KINGCO INVESTMENTS #2, LLC

PRIVATE OFFERING MEMORANDUM

JULY 24, 2025

This Offering is being made pursuant to Rule 506(c) of Regulation D. Prospective investors who invest less than $200,000 ($1 million for corporations, partnerships or limited liability companies not owned by the same family) must provide verification of their status as accredited investors, by one of the following or similar means: Forms 1099 or W-2 to prove the requisite income; a consumer report from at least one of the nationwide consumer reporting agencies to verify liabilities, or by obtaining a written confirmation from a registered broker-dealer, investment advisor, licensed attorney or certified public accountant of such person's accredited status.

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THE OFFERING

By means of this Private Offering Memorandum, KingCo Investments #2, LLC doing business as "KingCo Energy" and "King Proppants" (the "Company" or "KingCo" or "We") is offering to sell a maximum of 300 Non-Voting Units (the "Non-Voting Units"). The number of units that an investor will receive in this Offering will be determined by dividing the amount invested by the applicable price per unit. Prior to this offering we have 3,000 non-voting and voting units combined with a $30,000,000 pre-money valuation. The offer to sell these Non-Voting Units is made in reliance on exemptions from registration under the Securities Act of 1933, as amended. This offering is limited to accredited investors only, as such term is defined under Regulation D under the Securities Act of 1933, as amended.

The three hundred (300) non-voting units are offered for $10,000 per non-voting unit. The following investment incentives are being offered upon the following conditions:

- ✓ **$1,000,000+ investment → 25% bonus**
- ✓ **$500,000 – $999,999 investment → 20% bonus units**
- ✓ **$250,000 – $499,999 investment → 15% bonus units**
- ✓ **$100,000 – $249,999 investment → 10% bonus units**
- ✓ **$50,000 – $99,999, investment → 5% bonus units**

Minimum Individual Investment:......$10,000

Offering Period: ....The offering period will terminate on the earlier of the sale of the maximum of 300 Non-Voting Units or July 24, 2026, whichever occurs first. The Company reserves the right to extend the offering term, or to terminate the offering early, in its sole discretion.

Minimum Offering Requirement: There is no minimum offering requirement, so that proceeds from subscriptions accepted by KingCo will be available immediately for its use. See "Use Of Proceeds."

Suitability Requirements............. This offering is limited to "accredited investors" as defined under the Securities Act, and persons who are not "U.S. persons" as defined in Regulation S under the Securities Act. See "Terms of the Offering." KingCo reserves the right to accept or reject, in whole or in part, any offer to subscribe for Non-Voting Units. See "Terms of the Offering: Who May Invest."

No Market for Securities:............. KingCo's Non-Voting Units do not trade on any securities market, and a trading market is not expected to develop due to tax considerations. See "Tax Consequences."

Restricted Securities..................... The Non-Voting Units offered hereby constitute "restricted securities," as that term is defined in Rule 144 promulgated

	under the Securities Act, and the Non-Voting Units offered hereunder, and the Non-Voting Units included therein, cannot be resold unless such resale is registered under the Securities Act or is exempt from such registration provisions. Currently, under Rule 144, persons may resell restricted securities in any trading market that may then exist only after twelve months has passed since they were last acquired from the issuer or an affiliate of the issuer, and then only in compliance with all of the conditions of Rule 144. Certificates representing the Non-Voting Units purchased in this offering will bear a legend noting the foregoing restrictions.
How to Subscribe........................	In order to subscribe for the purchase of Non-Voting Units offered hereby, subscribers must tender to KingCo a completed subscription agreement and any other required documents together with payment of the full subscription amount, which together shall constitute the subscriber's offer to purchase Non-Voting Units at $10,000 per Non-Voting Unit. KingCo will confirm either acceptance or rejection, in whole or in part, of each subscription. On acceptance by KingCo, the subscription agreement automatically becomes a binding bilateral agreement for the purchase of the number of Non-Voting Units specified.

KingCo was formed on December 6, 2023, under the name KingCo Investments #2, LLC as a Texas limited liability company. We mine and supply high quality sand to hydraulic fracking operators in the Delaware and Midland Basins of the Permian Basin in West Texas. In 2022, the Permian Basin accounted for 43.6% of oil and nearly 15% of gas production in the United States. Frac sand is one of the most important materials used in hydraulic fracking and oil production. The sand acts as a "proppant" which holds the fractures created in shale rock formations open during fracking to permit the flow of oil. Without it, the fractures would close when the pressure is released making the extraction of oil inefficient or impossible.

Most of the production growth in the Permian Basin over the past decade and more is the result of hydraulic fracking. High-quality proppant like ours is essential to the hydraulic fracking process because it has the specific properties that ensure the fractures remain open and permeable which include high purity, consistent grain size, and high crush resistance. These qualities reduce operational downtime and costs and have enormous impact on oil flow efficiency. Frac sand is the most cost-effective and preferred proppant for drilling companies.

Our sand mine in Winkler County has been evaluated to hold approximately 597.4 million tons of potentially mineable proppant. Current market prices for proppant ranges from $12 to $23 per ton, or an estimated value of our reserves of $8.995 billion. We lease our mine from its owner under a ten-year lease for a monthly rent payment of $50,000 and a royalty of $3.00 per ton sold, and we have an option to purchase the property.

We believe that our proppant is the highest quality commercially available in the Permian Basin. We commenced significant deliveries of proppant in the first part of 2025, beginning with deliveries to Ovintiv. Ovintiv is one of the largest oil and gas companies operating in the Permian Basin, with 2,370 producing wells as of December 31, 2024. We expect to be completing deliveries to other Permian operators presently.

The purchase of Non-Voting Units involves a high degree of risk. Only investors who are able to afford the risk of loss of their entire investment should purchase Non-Voting Units. See "Risk Factors." These securities have not been registered with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act"), and are being offered in reliance on exemptions from registration provided in Section 4(2) of the Securities Act and Rule 506(c) of Regulation D promulgated thereunder and preemption from the registration or qualification requirements (other than notice filing and fee provisions) of applicable state laws under the National Securities Markets Improvement Act of 1996. These securities have not been approved or disapproved by the Securities and Exchange or any state or other regulatory authority, nor has the Securities and Exchange Commission or any state or other regulatory authority passed on the accuracy or adequacy of this disclosure document or endorsed the merits of this offering. Any representation to the contrary is a criminal offense.

This Confidential Private Placement Memorandum:

- are the only materials that have been authorized for use in connection with the offering to sell Non-Voting Units in KingCo;
- reflect the only information anyone has been authorized to give in connection with the offering to sell Non-Voting Units in KingCo; and
- are the only representations upon which anyone may rely in connection with the purchase of the Non-Voting Units of KingCo. See "Additional Information."

KingCo will provide any prospective investor and his or her purchaser representative(s) the opportunity to ask questions of, and to receive answers from, representatives of KingCo concerning the terms and conditions of the offering, during normal business hours. KingCo will also provide any prospective investor and his or her purchaser representative(s) with any document or other information requested (to the extent KingCo possesses such information or can obtain it without unreasonable effort or expense) that is necessary to verify the accuracy of any information contained in this Memorandum.

This Memorandum is provided on a confidential basis to a limited number of potential investors solely in connection with the purchase of the Non-Voting Units in a private placement. Accepting this Memorandum constitutes agreement by the potential investor and his or her representatives to maintain the confidentiality of the information provided in this Memorandum and the confidentiality of any information provided in connection with this Memorandum. This Memorandum may not be reproduced, in whole or in part, and may not be used for any purpose other than an investment in the Non-Voting Units of KingCo, without prior written permission from KingCo.

We have the right to reject subscriptions in whole or in part. This Memorandum does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer, solicitation or any sale may not be lawfully made. **The statements in this Memorandum are made as of the date on the first page of this Memorandum unless otherwise specified.**

Each potential investor should consult his or her own attorney, accountant or other advisor concerning the purchase of Non-Voting Units and the suitability of an investment in KingCo in the light of his or her individual circumstances. Each potential investor is urged to conduct, directly or through representatives, an independent investigation concerning KingCo and the terms and conditions of this offering.

KingCo is offering to sell Non-Voting Units in reliance on exemptions from federal registration requirements and preemption from state registration requirements. Those exemptions do not change the stringent requirement that every investor in every investment not purchase under any misrepresentation or omission of any material fact. In preparing this Memorandum, KingCo has made reasonable effort to present all information that KingCo considers material, based upon the information available to KingCo. However, every prospective investor is urged to investigate further any matter that is not set forth in this Memorandum or any fact included in this Memorandum that the prospective investor considers to be "material" but does not clearly understand.

Forward-Looking Statements

This Memorandum contains forward-looking statements that reflect the current views or opinions of KingCo relating to future events or future financial performance. These forward-looking statements can sometimes be recognized using words such as "anticipate," "believe," "estimate," "expect," "intend" and similar expressions. Such statements are subject to known and unknown risks, uncertainties and other factors, including the meaningful and important risks and uncertainties discussed in this Memorandum. These forward-looking statements are based on the beliefs of management as well as assumptions made by and information currently available to management. These statements include, among other things, the discussions of risk factors, KingCo's business strategy, and expectations concerning KingCo's future operations, investments, profitability, liquidity and capital resources.

Although KingCo has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause the forward-looking statements not to come true as described in this Memorandum. These forward-looking statements are only predictions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially.

While KingCo believes that the expectations reflected in the forward-looking statements are reasonable, KingCo cannot guarantee future results, levels of activity, performance, or achievements. Neither KingCo nor any other person assumes any responsibility for the accuracy or completeness of these statements or undertakes any obligation to revise these forward-looking

statements to reflect events or circumstances after the date on the first page of this Memorandum or to reflect the occurrence of unanticipated events.

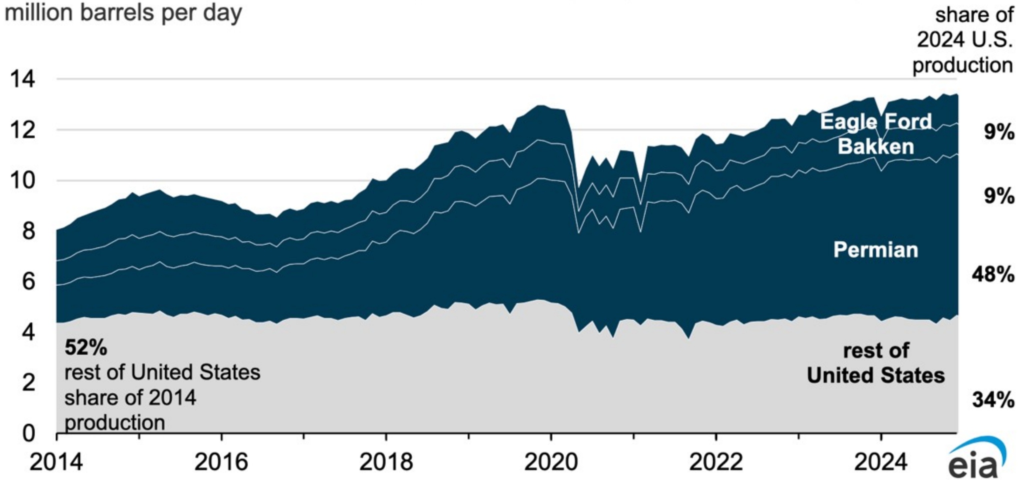
THE BUSINESS

KingCo was formed on December 6, 2023, under the name KingCo Investments #2, LLC as a Texas limited liability company. We mine and supply high quality, Winkler White 40/100 ("100 Mesh") wet sand to hydraulic fracking operators in the Delaware and Midland Basins of the Permian Basin in West Texas. In 2022, the Permian Basin accounted for 43.6% of oil and nearly 15% of gas production in the United States. Frac sand is one of the most important materials used in hydraulic fracking and oil production. Frac sand is a high-purity quartz sand with durable round grains and a high crush resistance. The sand acts as a "proppant" which holds the fractures created in shale rock formations open during fracking to permit the flow of oil. Without it, the fractures would close when the pressure is released making the extraction of oil inefficient or impossible.

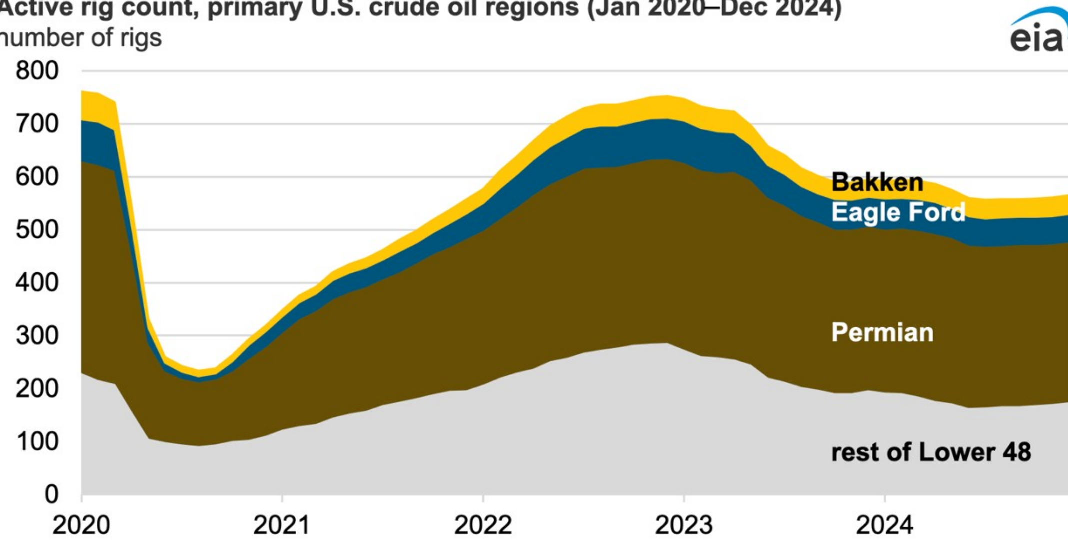
Most of the production growth in the Permian Basin over the past decade and more is the result of hydraulic fracking. High-quality proppant like ours is essential to the hydraulic fracking process because it has the specific properties that ensure the fractures remain open and permeable which include high purity, consistent grain size, and high crush resistance. These qualities reduce operational downtime and costs and have enormous impact on oil flow efficiency. Frac sand is the most cost-effective and preferred proppant for drilling companies.

In 2025, the U.S. is expected to see growth in oil production, largely driven by advancements in fracking techniques in the Permian Basin. U.S. crude oil product is forecasted to average over 13.4 million barrels per day this year. Over 60% of proppant demand is tied to fracking operations. The Permian Basin is expected to be a major driver of production growth, contributing significantly to the overall increase in U.S. output. Growing global energy demand and the need for energy security are contributing to the continued exploration and production of oil resources through fracking.

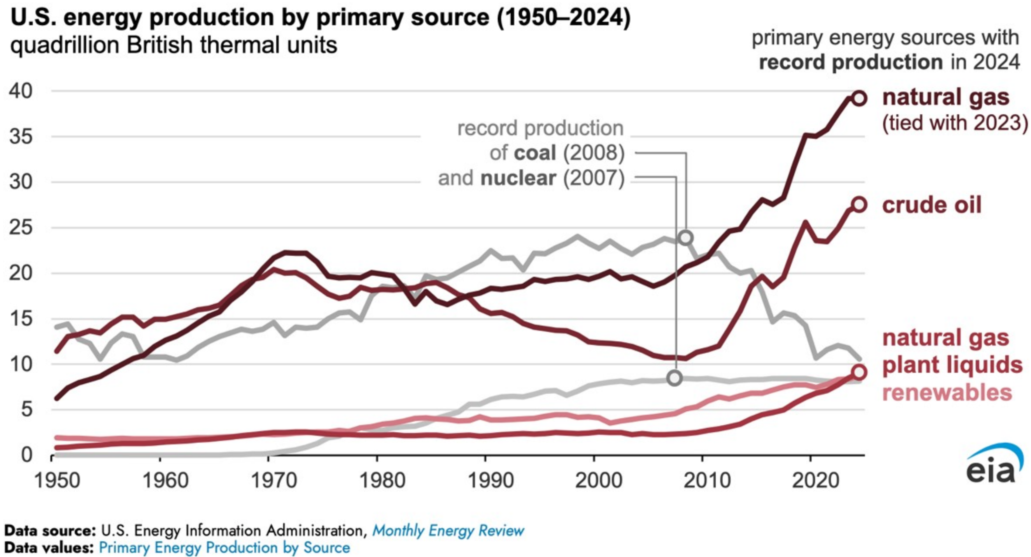
The U.S. Energy Information Administration estimates that the U.S. will produce an average of 13.4 million barrels per day (bpd) of crude oil in 2025 equaling 4.891 billion barrels in 2025, a sizable increase in production from previous years (2022: 11.85 million bpd) (2023: 12.9 million bpd) (2024 13.2 million bpd). In 2023 approximately 64% of total U.S. crude oil production was derived from fracking in the United States, and approximately 79% of natural gas production was derived from fracking in 2023. U.S. oil production rose by 2% in 2024. Almost all production growth came from the Permian region. In 2024 the Permian region produced more oil than any other region accounting for 48% of total U.S. crude oil production. The Permian region also accounted for almost all the growth in 2024. In 2024, the U.S. produced more energy than ever before.



Data source: U.S. Energy Information Administration, *Short-Term Energy Outlook*, April 2025



Data source: U.S. Energy Information Administration, *Short-Term Energy Outlook*, April 2025



Our sand is highly effective for fracking due to its very high crush resistance of 12K, low (less than 400 nephelometric turbidity) turbidity (cloudiness in water), very low acid solubility (1.86 to 2.93%) and its 97.4% quartz composition. On average, each fracked well requires about 18,000 tons of proppant. We believe that our proppant is the highest quality commercially available in the Permian Basin. We commenced significant deliveries of proppant in the first part of 2025, beginning with deliveries to Ovintiv. Ovintiv is one of the largest oil and gas companies operating in the Permian Basin, with 2,370 producing wells as of December 31, 2024. We expect to be completing deliveries to other Permian operators presently.

Our sand mine in Winkler County has been evaluated to hold approximately 597.4 million tons of potentially mineable proppant. Current market prices for proppant ranges from $12 to $23 per ton, or an estimated value of our reserves of $8.995 billion. We lease our mine from its owner under a ten-year lease for a monthly rent payment of $50,000 and a royalty of $3.00 per ton sold, and we have an option to purchase the property.

Our principal office address is located at 19188 East State Highway 115, Kermit, in Winkler County, Texas. Our telephone number is (817) 908-1924 and our websites are www.kingcoenergy.com and kingproppants.com. Instagram kingcowetsand. Our websites and social media information are provided solely to disclose their role in our marketing, and in the event of any conflict between this Memorandum and these other resources, this Memorandum shall control.

Hydraulic Fracking

Fracking is said to have been invented by a Civil War Colonel, who lowered 15-to-20-pound nitroglycerin torpedoes into oil and gas wells. Colonel Robert's technique reportedly increased production up to ten-fold. A modernized technique patented in 1947 and utilized by Haliburton marks the beginning of the modern fracking era, but large-scale fracking began only about 2000, based on techniques developed by the Mitchell Energy and Development

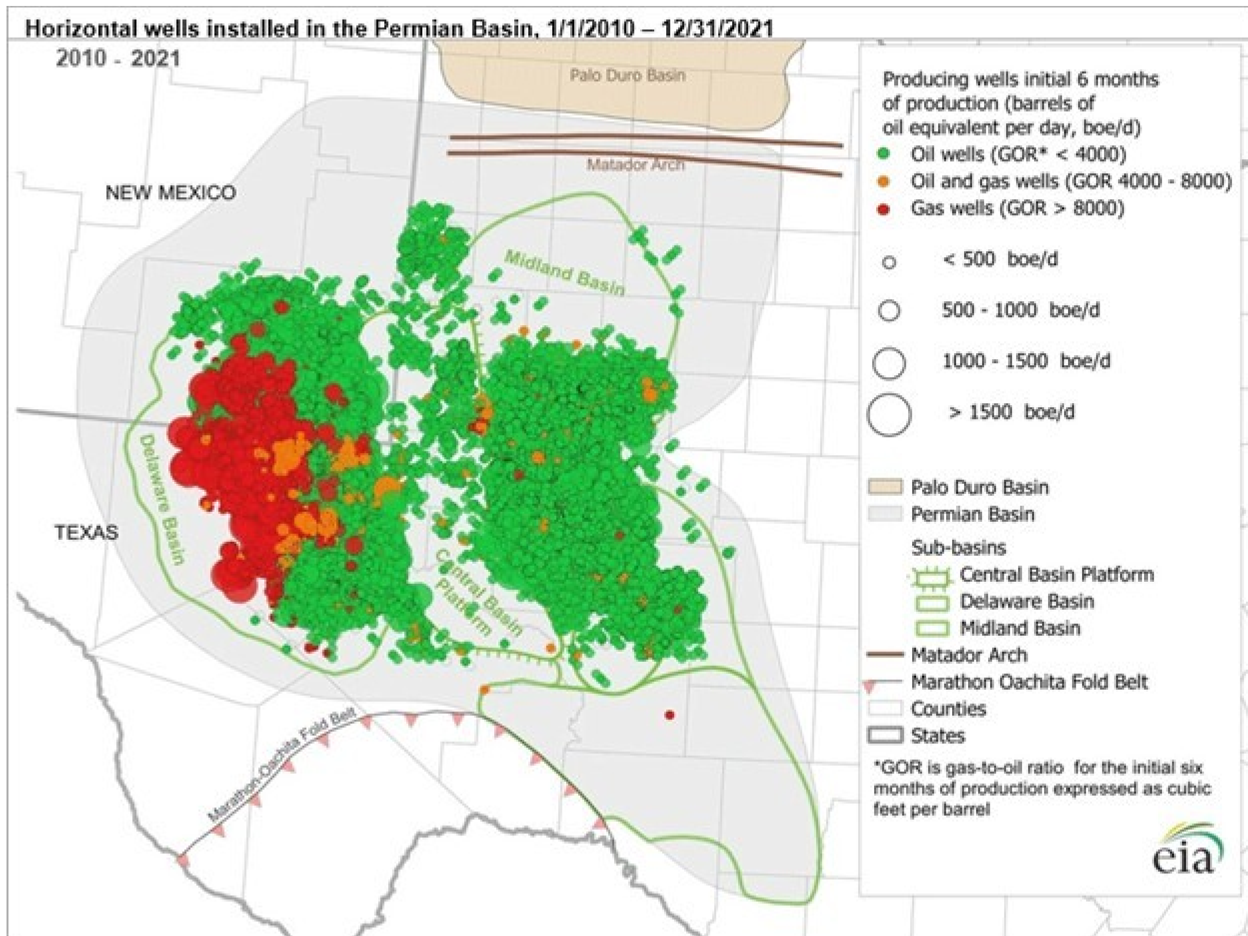
Corporation and employed in the Barnet Shale formation in North-Central Texas for the extraction of natural gas.

