UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2017

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission File Number: 001-38090

SOLARIS OILFIELD INFRASTRUCTURE, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**81-5223109** (I.R.S. Employer Identification No.)
9811 Katy Freeway, Suite 900 **Houston, Texas** (Address of principal executive offices)	**77024** (Zip code)

(281) 501-3070
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark if the Registrant is a well - known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Rule 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer☐
Non-accelerated filer	☒	Smaller reporting company☐
(Do not check if a smaller reporting company)		Emerging growth company☒

If an emerging growth company indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Aggregate market value of the voting and non - voting common equity held by non - affiliates of Registrant as of June 30, 2017: $85,230,210

As of March 6, 2018, the registrant had 25,149,160 shares of Class A common stock, $0.01 par value per share, and 20,906,844 shares of Class B common stock, $0.00 par value per share, outstanding .

SOLARIS OILFIELD INFRASTRUCTURE, INC.
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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (the "Annual Report") contains "forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Statements that are predictive in nature, that depend upon or refer to future events or conditions or that include the words "believe," "expect," "anticipate," "intend," "estimate" and other expressions that are predictions of or indicate future events and trends and that do not relate to historical matters identify forward-looking statements. Our forward-looking statements include statements about our business strategy, our industry, our future profitability, our expected capital expenditures and the impact of such expenditures on our performance, the costs of being a publicly traded corporation and our capital programs.

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We believe that we have chosen these assumptions or bases in good faith and that they are reasonable. You are cautioned not to place undue reliance on any forward-looking statements. You should also understand that it is not possible to predict or identify all such factors and should not consider the following list to be a complete statement of all potential risks and uncertainties. Factors that could cause our actual results to differ materially from the results contemplated by such forward-looking statements include:

- the level of domestic capital spending by the oil and natural gas industry;
- natural or man-made disasters and other external events that may disrupt our manufacturing operations;
- volatility of oil and natural gas prices;
- changes in general economic and geopolitical conditions;
- large or multiple customer defaults, including defaults resulting from actual or potential insolvencies;
- technological advancements in well service technologies;
- competitive conditions in our industry;
- inability to fully protect our intellectual property rights;
- changes in the long-term supply of and demand for oil and natural gas;
- actions taken by our customers, competitors and third-party operators;
- fluctuations in transportation costs or the availability or reliability of transportation to supply our proppant management systems and transloading services;
- changes in the availability and cost of capital;
- our ability to successfully implement our business plan;
- our ability to complete growth projects on time and on budget;
- the price and availability of debt and equity financing (including changes in interest rates);
- changes in our tax status;
- our ability to successfully develop our research and technology capabilities and implement technological developments and enhancements;

- the effects of existing and future laws and governmental regulations (or the interpretation thereof);
- cyber-attacks targeting systems and infrastructure used by the oil and natural gas industry;
- failure to secure or maintain contracts with our largest customers;
- the effects of future litigation;
- credit markets;
- leasehold or business acquisitions;
- uncertainty regarding our future operating results;
- significant changes in the rail industry or the rail lines that service our business, such as increased regulation, embargoes and disruption in service; and
- plans, objectives expectations and intentions contained in this Annual Report that are not historical.

All forward-looking statements speak only as of the date of this Annual Report. You should not place undue reliance on our forward-looking statements. Although forward-looking statements reflect our good faith beliefs at the time they are made, forward-looking statements involve known and unknown risks, uncertainties and other factors, including the factors described under "Risk Factors," which may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, unless required by law.

PART 1

You should read this entire report carefully, including the risks described under Part 1, Item 1A. Risk Factors and our consolidated financial statements and the notes to those consolidated financial statements included elsewhere in this Annual Report on Form 10-K. Except as otherwise indicated or required by the context, all references in this Annual Report on Form 10-K to the "Company," "Solaris," "we," "us" and "our" refer to (i) Solaris Oilfield Infrastructure, LLC ("Solaris LLC") and its consolidated subsidiaries prior to the completion of our initial public offering and (ii) Solaris Oilfield Infrastructure, Inc. ("Solaris Inc.") and its consolidated subsidiaries following the completion of our initial public offering, unless we state otherwise or the context otherwise requires.

