company name change or derivation of the Englehard Corporation. The intended user for this consultation assignment is the client, Preferred Sands, and/or its assigns. The intended use is to assist in establishing a negotiated fair market lease rent for the subject 34.5190 acre site adjacent to the present mining operation site.

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The value in use definition has already been established by this consultant. Given the absence of any credible, reliable and valid comparable vacant land rents of any reasonable comparability, the intended use of this consultant assignment is to assist in the negotiation of a land lease for the surface rights only of the subject site. The scope of work for this assignment includes the intended use and user, and is as follows:

1. Inspected the subject site on March 9, 2012, and then again on March 17, 2012;
2. Gathered information regarding a Land Survey that was completed recently, a copy of which is included in this consulting assignment report;
3. Gathered relative information from governmental agencies and market participants in Apache County;
4. Investigated and researched data relative to any comparable leases in the subject market area, including, but not limited to, all of Apache and Navajo Counties, finding only the existing lease to the north;
5. Confirmed and analyzed the lack of credible, valid and reliable data, and determined that a consulting assignment would be the only reasonable representation to allow the client the most relevant information relating to a potential land lease for the subject acreage; also determining that there were no other potential users for the subject land other than as grazing land under open range use and/or ranch land;
6. The land in its present state is not developable under fee simple title, as it is under Native American jurisdiction; and
7. The purpose of the assignment is to develop an opinion of a possible range for a negotiated price for a land lease agreement between Preferred Sands and the Navajo Nation Jurisdictional Authority.

The drainage, shape and slope of the subject property vacant land site does not appear to be prohibitive to the surface use of the site for a number of different surface uses, although there appears to be a large drainage wash near the middle of the subject site which would have to be storm water engineered perhaps. The subject 34.5190 acre site is not to be for mining purposes, according to the client, and it was stated to this appraiser by representatives of the Navajo Nation that it was going to be for an expansion of the mining operation, which does not appear to be the case. Consequently, a range of lease value for the surface rights would emphasize the present lease on the site tangential to the subject site even though the uses would be different. Nevertheless, in spite of potentially different uses, it is the only present in effect lease around.

Conclusion

The potential land lease price is influenced by the existing lease on the mining site to the north, by the size of the subject property land at 34.5190 acres, which is similar in size to the mining operation site to the north, and by the fact that no other competitive lessees appear to exist for the subject site. Because the value in use is a determining factor for the subject site, the high end of the fair market land lease value is apparently set by the existing lease on the site to the north, which was verbally indicated to this appraiser to be \$55,000 per year. The actual price derived will be based on a negotiated price between the representative owners of the land and the Preferred Sands authorities. Market participants in the instant case indicated that there is little or no demand other than potential grazing, ranch and/or open range use for the subject, and the negotiated price would likely mirror the existing lease on the northerly site, or some price less than that. This consultants lower level would be left open, as there is no specific lower price range price conclusion that would not be transmitting a degree of accuracy that is not there in the instant case.

Sincerely,

John C. Birkett
 Birkett & Associates
 114 N. San Francisco Street
 Suite 17
 Flagstaff, Arizona 86001
 (928) 773-0103
 birkett_associates@qwestoffice.net