Prior to the utilization of fracking, most oil and gas were extracted from underground rock and sand geological formations other than shale. Extraction of hydrocarbon deposits in shale were problematic because they tended to be accumulated in relatively smaller pockets and due to the low permeability of shale.

The use of fracking has been controversial. Opponents claim that it causes earthquakes and may lead to groundwater contamination from the chemicals used in the fracking process. Currently, fracking is widely used primarily in the United States and Canada, and the practice is banned in the UK, Germany, France, Germany and Spain. In large part, objections to fracking are believed to be based on general objections to the use of hydrocarbons in general. The current Administration's energy independence philosophy means that the practice enjoys a favorable regulatory climate, at least in Texas, for the near future.

The Permian Basin and KingCo

The following graphic shows well installations and production in the Permian basin.



Data Source: U.S. Energy Information Administration, based on DrillingInfo, accessed at https://www.eia.gov/maps/maps.php

KingCo is located in Winkler County, in the heart of the Permian Basin, and adjacent to the southeast corner of New Mexico. Since proppants such as sand are heavy, our proximity to our customers substantially reduces delivery times and freight costs. We entered into a ten-year lease of a 3,466.09 acre tract of land (about 5.4 square miles) located at 19188 East State Highway 115, Kermit, Texas on January 9, 2024, and we amended the lease on November 1, 2024 to provide for a lease payment of $50,000 per month and a royalty of $3.00 per ton of all material sold, extracted or removed from the lease premises. We have an option to purchase the property.

There are four steps to our process: staging, washing and sifting, weighing and delivery. We excavate raw sand with heavy equipment from our property, stage it in our staging location, and transport it to our on-site processing facility. Sand is then sifted to ensure that our proppant is of uniform and optimum size, and washed thoroughly to remove any contaminants. We are able to recycle 97% of our water. The washing process uses approximately 3,600 gallons per minute. We have constructed a holding pond for our water and recently completed drilling two water wells, and may drill additional wells in the future. Our property is unique in the area in that is it over an abundant aquifer, providing us with sufficient water for our needs.

The finished product is then weighed prior to loading it onto delivery trucks. We contract the staging, loading, and delivery of the sand to an unrelated third party. We believe that outsourcing these phases reduces our need to acquire and manage capital equipment and drivers. Currently, our monthly production capacity is 150,000 tons, but we plan to increase capacity to 200,000 tons in the near future, and eventually to up to 450,000 tons.

USE OF PROCEEDS

If all offered Non-Voting Units are sold, we will receive $3,000,000 in net proceeds from this Offering. We plan to use the net proceeds over the next twelve (12) months primarily for working capital, investment in infrastructure by the drilling additional water wells, and debt service. With our first sales commencing in April 2025, management believes that we will increase our sales to capacity in the near future. We have been contacted by large potential customers for product and expect to receive new orders.

The Company intends to begin paying debt service once there is a minimum of one million dollars ($1,000,000) in the capital account. Our founder David King was issued his Units in consideration of his equity contribution of $500,000 in 2024. Since, he has loaned KingCo $2,200,000.00 as of December 31, 2024, and may loan additional funds as required. The above loans have been converted into a 4.21% promissory note due on or before December 31, 2026, with interest compounded quarterly. The interest rate was determined based on the applicable short-term rate promulgated by the Internal Revenue Service for December 2024 under Revenue Ruling 2024-26. In addition to the Founder’s loans, there is an additional $600,000.00 in loans to the Company.

The proceeds of this Offering may be used in different ways than those set forth above because of a change in circumstances or some other reason that, in the business judgment of management, requires a different use of such proceeds. If management advances funds for the expenses set forth in herein, proceeds of this Offering could be used to repay such advances.

For the period December 6, 2023 (Inception) through December 31, 2023, and the year ended December 31, 2024, we had an operating loss of $1,550,000. We used $6,164,363 in cash, primarily for infrastructure construction and other tenant improvements as well as for building and equipment. In 2025, we also expended significant amounts of cash to drill our first water well and construct a holding pond.

Marketing and Sales

We utilize a targeted and relationship-driven sales strategy tailored to the Permian Basin. The Company has hired sales professionals with deep experience in the oil and gas sector and existing relationships with key decision-makers across the region. In addition, KingCo has implemented a channel partner program through sand distributors to expand market reach.

The executive team and investor network have long-standing relationships with some of the largest oil and gas operators in the region. KingCo also leverages a proprietary database mapping all active operators and well sites within a 50-mile radius of its Kermit, Texas facility, allowing for hyper-targeted sales and marketing efforts. Sales personnel are compensated exclusively through commissions, aligning incentives with revenue growth.

MANAGEMENT & EMPLOYEES

David King, Founder and Chief Executive Officer

David King, age 57, is the sole founder and only Voting Member of KingCo. David King has served as the Chief Executive Officer of HydraSpin USA since its inception, a unique technology designed to clean and extract oil from retention ponds. Mr. King also owned and operated Robust Energy Drink. He was responsible for bringing this product into the US market —a product developed by the U.K.-based company Sun Mark, Ltd., with global sales exceeding $100 million. Prior to his involvement in the beverage industry, Mr. King built a successful career in real estate from 1996 to present. His work focused on subdivision development, rehabilitating distressed properties, and constructing high-end homes. Over the course of his real estate career, Mr. King was a principal in transactions totaling more than $32 million. A native of Pennsylvania, Mr. King is an honorably discharged veteran of the United States Air Force.

Phillip K. Marshall, Chief Financial Officer

Philip K. Marshall, age 75, is our Chief Financial Officer. He joined the team in January 2025, at which time he was retired. From May 2007 until September 2020, Mr. Marshall served as Chief Financial Officer of RCI Hospitality Holdings Inc., a publicly traded restaurant and entertainment company. From February 2007 to May 2007, he served as Controller of Dorado Exploration, Inc., a privately held oil and gas company. From July 2003 to January 2007, he

served as Chief Financial Officer of CDT Systems, Inc., a publicly held company engaged in water technology. He was a principal of Whitley Penn LLP (2001–2003), and held senior audit roles with Jackson & Rhodes PC, Toombs Hall and Foster, KPMG, and KMG Main Hurdman dating back to 1980. Mr. Marshall has been a Texas CPA for over 50 years.

Mr. Marshall served as an independent trustee of United Development IV (2008–2025), UDF V (since 2013), and United Mortgage Trust (since 2006), overseeing audit and financial controls for real estate investment trusts. He lives in Garland, Texas with his wife of 53 years, Judy. They have two adult sons and three grandchildren.

Adam Meltzer, Vice President

Adam Meltzer brings over 12 years of experience in corporate finance, strategy, and business development. He began his career with the merchant banking and management consulting firms Millennium Financial, Millennium Hanson, and Millennium Group, where he became a partner in 2015. In that role, Adam led growth initiatives, origination, and strategic planning across a variety of sectors. A seasoned dealmaker and capital raiser, Adam has successfully executed fundraising and business development efforts for both early-stage ventures and mature enterprises. He is also an active angel investor with a diverse portfolio spanning multiple industries, and a direct investor in oil and gas projects across Kentucky and Illinois.

At KingCo, Adam is responsible for corporate strategy, business development, and investor relations, bringing his multidisciplinary expertise to support the Company's growth and capital markets objectives.

Thomas Olson – Director of Product Development

Thomas Olson, age 45, has been our Director of Project Development since inception of the Company. Prior to joining the company, Mr. Olson owned and was the General Manager for Olson Family Orchards, a hazelnut farm operation in Oregon's Willamette Valley. In addition to his farming duties, Mr. Olson developed several innovative tractor and spray systems that incorporated the use of camera systems and metering technology to ensure proper chemical application. Mr. Olson developed an integrated new state of the art harvesting practice to minimize down time and increase cleaner production in adverse weather conditions. This changed the way crops were delivered from the field to the processor, that is still the standard today. From 2006 to 2010, Mr. Olson was also the service manager at Pape Machinery. Mr. Olson graduated from Wyoming Tech in 1999 with a degree in Diesel Mechanics.

Rachel Jackson, Esq. Chief Legal Officer and Corporate Secretary

Rachel Jackson is a seasoned corporate attorney who has been practicing law since 2000. She has been a Member of Jackson & Jackson LLP since 2005, where she provides strategic legal counsel across the full spectrum of business and intellectual property law matters including, mergers, acquisitions, licensing, regulatory, and business negotiations. In addition to her legal work, Rachel has served on numerous boards and advisory committees, offering both legal, ethical and practical insight along with governance expertise.

Executive Compensation & Non-dilutive Interest

Our Chief Executive Officer is currently serving at no or minimal compensation. Once the Company is profitable and cash flow positive, he will receive 35,000 per month. Thomas Olson receives $25,000 per month in compensation; Adam Meltzer $15,000 monthly, Jackson & Jackson LLP $20,000 monthly, Phillip Marshall $10,000 monthly, and Construction Manager Terry Griffen $20,000 monthly. The Executive team collectively holds less than 35% non-dilutive equity in the Company.

KingCo's mining activities are carried out through a third-party operator, G&O, which handles excavation and on-site production. Although G&O is a separate entity, KingCo pays all payroll and equipment costs associated with its operations to ensure continuity, efficiency, and quality control of our sand.

Employees

Thomas Olsen and Terry Griffin are responsible for day-to-day mine management and serve as full-time salaried employees. Their responsibilities include overseeing the G&O workforce, coordinating mining schedules, and managing equipment utilization. Due to their historical and operational ties to the Company, their involvement is disclosed as a related-party relationship. KingCo employs additional full and part-time employees on the mine who work in operations and administrative roles. The monthly payroll is currently $105,500.00.

PLAN OF DISTRIBUTION

This Offering is intended as a non-public offering, exempt from registration under Section 4(a)(2) of the Securities Act of 1933 ("the Act"), as amended, and/or Regulation D promulgated pursuant to the Act and the securities laws and regulations of certain states. The Units which are subject to the Offering have not been registered under the securities Act of 1933, nor pursuant to the provisions of any state securities laws. Availability of the exemptions from the securities laws for the sale of the Units is dependent upon the investment intent of the investors. Accordingly, each investor will be required to acknowledge, among other things, that the purchase of the Units is for investment, for his own sole account, and without any view to resale or other distribution thereof. Since the sale of the Units is not registered, the Units will be restricted and may not be resold without registration, except under specific exemptions from the securities registration requirements.

There is no firm commitment by any person to purchase or sell any of the Units and there is no assurance that any Units offered will be sold. There is no minimum number of Units which are required to be sold in this offering. We may terminate this offering at any time.

The Company has agreed to pay Manhattan Street Securities ("MSC"), a service fee equal to $250 per investor that invests through its platform. The Company issued a warrant to MSC for a maximum exercise of .5% of the outstanding equity in the Company, in addition to two other warrants to related parties for a maximum of 2% (total) of the non-voting outstanding equity in

the Company. The Company will pay a $25 per investor fee for "know your customer" and antimony laundering due diligence; $1000 in cash for each corporate or IRA investment; and $5000 in cash for each professional investment entity investment. The Company paid a three-month retainer of $20,000 followed after which a monthly fee of $10,000 is due to MSC for services provided for this offering.

KingCo is offering Non-Voting Units on a self-underwritten basis. Non-Voting Units will be offered to those purchasers who meet the suitability criteria set forth below. The offering is being conducted on a "straight best efforts" $10,000 minimum offering, with up to 300 Non-Voting Units to be offered at $10,000 per Non-Voting Unit.

THERE IS NO PROVISION FOR THE ESCROW OR RETURN OF FUNDS TO SUBSCRIBERS IF LESS THAN THE TOTAL OFFERING IS COMPLETED. If a subscription is not accepted, the related collected funds will be returned to the subscriber promptly, but in any event within five business days after the collection of the deposited funds. The offering will continue until all Non-Voting Units are sold, until the offering is terminated by the Company in its sole discretion, or until July 24, 2026, whichever occurs first. Company reserves the right to extend this Offering at its sole discretion.

INVESTOR SUITABILITY STANDARDS

This offering is limited to persons who are accredited investors only. Such prospective investors must also meet applicable suitability standards contained herein and in the separately bound subscription documents that will be provided on request to any prospective investor. Under Regulation D, accredited investors are:

(a) Any bank as defined in section 3(a)(2) of the Securities Act, or any savings and loan association or other institution as defined in section 3(a)(5)(A) of the Securities Act whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to section 15 of the Securities Exchange Act of 1934; any insurance company as defined in section 2(13) of the Securities Act; any investment company registered under the Investment Company Act of 1940 or a business development company as defined in section 2(a)(48) of that Act; any Small Business Investment Company licensed by the U.S. Small Business Administration under section 301(c) or (d) of the Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions for the benefit of its employees, if such plan has total assets in excess of $4,000,000; any employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of $4,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;

(b) Any private business development company as defined in section 202(a)(22) of the Investment Advisers Act of 1940;

(c) Any organization described in section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $4,000,000;

(d) Any director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issuer;

(e) Any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeds $1,000,000 (excluding the value of a personal residence);

(f) Any natural person who had an individual income in excess of $200,000 in each of the two most recent years or joint income with that person's spouse in excess of $250,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;

(g) Any trust, with total assets in excess of $4,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in rule 506(c)(2)(ii) who, either alone or with his purchaser representative(s) has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the prospective investment; and

(h) Any entity in which all of the equity owners are accredited investors.

In addition, each prospective investors will be required to represent and warrant that such investor:

(a) is at least 18 years of age;

(b) has the objective of investing for such investor's own account and not for resale to others;

(c) has the objective of investing for long-term appreciation and not for the receipt of current income;

(d) has received and read the Memorandum, and understands the financial and business risks of this type of investment, including those set forth in "Risk Factors"

(e) has been provided with all materials and information reasonably requested and has had, either alone or with advisors, an opportunity to ask questions of and/or obtain any information from KingCo to verify the accuracy of the information furnished;

(f) understands that this offering has not been registered with or passed on by any securities regulatory agency, that the information provided is a necessary prerequisite for determining whether he or she is qualified to make this type of investment and is the basis for KingCo to rely on the exemption requirements of Regulation D promulgated under the Securities Act, and that the suitability information provided is true and correct in all respects as of the date of such subscription;

(g) understands that the Non-Voting Units purchased through the offering is subject to restrictions against transfer and may not be liquidated readily in the event of an emergency; and

(h) understands that KingCo and other subscribers are relying on the undersigned's representations and warranties made in the subscription documents.

The foregoing merely summarizes such representations and warranties contained in the subscription documents. Investors should review the subscription documents for a full understanding of the representations and warranties.

Each person subscribing to purchase Non-Voting Units agrees in the subscription documents to indemnify KingCo and hold it harmless from and against all damage, liability, cost or expense incurred as a result of or arising out of any inaccuracy in the representations made in the subscription documents. By executing subscription documents, investors will be agreeing to be bound by the Operating Agreement and to be members of the Company, A copy of the Operating Agreement is available upon request.

In addition to meeting the foregoing suitability standards and the guidelines established by KingCo, prospective purchasers should consider all of the adverse consequences of purchasing the Non-Voting Units, including the fact that the Non-Voting Units have substantial restrictions on their transfer.

Verification of Accredited Investor Status

Because this offering is made pursuant to Rule 506(c) of Regulation D, we will be required to verify the status of any potential investor as an "accredited investor." Rule 506(c) provides for several non-exclusive means of verification, including:

> In regard to whether the purchaser is an accredited investor on the basis of income, by reviewing any Internal Revenue Service form that reports the purchaser's income for the two most recent years (including, but not limited to, Form W-2, Form 1099, Schedule K-1 to Form 1065, and Form 1040) and obtaining a written representation from the

purchaser that he or she has a reasonable expectation of reaching the income level necessary to qualify as an accredited investor during the current year;

In regard to whether the purchaser is an accredited investor on the basis of net worth, reviewing bank or brokerage statements, tax assessments, or appraisal reports issued by independent third parties, dated within the prior three months and obtaining a written representation from the purchaser that all liabilities necessary to make a determination of net worth have been disclosed:

With respect to liabilities: A consumer report from at least one of the nationwide consumer reporting agencies;

Obtaining a written confirmation from one of the following persons or entities that such person or entity has taken reasonable steps to verify that the purchaser is an accredited investor within the prior three months and has determined that such purchaser is an accredited investor:

A registered broker-dealer;

An investment adviser registered with the Securities and Exchange Commission;

A licensed attorney who is in good standing under the laws of the jurisdictions in which he or she is admitted to practice law; or

A certified public accountant who is duly registered and in good standing under the laws of the place of his or her residence or principal office;

A verification form is appended to the end of the Subscription Agreement.

Restricted Securities

The Non-Voting Units are offered in reliance on exemptions from the registration provisions of the Securities Act and various state securities laws. As a result, the Non-Voting Units will be unregistered or “restricted securities” and may be sold by the persons purchasing hereunder only if registered under the Securities Act and, in some cases, under the applicable state securities laws (which may be prohibitively expensive and may not be possible in any event) or sold pursuant to an exemption therefrom. In some states, specified conditions must be met or approval of a state authority may be required.

In an effort to meet the conditions of such exemptions, KingCo will file such notices and reports as may be required by the states in which the purchasers of Non-Voting Units in this offering reside at the time of purchase of such Non-Voting Units from KingCo and will otherwise utilize commercially reasonable efforts to satisfy the conditions of an exemption from registration in each of such states.

The Non-Voting Units offered hereby must be acquired for investment purposes only and not with a view to or for resale in connection with any distribution thereof. The Non-Voting Units will not be registered under the Securities Act or under the securities acts of any state where offered and will be sold and issued in reliance on exemptions from such registration. Such exemptions depend in part on the investment intent of the investors. Among other things, such restrictions require the investors to bear the economic risk of the investment by holding the securities acquired for an indefinite period of time. An appropriate legend noting the foregoing restrictions on transfer will be placed conspicuously on the face of certificates for the Non-Voting Units.

The principal exemption which may be utilized to resell the Non-Voting Units is Rule 144. KingCo may refuse to transfer any securities to any transferee who does not furnish, in writing to KingCo the same representations and warranties and agree to the same conditions with respect to such securities as are set forth herein. KingCo may further refuse to transfer the securities if circumstances are present reasonably indicating that the proposed transferee's representations are not accurate. In any event, KingCo may refuse to consent to any transfer in the absence of an opinion of legal counsel satisfactory to and independent of counsel for KingCo that such proposed transfer is consistent with the above conditions.

Limited Liability and Indemnification of our Managers and Others

Subject to certain limitations, our operating agreement limits the liability of our our Members, Manager, employees or agents while serving at the request of the company for monetary damages and provides that we will indemnify and pay or reimburse reasonable expenses in advance of final disposition of a proceeding.

RISK FACTORS

Buying Non-Voting Units involves a high degree of risk. In addition to the negative implications of all information and financial data included in or referred to directly in this Memorandum, potential investors should consider the following Risk Factors before making an investment in the Non-Voting Units. This Memorandum contains forward-looking statements and information concerning KingCo, its plans, and other future events. These statements should be read together with the discussion of Risk Factors set forth below, because those Risk Factors could cause actual results to differ materially from such forward-looking statements.