Item 1. Business

Our Predecessor and Solaris

Solaris Inc. was incorporated in Delaware in February 2017 for the purpose of completing an initial public offering of equity (the "IPO" or the "Offering") and related transactions. On May 11, 2017, in connection with the Offering, Solaris Inc. became a holding company whose sole material assets are units in Solaris LLC ("Solaris LLC Units"). Solaris Inc. became the managing member of Solaris LLC and is responsible for all operational, management and administrative decisions relating to Solaris LLC's business.

Overview

We are an independent provider of supply chain management and logistics solutions designed to drive efficiencies and reduce costs for the oil and natural gas industry. Our solutions include high-efficiency mobile and permanent infrastructure that increases proppant throughput capacity at critical junctures in the supply chain, as well as software and technology designed to optimize how proppant is dispatched across the supply chain.

We manufacture and provide our patented mobile proppant management systems that unload, store and deliver proppant at oil and natural gas well sites. Our systems reduce our customers' cost and time to complete wells by improving the efficiency of proppant logistics, as well as enhancing well site safety. In addition, we operate an independent, transload facility in Oklahoma (the “Kingfisher Facility”) that further integrates our supply chain management and drives additional proppant logistics efficiencies for our customers. Our customers include oil and natural gas exploration and production ("E&P") companies, such as EOG Resources, Inc., Devon Energy and Apache Corporation, as well as oilfield service companies, such as ProPetro Holding Corp. Our systems are deployed in many of the most active oil and natural gas basins in the U.S., including the Permian Basin, the Eagle Ford Shale, the SCOOP/STACK formations, the Haynesville Shale and the Marcellus and Utica Shales.

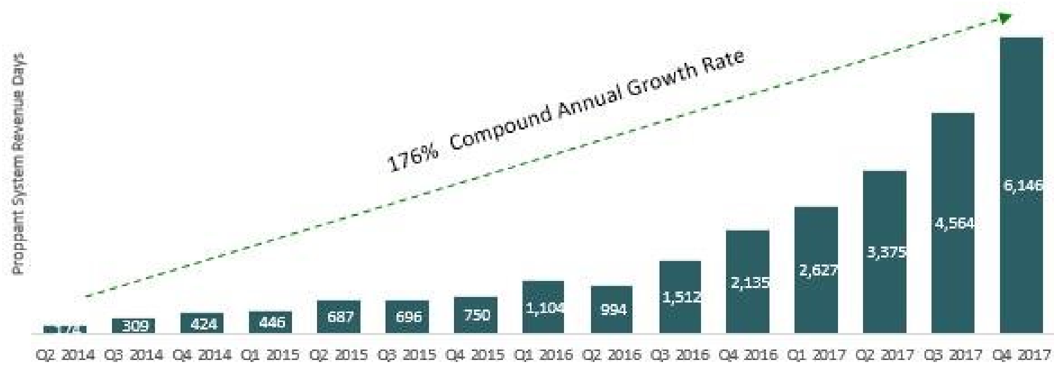
Our mobile proppant management system is designed to address the challenges associated with transferring large quantities of proppant to the well site, including the cost and management of last mile logistics, which we define as the transportation of proppant from transload terminal or regional proppant mine to the well site. Today's horizontal well completion designs require between 400 and 1,000 truckloads of proppant delivered to the well site per well which creates bottlenecks in the storage, handling and delivery of proppant. Our patented systems typically provide 2.5 million pounds of vertical proppant storage capacity in a footprint that is considerably smaller than traditional or competing well site proppant storage equipment. Our systems have the ability to unload up to 24 pneumatic proppant trailers simultaneously. In addition, our non-pneumatic loading option provides additional proppant transportation flexibility for our customers, allowing them to use belly-dump trucks in addition to the industry standard pneumatic trucks to fill and maintain inventory in our proppant management systems. This non-pneumatic loading option is compatible with our existing fleet with minimal modification. Importantly, the proppant storage silos in our systems can be filled from trucks while simultaneously delivering proppant on-demand directly to the blender for hydraulic fracturing operations. Accordingly, our systems can maintain high rates of proppant delivery for extended periods of time, which helps achieve a greater number of frac stages per day, driving a reduction in our customers' costs. Our systems also reduce the amount of truck demurrage, or wait time, at the well site which can result in significant cost savings for our customers. In addition, our systems are scalable and we have experienced increased demand for our larger capacity system, which utilizes 12 silos per location. This added buffer provides our customers with additional on-site storage, which helps further alleviate logistics bottlenecks upstream of the well site.