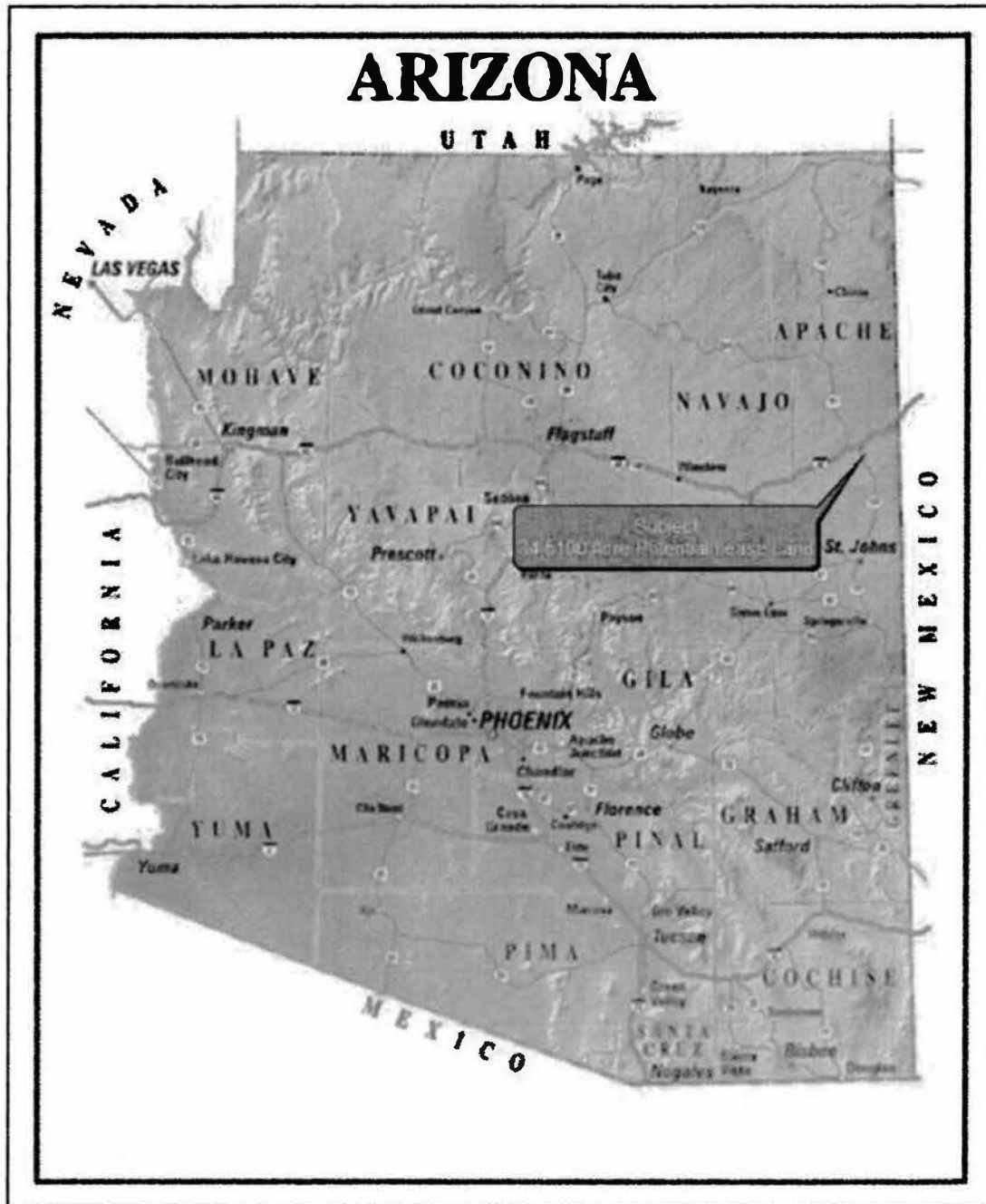
Supplemental Addendum

File No. 11033

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