Risks Related to Our Business Operations and Financial Results

Limited Operating History

We have limited operating history, including limited sales to date, and may not be able to operate our business successfully or generate sufficient revenue to make or sustain distributions to our Unitholders. We cannot assure you that we will be able to operate our business successfully or implement our operating policies and strategies. The results of our operations depend on several factors, including our success in attracting and retaining motivated and qualified personnel, the availability of adequate short and long-term financing, conditions in the

financial markets, and general economic conditions. This Memorandum does not include our financial statements.

Our future capital needs are uncertain. Our ability to expand our operations is dependent on our ability to continue to increase our sales and raise additional capital and our operations could be curtailed if we are unable to obtain the required additional funding when needed. We may not be able to do so when necessary, and/or the terms of any financings may not be advantageous to us.

We had limited revenues in the year ended December 31, 2024, and we have only recently begun to effect sales. We plan to substantially expand our operations during the next twelve months. Management believes that cash flow from sales will be sufficient to maintain operations and provide distributions to our Members. The proceeds of this offering are believed sufficient to fund our working capital needs over the next 12 months, but as sales increase, we will likely require additional funding.

If we do not sell the maximum offering of 300 Non-Voting Units, we may need to raise additional capital through additional funding raises. Such funding, if obtained, could result in substantial dilution.

Our plan of operations, to be fully successful, requires that we receive the proceeds from the sale of all the Non-Voting Units offered. In order to increase our sales, we may need to obtain additional financing in the future, either through private offerings, public offerings or debt financing, and there can be no assurance that we will be successful in such pursuits. We may be unable to acquire the additional funding necessary to increase our sales.

If we are able to raise additional capital, we do not know what the terms of any such capital raising would be. In addition, any future sale of our equity securities would dilute the ownership and control of your Units and could be at prices substantially below prices at which our Units currently trade. We may seek to increase our cash reserves through the sale of additional equity or debt securities. The sale of convertible debt securities or additional equity securities could result in additional and potentially substantial dilution to our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations and liquidity and ability to pay dividends. In addition, our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all. Any failure to raise additional funds on favorable terms could have a material adverse effect on our business, operating results, liquidity and financial condition.

Our business operations depend on the level of activity in the oil and natural gas industries, which experience substantial volatility.

Our operations are materially dependent on the levels of activity in oil and natural gas exploration, development and production. More specifically, the demand for the proppant we produce is closely related to the number of oil and natural gas wells completed in geological

formations where sand-based proppant is used in fracture treatments. These activity levels are affected by both short- and long-term trends in oil and natural gas prices. Additionally, our distributed power operations are also tied to activity levels in the oil and gas industry, most specifically through levels of spending tied to production, gathering, and treatment activities. In recent years, oil and natural gas prices and, therefore, the level of exploration, development and production activity, have experienced significant volatility.

When oil and natural gas prices decrease, exploration and production companies may reduce their exploration, development, production and well completion activities. During such periods, demand for our products and services, which supply oil and natural gas wells, may decline, and may lead to a decline in the market price of proppant, if the supply of proppant is not similarly reduced. When demand for proppant increases, there may not be a corresponding increase in the prices for our products or our customers may not increase use of our products, which could have an adverse effect on our business, financial condition and results of operations.

Worldwide economic, political and military events, including war, the current Iranian-United States conflict, the Israeli-Palestinian war, terrorist activity, events in the Middle East and initiatives by OPEC+, have contributed, and are likely to continue to contribute, to oil and natural gas price volatility. For example, the ongoing armed conflicts between Russia and Ukraine and Israel and Hamas and the continuation of, and the escalation in the severity of, these conflicts has led to extreme regional instability, caused dramatic fluctuations in global financial markets and has increased the level of global economic uncertainty, including uncertainty about world-wide oil supply and demand, which in turn has caused increased volatility in commodity prices. Further, the Houthi movement, which controls parts of Yemen, has targeted and launched numerous attacks on Israeli, American and international commercial marine vessels in the Red Sea as the ships approach the Suez Canal, resulting in many shipping companies re-routing to avoid the region altogether and worsening existing supply chain issues, including delays in supplier deliveries, extended lead times and increased cost of freight, impacts to the shipping of oil and gas, insurance and materials. The current conflict with Iran, a major oil producer, the Houthi movement in Yemen or the Hezbollah movement in Lebanon has increased as a result of continued, increasing hostilities in the Middle East.

Additionally, warmer than normal winters in North America and other weather patterns may adversely impact the short-term demand for natural gas and, therefore, demand for our products. Reduction in demand for natural gas to generate electricity could also adversely impact the demand for proppant. In addition, any future decrease in the rate at which oil and natural gas reserves are discovered or developed, whether due to increased governmental regulation, limitations on exploration and drilling activity, technological innovations that result in new processes for oil and natural gas production that do not require proppant or other factors, could adversely affect the demand for our products, even in a stronger oil and natural gas price environment. Moreover, the energy transition to a low carbon economy, increased deployment of renewable power generation, renewable fuels and electric vehicles all have the potential to reduce demand for oil and natural gas and consequently the services we provide. The continued or future occurrence of any of these risks could have an adverse effect on our business, financial condition and results of operations.

Our business is subject to the cyclical nature of our customers' businesses and on the oil and natural gas industry.

Our business is directly affected by capital spending to explore for, develop and produce oil and natural gas in the United States. The oil and natural gas industry is cyclical and historically has experienced periodic downturns in activity. During periods of economic slowdown in our industry or the Permian Basin, or in the worldwide economy, our customers often reduce their production and capital expenditures by deferring or canceling pending projects, even if such customers are not experiencing financial difficulties. These developments can have an adverse effect on sales of our products and our results of operations.

Weakness in the industries we serve may in the future have, an adverse effect on our sales and results of operations. A continued or renewed economic downturn in one or more of the industries that we serve, or in the worldwide economy, could cause actual results of operations to differ materially from historical and expected results.

Industry conditions are influenced by numerous factors over which we have no control, including:

- expected economic returns to exploration and production companies from new well completions;
- domestic and foreign economic conditions and supply of and demand for oil and natural gas;
- the level of prices, and expectations about future prices, of oil and natural gas;
- the level of global oil and natural gas exploration and production and inventories;
- federal, state and local regulation of hydraulic fracturing and exploration and production activities;
- United States federal, tribal, state and local and non-United States governmental laws, regulations and taxes, including the policies of governments regarding the exploration for and production and development of their oil and natural gas reserves;
- changes in tariffs, trade barriers, price and exchange controls and other regulatory requirements;
- volatility in political, legal and regulatory environments in connection with the U.S. presidential transition;
- changes in the transportation industry that services our business, including the price and availability of transportation;
- political and economic conditions in oil and natural gas producing countries, including uncertainty or instability resulting from civil unrest, terrorism or war, such as the current conflicts between Russia and Ukraine, Israel and Hamas and other instability in the Middle East, including from the Houthi rebels in Yemen;
- actions by members of OPEC+ with respect to oil production levels and announcements of potential changes in such levels, including the failure of such countries to comply with supply limitation and production cuts;
- global or national health epidemics, such as the COVID-19 pandemic;
- political or civil unrest in the United States or elsewhere;
- worldwide political, military and economic conditions;

• stockholder activism or activities by non-governmental organizations to limit certain sources of funding for the energy sector or restrict the exploration, development and production of oil and natural gas;
• advances in exploration, development and production technologies or in technologies affecting energy consumption; and
• the potential acceleration of development of alternative fuels, and the impact of related energy supply and conservation policies and regulations by governmental authorities.

Decreased demand for proppant or the development of technically- and cost-effective alternative proppants or new processes to replace hydraulic fracturing would negatively impact our business.

Frac sand is the most commonly used proppant in the completion and re-completion of oil and natural gas wells through hydraulic fracturing. A significant shift in demand from frac sand to other proppants, such as ceramic proppant, the development and use of other effective alternative proppants, or the development of waterless fracking, could cause a decline in demand for frac sand that we produce and would have an adverse effect on our business, financial condition and results of operations.

In addition, fuel conservation measures, alternative fuel requirements and increasing consumer demand for alternatives to oil and natural gas could reduce demand for oil and natural gas. The impact of the reduced demand for oil and natural gas may have an adverse effect on our business, financial condition, prospects, results of operations and cash flows. Additionally, the increased competitiveness of alternative energy sources (such as wind, solar, geothermal, tidal and biofuels) could reduce demand for oil and natural gas and therefore for our products and services, which would lead to a reduction in our revenues and negatively impact our business, financial condition and results of operations.

Our future performance will depend on our ability to succeed in competitive markets and on our ability to appropriately react to potential fluctuations in demand for, and supply of, our products and services.

We operate in a highly competitive market that is characterized by a small number of large, national producers and a larger number of small, regional or local producers. Transportation costs are a significant portion of the total cost to customers of proppant (in many instances, transportation costs can represent more than 50% of delivered cost), the proppant market is typically local, and competition from beyond the local area is limited. Further, competition in the industry is based on customer relationships, reliability of supply, consistency and quality of product, customer service, site location, distribution capability, breadth of product offering, technical support and price.

Most of our competitors may have or may develop greater financial, natural and other resources than we have. Periodically, some of our competitors may reduce the pricing that they offer to our customers for a variety of reasons. One or more of our competitors may develop technology superior to ours or may have production facilities located in closer proximity to certain customer locations than we do.

When the demand for hydraulic fracturing services decreases or the supply of proppant available in the market increases, prices in the proppant market can materially decrease. Our competitors may choose to consolidate, which could provide them with greater financial and other resources than we have and improve their competitive positioning. Furthermore, oil and natural gas exploration and production companies and other providers of hydraulic fracturing services have acquired, and in the future may acquire, their own proppant reserves to fulfill their proppant requirements, and these other market participants may expand their existing proppant production capacity, all of which would negatively impact demand for our proppant. In addition, increased competition in the proppant industry could have an adverse impact on our ability to enter into long-term contracts or to enter into contracts on favorable terms.

Our operations are subject to operational hazards and inherent risks, some of which are beyond our control, and some of which may not be fully covered by insurance.

Our business and operations may be affected by natural or man-made disasters and other external events, many of which are not in our control. In addition to the other risks described in these risk factors, risks include:

- unanticipated ground, grade or water conditions;
- environmental hazards;
- physical facility security breaches;
- inability to maintain necessary permits or mining or water rights;
- failure to maintain dust controls and meet restrictions on, or applicable requirements with respect to, respirable crystalline silica dust;
- failures in quality control systems or training programs;
- technical difficulties or key equipment failures;
- inability to obtain necessary mining or production equipment or replacement parts;
- fires, explosions or industrial accidents or other accidents; and
- facility shutdowns in response to environmental regulatory actions.

These hazards can also cause personal injury and loss of life, severe damage to and destruction of property and equipment, pollution or environmental damage and suspension or cancellation of operations. Any prolonged downtime or shutdowns at our mining properties or production facilities could have an adverse effect on our business, financial condition and results of operations. In addition, our operations are subject to, and exposed to, employee/employer liabilities and risks such as wrongful termination, discrimination, labor organizing, retaliation claims and general human resource related matters.

Not all of these risks are reasonably insurable, and our insurance coverage contains limits, deductibles, exclusions and endorsements. Our insurance coverage may not be sufficient to meet our needs in the event of loss and any such loss may have an adverse effect on our business, financial condition and results of operations.

Our ability to produce our products economically and in commercial quantities could be impaired if we are unable to acquire adequate supplies of water for our operations.

The process that we currently employ to produce proppant requires significant quantities of water from the aquifer underlying our acreage. We have drilled two water wells, constructed a pond to hold water, and developed processes to reuse water. However, if in the future there is insufficient capacity available from the aquifer to provide a source of water for our cleaning processes as a result of drought or similar conditions affecting the environment, we will be required to obtain water from other sources that may not be readily available, or may be too costly, and we may be unable to continue our mining operations entirely. The effects of climate change may also further exacerbate water scarcity in certain regions, including at the aquifer on our acreage. If an environmental, weather or other event were to require us to discontinue dredging and resume operations using traditional proppant production processes, this could impair our cost of operations and ability to economically produce our product and would have an adverse effect on our financial condition, results of operations and cash flows.

Failure to maintain effective quality control systems at our mining and production facilities could have an adverse effect on our business, financial condition and operations.

The quality and safety of our products are critical to the success of our business. These factors depend significantly on the effectiveness of our quality control systems, which, in turn, depend on a number of factors, including the design of our quality control systems, our quality-training program and our ability to ensure that our employees adhere to the quality control policies and guidelines. Any significant failure or deterioration of our quality control systems could have an adverse effect on our business, financial condition, results of operations and reputation.

Given the nature of our proppant production operations, we face a material risk of liability, delays and increased cash costs of production from environmental and industrial accidents and operational breakdowns.

Our business involves significant risks and hazards, including environmental hazards, industrial accidents and breakdowns of equipment and machinery. Our mining operations are subject to delays and accidents associated with fuel supply, repositioning and maintenance. Furthermore, during operational breakdowns, our facilities may not be fully operational within the anticipated timeframe, which could result in further business losses. The occurrence of any of these or other hazards could delay production, suspend operations, increase repair, maintenance or medical costs and, could have an adverse effect on our productivity and profitability. Although insurance policies provide limited coverage for these risks, such policies will not fully cover some of these risks.

Our business may suffer if we lose or are unable to attract and retain members of our workforce.

We depend to a large extent on the services of our senior management team and other key personnel. These employees have extensive experience and expertise in maximizing production, marketing industrial mineral production and developing and executing financing and hedging strategies.

Competition for management and key personnel is intense, and the pool of qualified candidates is limited. The loss of any of these individuals or the failure to attract additional personnel as needed could have an adverse effect on our operations and could lead to higher labor costs or the use of less-qualified personnel. In addition, if any of our executives or other key employees were to join a competitor or form a competing company, we could lose customers, suppliers, know-how and other personnel. Our operations also rely on skilled laborers using modern techniques and equipment to mine efficiently. We may be unable to train or attract the necessary number of skilled laborers to maintain our operating costs.

A shortage of skilled labor together with rising labor costs in the excavation industry may further increase operating costs, which could adversely affect our business, results of operations and financial condition.

Efficient sand excavation using modern techniques and equipment requires skilled laborers, preferably with several years of experience and proficiency in multiple tasks, including processing of mined minerals. If there is a shortage of experienced labor in areas in which we operate, we may find it difficult to hire or train the necessary number of skilled laborers to perform our own operations, which could have an adverse impact on our business, results of operations and financial condition.

As a result of the volatility of the oilfield services industry and the demanding nature of the work, workers may choose to pursue employment in fields that offer a more desirable work environment at wage rates that are competitive. Increased competition for their services could result in a loss of available, skilled workers or at a price that is not as advantageous to our business, both of which could negatively affect our operating results. If we are unable to retain or meet the growing demand for skilled technical personnel, our operating results and our ability to execute our growth strategies may be adversely affected.

Inaccuracies in our estimates of sand reserves and resource deposits, or deficiencies in our title to those deposits, could result in our inability to mine the deposits or require us to pay higher than expected costs.

We base our sand reserve and resource estimates on engineering, economic and geological data assembled and analyzed by our mining engineers, which are reviewed periodically by outside firms. However, frac sand reserve estimates are by nature imprecise and depend to some extent on statistical inferences drawn from available drilling data, which may prove unreliable. There are numerous uncertainties inherent in estimating quantities and qualities of frac sand reserves and non-reserve frac sand deposits and costs to mine recoverable reserves, many of which are beyond our control and any of which could cause actual results to differ materially from our expectations. These uncertainties include:

- geological and mining conditions that may not be fully identified by available data or that may differ from experience;
- assumptions regarding the effectiveness of our mining, quality control and training programs;

- assumptions concerning future prices of frac sand, operating costs, mining technology improvements, development costs and reclamation costs; and
- assumptions concerning future effects of regulation, including the issuance of required permits and taxes by governmental agencies.

In addition, title to, and the area of, mineral properties and water rights may also be disputed. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify. A successful claim that we do not have a valid leasehold interest in our property or lack appropriate water rights could cause us to lose any rights to extract sand, without compensation for our prior expenditures relating to such property. Any inaccuracy in our estimates related to our mineral reserves and non-reserve mineral deposits, or our title to such deposits, could result in our inability to mine the deposits or require us to pay higher than expected costs.

Further, the SEC has adopted amendments to its disclosure rules (the "SEC Modernization Rules") to modernize the mineral property disclosure requirements for issuers whose securities are registered with the SEC under the Exchange Act, which are codified in Regulation S-K subpart 1250. Although we are not subject to these regulations, they can have an impact upon all companies in the industry. Under the SEC Modernization Rules, the historical property disclosure requirements for mining registrants included in SEC Industry Guide 7 have been replaced. As a result of the adoption of the SEC Modernization Rules, the SEC now recognizes estimates of "measured mineral resources," "indicated mineral resources" and "inferred mineral resources." However, compared to mineralization that has been characterized as reserves, mineralization described using these terms has a greater amount of uncertainty as to their existence and whether they can be mined legally or economically, and investors are therefore cautioned not to assume that any reported "measured mineral resources," "indicated mineral resources" or "inferred mineral resources" are or will be economically or legally mineable.

All of our product sales are currently generated at facilities in West Texas. Any adverse developments at those facilities could have an adverse effect on our business, financial condition and results of operations.

All of our product sales are currently derived from our facility located in West Texas. Any adverse development at this facility due to catastrophic events or weather, adverse government regulatory impacts, transportation-related constraints or any other events that could cause us to curtail, suspend or terminate operations could result in our being unable to deliver our contracted volumes and related obligations. Although we maintain insurance coverage to cover a portion of these types of risks, there could be potential risks associated with our operations not covered by insurance. There also may be certain risks covered by insurance where the policy does not reimburse us for all of the costs related to such risks. Downtime or other delays or interruptions to our future operations that are not covered by insurance could have an adverse effect on our business, results of operations and financial condition. In addition, under our supply contracts, if we are unable to deliver contracted volumes, we may be required to pay liquidated damages that could have an adverse effect on our financial condition and results of operations.

Our business and operations depend on our and our customers' ability to obtain and maintain necessary permits.

We and our customers hold numerous governmental, environmental, mining and other permits and approvals authorizing operations at each of our facilities. Our future success depends on, among other things, our ability, and the ability of our customers, to obtain and maintain the necessary permits and licenses required to conduct operations. In order to obtain permits and renewals of permits in the future, we may be required to prepare and present data to governmental authorities pertaining to the impact that our activities may have on the environment. Compliance with these regulatory requirements is expensive and significantly lengthens the time needed to conduct operations. Additionally, obtaining or renewing required permits is sometimes delayed, conditioned or prevented due to community opposition, opposition from other parties, the location of existing or proposed third-party operations, or other factors beyond our control. The denial of a new or renewed permit essential to our operations, delays in obtaining such a permit or the imposition of conditions in order to acquire the permit could impair our ability to continue operations at the affected facilities, delay those operations, or involve significant unplanned costs, any of which could adversely affect our business, performance and financial condition.

Our supply agreements may preclude us from taking advantage of increasing prices for proppant or mitigating the effect of increased operational costs during the term of those contracts.

The supply agreements we may enter into may negatively impact our results of operations. Our sales contracts will require our customers to pay a specified price for a specified volume of proppant. Although some of our supply agreements could provide for price adjustments based on various factors, such adjustments are generally calculated on a quarterly basis and do not adjust dollar-for-dollar with adjustments in spot market prices. As a result, in periods with increasing prices our sales will not keep pace with market prices.

Additionally, if our operational costs increase during the terms of our supply agreements, we will not be able to pass some of those increased costs to our customers. If we are unable to otherwise mitigate these increased operational costs, our net income could decline.

An increase in the supply of proppant having similar characteristics as the proppant we produce could make it more difficult for us to renew or replace our existing contracts on favorable terms, or at all.

If significant new reserves of proppant are discovered and developed and have similar characteristics to the proppant we produce, we may be unable to renew or replace our existing contracts on favorable terms, if at all. Specifically, if proppant is oversupplied, our customers may not be willing to enter into long-term take-or-pay contracts, may demand lower prices or both, which would have an adverse effect on our business, results of operations and financial condition. Similarly, the COVID-19 pandemic caused a historic slowdown in oil and natural gas activity, which led to an increase in available proppant supply relative to the reduced demand.

The foregoing events have led to increased competition among our competitors, which could lead to pressure to further reduce prices to compete effectively.

Our results of operations are significantly affected by the market price of sand-based proppant, which have been historically subject to substantial price fluctuations.

Our results of operations and financial conditions are, and will continue to be, particularly sensitive to the long- and short-term changes in the market price of sand-based proppant. Among other factors, these prices also affect the value of our reserves and inventories. Market prices are affected by numerous factors beyond our control, including, among others, demand for high quality sand-based proppant, the availability and relative cost of alternate sources of sand, drilling and completion activity in the Permian Basin, prevailing commodity prices and overall economic activity. Additionally, when demand for sand-based proppant increases, there may not be a corresponding or immediate increase in the prices for our products or our customers may choose to opt for lower-quality, lower-priced products, which could have an adverse effect on our results of operations and financial condition

In addition, any future decreases in the rate at which oil and natural gas reserves are discovered or developed, whether due to increased governmental regulation, limitations on exploration and drilling activity, including hydraulic fracturing or other factors, could have an adverse effect on our business and financial condition, even in a stronger oil and natural gas price environment.