We have also developed a proprietary inventory management system, PropView ® to enable our customers to track inventory levels in, and delivery rates from, each silo in a system on a real-time and remote basis. In December 2017 the Company completed its acquisition of substantially all of the assets of Railtronix, LLC, a leading provider of real-time inventory management solutions for proppant mining, rail shipping and transloading operations, (“Railtronix™”). By integrating Railtronix and PropView, we believe we are uniquely positioned to provide critical supply chain data to help our customers improve the reliability of proppant supply, save time and reduce the delivered cost of proppant by monitoring key data points and performance indicators.

Our mobile proppant management system improves well site health, safety and environmental conditions ("HS&E") by reducing respirable dust, decreasing the number of well site personnel and providing enhanced lighting. We expect the well site HS&E improvements provided by our systems, combined with increased industry focus on HS&E matters, will support continued adoption of our systems.

We manufacture our systems in our facility in Early, Texas, which is proximate to some of the most prolific oil and natural gas producing regions in the country. We are currently manufacturing approximately eight systems per month. We have been able to achieve this manufacturing rate through selective outsourcing of certain components of our systems. Our vertically integrated manufacturing capability allows us to better control our supply chain and incorporate improvements and additional features into our systems based on our experience and customer feedback. Additionally, we believe that controlling our manufacturing process provides us cost advantages that improve our returns on capital.

As illustrated in the following chart, we have increased our total system revenue days, defined as the combined number of days our systems earned revenues, in thirteen of the last fourteen quarters, and we have increased our system revenue days by more than 3,432% from the second quarter of 2014 to the fourth quarter of 2017, representing a 176% compound annual growth rate. The increase in total system revenue days is attributable to both an increase in the number of systems available for rental and an increase in the rate at which our systems are utilized.



In order to further integrate our supply chain management capabilities, we are developing the Kingfisher Facility, which we believe will be the first independent, unit-train-capable transload facility in Oklahoma. The facility is in Kingfisher County, Oklahoma, which is strategic to the active SCOOP/STACK formations. We commenced initial transloading operations in January 2018 and we are receiving regular shipments of proppant for our customer. The facility is located directly on a Class I rail line owned by the Union Pacific Railroad; phase one of the 300-acre facility will include an 8,000 foot unit-train loop, 30,000 tons of high efficiency silo storage and an additional 18,000 feet of rail sidetrack. The unit-train loop and silo storage will enable the Kingfisher Facility to unload a unit train of 120 rail cars in approximately 24 hours and load more than 10,000 tons into trucks in a 24-hour period. In connection with the development of the Kingfisher Facility, we entered into a seven-year contract with minimum quarterly volume commitments with a leading exploration and production company to provide rail-to-truck and high-efficiency sand silo transload and storage services at the facility. The seven-year term commenced in January 2018. We estimate that our current contracted minimum volumes represent approximately 50% of the operational capacity of the initial phase of the facility's construction, and we are actively seeking to contract additional capacity at the facility with other customers. While the Kingfisher Facility will initially provide proppant transloading services, it will also have the capability to provide transloading services for other drilling and completion related consumables.

Organizational Structure

As the sole managing member of Solaris LLC, Solaris Inc. operates and controls all of the business and affairs of Solaris LLC, and through Solaris LLC and its subsidiaries, conducts its business. As a result, Solaris Inc. consolidates the financial results of Solaris LLC and its subsidiaries and reports non-controlling interest related to the portion of Solaris LLC Units not owned by Solaris Inc., which will reduce net income (loss) attributable to Solaris Inc.'s Class A stockholders. As of December 31, 2017, Solaris Inc. owned 43% of Solaris LLC.