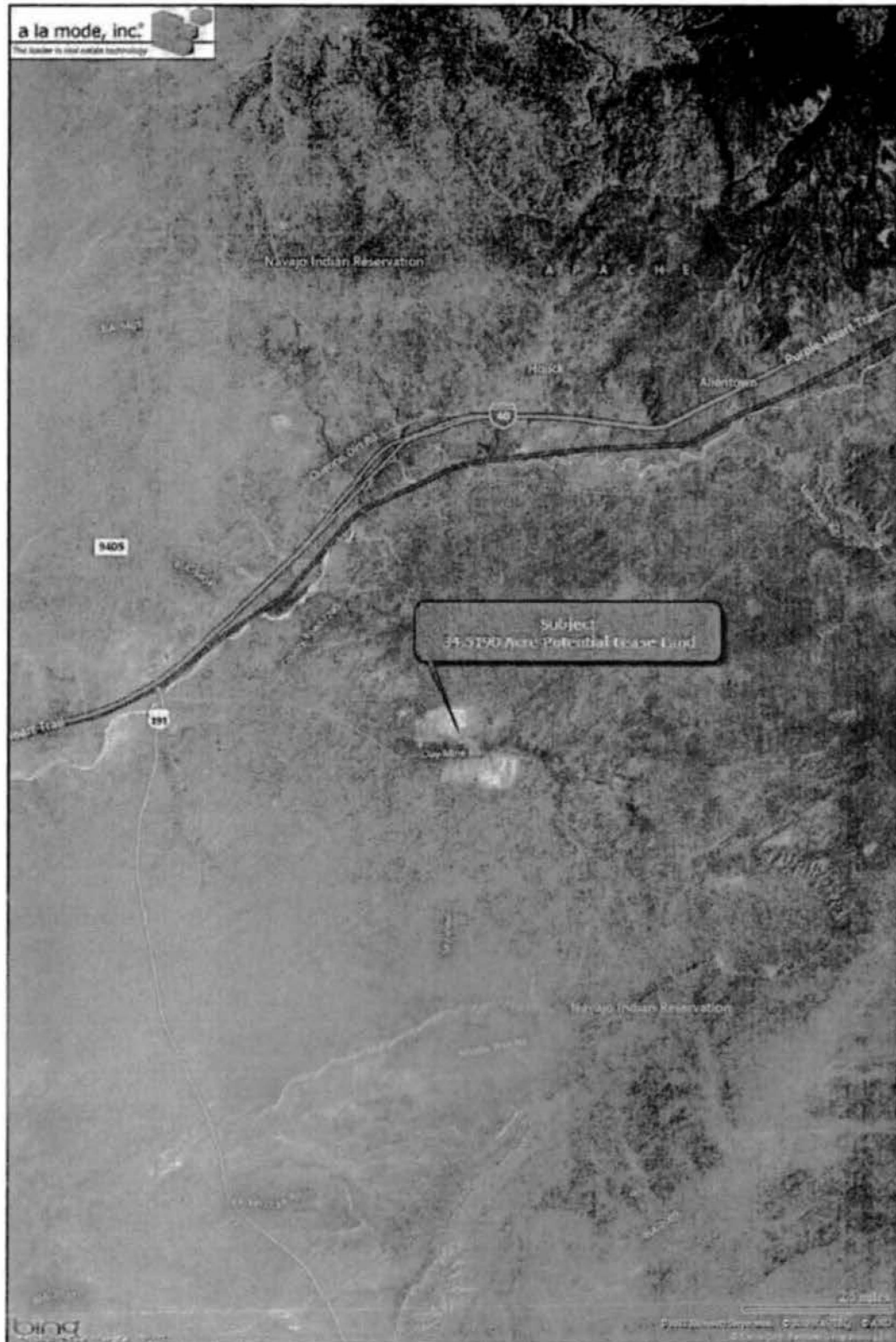
State Map

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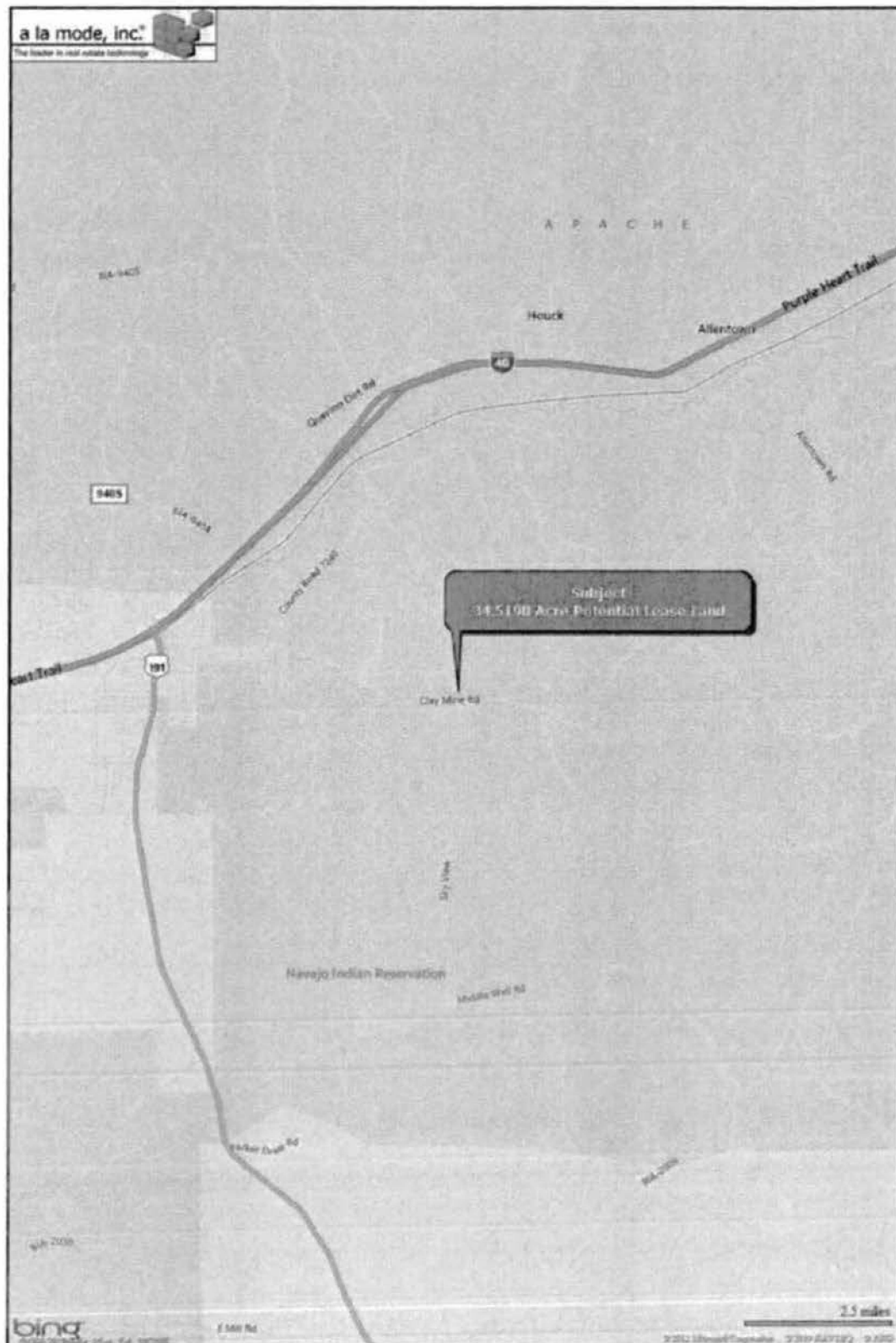
Location Map