Our exploration and production customers' operations are subject to operating risks that are often beyond our control and could have an adverse effect on our business, financial condition and results of operations.

In addition to the sand-based proppant that we supply, the operations of our exploration and production customers rely on several other products and services in order to perform hydraulic fracturing activities, such as skilled laborers and equipment required for pumping proppant, water and fluids into oil and natural gas wells. Any failure by our exploration and production customers to obtain these other products and services could have an adverse effect on our business, financial condition and results of operations.

Natural disasters and unusual weather conditions could disrupt business and result in operational delays and otherwise have an adverse effect on our business.

The occurrence of one or more natural disasters, such as tornadoes, hurricanes, tsunamis, fires, droughts, floods and earthquakes or unusual weather conditions or temperatures in the regions in which our facilities are located could result in delayed operations, repair costs or disruptions to our supply chains or similarly impact the operations of our customers. For example, in February 2021, Texas and New Mexico experienced record-setting cold temperatures from Winter Storm Uri. Proppant volumes were negatively impacted in February and March 2021 as the cold weather delayed completion schedules and pushed forecasted producer activity into the latter half of the year. Events such as this could have an adverse effect on our or our customers' businesses and may become more frequent or intense as a result of climate change.

Risks Related to Environmental, Mining and Other Regulations

Silica-related health issues and legislation, including compliance with existing or future regulations relating to respirable crystalline silica, or litigation could have an adverse effect on our business, reputation or results of operations.

We are subject to laws and regulations relating to human exposure to crystalline silica. For example, OSHA has implemented rules establishing a more stringent permissible exposure limit for exposure to respirable crystalline silica and provided other provisions to protect employees. These rules require compliance with engineering control obligations to limit exposures to respirable crystalline silica in connection with hydraulic fracturing activities. In June 2022, the DOL's MSHA launched a new enforcement initiative to better protect U.S. miners from health hazards resulting from repeated overexposure to respirable crystalline silica. MSHA reports that silica dust affects thousands of miners each year and, without adequate protection, miners face risks of serious illnesses, many of which can be fatal. As part of the program, MSHA will conduct silica dust-related mine inspections and expand silica sampling at mines, while providing mine operators with compliance assistance and best practices to limit miners' exposure to silica dust.

Specifically, the silica enforcement initiative will include:

- Spot inspections at mines with a history of repeated silica overexposures to closely monitor and evaluate health and safety conditions.
- Increased oversight and enforcement of known silica hazards at mines with previous citations for exposing miners to silica dust levels over the existing permissible exposure limit of 100 micrograms. For mines where the operator has not timely abated hazards, MSHA will issue a withdrawal order until the silica overexposure hazard has been abated.
- Expanded silica sampling at mines to ensure inspectors' samples represent the mines, commodities, and occupations known to have the highest risk for overexposure.
- A focus on sampling during periods of the mining process that present the highest risk of silica exposure for miners.
- Reminding miners about their rights to report hazardous health conditions, including any attempt to tamper with the sampling process.

In addition, the DOL's Educational Field and Small Mine Services staff will provide compliance assistance and outreach to mine operators, unions and other mining community organizations to promote and advance protections for miners.

The MSHA initiative is intended to take immediate action to reduce the risks of silica dust exposure as the DOL's development of a mining industry standard continues. Then, in a related subsequent regulatory action, on April 18, 2024, MSHA published a final rule designed to reduce miner exposure to respirable crystalline silica. Under the final rule, which took effect in June 2024, the uniform permissible exposure limit for respirable crystalline silica is set at 50 micrograms per cubic meter of air and the action level is set at 25 cubic meters of air for all mines. The rule also imposes requirements for monitoring and controlling exposure to respirable crystalline silica, requires medical surveillance at certain mines, and updates existing respiratory

protection requirements to match industry standards. We could face increased compliance costs as a result of this rule.

If we are unable to satisfy these obligations, or are not able to do so in a manner that is cost effective or attractive to our customers, our business operations may be adversely affected or availability or demand for our products could be significantly affected. Federal and state regulatory authorities, including OSHA and MSHA, and analogous state agencies may continue to propose changes in their regulations regarding workplace exposure to crystalline silica, such as permissible exposure limits and required controls and personal protective equipment, and we can provide no assurance that we will be able to comply with any future laws and regulations relating to exposure to crystalline silica that are adopted, or that costs of complying with such future laws and regulations or any costs arising from non-compliance would not have an adverse effect on our operating results by requiring us to modify or cease our operations.

In addition, the inhalation of respirable crystalline silica is associated with health risks, including the lung disease silicosis. There is evidence of an association between crystalline silica exposure or silicosis and lung cancer and possible association with other diseases, including immune system disorders such as scleroderma. These health risks have been, and may continue to be, a significant issue confronting the hydraulic fracturing industry. Concerns over silicosis and other potential adverse health effects, as well as concerns regarding potential liability from the use of frac sand, may have the effect of discouraging our customers' use of frac sand. The actual or perceived health risks of handling frac sand could adversely affect hydraulic fracturing service providers, including us, through reduced use of frac sand, the threat of product liability or employee lawsuits naming us as a defendant, increased scrutiny by federal, state and local regulatory authorities of us and our customers or reduced financing sources available to the hydraulic fracturing industry.

Over the past few decades, a number of companies that utilize silica in their operations have been named as a defendant, usually among many defendants, in numerous product liability lawsuits brought by or on behalf of current or former employees or customers alleging damages caused by silica exposure. We may have silica exposure claims filed against us in the future, including claims that allege silica exposure for periods or in areas not covered by insurance, and the costs, outcome and impact to us of any pending or future claims is not certain. Any such pending or future claims or inadequacies of our insurance coverage could have a material adverse effect on our business, reputation, financial condition, and results of operations.

Federal, state and local legislative and regulatory initiatives relating to hydraulic fracturing and the potential for related litigation could result in increased costs, additional operating restrictions or delays for our customers, which could cause a decline in the demand for our proppant and negatively impact our business, results of operations and financial condition.

We supply proppant to hydraulic fracturing operators in the oil and natural gas industry. Hydraulic fracturing is an important practice that is used to stimulate production of oil and natural gas from low permeability hydrocarbon bearing subsurface rock formations. The hydraulic fracturing process involves the injection of water, proppant, and chemicals under

pressure into the formation to fracture the surrounding rock, increase permeability and stimulate production.

Although we do not directly engage in hydraulic fracturing activities, our customers purchase our proppant for use in their hydraulic fracturing activities. Hydraulic fracturing is typically regulated by state oil and natural gas commissions and similar agencies. Some states have adopted, and other states are considering adopting, regulations that could impose new or more stringent permitting, disclosure or well construction requirements on hydraulic fracturing operations. Aside from state laws, local land use restrictions may restrict drilling in general or hydraulic fracturing in particular. Municipalities may adopt local ordinances attempting to prohibit hydraulic fracturing altogether or, at a minimum, allow such fracturing processes within their jurisdictions to proceed but regulating the time, place and manner of those processes. In addition, federal agencies have started to assert regulatory authority under the Safe Drinking Water Act over the process. At the same time, certain environmental groups have suggested that additional laws may be needed and, in some instances, have pursued voter ballot initiatives to more closely and uniformly limit or otherwise regulate the hydraulic fracturing process, and legislation has been proposed by some members of Congress to provide for such regulation.

The adoption of new laws or regulations at the federal, state or local levels imposing reporting obligations on, or otherwise limiting, delaying, restricting, or prohibiting the hydraulic fracturing process could make it more difficult to complete oil and natural gas wells, increase our customers' costs of compliance and doing business, and otherwise adversely affect the hydraulic fracturing services they perform, which could negatively impact demand for our proppant. In addition, heightened political, regulatory, and public scrutiny of hydraulic fracturing practices could expose us or our customers to increased legal and regulatory proceedings, which could be time- consuming, costly, or result in substantial legal liability or significant reputational harm. We could be directly affected by adverse litigation involving us, or indirectly affected if the cost of compliance limits the ability of our customers to operate. Such costs and scrutiny could directly or indirectly, through reduced demand for our proppant, have an adverse effect on our business, financial condition and results of operations.

We and our customers are subject to extensive environmental and natural resources regulations that impose, and will continue to impose, risks of significant costs and liabilities. In addition, future regulations, or more stringent enforcement of existing regulations, could increase those costs and liabilities, which could adversely affect our results of operations.

We are subject to a variety of federal, state and local environmental laws and regulations affecting the mining and mineral processing industry, including, among others, those relating to environmental permitting and licensing, plant and wildlife protection, wetlands protection, air and water emissions, greenhouse gas emissions, water pollution, waste management, including the transportation and disposal of waste and other materials, remediation of soil and groundwater contamination, land use, reclamation and restoration of properties, hazardous materials and natural resources. These laws and regulations have imposed, and will continue to impose, numerous obligations on our operations and the operations of our customers, including the acquisition of permits or other approvals to conduct regulated activities, the imposition of restrictions on the types, quantities and concentrations of various substances that may be released

into the environment or injected in non-productive formations below ground in connection with oil and natural gas drilling and production activities, the incurrence of capital expenditures to mitigate or prevent releases of materials from our equipment or facilities or from customer locations where we are providing services, the imposition of substantial liabilities for pollution resulting from our operations, and the application of specific health and safety criteria addressing worker protection. Some environmental laws impose substantial penalties for noncompliance, and others, such as CERCLA, impose strict, retroactive and joint and several liability for the remediation of releases of hazardous substances.

Further, our business activities present risks of incurring significant environmental costs and liabilities, including costs and liabilities resulting from air emissions and wastewater discharges related to our operations, and due to historical oilfield industry operations and waste disposal practices. Moreover, accidental releases or spills may occur in the course of our operations or at facilities where our wastes are taken for reclamation or disposal, and we cannot assure you that we will not incur significant costs and liabilities as a result of such releases or spills, including any third-party claims for injuries to persons or damages to properties or natural resources. Remedial costs and other damages arising as a result of environmental laws and costs associated with changes in environmental laws and regulations could be significant and have an adverse effect on our liquidity, results of operations and financial condition.

Additionally, any failure by us or by our customers to comply with applicable environmental laws and regulations may cause governmental authorities to take actions that could adversely impact our operations and financial condition, including:

- assessment of sanctions including administrative, civil or criminal penalties;
- denial, modification, or revocation of permits or other authorizations;
- occurrence of restrictions, delays or cancellations in permitting or development or performance of projects or operations;
- imposition of injunctive obligations or other limitations on our operations, including cessation of operations; and
- requirements to perform site investigatory, remedial, or other corrective actions or the incurrence of capital expenditures.

Moreover, environmental requirements, and the interpretation and enforcement of these requirements, change frequently and have tended to become more stringent over time. Future environmental laws and regulations could restrict our ability to expand our facilities or extract our mineral deposits or could require us to acquire costly equipment or to incur other significant expenses in connection with our business. The costs associated with complying with such requirements could have an adverse effect on our business, financial condition and results of operations. Additionally, our customers may not be able to comply with any new or amended laws and regulations, which could cause our customers to curtail or cease operations and thus reduce demand for our products and services. We cannot at this time reasonably estimate our costs of compliance or the timing of any costs associated with any new or amended laws and regulations, or any material adverse effect that any new or modified standards will have on our customers and, consequently, on our operations.

Our and our customers' operations are subject to a number of risks arising out of the threat of climate change, including regulatory, political, litigation and financial risks, which could result in increased operating and capital costs for our customers and reduced demand for our products and services.

The threat of climate change continues to attract considerable attention in the United States and around the world. Numerous proposals have been made and could continue to be made at the international, national, regional and state levels of government to monitor and limit existing emissions of green house gases (GHGs). These efforts have included consideration of cap-and-trade programs, carbon taxes, GHG disclosure obligations and regulations that directly limit GHG emissions from certain sources. As a result, our operations and the operations of our natural gas and crude oil exploration and production customers are subject to a series of regulatory, political, litigation, financial, and physical risks associated with the production and processing of fossil fuels and the emission of GHGs.

At the federal level, the EPA has adopted rules that, among other things, establish construction and operating permit reviews for GHG emissions from certain large stationary sources and require the monitoring and annual reporting of GHG emissions from certain industrial sources. However, on January 20, 2025, President Trump signed an Executive Order directing the EPA to reconsider the legality of its GHG "endangerment finding," which provides the basis for EPA's authority to regulate GHG emissions. The EPA has also adopted rules imposing new standards reducing methane emissions from oil and gas operations through limitations on venting and flaring and the implementation of enhanced emission leak detection and repair requirements. The regulation of methane emissions from oil and gas facilities has been subject to considerable attention in recent years, and the EPA recently finalized rules in December 2023 that establish new and more stringent standards for the use of emission capture and control equipment and systems, leak detection equipment and monitoring, and so-called "green well completion" requirements for both new and existing sources across the oil and gas sector. The BLM also finalized a rule on April 10, 2024 intended to curtail the waste of methane flared, vented, or leaked from oil and gas operations on federal and Tribal lands. In addition, the U.S. Congress may continue to consider and pass legislation related to the reduction of GHG emissions, including methane and carbon dioxide. For example, the IRA, which was signed into law in August 2022, appropriates significant federal funding for renewable energy initiatives The IRA also, for the first time ever, imposes a fee on GHG emissions from certain facilities. In November 2024, the EPA issued a final rule to implement this emissions charge, setting the fee for 2024 at $900 per ton of methane emitted above statutorily specified waste emissions thresholds set by Congress. The fee is set to increase to $1,200 per ton in 2025, and $1,500 in 2026 and each year thereafter. Congress and the Trump administration may take action to amend, rescind, or otherwise modify the IRA 2022 and its implementing regulations, though the impact or timing of such action, or whether action will occur at all, cannot be predicted. These regulatory actions, the emissions fee, and funding provisions of the IRA could increase operating costs within the oil and gas industry and accelerate the transition away from fossil fuels, which could in turn reduce demand for our products and services and adversely affect our and our customers' business and results of operations.

At the international level, the United Nations-sponsored Paris Agreement, though non-binding, calls for signatory nations to limit their GHG emissions through individually determined reduction goals every five years after 2020. However, on January 20, 2025, President Trump signed an Executive Order once again withdrawing the United States from the Paris Agreement. The United States' participation in future United Nations climate-related conferences and the impacts of these orders, pledges, agreements and any legislation or regulation promulgated to fulfill the United States' commitments under the Paris Agreement or other international agreements cannot be predicted at this time.

Litigation risks are also increasing, as a number of cities and other entities have sought to sue various oil and natural gas companies in state or federal court, alleging, among other things, that such companies created public nuisances by producing fuels that contributed to climate change and its effects, such as rising sea levels or extreme weather events, and therefore are responsible for resulting infrastructure damages, or alleging that the companies have been aware of the adverse effects of climate change for some time but defrauded their investors by failing to adequately disclose those impacts. Our customers' involvement in such a case, regardless of the substance of the allegations, could have adverse reputational impacts and any unfavorable ruling in any such case could significantly impact their operations and consequently could have an adverse impact on demand for our products and services.

There are also increasing financial risks for the oil and gas sector as shareholders, bondholders, and lenders may elect in the future to shift some or all of their investments into non-fossil fuel energy sectors. Certain institutional lenders have shifted their investment practices to favor non-fossil fuel energy sources, such as wind and solar, and some of them may elect not to provide funding to the oil and gas sector. Additionally, there is also a risk that financial institutions will be pressured or required to adopt policies that limit funding for the oil and gas sector, though this trend has waned in recent years. Further, the SEC finalized a rule in March 2024 that establishes a framework for the reporting of climate risks, targets, and metrics. The rule is currently stayed pending litigation, and on February 11, 2025, SEC Acting Chairman Mark T. Uyeda requested that the U.S. Court of Appeals for the Eighth Circuit not schedule argument in the case while the SEC reconsiders the March 2024 rule. Relatedly, California has enacted new laws requiring additional disclosure with respect to certain climate-related risks and GHG emissions reduction claims, and New York and other states are considering adopting similar laws. Litigation over these laws is ongoing, and we cannot predict the outcome. Enhanced climate-related disclosure requirements could result in additional legal and accounting costs and accelerate the trend of certain stakeholders and lenders restricting or seeking more stringent conditions with respect to their investments in carbon-intensive sectors. Such disclosure regulations could also lead to increased litigation risks and reputational harm. Any material reduction in the capital available to us or our customers could make it more difficult to secure funding for our growth projects or our customers' exploration and production activities, which could reduce the demand for our products and services and impact our financial performance.

Finally, physical climate change impacts, including increased frequency and severity of storms, severe and persistent drought conditions, winter storms, floods and other climatic events, may potentially have a large impact on our operations and financial results, and our customers' exploration and production operations. While our consideration of changing climatic conditions

and inclusion of safety factors in the design and operation of our facilities is intended to reduce the uncertainties that climate change and other events may potentially introduce, our ability to mitigate the adverse impacts of these events depends in part on the effectiveness of our disaster preparedness and response and business continuity planning and those of our customers, which may have not considered or prepared for every eventuality.

Restrictions on our operations and those of our customers intended to protect certain species of wildlife could have an adverse impact on our ability to expand some of our existing operations or limit our customers' ability to develop new oil and natural gas wells.

Various federal and state statutes prohibit certain actions that adversely affect endangered or threatened species and their habitat, migratory birds, wetlands, and natural resources. These statutes include the Endangered Species Act (ESA), the Migratory Bird Treaty Act (MBTA) and the Clean Water Act (CWA). The U.S. Fish and Wildlife Service (USFWS) may designate critical habitat areas that it believes are necessary for survival of threatened or endangered species. A critical habitat designation could result in further material restrictions on federal land use or on private land use and could delay or prohibit land access or development. Where takings of or harm to species or damages to wetlands, habitat, or natural resources occur or may occur, government entities or at times private parties may act to prevent or restrict oil and natural gas exploration activities or seek damages for any injury, whether resulting from drilling or construction or releases of oil, wastes, hazardous substances or other regulated materials, and in some cases, criminal penalties may result.

The dunes sagebrush lizard (DSL) is one example of a species that, if listed as endangered or threatened under the ESA, could impact our operations and the operations of our customers. On May 20, 2024, the USFWS finalized a rule listing the DSL as an endangered species under the ESA but did not concurrently propose to designate any critical habitat. However, in the final rule, USFWS determined that designating DSL critical habitat was prudent, but not determinable at the time of issuance, thus triggering a one-year review period for the future designation of critical habitat. Legal challenges have been filed relating to the listing, and we cannot predict what actions, if any, the Trump administration may take relating to the listing of the DSL as endangered. Our operations and the operations of our customers in any area that is later designated as DSL critical habitat may be limited, delayed or, in some circumstances, prohibited, and we and our customers could be required to comply with expensive mitigation measures intended to protect the DSL and its habitat.

Another species recently listed that could impact the operations of our customers is the lesser prairie-chicken. In November 2022, the USFWS formally listed two Distinct Population Segments ("DPSs") of the lesser prairie-chicken under the ESA. The Southern DPS, the habitat of which includes portions of southeast New Mexico and western Texas, was listed as endangered, while the Northern DPS, the habitat of which spans from northern Texas through eastern Oklahoma and into southeastern Colorado and southwestern Nebraska, was listed as threatened. The listed territory of the Southern DPS could overlap with the operating areas of some of our customers, who in turn may be adversely affected by any restrictions which arise as a result of the endangerment determination. The identification or designation of further previously unprotected species as threatened or endangered in areas where we or our customers

operate could cause us to incur increased costs arising from species protection measures or could result in limitations on our customers that result in reduced demand for our services, adversely affecting our results of operations. There is also increasing interest from a variety of stakeholders, including investors and institutional lenders, in nature-related matters beyond protected species, such as general biodiversity, which may similarly require us to incur costs or take other measures which may materially impact our business or operations.

Any restrictions on oil and natural gas development on federal lands have the potential to adversely impact our operations and the operations of our customers.

In the future, some of our customers may possess leases in New Mexico, which are granted by the federal government and administered by the BLM. Operations conducted by potential customers on federal oil and natural gas leases must comply with numerous additional statutory and regulatory restrictions. These leases contain relatively standardized terms requiring compliance with detailed regulations. Under certain circumstances, the BLM may require operations on federal leases to be suspended or terminated. Any such suspension or termination of our customers' leases could reduce demand for our products or services and adversely impact our results of operations.