In connection with the IPO, we completed a series of reorganization transactions on May 17, 2017 (the "Reorganization Transactions"), including among other things:

- Solaris LLC's limited liability company agreement was amended and restated (as amended and restated, the "Solaris LLC Agreement") to, among other things, appoint Solaris Inc. as sole managing member, and to convert all of the membership interests in Solaris LLC held by its then-existing members (the “Original Investors”) were converted into (i) a single class of units in Solaris LLC, referred to as "Solaris LLC Units," and (ii) the right to receive the distributions of cash and shares of Solaris Inc.'s Class B common stock described below;

- Solaris Inc. issued and contributed shares of its Class B common stock and all of the net proceeds of the IPO to Solaris LLC in exchange for a number of Solaris LLC Units equal to the number of shares of Class A Common Stock issued in the IPO; and

- Solaris LLC distributed to each Original Investor one share of Class B common stock for each Solaris LLC Unit held by such Original Investor; and

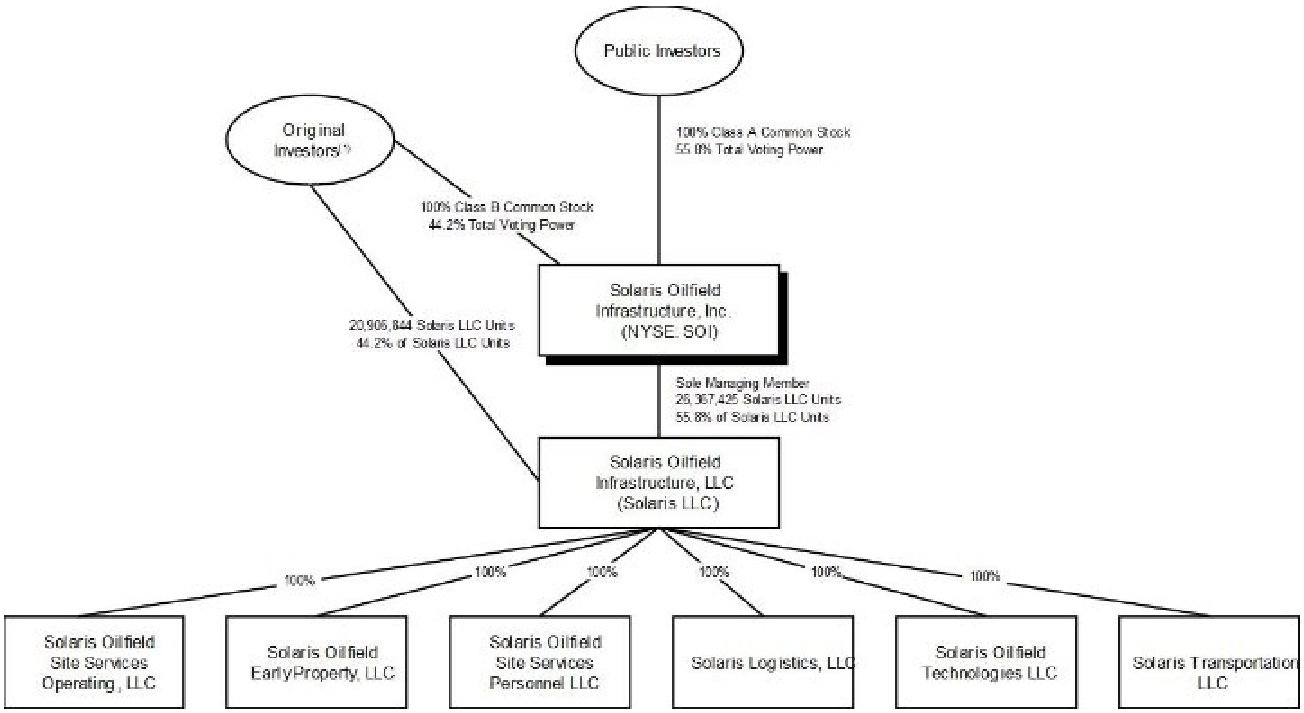
Each share of Class B common stock has no economic rights but entitles its holder to one vote on all matters to be voted on by stockholders generally. Holders of Class A common stock and Class B common stock vote together as a single class on all matters presented to our stockholders for their vote or approval, except as otherwise required by applicable law or by our amended and restated certificate of incorporation. We do not intend to list our Class B common stock on any exchange.