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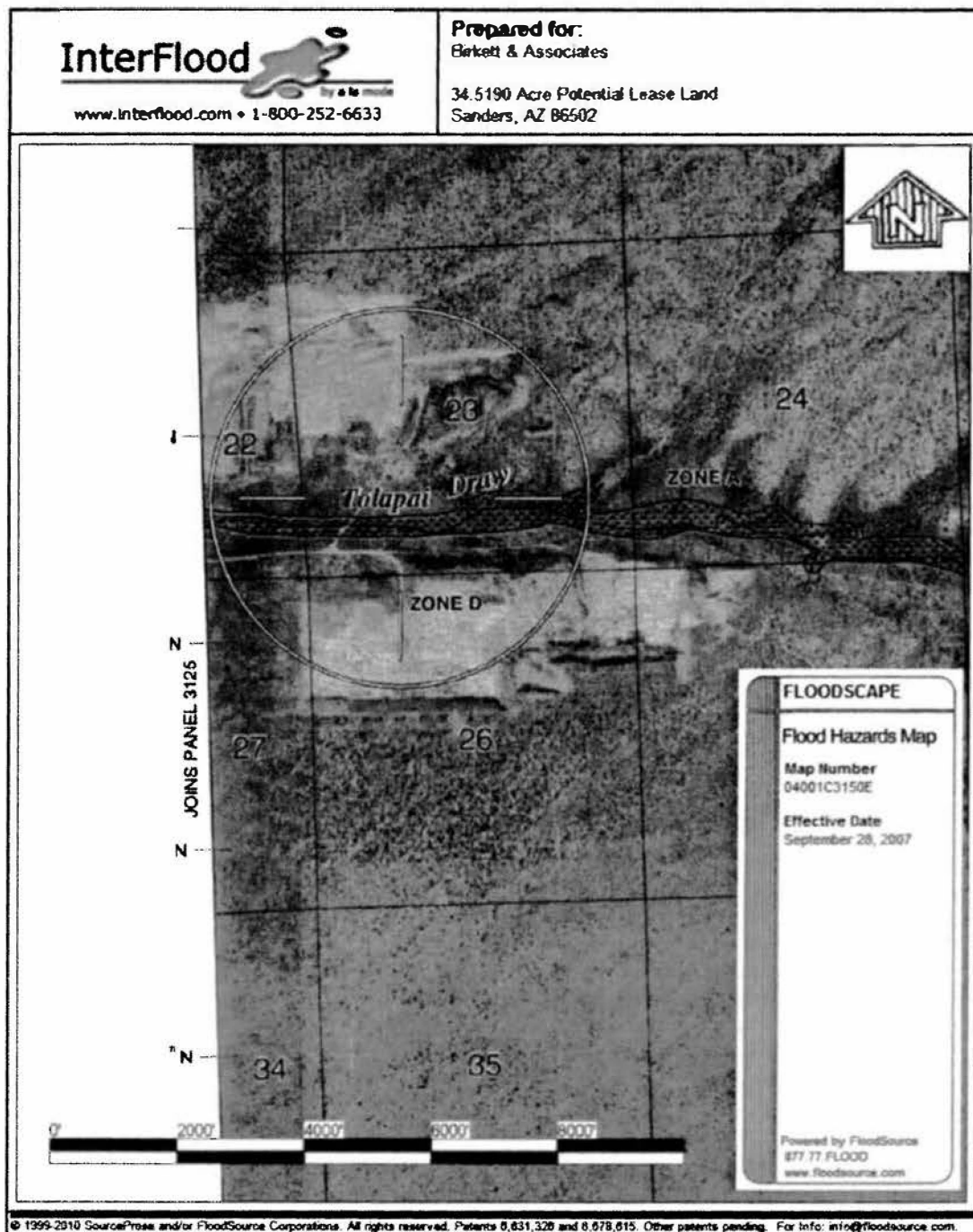