The Biden Administration took several actions to curtail oil and natural gas activities on federal lands including a temporary pause on new oil and gas leasing, increases in royalty rates, and a reduction in the total acreage available through lease sales. On April 10, 2024, BLM finalized a rule to reduce the waste of natural gas from venting, flaring, and leaks during oil and gas production activities on Federal and Native American leases. On April 23, 2024, BLM finalized further reforms to the federal oil and gas leasing program, including increased bonding requirements and the codification of certain IRA provisions related to minimum bids, base rental rates, and royalty rates. While we cannot predict the ultimate impact of these actions or whether the Department of Interior and BLM will implement further reforms or operating restrictions, any revisions to the federal leasing or permitting process that make it more difficult for our customers to pursue operations on federal lands and operate economically may materially adversely impact our operations. The development and implementation of a Social Cost of GHGs ("SC-GHG") (formerly known as the Social Cost of Carbon or "SCC") metric may also impact future regulatory decision-making and our customers' ability to obtain federal leases. On January 20, 2025, President Trump issued an Executive Order revoking the Biden administration's re-establishment of a working group to develop a SC-GHG metric and directing the EPA to consider eliminating the SC-GHG analysis from any federal permitting decisions. Whether and how climate change impacts will be assessed in federal environmental reviews is uncertain, and the implementation of any SC-GHG metric in agency decision-making, and the result of any related litigation, could impact the character of new regulations on certain of the federal oil and gas leases of our customers, which in turn could impact our results of operations.

Additionally, oil and natural gas operations on federal lands, and related infrastructure projects may be impacted by recent litigation regarding NEPA's implementing regulations. In 2020, the first Trump administration made a variety of substantive and procedural changes to NEPA, including limiting the scope of review to the direct effects of a proposed project on the environment. A new "Final Rule," introduced by the Council on Environmental Quality ("CEQ")

under the Biden administration, which took effect in May 2022, reversed several changes introduced by the 2020 rule, including the scope limitations. The 2022 Final Rule requires NEPA reviews to incorporate consideration of indirect and cumulative impacts of the proposed project, including effects on climate change and GHGs, consistent with pre-2020 requirements. The new rule also allows agencies to create stricter NEPA rules as they see fit, but left in place the 2020 rule two-year time limit to complete environmental impact statements. More recently, in January 2023, the CEQ released updated guidance for agency consideration of GHG emissions and climate change impacts in environmental reviews, which includes, among other recommendations, best practices for analyzing and communicating climate change effects, though the current Trump administration may rescind this guidance. Additionally, in May 2024, the CEQ finalized revisions to NEPA that would expand requirements to analyze the cumulative effects of the project on climate change and consider any disproportionate impact of the project on communities with environmental justice concerns as well enhance certain project obligations for implementing environmental mitigation measures. However, on November 12, 2024, the D.C. Circuit Court concluded that CEQ has no authority to issue binding NEPA regulations, and a federal district court in North Dakota reached the same conclusion on February 3, 2025. The latter court vacated the Biden administration's 2024 CEQ NEPA revisions as to those parties, though the 2024 rule currently remains in effect (and the Biden administration's other NEPA revisions) as to non-parties. Further, on January 20, 2025, President Trump signed an Executive Order directing CEQ to proposed rescinding all of CEQ's existing NEPA regulations and publish non-binding guidance on how agencies should implement NEPA in federal environmental reviews. To the extent changes to or the repeal of the NEPA implementing regulations restrict or limit the ability of our customers to pursue oil and gas operations and development projects in an economical manner or create uncertainty surrounding permitting for these projects, demand for our products and services may be impacted, which could adversely affect our results of operations.

Operations on federal lands also face litigation risks. From time to time, legal challenges have been filed relating to federal leasing decisions, such as for failure to adequately assess the impact of any increase of GHG emissions resulting from increased production on federal lands. Separately, there is a risk that authorizations required for existing operations may be delayed to the point that it causes a business disruption, and we cannot guarantee that further action will not be taken to curtail oil and natural gas development on federal land. For example, certain lawmakers have proposed to reduce or ban further leasing on federal lands or to adopt further restrictions on such leasing. To the extent such legislation is passed, it may adversely impact our customers' operations, which could negatively impact our financial performance or results of operations.

We and our customers are subject to regulations that impose stringent occupational health, safety and labor standards on numerous aspects of our operations.

Multiple aspects of our and our customers' operations are subject to occupational health and safety standards, including our mining operations, our trucking operations, and employee exposure to crystalline silica.

Our mining operations are subject to the Mine Safety and Health Act of 1977, as amended by the Mine Improvement and New Emergency Response Act of 2006 (as amended, the "*Mine Act*"), which imposes stringent health and safety standards on numerous aspects of mineral extraction and processing operations, including the training of personnel, operating procedures, operating equipment and other matters. Our operating locations are regularly inspected by MSHA for compliance with the Mine Act.

The DOT and various state agencies exercise broad powers over our trucking services, generally governing matters including authorization to engage in motor carrier service, equipment operation, safety, alcohol and drug testing, and financial reporting. In addition, our operations must comply with the Fair Labor Standards Act and comparable state laws, which govern such matters as wages and overtime, and which is administered by the DOL or applicable state agencies. We may be audited periodically by the DOT or the DOL or state agencies to ensure that we are in compliance with these safety, hours-of-service, wage and other rules and regulations, and failure to comply could result in material costs.

We are also subject to laws and regulations relating to human exposure to crystalline silica. Several federal and state regulatory authorities, including MSHA and OSHA, may continue to propose changes to their regulations regarding workplace exposure to crystalline silica, such as permissible exposure limits, required controls and personal protective equipment. Most recently, in April 2024, MSHA issued a final rule designed to reduce miner exposures to respirable crystalline silica, including by lowering the permissible exposure limit and establishing an action level for all miners. Our failure to comply with existing or new health and safety standards, or changes in such standards or the interpretation or enforcement thereof, could require us or our customers to modify operations or equipment, shut down some or all operating locations, impose significant restrictions on our ability to conduct operations, impose fines or otherwise have an adverse effect on our business, financial condition, employee relations and results of operations.

We and our customers are subject extensive permitting regulations and obligations. Our or our customers' failure to obtain, maintain, renew, or comply with the terms of the permits we require to operate may adversely affect our results of operations.

In addition to the regulatory matters described above, we and our customers are subject to extensive permitting obligations and regulations. In order to obtain permits and renewals of permits in the future, we may be required to prepare and present data to governmental authorities pertaining to the potential adverse impact that any proposed excavation or production activities, individually or in the aggregate, may have on the environment. Certain approval procedures may require preparation of archaeological surveys, endangered species studies, and other studies to assess the environmental impact of new sites or the expansion of existing sites. Compliance with these regulatory requirements is expensive and significantly lengthens the time needed to develop a site. Finally, obtaining or renewing required permits is sometimes delayed or prevented due to community opposition and other factors beyond our control.

Our future success depends on, among other things, our ability to extract our proppant deposits profitably, and our customers' ability to operate their businesses as they currently do.

The denial or cancellation of a permit essential to our or our customers' operations or the imposition of conditions with which it is not practicable or feasible to comply could have an adverse effect on our business. Significant opposition to a permit by neighboring property owners, members of the public or other third parties or a delay in the environmental review and permitting process also could impair or delay our or our customers' operations. Additionally, new regulations or permitting requirements could require us to modify existing permits or obtain new permits, implement additional pollution control technology, curtail operations (including our ability to extract or the pace of extraction of mineral deposits), significantly increase our operating costs or impose additional operating restrictions among our customers (including impacts that may impact our customers' ability to use our proppant, logistics or power solutions) that reduce demand for our products or services. Such permit proceedings are often subject to public notice and comment, and third parties, including nongovernmental environmental organizations, may challenge government actions related to permits required for our operations. A failure to timely obtain the permits required for the operation of our business may adversely affect our results of operations.

General Risk Factors

Changes to applicable tax laws and regulations, exposure to additional income tax liabilities, changes in our effective tax rates or an assessment of taxes resulting from an examination of our income or other tax returns could adversely affect our results of operations and financial condition, including our ability to repay our debt.

We are subject to various complex and evolving U.S. federal, state and local taxes. U.S. federal, state and local tax laws, policies, statutes, rules, regulations or ordinances could be interpreted, changed, modified or applied adversely to us, in each case, possibly with retroactive effect, and may have an adverse effect on our results of operations and financial condition, including our ability to repay our debt. The passage of any tax legislation or other changes in U.S. federal income tax laws could adversely affect our results of operations and financial condition.

Changes in our effective tax rates or tax liabilities could also adversely affect our results of operations and financial condition. Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- changes in the valuation of our deferred tax assets and liabilities;
- expected timing and amount of the release of any tax valuation allowances;
- expansion into future activities in new jurisdictions;
- the availability of tax deductions, credits, exemptions, refunds and other benefits to reduce tax liabilities; and
- tax effects of share-based compensation.

In addition, an adverse outcome arising from an examination of our income or other tax returns could result in higher tax exposure, penalties, interest or other liabilities that could have an adverse effect on our results of operations and financial condition.

We are subject to counterparty credit risk. Nonpayment or nonperformance by our customers, suppliers or vendors could have an adverse effect on our business, liquidity, financial condition and results of operations.

We are subject to the risk of loss resulting from nonpayment or nonperformance by our customers, suppliers and vendors. Our credit procedures and policies may not be adequate to fully eliminate customer credit risk. If we fail to adequately assess the creditworthiness of existing or future customers or unanticipated deterioration in their creditworthiness, any resulting increase in nonpayment or nonperformance by them and our inability to re-market or otherwise use the production could have an adverse effect on our business, results of operations and financial condition. A decline in oil and natural gas prices could negatively impact the financial condition of our customers and sustained lower prices could impact their ability to meet their financial obligations to us. Further, our contract counterparties may not perform or adhere to our existing or future contractual arrangements. To the extent one or more of our contract counterparties is in financial distress or commences bankruptcy proceedings, contracts with these counterparties may be subject to renegotiation or rejection under applicable provisions of the United States Bankruptcy Code. Any material nonpayment or nonperformance by our contract counterparties due to inability or unwillingness to perform or adhere to contractual arrangements could adversely affect our business and results of operations. If our customers delay or fail to pay us a significant amount of our outstanding receivables, it could have an adverse effect on our business, liquidity, financial condition and results of operations.

Our financial statements may be materially affected if our estimates prove to be inaccurate because of our limited experience in making critical accounting estimates.

Financial statements prepared in accordance with generally accepted accounting principles in the U.S. (“GAAP”) require the use of estimates, judgments, and assumptions that affect the reported amounts. Actual results may differ materially from these estimates under different assumptions or conditions. These estimates, judgments, and assumptions are inherently uncertain, and, if they prove to be wrong, then we face the risk that charges to income will be required. In addition, because we have limited to no operating history and limited experience in making these estimates, judgments, and assumptions, the risk of future charges to income may be greater than if we had more experience in these areas. Any such charges could significantly harm our business, financial condition, results of operations, and the price of our securities.

Partners are subject to income taxes and other tax liabilities.

Significant judgment is required in determining our provision for income taxes and other tax liabilities. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. Although we believe that our tax estimates are reasonable: (i) there is no assurance that the final determination of tax audits or tax disputes will not be different from what is reflected in our income tax provisions, expense amounts for non-income-based taxes and accruals and (ii) any material differences could have an adverse effect on our financial position and results of operations in the period or periods for which determination is made.

Risks Related to an Investment in our Non-Voting Units

We will have broad discretion in how we use the proceeds of this offering, and we may not use these proceeds effectively, which could adversely affect our results of operations and cause our Non-Voting Units' net value to decline.

We will have considerable discretion in the application of the net proceeds of this offering. Our management has broad discretion over how these proceeds are used and could spend the proceeds in ways with which you may not agree. We may not invest the proceeds of this offering effectively or in a manner that yields a favorable or any return, and, consequently, this could result in further financial losses that could have a material and adverse effect on our business, cause the value of our Non-Voting Units to decline or delay the development of our products.

This offering is being conducted on a "best efforts" basis.

We are conducting this offering on a "best efforts," no minimum basis, and there can be no assurance that the offering contemplated hereby will ultimately be consummated. If we sell less than the maximum offering, our business development will be adversely affected.

Holders of Units are subject to anti competition covenants.

The Operating Agreement provides that members are prohibited from directly or indirectly competing with, or attempting to compete with, the Company, including contacting the lessor of our property or otherwise interfering with our lease of our property, attempting to purchase it or an adjacent property, or otherwise obtaining any economic advantage from any person associated with our business operations. Violation of this covenant can result in the expulsion of the offending member and return of his capital contribution, without any right to any other distributions, attorneys fees and costs, and subject the offending member to injunctive relief. Members therefore will face a material limitation of their business activities in the area in which we compete.

If we sell additional equity or debt securities to fund our operations, restrictions may be imposed on our business.

In order to raise additional funds to support our operations, we may sell additional equity or debt securities, which may impose restrictive covenants that adversely impact our business. The incurrence of indebtedness would result in increased fixed payment obligations and could also result in restrictive covenants, such as limitations on our ability to incur additional debt, limitations on our ability to acquire, sell or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. If we are unable to expand our operations or otherwise capitalize on our business opportunities as a result of such restrictions, our business, financial condition and results of operations could be materially adversely affected.

Due to tax consequences, it is very unlikely that our Non-Voting Units will be publicly traded. Therefore, investors will have only a limited ability to liquidate their investments.

As a limited liability company, we are taxed as a partnership under the Internal Revenue Code of 1986, as amended (the "Code"). This enables us to distribute profits to our members without paying taxes at the entity level. Under the Code, were our Non-Voting Units to become publicly traded or otherwise freely transferable, we would then be subject to taxation under the Code as a corporation, which would reduce the amount of Cash Available for Distribution.

In the event that the Internal Revenue Service audits us, Unit Holders are subject to procedural limitations with respect to their interactions with the IRS.

The Bipartisan Budget Act of 2015 (the "BBA") was signed into law on November 2, 2015. Partnerships that file returns for tax years starting January 2018 must follow rules under the BBA. Partnerships under the BBA must follow certain filing requirements including designating a partnership representative or, if eligible, elect out of the regime on a timely filed return. Under the BBA, the IRS generally assesses and collects any understatement of tax (called an imputed underpayment or IU) at the partnership level. Partnerships may request to modify the IU and may elect to push out the adjustments underlying the IU instead of paying. Although partnerships with fewer than 100 members, all of which are individuals, C or S corporations, and other types of eligible partners may elect out of BBA rules, the Company may not satisfy the opt out requirements. In that event, the BBA rules provide that members will not have the ability to challenge adjustments that the IRS makes to the Company's information returns, and the Company partnership may elect to push out adjustments to its reviewed-year partners rather than paying the imputed underpayment at the partnership level. As a result, if the IRS determines that members' K-1 statements have understated the income attributable to a member, the member, and not the Company, would be responsible for any underpayment including interest and penalties,

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results. As a result, current and potential member could lose confidence in our financial reporting, which would harm our business and the trading price of our stock.

We are a development stage company with limited resources. Therefore, we cannot assure investors that we will be able to maintain effective internal controls over financial reporting based on criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control Integrated Framework. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. We are considering the costs and benefits associated with improving and documenting our disclosure controls and procedures and internal controls and procedures, which includes (i) hiring additional personnel with sufficient U.S. GAAP experience and (ii) implementing ongoing training in U.S. GAAP requirements for our CFO and accounting and other finance personnel. If the results of these efforts are not successful, or if material weaknesses are identified in our internal control over

financial reporting, our management will be unable to report favorably as to the effectiveness of our internal control over financial reporting and/or our disclosure controls and procedures, and we could be required to further implement expensive and time-consuming remedial measures and potentially lose investor confidence in the accuracy and completeness of our financial reports which could have an adverse effect on the value of our Company and potentially subject us to litigation.

The Company will continue to be controlled by its sole voting member, even if all offered Non-Voting Units are sold.

Even if all offered Non-Voting Units are sold, investors will hold a minority of the outstanding Non-Voting Units, and the founder voting Member will hold all of the voting power of the Company, and will control the management and policies of the Company without input from investors.

The Subscription Agreement has a forum selection provision that requires disputes be resolved in state or federal courts in the State of Texas, regardless of convenience or cost to you, the investor.

As part of this investment, each investor will be required to agree to the terms of the Subscription Agreement. In the agreement, investors agree to resolve disputes arising under the subscription agreement in state or federal courts located in the State of Texas, for the purpose of any suit, action or other proceeding arising out of or based upon the agreement. Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. The Company believes that the exclusive forum provision applies to claims arising under the Securities Act, but there is uncertainty as to whether a court would enforce such a provision in this context. Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. As a result, the exclusive forum provision will not apply to suits brought to enforce any duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. You will not be deemed to have waived the Company's compliance with the federal securities laws and the rules and regulations thereunder. This forum selection provision may limit your ability to obtain a favorable judicial forum for disputes with us. Although we believe the provision benefits us by providing increased consistency in the application of Texas law in the types of lawsuits to which it applies and in limiting our litigation costs, to the extent it is enforceable, the forum selection provision may limit investors' ability to bring claims in judicial forums that they find favorable to such disputes, may increase investors' costs of bringing suit and may discourage lawsuits with respect to such claims. Alternatively, if a court were to find the provision inapplicable to, or unenforceable in an action, the Company may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect its business, financial condition or results of operations.

Investors in this offering may not be entitled to a jury trial with respect to claims arising under the Subscription Agreement, which could result in less favorable outcomes to the plaintiff(s) in any action under the agreement.

Investors in this offering will be bound by the Subscription Agreement, which includes a provision under which investors waive the right to a jury trial of any claim they may have against the Company arising out of or relating to the Agreement, including any claims made under the federal securities laws. By signing the Agreement, the investor warrants that the investor has reviewed this waiver with his or her legal counsel, and knowingly and voluntarily waives the investor's jury trial rights following consultation with the investor's legal counsel.

If the Company opposed a jury trial demand based on the waiver, a court would determine whether the waiver was enforceable based on the facts and circumstances of that case in accordance with the applicable state and federal law. To the Company's knowledge, the enforceability of a contractual pre-dispute jury trial waiver in connection with claims arising under the federal securities laws has not been finally adjudicated by a federal court. However, the Company believes that a contractual pre-dispute jury trial waiver provision is generally enforceable, including under the laws of the State of Texas, which governs the Agreement, by a federal or state court in the State of Texas. In determining whether to enforce a contractual pre-dispute jury trial waiver provision, courts will generally consider whether the visibility of the jury trial waiver provision within an agreement is sufficiently prominent such that a party knowingly, intelligently, and voluntarily waived the right to a jury trial. The Company believes that this is the case with respect to the Subscription Agreement. You should consult legal counsel regarding the jury waiver provision before entering into the Subscription Agreement.

If you bring a claim against the Company in connection with matters arising under the agreement, including claims under the federal securities laws, you may not be entitled to a jury trial with respect to those claims, which may have the effect of limiting and discouraging lawsuits against the Company. If a lawsuit is brought against the Company under the Agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different outcomes than a trial by jury would have had, including results that could be less favorable to the plaintiff(s) in such an action.

Nevertheless, if the jury trial waiver provision is not permitted by applicable law, an action could proceed under the terms of the Agreement with a jury trial. No condition, stipulation or provision of the Subscription Agreement serves as a waiver by any holder of the Company's securities or by the Company of compliance with any substantive provision of the federal securities laws and the rules and regulations promulgated under those laws.

In addition, when the Units are transferred, the transferee is required to agree to all the same conditions, obligations, and restrictions applicable to the Units or to the transferor with regard to ownership of the Units, that were in effect immediately prior to the transfer of the Units, including but not limited to the Subscription Agreement.

There has been no representation of investors in the preparation of this offering.

No independent opinion on behalf of prospective investors regarding the fairness of terms on which the Non-Voting Units are offered hereby has been obtained by KingCo. Prospective investors will be relying on the disclosures set forth in this Memorandum and the additional

materials it refers to directly and, on the business, and investment background and experience of themselves and any advisors engaged by them as the basis for an investment decision by them. See "Additional Materials."

Prolonged economic downturn, particularly in light of the COVID-19 pandemic, supply chain issues or the war in Iran, the Middle East, and Eastern Europe, could adversely affect our business.

Uncertain global economic conditions, in particular in light of the COVID-19 pandemic, supply chain issues and the war in Iran, the Middle East, and Eastern Europe could adversely affect our business. Negative global and national economic trends, such as decreased consumer and business spending, high unemployment levels and declining consumer and business confidence, pose challenges to our business and could result in declining revenues, profitability and cash flow. Particularly, worsening economic conditions in our target markets could lead to merchants lowering their budgets and decreasing ability and demand to purchase our payment solutions.

Unfavorable general economic conditions may materially adversely affect our business.

While it is difficult for us to predict the impact of general economic conditions on our business, these conditions could reduce customer demand for some of our products or services which could cause our revenue to decline. Also, our customers that are especially reliant on the credit and capital markets being liquid, retail investors having investment capital and other factors which could affect their ability to host successful capital raises and continue as a going concern. Moreover, we rely on obtaining additional capital and/or additional funding to provide working capital to support our operations. We regularly evaluate alternative financing sources. Further changes in the commercial capital markets or in the financial stability of our investors and creditors may impact the ability of our investors and creditors to provide additional financing. For these reasons, among others, if the economic conditions stagnate or decline, our operating results and financial condition could be adversely affected.

For all of the foregoing reasons and others set forth herein, an investment in these securities involves a high degree of risk. Any person considering an investment in the securities offered hereby should be aware of these and other risk factors set forth in this Memorandum.

GOVERNMENT REGULATIONS

Our Permits

We have obtained numerous federal, state and local permits required for operations. Operations are predominantly regulated by the Texas Commission for Environmental Quality with respect to environmental compliance. We have MSHA Mining Permits, a Red Diesel permit, and a county sand sales permit. A Spill Prevention, Control, and Countermeasure plan is also active at our location.

While resources invested in securing permits are significant, this cost has not had a material adverse effect on our results of operations or financial condition. We cannot be certain that existing

environmental laws and regulations will not be reinterpreted or revised or that new environmental laws and regulations will not be adopted or become applicable to us. Revised or additional environmental requirements that result in increased compliance costs or additional operating restrictions could have a material adverse effect on our business.

Environmental and Occupational Health and Safety Regulations

We are subject to stringent and complex federal, state and local laws and regulations governing the discharge of materials into the environment or otherwise relating to protection of worker health, safety and the environment and natural resources (including threatened and endangered species). Compliance with these laws and regulations may expose us to significant costs and liabilities and cause us to incur significant capital expenditures in our operations. Any failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, imposition of remedial obligations and the issuance of injunctions delaying or prohibiting operations. Certain environmental laws may impose strict, joint and several liability for remediation costs. Private parties may also have the right to pursue legal actions to enforce compliance as well as to seek damages for non-compliance with environmental laws and regulations or for personal injury or property damage. In addition, the trend in environmental regulation has been to place more restrictions on activities that may affect the environment, and thus, any changes in, or more stringent enforcement of, these laws and regulations that result in more stringent and costly pollution control equipment, the occurrence of delays in the permitting or performance of projects, or waste handling, storage, transport, disposal or remediation requirements could have an adverse effect on our operations and financial position.

We do not believe that compliance by us and our customers with federal, state or local environmental laws and regulations will have an adverse effect on our business, financial position or results of operations or cash flows. We cannot assure you, however, that future events, such as changes in existing laws or enforcement policies, the enactment or promulgation of new laws or regulations or the development or discovery of new facts or conditions adverse to our operations will not cause us to incur significant costs. The following is a discussion of material environmental and worker health and safety laws, as amended from time to time, that relate to our operations or those of our customers that could have an adverse effect on our business.

Worker & Community Health and Safety. We are subject to the requirements of the federal Occupational Safety and Health Administration ("OSHA"), the federal Mine Safety and Health Administration, and comparable state statutes that regulate the protection of the health and safety of workers. In addition, the OSHA hazard communication standard requires that information be maintained about hazardous materials used or produced in operations and that this information be provided to employees, state and local government authorities and the public. Similar obligations related to community safety are codified in the Emergency Planning & Community Right to Know Act, as authorized by the Superfund Amendments and Reauthorization Act. These laws and regulations are subject to frequent changes and any failure to comply with these laws could lead to the assertion of third-party claims against us, civil or criminal fines and changes in the way we operate our facilities, which one or more events could have an adverse effect on our financial position. We have an internal program of inspection designed to monitor and enforce compliance with worker safety requirements. Historically, our worker and community health and safety compliance costs have not had an adverse effect on our results of operations.

Air Emissions. Our operations and the operations of our customers are subject to the federal Clean Air Act ("CAA") and related state and local laws, which restrict the emission of air pollutants and impose permitting, monitoring and reporting requirements on various sources. These regulatory programs may require preconstruction permitting, best available control technology analysis, the installation of emissions abatement equipment, modification of operational practices and obtaining permits or similar authorizations for our operations. Obtaining air emissions permits has the potential to delay the development or continued performance of our operations. Over the next several years, we may be required to incur certain capital expenditures for air pollution control equipment or to address air emissions-related issues as we expand our facilities or develop new ones. Changing and increasingly stricter requirements, future non-compliance or failure to maintain necessary permits or other authorizations could require us to incur substantial costs or suspend or terminate our operations. We could be subject to administrative, civil and criminal penalties as well as injunctive relief for noncompliance with air permits or other requirements of the CAA and comparable state laws and regulations.

Climate Change. In the United States, no comprehensive climate change legislation has been implemented at the federal level. However, following the U.S. Supreme Court finding that emissions of greenhouse gases ("GHGs") constitute a pollutant under the CAA, the EPA has adopted regulations that, among other things, establish construction and operating permit reviews for emissions from certain large stationary sources, require the monitoring and annual reporting of GHG emissions from certain petroleum and natural gas system sources in the United States, and together with the Department of Transportation (the "DOT"), implement GHG emissions limits on vehicles manufactured for operation in the United States. However, on January 20, 2025, President Trump signed an Executive Order directing the EPA to reconsider the legality of its GHG "endangerment finding," which provides the basis for EPA's authority to regulate GHG emissions. We cannot predict when or whether the EPA will act regarding this finding, or the ultimate impacts on our business. Further, while the Inflation Reduction Act of 2022 ("IRA") appropriated significant federal funding for renewable energy initiatives and, for the first time ever, imposed a fee on GHG emissions from certain facilities, and the EPA has issued a final rule in November 2024 implementing the fee, although the future of this rule is uncertain at this time. The Trump administration may also seek to challenge, repeal, or revise the emissions fee or seek to have Congress modify or repeal the IRA or certain provisions thereof; however, we cannot predict when or whether the new administration may take these actions, if at all, or the resulting impact on our business operations. Additionally, several U.S. states including California and New York, either individually or in regional collaboration, have adopted or are considering adopting legislation, policies, or regulatory initiatives focused on GHG emissions reductions, including cap and trade programs, carbon taxes, performance standards, and reporting and monitoring programs. Internationally, the United Nations-sponsored Paris Agreement ("Paris Agreement") requires member states to individually determine and submit non-binding emissions reduction targets every five years after 2020. On January 20, 2025, President Trump signed an Executive Order once again withdrawing the United States from the Paris Agreement. While the international community continues to gather annually to develop and negotiate international climate initiatives, pledges, and frameworks, the United States' participation in future United Nations climate-related conferences and initiatives and the impacts of these orders, pledges, agreements and any legislation or regulation promulgated to fulfill the United States' commitments under the Paris Agreement or other international agreements cannot be predicted at this time.

Emerging climate-change focused legislation and regulation, policy directives, and related initiatives have the potential to increase our and our customers' operating costs and reduce demand for our customers' products and thereby our services. Further, any limitations or restrictions on the development of fossil fuel-specific infrastructure and our customers' ability to access capital, develop their assets, and market their products may adversely affect our business and results of operations. For more information on applicable climate change-related regulatory matters, developments and risks affecting our business, please see our "Risk Factors—Risks Related to Environmental, Mining and Other Regulations." and "Risks Related to Our Business and Operations."

Water Discharges. The federal Clean Water Act ("CWA") and analogous state laws impose restrictions and strict controls with respect to the discharge of pollutants, including spills and leaks of oil and other substances, into waters of the United States. The discharge of pollutants into regulated waters, including jurisdictional wetlands, is prohibited, except in accordance with the terms of a permit issued by the EPA or an analogous state agency. The CWA also prohibits the discharge of dredge and fill material in regulated waters, including wetlands, unless authorized by a permit issued by the U.S. Army Corps of Engineers (the "Corps"). Federal and state regulatory agencies can impose administrative, civil and criminal penalties, as well as require remedial or mitigation measures, for non-compliance with discharge permits or other requirements of the CWA and analogous state laws and regulations. In the event of an unauthorized discharge of wastes, we may be liable for penalties and costs.

The scope of waters subject to federal jurisdiction has been subject to substantial controversy, with the Corps and EPA pursuing several rulemakings since 2015 to attempt to define the scope of Waters of the United States ("WOTUS"). Most recently, EPA issued a WOTUS rule in September 2023 that is currently only implemented in 24 states due to ongoing litigation. Thus, the operative definition of WOTUS varies by state. At this time, we cannot predict what action, if any, the Trump administration may take to clarify the definition of WOTUS and the scope of the CWA. To the extent the implementation of the final rule, results of the litigation or any action further expands the scope of the CWA's jurisdiction in areas where we operate, we could face increased costs and delays with respect to obtaining permits for dredge and fill activities in wetland areas.

Additionally, the process for obtaining permits has the potential to delay our operations. Spill prevention, control and countermeasure requirements of federal laws require appropriate containment berms and similar structures to help prevent the contamination of navigable waters by a petroleum hydrocarbon tank spill, rupture or leak. In addition, the CWA and analogous state laws require individual permits or coverage under general permits for discharges of storm water runoff from certain types of facilities. Federal and state regulatory agencies can impose administrative, civil and criminal penalties as well as other enforcement mechanisms for non-compliance with discharge permits or other requirements of the CWA and analogous state laws and regulations. The CWA and analogous state laws provide for administrative, civil and criminal penalties for unauthorized discharges and impose rigorous requirements for spill prevention and response planning, as well as substantial potential liability for the costs of removal, remediation, and damages in connection with any unauthorized discharges.

Hydraulic Fracturing. We supply proppant to the oil and natural gas industry. Hydraulic fracturing is an important common practice that is used to stimulate production of oil and natural gas from low permeability hydrocarbon bearing subsurface rock formations. The hydraulic fracturing process involves

the injection of water, proppant and chemicals under pressure into the formation to fracture the surrounding rock, increase permeability and stimulate production. Although we do not directly engage in hydraulic fracturing activities, our customers purchase our proppant for use in their hydraulic fracturing activities. Hydraulic fracturing is typically regulated by state oil and natural gas commissions and similar agencies; however, the EPA has asserted jurisdiction over hydraulic fracturing activities in some circumstances under the Safe Drinking Water Act. Some states have adopted, and other states are considering adopting, regulations that could impose new or more stringent permitting, disclosure or well construction requirements on hydraulic fracturing operations. State and federal regulatory agencies have also recently focused on a possible connection between the operation of injection wells used for oil and natural gas waste disposal and seismic activity. Similar concerns have been raised that hydraulic fracturing may also contribute to seismic activity. Aside from state laws, local land use restrictions may restrict drilling in general or hydraulic fracturing in particular. Municipalities may adopt local ordinances attempting to prohibit hydraulic fracturing altogether or, at a minimum, allow such fracturing processes within their jurisdictions to proceed but regulating the time, place and manner of those processes. At the same time, certain environmental groups have suggested that additional laws may be needed to more closely and uniformly limit or otherwise regulate the hydraulic fracturing process, and legislation has been proposed by some members of Congress to provide for such regulation.

The adoption of new laws or regulations at the federal or state levels imposing reporting obligations on, or otherwise limiting or delaying, the hydraulic fracturing process could make it more difficult to complete natural gas wells, increase our customers' costs of compliance and doing business and otherwise adversely affect the hydraulic fracturing services they perform, which could negatively impact demand for our proppant. In addition, heightened political, regulatory and public scrutiny of hydraulic fracturing practices could expose us or our customers to increased legal and regulatory proceedings, which could be time-consuming, costly or result in substantial legal liability or significant reputational harm. We could be directly affected by adverse litigation involving us, or indirectly affected if the cost of compliance limits the ability of our customers to operate. Such costs and scrutiny could directly or indirectly, through reduced demand for our proppant, have an adverse effect on our business, financial condition and results of operations.

Non-Hazardous and Hazardous Wastes. The Resource Conservation and Recovery Act ("RCRA") and comparable state laws control the management and disposal of hazardous and non-hazardous waste. These laws and regulations govern the generation, storage, treatment, transfer and disposal of wastes that we generate. In the course of our operations, we generate waste that are regulated as non-hazardous wastes and hazardous wastes, obligating us to comply with applicable standards relating to the management and disposal of such wastes. In addition, drilling fluids, produced waters and most of the other wastes associated with the exploration, development and production of oil or natural gas, if properly handled, are currently exempt from regulation as hazardous waste under RCRA and, instead, are regulated under RCRA's less stringent non-hazardous waste provisions, state laws or other federal laws. However, it is possible that certain oil and natural gas drilling and production wastes now classified as non-hazardous could be classified as hazardous wastes in the future. A loss of the RCRA exclusion for drilling fluids, produced waters and related wastes could result in an increase in our customers' costs to manage and dispose of generated wastes and a corresponding decrease in their drilling operations, which developments could have an adverse effect on our business.

Site Remediation. The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") and comparable state laws impose strict, joint and several liability on certain classes of persons that contributed to the release of a hazardous substance into the environment without regard to fault or the legality of the original conduct. These persons include the owner and operator of a disposal site where a hazardous substance release occurred and any company that transported, disposed of or arranged for the transport or disposal of hazardous substances released at the site. Under CERCLA, such persons may be liable for the costs of remediating the hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies. In addition, where contamination may be present, it is not uncommon for the neighboring landowners and other third parties to file claims for personal injury, property damage and recovery of response costs. We have not received notification that we may be potentially responsible for cleanup costs under CERCLA at our site.

Endangered Species. The Endangered Species Act restricts activities that may affect endangered or threatened species or their habitats. Similar protections are offered to migratory birds under the Migratory Bird Treaty Act ("MBTA") and analogous state laws. Compliance with these laws may require the implementation of avoidance or mitigation measures or time and place restrictions on certain operations during migration or breeding seasons. The listing of new species as endangered or threatened and the designation of such species' habitat as critical under the ESA or related laws in areas where we or our customers operate, we or our customers may incur increased costs arising from required species protection measures or experience operational delays or limitations, either of which could adversely affect our and our customers operations or reduce demand for our services. For more information regarding risks associated with compliance with endangered species laws and regulations, including discussion of certain risks related to the dunes sagebrush lizard and lesser prairie chicken, please see our "Risk Factors—Risks Related to Environmental, Mining and Other Regulations."

Mining and Workplace Safety. Our proppant production operations are subject to mining safety regulation. Mine Safety and Health Administration ("MSHA") is the primary regulatory organization governing proppant mining and processing. Accordingly, MSHA regulates quarries, surface mines, underground mines and the industrial mineral processing facilities associated with and located at quarries and mines. The mission of MSHA is to administer the provisions of the Federal Mine Safety and Health Act of 1977 and to enforce compliance with mandatory miner safety and health standards. As part of MSHA's oversight, representatives perform at least two unannounced inspections annually for each above-ground facility. Failure to comply with MSHA's regulations could result in the imposition of civil or criminal penalties and fines.

In addition, our operations are subject to a number of federal and state laws and regulations, including the OSHA and comparable state statutes, whose purpose is to protect the health and safety of workers. Also, the OSHA hazard communication standard, the EPA community right-to-know regulations under Title III of the federal Superfund Amendment and Reauthorization Act and comparable state statutes require that information be maintained concerning hazardous materials used or produced in operations and that this information be provided to employees, state and local government authorities and citizens. Violations of OSHA can result in OSHA civil and criminal enforcement. Moreover, the inhalation of respirable crystalline silica is associated with the lung disease silicosis. There is recent evidence of an association between crystalline silica exposure or silicosis and lung cancer and a possible association with other diseases, including immune system disorders such as

scleroderma. These health risks have been, and may continue to be, a significant issue confronting the silica industry. In response to these potential concerns, OSHA promulgated a new rule seeking to lower work exposure to crystalline silica. The rule became effective for general industry in 2018. In June 2022, MSHA launched a new enforcement initiative to better protect U.S. miners from health hazards resulting from repeated overexposure to respirable crystalline silica, and in April 2024, MSHA issued a final rule designed to reduce miner exposures to respirable crystalline silica, including by lowering the permissible exposure limit and establishing an action level for all miners. For more information, please see our "Risk Factors—Risks Related to Environmental, Mining and Other Regulations."

In addition, concerns over silicosis and other potential adverse health effects, as well as concerns regarding potential liability from the use of silica, may have the effect of discouraging our customers' use of our silica products and discouraging our insurers from risk. The actual or perceived health risks of mining, processing and handling silica could adversely affect silica producers, including us, through reduced use of silica products, the threat of product liability or employee lawsuits, increased scrutiny by federal, state and local regulatory authorities of us and our customers or reduced financing sources available to the silica industry.

Environmental Reviews. If permits or other authorizations from the federal government are required, our future operations may be subject to broad environmental review under the National Environmental Policy Act, as amended ("NEPA"). NEPA requires federal agencies to evaluate the environmental impact of all "major federal actions" significantly affecting the quality of the human environment. The granting of a federal permit for a major development project, such as a proppant production operations, may be considered a "major federal action" that requires review under NEPA. As part of this evaluation, the federal agency considers a broad array of environmental impacts, including, among other things, impacts on air quality, water quality, wildlife (including threatened and endangered species), historic and archeological resources, geology, socioeconomics and aesthetics. NEPA also requires the consideration of alternatives to the project. The NEPA review process, especially the preparation of a full environmental impact statement, can be time consuming and expensive. The purpose of the NEPA review process is to inform federal agencies' decision-making on whether federal approval should be granted for a project and to provide the public with an opportunity to comment on the environmental impacts of a proposed project. Though NEPA requires only that an environmental evaluation be conducted and does not mandate a particular result, a federal agency could decide to deny a permit or impose certain conditions on its approval, based on its environmental review under NEPA, or a third party could challenge the adequacy of a NEPA review and thereby delay the issuance of a federal permit or approval, which could have an adverse effect on our business. For more information, please see "Risk Factors—Risks Related to Environmental, Mining and Other Regulations."

State and Local Regulation

We are subject to a variety of state and local environmental review and permitting requirements. In some cases, the state environmental review may be more stringent than the federal review. Our operations may require state-law based permits in addition to federal permits, requiring state agencies to consider a range of issues, many the same as federal agencies, including, among other things, a project's impact on wildlife and their habitats, historic and archaeological sites, aesthetics, agricultural operations and scenic areas. The development of new sites and our existing operations also are subject to a variety

of local environmental and regulatory requirements, including land use, zoning, building and transportation requirements.

Demand for proppant in the oil and natural gas industry drove a significant increase in the production of proppant. As a result, some local communities expressed concern regarding silica sand mining operations. These concerns have generally included exposure to ambient silica sand dust, truck traffic, water usage and blasting. In response, certain state and local communities have developed or are in the process of developing regulations or zoning restrictions intended to minimize dust from becoming airborne, control the flow of truck traffic, significantly curtail the amount of practicable area for proppant production activities, provide compensation to local residents for potential impacts of proppant production activities and, in some cases, ban issuance of new permits for proppant production activities. To date, we have not experienced any material impact to the development of our proppant production facilities and do not anticipate an impact on future operations as a result of these types of concerns. We would expect this trend to continue as oil and natural gas production increases.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain material United States federal income tax considerations that may be applicable to an investment in the Company. This summary is based on existing provisions of the Code, existing and proposed Treasury regulations promulgated under the Code ("Treasury Regulations"), and current administrative rulings and court decisions, all of which are subject to changes that could be applied retroactively.

This summary does not contain a comprehensive discussion of all U.S. federal income tax consequences that may be relevant to a prospective Investor in view of that prospective Investor's particular circumstances or (unless otherwise indicated) to certain prospective Investors subject to special treatment under U.S. federal income tax laws – such as regulated investment companies, real estate investment trusts, partnerships or entities treated as partnerships for U.S. federal income tax purposes and investors therein, S corporations or other pass-through entities, personal holding companies, brokers or dealers in securities, banks and certain other financial institutions, tax-exempt organizations, persons holding Non-Voting Units as part of a hedging transaction, straddle, conversion transaction, or other integrated transaction, foreign governments (or certain entities controlled by foreign governments), Non-U.S. Investors (as defined below), trusts and insurance companies – nor does it address any state, estate, local, foreign or other tax consequences of an investment in the Company, except as otherwise provided herein.

No ruling has been requested from the IRS or any other U.S. federal, state or local agency with respect to the matters discussed below and the Manager has not asked its counsel to render any legal opinions regarding any of the matters discussed below. This summary does not in any way either bind the IRS or the courts or constitute an assurance that the IRS would not assert, or that it would not sustain, a position contrary to any of the U.S. federal income tax consequences discussed herein.

On December 22, 2017, President Trump signed into a law a broad-based reform of the Code (such reform, the "Tax Act"). There are significant uncertainties regarding the

interpretation and application of the Tax Act. Additional guidance on the Tax Act is expected; however, the timing, form, scope and content of such guidance are not known. The Tax Act is generally effective as of January 1, 2018, but each provision's effective date may vary, including because certain provisions apply based on a taxpayer's taxable year which may not be the same as the calendar year. Other than as expressly noted below, this summary does not address the effective dates of the provisions of the Tax Act. Investors, including those whose taxable year differs from the calendar year, should consult their tax advisors regarding the applicability of the Tax Act based on their particular situations. The Tax Act expires in 2025, but the following discussion assumes that Congress will extend its provisions without material changes.