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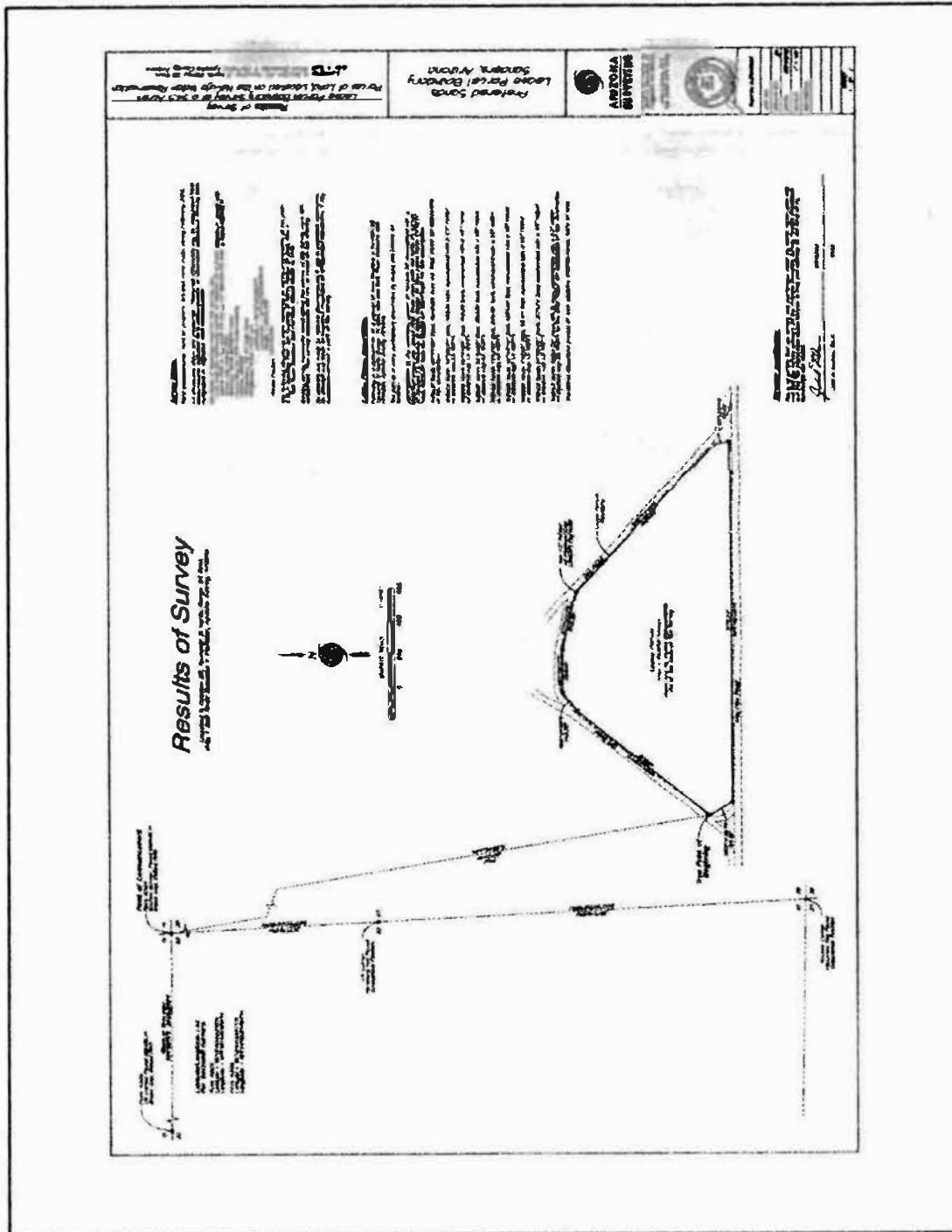
Flood Map

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Land Survey

Client	Preferred Sands			
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Photograph Addendum

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Photograph Addendum

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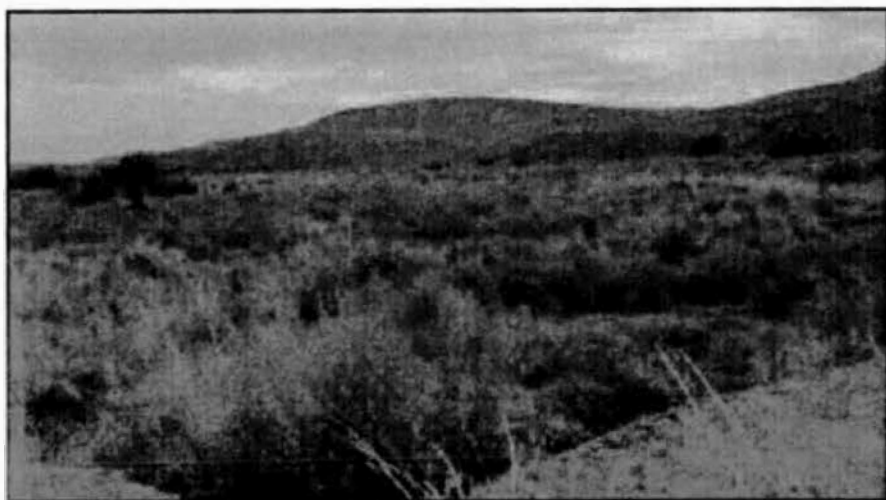
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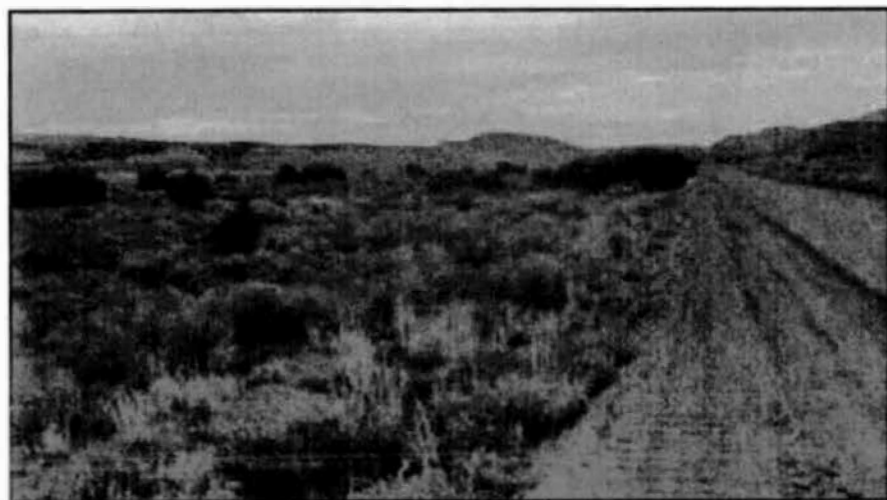