As used herein, the term "U.S. Investor" means a beneficial owner of Non-Voting Units who or that is, for U.S. federal income tax purposes, (i) a citizen or resident (within the meaning of Code §7701(b)) of the United States, (ii) a corporation or other entity treated as such for U.S. federal income tax purposes created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust if a U.S. court is able to exercise primary supervision over its administration, and one or more U.S. trustees or fiduciaries have the authority to control all of its substantial decisions. A "Non-U.S. Investor" means a beneficial owner of Non-Voting Units who or that is not a U.S. Investor. If a partnership or entity treated as a partnership for U.S. federal income tax purposes owns Non-Voting Units, the U.S. federal income tax treatment of a partner or other owner of such entity generally will depend on the status of the partner or other owner and the activities of the partnership.

This summary is based on the assumptions that (i) each Holder of Non-Voting Units (and each of its beneficial owners, as prescribed under U.S. federal income tax withholding and backup withholding rules) will provide all appropriate certifications to the Company in a timely fashion to minimize withholding (or backup withholding) on each Holder of Non-Voting Units' distributive share of the Company's gross income and (ii) the Holder of Non-Voting Units will hold their Non-Voting Units as capital assets for U.S. federal income tax purposes.

The following summary of certain U.S. federal tax considerations is not intended as a substitute for tax or legal advice. Except where otherwise indicated, this discussion is addressed solely to prospective Investors who are or would be U.S. Investors. Accordingly, prospective Investors should consult with their own tax advisors with regard to the application of the United States federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or foreign jurisdiction.

Classification as a Partnership

The Company was formed as a Texas limited liability company, and accordingly, pursuant to applicable U.S. Treasury Regulations, the Company will be treated as a partnership, rather than a corporation, for U.S. federal income tax purposes unless the Company affirmatively elects to be treated as a corporation for such purposes. The Manager has no intention of making such an election on behalf of the Company and does not anticipate any circumstances under which such an election would be made on behalf of the Company. In certain cases under Code §7704, a partnership that is classified as a publicly traded partnership (a "PTP,") the interests of

which are either publicly traded on an established securities market or readily tradable on a secondary market (or the substantial equivalent thereof), may be taxed as a corporation for U.S. federal income tax purposes. Under Treasury Regulation §1.7704-1(d), interests in a partnership are not considered traded on an established securities market or readily tradable on a secondary market unless the partnership participates in the establishment of the market or the inclusion of its interests in a market, or the partnership recognizes any transfers made on the market by redeeming the transferor partner, admitting the transferee as a partner, or otherwise recognizing any rights of the transferee.

We will not list any Non-Voting Units on any stock exchange. The Treasury Regulations provide certain safe harbors that, if satisfied, will allow transfers to occur that will not result in the Non-Voting Units being treated as publicly-traded or treated as readily tradable on a secondary market or the substantial equivalent. The safe harbors include transfers:

- in "private" transfers;
- pursuant to a qualified matching service ("QMS"); or
- in limited amounts that satisfy a 2% test.

"Private" transfers include, among others:

- transfers in which the basis of the partnership interest in the transferee is determined, in whole or in part, by reference to its basis in the hands of the transferor or is determined under Code §732, related to distributions from a partnership;
- transfers at death, including transfers from an estate or testamentary trust;
- transfers between members of a family as defined in Code §267(c)(4);
- transfers from retirement plans qualified under Code §401(a) or an IRA; and
- "block transfers." A block transfer is a transfer by a Holder of Non-Voting Units and any related persons as defined in the Code in one or more transactions during any 30 calendar day period of Non-Voting Units that in the aggregate represents more than 2% of the total interests in partnership capital or profits.

Transfers through a QMS are also disregarded in determining whether Non-Voting Units are readily tradable. A matching service is qualified only if it meets extensive conditions and limitations. We do not have any plan to utilize a QMS at this time.

In addition, interests are not treated as readily tradable if the sum of the percentage of the interests transferred during the entity's tax year, excluding private transfers, does not exceed 2% of the total interests in partnership capital or profits. The Operating Agreement provides that Holder of Non-Voting Units must receive the consent of the Manager prior to any transfer of Non-Voting Units, and one of the conditions to approval is that the transfer will not cause it to be treated as a PTP. Thus, we should not be treated as a PTP.

If we are classified as an association taxable as a corporation instead of as a partnership, for any year, we would be subject to U.S. federal income tax on our taxable income at rates applicable to corporations and any applicable state and local taxes; distributions to Holder of Non-Voting Units would be taxable as dividends to the Holder of Non-Voting Units to the extent

of our current and accumulated earnings and profits and would not be deductible by us; and our deductions, if any, would be allowed only by the Company, rather than being passed through to Holder of Non-Voting Units.

The remainder of this discussion of "Certain Tax, ERISA & Regulatory Matters" assumes that we will be classified as a partnership, and not as a corporation, for U.S. federal income tax purposes. Thus, the following rules applicable to partnerships and their partners will apply to us and our Holder of Non-Voting Units unless otherwise indicated.

Taxable U.S. Investors

Allocations of Income, Gains, Losses, Deductions & Credits. For U.S. federal income tax purposes, a partnership is not a taxable entity but rather a conduit through which items of income, gain, loss, deduction and credit are passed and its partners must report. Thus, each U.S. Investor will be required to report on its federal income tax return its allocable share of items of income, gain, loss, deduction or credit realized by us. Because portions of our available cash will be used to fund certain expenses and may be used to repay borrowings for which we are liable, such funds may not be available for distribution to U.S. Investors. Consequently, a U.S. Investor may be allocated income from us in a particular year yet may not receive a cash distribution in respect of such income, and would have to find an alternate source of funds to pay its taxes on such amount. Taxable income or loss allocated to Holder of Non-Voting Units from us will retain the same character, as capital gain or loss, or ordinary income or loss, for the Holder of Non-Voting Units as determined at the Company level. Such income will be capital gain or loss to the extent that it arises from the sale of capital assets.

Code §704(b) and the Treasury Regulations thereunder provide that a partner's distributive share of income, gain, loss, deduction or credit will be controlled by the partnership agreement if the allocation provided for in the partnership agreement has "substantial economic effect." If the allocation provided for in the partnership agreement does not have substantial economic effect, then a partner's distributive share must be allocated in accordance with each partner's interest in the partnership, which will be determined by taking into account all the facts and circumstances, such as a partner's interest in profits and losses, relative share of capital contributed, interest in cash flow and right to distributions upon liquidation.

Treasury Regulations promulgated under Code §704(b) provide certain guidelines which, if satisfied by the Company, will result in the allocation of profits and losses being deemed to have substantial economic effect. If the IRS were to contend successfully that the allocation of profits and losses under the terms of the Operating Agreement was not in accordance with such guidelines, then each Holder of Non-Voting Units' share of the income, gain, losses, deductions or credits from us would be determined in accordance with his, her or its interest in the Company, taking into account all the facts and circumstances, including those discussed above.

Qualified Business Income. Under current law, and subject to certain restrictions, individuals (or entities treated as individuals), trusts and estates will generally be entitled to deduct 20% of their "qualified business income" for a taxable year. Qualified business income includes, for these purposes, income and gain from certain qualified trades or businesses, but

does not include investment-related income such as net capital gain, dividend or interest income. For taxpayers whose income exceeds certain threshold amounts: (i) the deduction is subject to various limitations, including limitations based on the wages paid with respect to, and the adjusted tax basis of property held by, a qualified trade or business, and (ii) the deduction is not available with respect to income from certain service businesses. A portion of a Holder of Non-Voting Units' allocable share of income or gain from the Company may constitute qualified business income, in which case it generally will be eligible for the deduction described above. There can be no assurance that any portion of a Holder of Non-Voting Units' allocable share of income or gain from the Company will constitute qualified business income. Prospective investors that are individuals, trusts or estates should consult their tax advisors as to whether they are eligible to deduct a portion of any income allocated to them for U.S. federal income tax purposes by the Company.

Tax Basis in a Non-Voting Unit. A U.S. Investor's tax basis in a Non-Voting Unit initially will equal the amount paid to acquire such Non-Voting Unit. It will be increased by (i) any subsequent cash contributions the U.S. Investor makes to the Company, (ii) the U.S. Investor's distributive share of our taxable income, (iii) the U.S. Investor's distributive share of our tax-exempt income, and (iv) any increase in the U.S. Investor's share of our liabilities. It will be decreased (but not below zero) by (i) actual distributions we make to the U.S. Investor, (ii) the U.S. Investor's distributive share of our losses (even if such losses are deferred as described below), (iii) the U.S. Investor's distributive share of our non-deductible expenses that are not properly chargeable to a capital account and (iv) a decrease in the U.S. Investor's share of our liabilities.

Basis & At Risk Limitations on Deductions. U.S. Investors' ability to deduct their share of deductions and losses will be limited to their adjusted tax basis in their Non-Voting Units, or in the case of a U.S. Investor that is an individual or a corporation (if more than 20% of the value of such corporation's stock is owned directly or indirectly by five or fewer individuals or certain tax-exempt organizations), to the amount that the U.S. Investor is considered to be "at risk" with respect to our activities, if that is less than the U.S. Investor's adjusted tax basis. A U.S. Investor must recapture losses deducted in previous years to the extent that our distributions cause the U.S. Investor's at risk amount to be less than zero at the end of any taxable year. Losses disallowed to a U.S. Investor or recaptured because of these limitations will carry forward and will be allowable to the extent that the U.S. Investor's tax basis or at risk amount (whichever is the limiting factor) is increased above zero.

In general, each U.S. Investor will be at risk to the extent of the purchase price of its Non-Voting Units, but this will be less than the U.S. Investor's tax basis in its Non-Voting Units to the extent of the U.S. Investor's share of any of our nonrecourse liabilities (other than certain "qualified nonrecourse financing"). A U.S. Investor's at-risk amount will increase or decrease as the adjusted tax basis of the U.S. Investor's Non-Voting Units increase or decrease except that changes in our nonrecourse liabilities (other than with respect to certain "qualified nonrecourse financing") will not increase or decrease the U.S. Investor's at-risk amount.

Miscellaneous Itemized Deductions. The Company is expected to be deemed an investor (as opposed to a trader) in securities and other assets. Assuming the Company is deemed to be an

investor, the management fee payable by the Company, together with certain other Company expenses, will be treated as miscellaneous itemized deductions of the Company for U.S. federal income tax purposes. Under current law, individual taxpayers and certain trusts or estates are not permitted to deduct expenses that would be treated as miscellaneous itemized deductions. If the Company is deemed to be a trader in securities and other assets, the above limitations generally will not apply.

Investment Interest Expense Deductions. To the extent that we have interest expense, a non-corporate U.S. Investor may be subject to the "investment interest" limitations of Code §163(d). Investment interest includes interest paid or accrued on indebtedness incurred or continued to purchase or carry property held for investment, and short sale expenses. Investment interest is not deductible in the current taxable year to the extent it exceeds a taxpayer's "net investment income," consisting of net gain and ordinary income from investments in the current year. For the purposes of this limitation, net long-term capital gains are generally excluded from the computation of investment income, unless the taxpayer elects to pay tax on such gains at ordinary income tax rates.

If or to the extent that the limitation on investment interest applies, a non-corporate U.S. Investor could be denied a deduction for all or part of its distributive share of our interest expenses unless such U.S. Investor had sufficient investment income from all sources, including the Company. In such case, a U.S. Investor that could not deduct such interest expenses currently as a result of the application of this limitation would be entitled to carry such amounts forward to future years, when the same limitation would again apply. The limitations on the deductibility of investment interest would also apply to interest paid by a U.S. Investor on debt incurred to finance its investment in the Company.

Passive Activity Losses.

The passive activity limitations of Code §469 apply to individuals, trusts, estates, personal service corporations, and certain closely-held C corporations. In general, these rules limit the deductibility of losses from passive activities (which generally include losses attributable to a trade or business carried on as a limited partner) as well as any rental activity or other business activity in which the taxpayer does not materially participate, to the income generated from the taxpayer's other passive activities. In general, a U.S. Investor may realize passive income or loss from our operations. If a U.S. Investor is subject to these rules, such Investor's share of passive losses, if any, from our operations may be used to offset such Investor's net income (and associated tax liability) from other passive activities. Conversely, such Investor may utilize losses, if any, from its other passive activities to offset his or her passive income, if any, from our operations. However, any "excess" passive loss from our operations cannot be utilized to offset the U.S. Investor's income from other sources, such as "active income" (i.e., wages and active trade or business income) or "portfolio income" (i.e., dividend, interest, royalty and annuity income and gains derived from assets producing portfolio income).

If a U.S. Investor's passive losses exceed its passive income, such excess may not be used to offset such Investor's other taxable income and must be carried forward to future years to offset passive income recognized in those years under the same rules or upon the disposition in

full of such passive interest. Therefore, a U.S. Investor will receive no current tax benefit from our losses to the extent that such Investor has no passive activity income from other sources during that tax year.

Portfolio income earned by a taxpayer is treated as non-passive income of the taxpayer and cannot be offset by such taxpayer's passive losses, if any. Consequently, to the extent that we generate portfolio income, each U.S. Investor will have an increased tax liability regardless of the amount of passive losses, if any, realized by the Company from its operations. Please note that certain income (including dividend and royalty income) generated by the Company may constitute portfolio income to U.S. Investors.

The passive activity loss rules are applied after other applicable limitations on deductions such as the tax basis limitation and the at-risk rules described above.

Limitation on Deductibility of Excess Business Losses. Under current law, individuals (or entities treated as individuals), trusts and estates are not permitted to deduct "excess business losses," very generally defined to be aggregate deductions with respect to a taxable year attributable to trades or business of the taxpayer that exceed certain threshold amounts. In the case of partnerships, the limitation is applied at the partner level and each partner must take into account its allocable share of partnership income, gain, deductions and losses from trades or businesses of the partnership for purposes of calculating its excess business loss, if any. The limitation on deductibility of excess business losses is applied after the limitation on passive losses described above. The limitations on deductions of "excess business losses" may limit the deductibility of certain of the Company's losses. Any losses disallowed as a result of this limitation may be carried forward to future years, subject to certain limitations.

Treatment of Distributions. In the event cash distributions made to a U.S. Investor by us exceed such Investor's adjusted tax basis in his, her or its Non-Voting Units, such Investor must recognize gain equal to such excess. Cash distributions in excess of a U.S. Investor's adjusted tax basis generally will be considered gain from the sale or exchange of an interest in the Company, which gain may be treated, at least in part, as capital gain. See the discussion below under the heading "Disposition of a Non-Voting Unit." Please note that any reduction in a U.S. Investor's share of our liabilities will be treated as a cash distribution for federal income tax purposes.

Exclusion from Income of Certain Qualified Small Business Investments. In general, if we sell or exchange "qualified small business stock" that it has held for more than five years, a non-corporate Holder of Non-Voting Units may be entitled to exclude from taxable income 100% of the gain (or 20% of the gain for "qualified small business stock" acquired after December 31, 2013) from such sale or exchange that we allocate to such Holder of Non-Voting Units. This exclusion will apply to gain allocated to the non-corporate Holder of Non-Voting Units in respect of an interest in the Company that he or she held on the date we acquired the "qualified small business stock" and continuously thereafter through the date of our sale or exchange of the "qualified small business stock." Any non-excluded gain would be subject to a 28% tax rate. For each non-corporate Holder of Non-Voting Units, the amount of gain eligible for the 100% or 20% exclusion generally is limited to the greater of (i) 10 times the Holder of Non-Voting Units' proportionate share of our basis in the stock or (ii) a total of $10M with regard to stock in the issuing corporations. For "qualified small business stock," 28% of the 20% exclusion is treated

as a preference item for federal alternative minimum tax purposes. Subject to the limitations described above, qualified gain recognized by an individual Holder of Non-Voting Units who is not subject to the alternative minimum tax would be subject to federal income tax at an effective maximum rate of 14% for "qualified small business stock."

To be treated as small business stock eligible for the above exclusions, stock must have been acquired at original issue from a "qualified small business corporation." In general, a "qualified small business corporation" is a domestic C corporation that, immediately after issuing the stock in question, has $50M or less in gross assets and satisfies certain other requirements. Because several of these requirements must continue to be satisfied after the issuance of qualified small business stock, it is possible that such stock may cease to so qualify due to events occurring after the issue date. If we should sell qualified small business corporation stock at a gain, a Holder of Non-Voting Units that is not a corporation may be eligible for a tax-free rollover of that gain if we or that Holder of Non-Voting Units makes a new investment in another qualified small business corporation within 60 days of that sale.

Disposition of a Non-Voting Unit. Upon the sale of Non-Voting Units, a U.S. Investor will recognize gain or loss equal to the difference between such Investor's "amount realized" and such Investor's adjusted tax basis in their Non-Voting Units. A U.S. Investor's "amount realized" will equal the sum of the cash and fair market value of other property received plus the portion of our nonrecourse liabilities allocated to the Non-Voting Units sold and any Holder of Non-Voting Units recourse liabilities of which the Holder of Non-Voting Units is relieved. If the amount of cash and fair market value of other property received plus the allocable share of our nonrecourse liabilities and Holder of Non-Voting Units recourse liabilities of which the U.S. Investor is relieved exceeds the U.S. Investor's adjusted basis with respect to the Non-Voting Units disposed of, such U.S. Investor will recognize gain equal to such excess. The tax liability resulting from such gain could exceed the amount of cash received upon the disposition of such Non-Voting Units. To the extent that a portion of the gain upon the sale of Non-Voting Units is attributable to a U.S. Investor's share of our "inventory items" and "unrealized receivables," as those terms are defined in Code §751, such portion will be treated as ordinary income. Unrealized receivables include (i) to the extent not previously includable in our income, any rights to pay for services rendered or to be rendered and (ii) amounts that would be subject to recapture as ordinary income if we had sold our assets at their fair market value at the time of the transfer of such Non-Voting Units.

Capital gain or loss recognized by an individual U.S. Investor on the sale or exchange of a Non-Voting Unit held for more than 12 months will be long-term capital gain or loss for United States federal income tax purposes. All other gains will be taxed at ordinary income rates. A U.S. Investor's ability to deduct capital losses may be severely limited.

If a U.S. Investor sells or otherwise disposes of a Non-Voting Unit prior to the end of a taxable year in which we have net income, such Investor will be liable for the income taxes due on its proportionate share of the net income attributable to such Non-Voting Unit for that period ending on the date of disposition, even though the Holder of Non-Voting Units may not have received any cash distributions.

Pursuant to the Tax Act, if any portion of the gain realized by a Holder of Non-Voting Units on a sale or disposition (or deemed sale or disposition, including any deemed disposition resulting from a subsequent closing of the Company) of its interest (or any portion thereof) in the Company would be treated as effectively connected with the conduct of a U.S. trade or business, the Company may be required to withhold taxes from future distributions to a transferee Holder of Non-Voting Units in an amount up to ten percent (10%) of the amount realized by the transferor Holder of Non-Voting Units unless (x) the transferor Holder of Non-Voting Units provides an affidavit of non-foreign status within the meaning of Section 1446 of the Code in connection with such transfer or (y) the transferee withholds and remits a sufficient amount from the purchase price. The IRS has not yet provided any additional guidance regarding the form and content of the affidavit described in clause (x) of the preceding sentence. A U.S. Investor is expected to be required to provide and certify its correct taxpayer identification number, and to provide other relevant certifications regarding its identity and U.S. federal income tax characteristics in order to avoid ten percent (10%) withholding upon the sale, transfer, or other disposition of its interest (or any portion thereof) in the Company, and each Holder of Non-Voting Units will be required to indemnify the Company for any liabilities arising from any tax liability described above.

Timing of Admission. Under the Offering, Members will be joining the Company up until March 31, 2026, unless otherwise dictated by the Manager. The Code provides that if, during a year, there is a change in a partner's interest in a partnership, each partner's distributive share of any item of income, gain, loss, deduction or credit must be determined using any method prescribed by Treasury Regulations which takes into account the varying interests of the partners during the taxable year.

In general, the Treasury Regulations under Code §706 permit the interim closing of our books or the use of a proration method. The proration method may be based on either (i) the portion of our taxable year that elapses prior to the change in interest; or (ii) any other reasonable method. An allocation method that would allow a Holder of Non-Voting Units to be allocated losses attributable to the time prior to its admission would likely be considered unreasonable. The Operating Agreement allows the Manager to use any permissible method under Code §706 and the Treasury Regulations thereunder in allocating tax items for any period, including periods before and after the admission of a new Holder of Non-Voting Units.

Each potential Holder of Non-Voting Units should consult its own tax advisor regarding the application of the varying interest rule to the timing of his, her or its potential investment.

Additional Reporting Obligations. The Company may engage in transactions or make investments that would subject the Company, its Investors and/or its advisors to special rules requiring such transactions or investments by the Company or investments in the Company to be reported and/or otherwise disclosed to the IRS. A transaction may be subject to reporting or disclosure if it is described in any of several categories of transactions, which include, among others, transactions that result in the incurrence of a loss or losses exceeding certain thresholds. In addition, a Holder of Non-Voting Units may have disclosure obligations with respect to its interest in the Company if the Holder of Non-Voting Units (or the Company in certain cases) participates in a reportable transaction. Significant penalties may apply for failure to comply with

these rules. Investors should consult their own tax advisors about their obligation to report or disclose to the IRS information about their investment in the Company and participation in the Company's income, gain, loss or deduction with respect to transactions or investments subject to these rules. The Company may provide to its advisors identifying information about the Company's investors and their participation in the Company and the Company's income, gain, loss or deduction from those transactions or investments, and the Company or its advisors may be required to disclose this information to the IRS.

Tax Returns, Elections & Audits. The Manager will have the authority to decide how to report our partnership items on our tax returns and all Holder of Non-Voting Units are required under Code §6222 to treat the items consistently on their own returns, unless they file a statement with the IRS disclosing the inconsistency. It is possible that the IRS may not agree with the manner in which our partnership items have been reported. The United States federal information tax returns we file will be subject to audit by the IRS, and an audit of our returns could result in an audit of a U.S. Investor's own United States federal income tax return. Under new rules for U.S. federal income tax audits of partnerships such as the Company that will apply to taxable years of a partnership beginning on or after January 1, 2018, adjustments to partnership items will generally be determined at the entity-level, and a partnership may be required to pay taxes (and associated interest and penalties and other charges) imposed as a result of such adjustments. In certain cases, a partnership may be able to elect to have the tax and associated amounts collected at the partner level. In the event of an audit, these new rules, and any elections thereunder, may significantly affect the amount and timing of tax (and associated interest and penalties and other charges) that is required to be borne by the Company and the Holder of Non-Voting Units as well as the manner in which such amounts are allocated among the Holder of Non-Voting Units (including former Holder of Non-Voting Units). A Holder of Non-Voting Units may bear more tax under the new rules than he, she or it would have under the former regime. There is substantial uncertainty regarding the interpretation and implementation of these new rules, including in the tiered partnership context, and the Treasury Department is expected to promulgate Treasury regulations or other guidance that will affect their application. Holder of Non-Voting Units should consult their own tax advisers regarding possible implications of these new rules.

The Code provides for optional adjustments to the basis of our property upon distributions of our property to a U.S. Investor and transfers of Non-Voting Units (including by reason of death), provided that an election has been made pursuant to Code §754. Under the Operating Agreement, the Manager, in its discretion, may cause us to make such an election. Any such election, once made, cannot be revoked without the IRS's consent. Adjustments may be mandatory under certain circumstances and could affect the amount of a U.S. Investor's distributive share of gain or loss recognized by us on a disposition of our assets. The Manager can request from any Holder of Non-Voting Units such information as the Manager deems necessary to enable the Manager to make such mandatory adjustments for the Company.

The Manager, in its capacity as the tax matters partner or partnership representative of the Company, has considerable authority to make decisions affecting the tax treatment and procedure rights of all U.S. Investors, including coordination of any tax proceedings and providing any required notices to U.S. Investors. It also has the authority to bind certain U.S. Investors to

settlement agreements and to extend the statute of limitations relating to all U.S. Investors' tax liabilities with respect to our partnership items.

We will report our operations on an accrual basis for each calendar year and will file a partnership information income tax return, although we will not be subject to any federal income taxes. See "Classification as a Partnership" above. Subject to the receipt of tax information with respect to entities in which we have invested, we generally will provide to its Holder of Non-Voting Units United States tax information on Schedule K-1 within a reasonable time following the close of our taxable year. If we do not receive on a timely basis all of the underlying tax information from our acquisitions, we will be unable to provide timely final tax information to Holder of Non-Voting Units. Each Holder of Non-Voting Units will be responsible for the preparation and filing of such Holder of Non-Voting Units' own income tax returns, and such Holder of Non-Voting Units should expect that they may have to file for extensions for the completion of their United States federal, state and / or other income tax returns.

Surtax on Unearned Income. Code §1411 imposes a 3.8% surtax on the "net investment income" of certain U.S. persons who are citizens and resident aliens, and on the undistributed "net investment income" of certain U.S. estates and trusts. Among other items, "net investment income" generally would include a U.S. Investor's allocable share of the Company's net gains and certain other income such as interest and dividends, less deductions allocable to such income. In addition, "net investment income" may include gain from the sale, exchange or other taxable disposition of an interest in the Company, less certain deductions. Prospective investors should consult their own advisors concerning its potential applicability to their individual circumstances.

Tax-Exempt U.S. Investors

Organizations that are otherwise exempt from United States federal income tax under Code §501 (including ERISA Plans) are subject to tax on their UBTI. UBTI generally is defined as gross income from any unrelated trade or business regularly carried on by a tax-exempt entity less any deductions attributable thereto. An unrelated trade or business consists of any trade or business the conduct of which is not substantially related to the organization's exempt purpose or function. UBTI generally does not include dividends, interest, royalties or capital gains. UBTI also includes unrelated debt-financed income ("UDFI"). UDFI includes income derived from debt-financed property during the taxable year and may include income derived from a sale or other disposition of debt-financed property if there was acquisition indebtedness outstanding with respect to such property during the twelve-month period ending with the date of sale or other disposition. Acquisition indebtedness generally includes any debt incurred directly or indirectly to purchase such property.

If we earn UBTI, a tax-exempt Holder of Non-Voting Units' allocable share of such income generally would be subject to United States federal income tax. We may generate UBTI if certain of our income is deemed to be derived from a trade or business. In addition, because we expect to use acquisition indebtedness to acquire Dealerships, we may generate UBTI from such activities under the UDFI rules. Finally, if a tax-exempt investor borrows to fund its purchase of Non-Voting Units, some or its entire distributive share of income from the Company could be

UBTI under the UDFI rules, which would be taxable to such tax-exempt investor. For taxable years beginning after December 31, 2017, a tax-exempt Holder of Non-Voting Units generally may not use losses or deductions from one unrelated trade or business against income or gains from another unrelated trade or business. Accordingly, in the event that a tax-exempt Holder of Non-Voting Units receives unrelated business taxable losses as a result of its investment in the Company, there can be no assurance that its share of unrelated business taxable losses from one Company investment can be used by it to offset UBTI (if any) from another investment, including another investment made by the Company.

The potential for having income characterized as UBTI may have a significant effect on any investment by a tax- exempt entity in the Company. Prospective Investors that are tax-exempt entities should consult their own tax advisors regarding all aspects of UBTI.

Non-U.S. Investors

This Memorandum does not address the federal, state, local or foreign tax consequences to Non-U.S. Investors. Non-U.S. Investors should consult their own tax advisors.

Other Matters

Possible Changes in Federal Tax Laws. The statutes and regulations with respect to all of the foregoing tax matters are subject to continual change by Congress or the Treasury Department. Similarly, interpretations of these statutes and regulations may be modified or affected by judicial decision, the IRS or the Treasury Department. Any such change may have an effect on the discussion above.

State & Local Taxes. In addition to the federal income tax consequences described above, prospective Holder of Non-Voting Units should consider potential state and local tax consequences of an investment in the Company. State and local laws often differ from U.S. federal income tax laws with respect to the treatment of specific items of income, gain, loss, deduction and credit. We may be subject to state and / or local tax, depending on the location and scope of our activities. In addition, a state in which a Holder of Non-Voting Units is not a resident but in which we may be deemed to be engaged in business may impose a tax and a tax return filing obligation on that Holder of Non-Voting Units with respect to his, her or its share of our income derived from that state. Under some circumstances, a Holder of Non-Voting Units with tax liabilities to more than one state may be entitled to a deduction or credit for taxes paid to one state against the tax liability to another. Prospective Investors should consult their own tax advisors for further information about state and local taxes that may be incurred in connection with an investment in the Company.

Consultation with Advisors. The summary of federal income tax consequences in this Memorandum is not intended to be a complete summary of the tax consequences of this investment and is not intended as a substitute for careful tax planning. The applicability of the tax laws to Investors will vary from one Investor to another, depending upon each Investor’s tax situation. Accordingly, each prospective Investor is advised to consult with his or her own attorneys, accountants and other personal tax advisors as to the effect on his or her own tax situation of a purchase and ownership of Non-Voting Units and as to the effect of recent, pending and potential changes in the applicable law.

ERISA Considerations

In considering an investment in the Company of a portion of the assets of a qualified employee benefit plan that is subject to ERISA (an "ERISA Plan"), a fiduciary for such plan, taking into account the facts and circumstances of such qualified plan, should consider, among other things:

- whether the investment is in accordance with the documents and instruments governing such ERISA Plan;
- the definition of plan assets under ERISA;
- whether the investment satisfies the diversification requirements of ERISA §404(a)(1)(C);
- whether, under ERISA §404(a)(1)(B), the investment is prudent, considering the nature of an investment in and the compensation structure of the Company and the fact that there is not expected to be a trading market created in which the fiduciary can sell or otherwise dispose of the Non-Voting Units;
- that the Company has had a limited history of operations;
- whether the Company or any Affiliate is a fiduciary or a party in interest or a disqualified person to the ERISA Plan; and
- that an investment in the Company may cause the ERISA Plan to recognize UBTI.

The prudence of a particular investment must be determined by the responsible fiduciary (usually the trustee, plan administrator, or investment manager) with respect to each qualified plan, taking into account all of the facts and circumstances of the investment.

ERISA provides that Non-Voting Units may not be purchased by an ERISA Plan subject to ERISA if the Company is a "fiduciary" or "party in interest" (as defined in ERISA §§3(21) and 3(14)) to the plan unless such purchase is exempt from the prohibited transaction provisions of ERISA §406. Under ERISA, it is the responsibility of the fiduciary responsible for purchasing the Non-Voting Units not to engage in a non-exempt prohibited transaction.

Code §4975 has similar prohibited transaction restrictions applicable to transactions between disqualified persons and ERISA Plan or IRAs. If a prohibited transaction occurs, the fiduciary who caused the transaction to occur and the party in interest (or disqualified person) involved in the transaction could be liable for excise taxes, damages and other penalties. In the case of an individual retirement account that engages in a prohibited transaction involving the IRA owner or a related party, the IRA could be disqualified and the entire value of the IRA could be taxable to the IRA owner.

The DOL has promulgated regulations ("DOL Regulations"), 29 C.F.R. Section 2510.3-101 (as modified or deemed to be modified by ERISA §3(42)), that define what constitutes "Plan Assets" in a situation in which a qualified plan invests in a limited partnership or other entity. If assets of the Company are classified as Plan Assets, the significant penalties discussed above could be imposed under certain circumstances.

Under the DOL Regulations, if an ERISA Plan invests in an equity interest of an entity that is neither a publicly offered security nor a security issued by an "investment company" registered under the 1940 Act, its assets include both the equity interest and an undivided interest in each of the underlying assets of the entity (i.e., the entity will be deemed to hold Plan Assets), unless it is established that either (i) the entity is an "operating company" or (ii) the entity satisfies the "less-than-25% exception" described below.

Since the Non-Voting Units will not qualify as publicly-offered securities and will not be issued by an "investment company" registered under the 1940 Act, our assets will avoid being classified as Plan Assets only if either (i) we are an "operating company" or (ii) we qualify for the less-than-25% exception.

The term "operating company" is defined in the DOL Regulations as an entity that is primarily engaged, either directly or through one or more majority-owned subsidiaries, in the production or sale of a product or service other than the investment of capital.

The Manager intends to operate the Company so that it will satisfy the definition of an operating company. However, because this determination involves questions of fact regarding future activities, complete assurance on this issue cannot be provided. If we are classified as an operating company, we should not be treated as holding the Plan Assets.

If we do not qualify as an operating company under DOL Regulations, we will nevertheless avoid being treated as holding Plan Assets if we qualify for the less-than-25% exception. An entity will qualify for that exception if, immediately after the most recent acquisition of any equity interest in the entity, "benefit plan investors" hold less than 25% of the total value of each class of interest in the entity. Under the DOL Regulations, "benefit plan investors" are defined as (i) qualified employee benefit plans subject to ERISA, (ii) IRAs and similar plans and accounts that are subject to Code §4975, and (iii) entities or accounts that are deemed to hold the Plan Assets of such plans or accounts. For purposes of the 25% calculation, interests in the Company held by the Manager or any of its affiliates (other than benefit plans) will be disregarded. We have and intend to continue to sell Non-Voting Units to benefit plan investors, including IRAs, and cannot provide any assurance that equity participation in the Company by benefit plan investors will not equal or exceed 25%.

If we are deemed to hold Plan Assets, additional issues relating to the Plan Assets and "prohibited transaction" concepts of ERISA and the Code may arise. Anyone with discretionary authority with respect to our assets could become a "fiduciary" of the ERISA Plan investors within the meaning of ERISA. As a fiduciary, such person would be required to meet the terms of the qualified plan regarding asset investment and would be subject to prudent investment and diversification standards. In addition, if we are deemed to hold Plan Assets, investment in the

Company by an ERISA Plan might constitute an improper delegation of fiduciary responsibility to the Manager and expose the fiduciary of a qualified plan investor to co-fiduciary liability under ERISA for any breach by the Manager of its ERISA fiduciary duties. Finally, we could be found to have engaged in a non-exempt "prohibited transaction," with the consequences described above.

Fiduciaries of plans subject to ERISA are required to determine annually the fair market value of the assets of such plans as of the close of the plan's fiscal year. Also, IRA custodians are required to report the value of the assets in an IRA annually. Although the Manager will provide annually an estimate of the value of the Non-Voting Units based upon, among other things, the book value of the Company, it may not be possible to precisely value the Non-Voting Units from year to year, because there will be no market for them. Accordingly, there can be no assurance that the valuation information provided will satisfy the annual valuation requirements applicable to ERISA Plans and to IRAs.

Benefit plan investors may be required to report certain compensation paid by the Company to the Company's service providers as "reportable indirect compensation" on schedule C to the Form 5500 Annual Return (the "Form 5500"). To the extent any compensation arrangements described herein constitute reportable indirect compensation, any such descriptions are intended to satisfy the disclosure requirements for the alternative reporting option for "eligible indirect compensation," as defined for purposes of Schedule C to Form 5500.

The DOL has promulgated a final regulation (the "ERISA Investment Advice Regulation"), which re-defines the circumstances under which a person will be considered a fiduciary for purposes of ERISA and Section 4975 of the Code by virtue of providing investment advice to a benefit plan subject to ERISA or a plan subject to Section 4975 of the Code (a "Covered Plan"). Under the ERISA Investment Advice Regulation, a person who makes a "recommendation" regarding the acquisition, holding or disposition of any securities or investment property or the management of securities or investment property and receives direct or indirect fees or other compensation as a result of dealing with a Covered Plan, plan participant or beneficiary, plan fiduciary or IRA owner, is generally considered a fiduciary unless an exemption applies. One such exemption is for advice rendered to certain independent fiduciaries with financial expertise, including certain banks, insurance carriers, investment advisers, broker-dealers and independent fiduciaries (excluding IRA owners) that hold, or have under management or control, total assets of at least $50M. The Manager and its respective affiliates (the "Manager Parties") do not intend to act as fiduciaries under the ERISA Investment Advice Regulation with respect to any Covered Plan's decision to invest in the Company and no information or communication from any Management Party (either alone or in conjunction with any other information of communication) should be construed as a recommendation within the meaning of the ERISA Investment Advice Regulation. Notwithstanding this intention, any and all information provided herein (or provided by any Manager Party prior to or subsequent to the delivery of this Memorandum, including following the closing of any investment in the Company by a Covered Plan) to any Covered Plan or any Covered Plan fiduciary that is determined to constitute "investment advice," or a "recommendation," within the meaning of the ERISA Investment Advice Regulation is provided solely on the basis that the recipient is, or is represented by, an independent fiduciary that satisfies the criteria set forth in 29 C.F.R. § 2510.3-

21(c)(1). The information provided herein is intended to be used solely by the recipient in considering the investment opportunity described herein and may not be used for any other reason, personal or otherwise. The scope and applicability of the ERISA Investment Advice Regulation and related exemptions may change further; Covered Plan fiduciaries are advised to keep themselves informed.

Plans sponsored by state and local governments, foreign plans and certain church plans generally are not subject to ERISA. However, such plans may be subject to other laws or regulations that are similar to ERISA ("Similar Laws"). Advisors to such plans should take into account the requirements of such Similar Laws.

ERISA and its accompanying regulations are complex and, to a great extent, have not been interpreted by the Courts or the administrative agencies. This discussion does not purport to constitute a thorough analysis of ERISA.

Prospective Investors that are subject to the provisions of ERISA, Code §4975 or Similar Laws are urged to consult their own advisors with specific reference to their own situations and the application of ERISA, the Code, or Similar Laws to an investment in the Company.

Foreign Accounts and FATCA

Federal legislation commonly referred to as "FATCA" currently imposes withholding taxes on certain U.S. source passive payments to "foreign financial institutions" and certain other non-U.S. entities. Under this legislation, the failure to comply with additional certification, information reporting and other specified requirements could result in withholding tax being imposed on payments of dividends to U.S. members who own our Non-Voting Units through foreign accounts or foreign intermediaries and certain non-U.S. members. The legislation imposes a 30% withholding tax on dividends on our Non-Voting Units paid to a foreign financial institution or to a foreign entity other than a financial institution, unless (i) the foreign financial institution undertakes certain diligence and reporting obligations or (ii) the foreign entity is not a financial institution and either certifies it does not have any substantial U.S. owners or furnishes identifying information regarding each substantial U.S. owner. If the payee is a foreign financial institution (that is not otherwise exempt), it must either (1) enter into an agreement with the U.S. Treasury Department requiring, among other things, that it undertake to identify accounts held by certain U.S. persons or U.S.-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these reporting and other requirements or (2) in the case of a foreign financial institution that is resident in a jurisdiction that has entered into an intergovernmental agreement to implement FATCA, comply with the revised diligence and reporting obligations of such intergovernmental agreement. Prospective investors should consult their tax advisors regarding this legislation.

State, Local and Non-U.S. Taxes

We and our members may be subject to state, local or non-U.S. taxation in various jurisdictions, including those in which it or they transact business, own property or reside. The

state, local or non-U.S. tax treatment of us and our members may not conform to the U.S. federal income tax treatment discussed above. Any non-U.S. taxes incurred by us would not pass through to members as a credit against their U.S. federal income tax liability. Prospective members should consult their tax advisors regarding the application and effect of state, local and non-U.S. income and other tax laws on an investment in our Non-Voting Units.

DESCRIPTION OF SECURITIES

We plan to issue warrants entitling the holders to obtain 2.5% as compensation for marketing this Offering. Members will be allocated their pro-rata share of all operating income and other income and loss items. Under the Operating Agreement, Members are entitled to a pro-rata distribution of Cash Available for Distribution. All Units have equal rights and privileges, except that Non-Voting Units have no voting rights. The Operating Agreement provides that no new members can be admitted without the prior consent of the holder of the Voting Units, Mr. David King. Mr. King has consented to the admission of members who purchase Units in this Offering.

Persons who become Non-Voting Unit Holders on a date other than the last day of the month will be formally admitted as Members on the last day of the month in which their subscription is accepted, and any distribution to them will be accordingly prorated. Holders of Non-Voting Units do not have any voting rights and, therefore, the holder of Voting Units will be able to make all management decisions.

Section 5.5 of the Operating Agreement provides for restriction on competitive activities by Members, as follows:

> The Company leased certain property specified in Section 2.2 of the Operating Agreement (the "Premises") to mine Silica and other minerals ("Primary Business Purpose") and has a right of first refusal to purchase the Premises (the "Lease"). The Members agree and represent that each has a duty of loyalty to the Company and shall commit no act that incorporates self-dealing or that may harm the Company. During the term of the Operating Agreement and for two (2) years thereafter, including in the event of a Member's voluntary or involuntary withdrawal, each Member is strictly prohibited from directly or indirectly circumventing or attempting to circumvent, compete with, evade, interfere with, or by-pass the Company's Primary Business Purpose, including interfering with the Lease, attempting to purchase the Premises or the property adjacent to the Premises, contacting the owner of the Premises unless it is in furtherance of the Company's Primary Business Purpose and with the Voting Member's written consent, or attain any economic advantages from any parties associated with Company's Primary Business Purpose. Any violation of this provision shall be deemed an attempt to circumvent the Company's Primary Business Purpose, and a violating Member shall be withdrawn from the Company, liable for damages, including attorneys' fees and costs, and the Company shall be entitled to obtain an ex parte application, appropriate injunctive relief from any court of competent jurisdiction, together with and including all remedies available at law. This provision shall survive the termination of the Operating Agreement for any reason. Such violating Member shall not be entitled to any

distributions from the Company, other than return of its capital contribution, less any amounts for damages, including attorneys' fees and costs.

Holders of Units have no preemptive rights to acquire additional Non-Voting Units or other securities. The Units are not subject to redemption and carry no subscription or conversion rights. In the event of liquidation of KingCo, holders of Voting and Non-Voting Units are entitled to share equally in company assets after satisfaction of all liabilities.

Subject to certain limitations, our operating agreement limits the liability of our Members, Manager, employees or agents while serving at the request of the company for monetary damages and provides that we will indemnify and pay or reimburse reasonable expenses in advance of final disposition of a proceeding.

Those interested in subscribing to the securities offered by the Company should complete the Subscription Agreement that follows.