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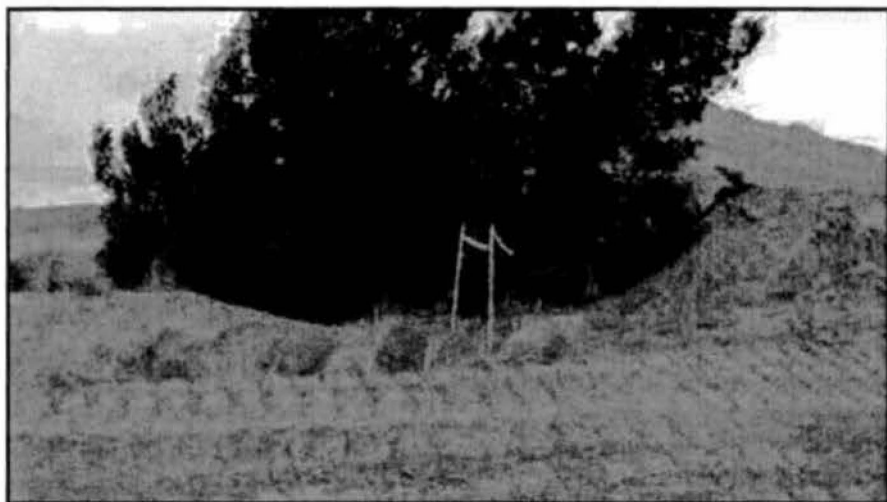
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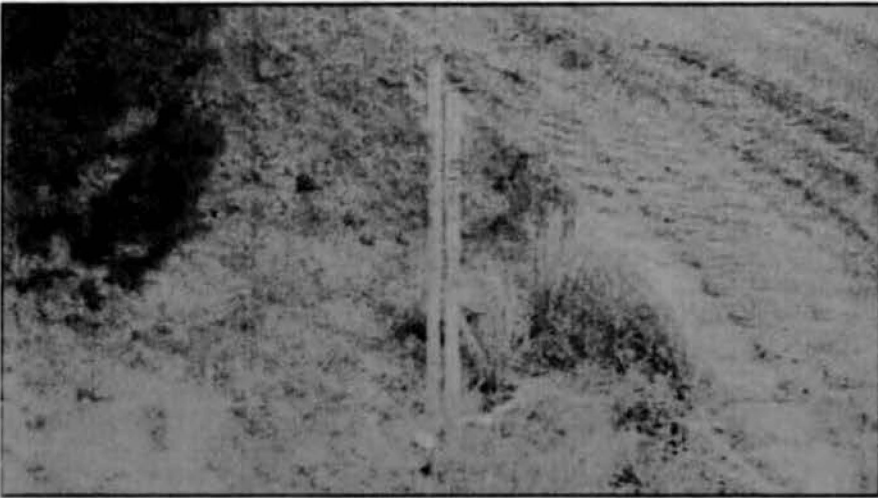
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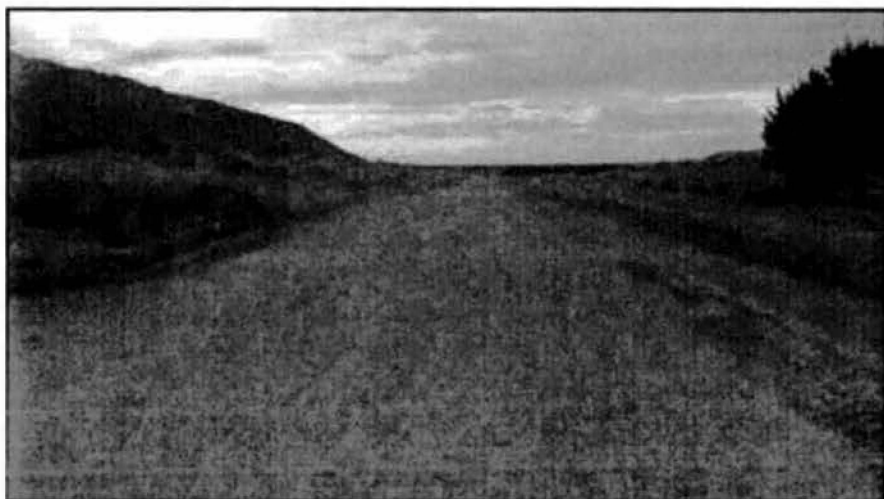
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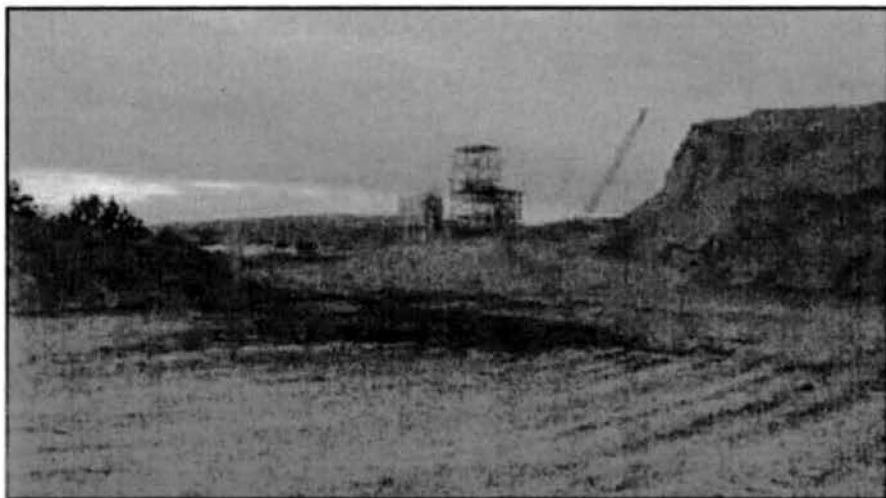
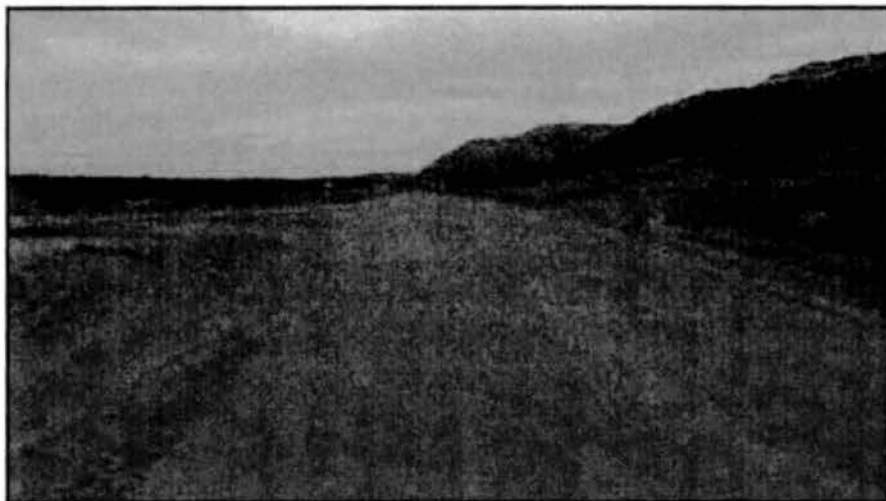
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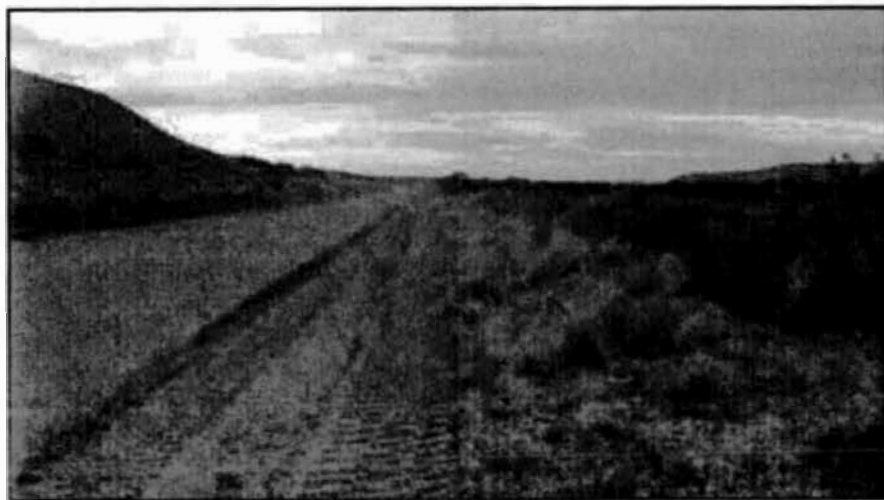
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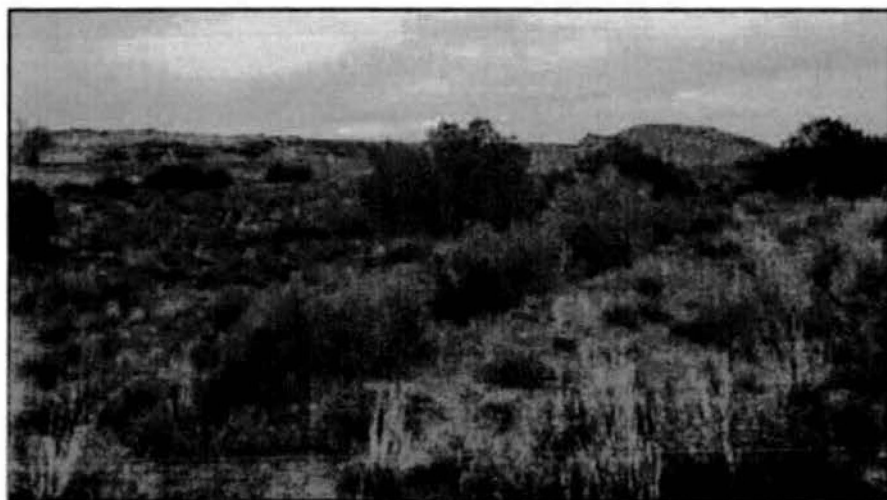
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Certification

Client	Preferred Sands			
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