Under the Solaris LLC Agreement, each Original Investor has, subject to certain limitations, the right (the “Redemption Right”) to cause Solaris LLC to acquire all or a portion of its Solaris LLC Units for, at Solaris LLC's election, (x) shares of our Class A common stock at a redemption ratio of one share of Class A common stock for each Solaris LLC Unit redeemed, subject to conversion rate adjustments for stock splits, stock dividends and reclassification and other similar transactions, or (y) an equivalent amount of cash. Alternatively, upon the exercise of the Redemption Right, Solaris Inc. (instead of Solaris LLC) has the right (the "Call Right") to acquire each tendered Solaris LLC Unit directly from the exchanging Original Investor for, at Solaris Inc.'s election, (x) one share of Class A common stock or (y) an equivalent amount of cash. In addition, upon a change of control of Solaris Inc., Solaris Inc. has the right to require each holder of Solaris LLC Units (other than Solaris Inc.) to exercise its Redemption Right with respect to some or all of such unitholder's Solaris LLC Units. In connection with any redemption of Solaris LLC Units pursuant to the Redemption Right or our Call Right, the corresponding number of shares of Class B common stock will be cancelled.

In connection with the IPO, Solaris Inc. entered into a Tax Receivable Agreement (the “Tax Receivable Agreement”) with the Original Investors (each such person and any permitted transferee, a “TRA Holder,” and together, the “TRA Holders”). The term of the Tax Receivable Agreement commenced upon the IPO and will continue until all tax benefits that are subject to the Tax Receivable Agreement have been utilized or expired, unless we exercise our right to terminate the Tax Receivable Agreement. The Tax Receivable Agreement generally provides for the payment by Solaris Inc. to each TRA Holder of 85% of the net cash savings, if any, in U.S. federal, state and local income tax and franchise tax that Solaris Inc. actually realizes (computed using simplifying assumptions to address the impact of state and local taxes) or is deemed to realize in certain circumstances in periods after the IPO as a result of (i) certain increases in tax basis that occur as a result of Solaris Inc.’s acquisition (or deemed acquisition for U.S. federal income tax purposes) of all or a portion of such TRA Holder’s Solaris LLC Units in connection with the Reorganization Transactions or pursuant to the exercise of the Redemption Right or the Call Right and (ii) imputed interest deemed to be paid by Solaris Inc. as a result of, and additional tax basis arising from, any payments Solaris Inc. makes under the Tax Receivable Agreement. Solaris Inc. will retain the benefit of the remaining 15% of these cash savings. For additional information regarding the Tax Receivable Agreement, see “Risk Factors—Risks Related to Our Class A Common Stock.”

Because Solaris Inc. is a holding company with no operations of its own, Solaris Inc.'s ability to make payments under the Tax Receivable Agreement is dependent on the ability of Solaris LLC to make distributions to Solaris Inc. in an amount sufficient to cover its obligations under the Tax Receivable Agreement. See "Risk Factors—Risks Related to Our Class A Common Stock—We are a holding company. Our sole material asset is our equity interest in Solaris LLC and we are accordingly dependent upon distributions from Solaris LLC to pay taxes, make payments under the Tax Receivable Agreement and cover our corporate and other overhead expenses." If we experience a change of control (as defined under the Tax Receivable Agreement, which includes certain mergers, asset sales and other forms of business combinations) or the Tax Receivable Agreement terminates early (at Solaris Inc's election or as a result of its breach), we would be required to make a substantial, immediate lump-sum payment.

The following diagram indicates our simplified ownership structure as of March 6, 2018. This chart is provided for illustrative purposes only and does not represent all legal entities affiliated with us.



(1) Includes certain investment funds managed by Yorktown Partners LLC ("Yorktown"), certain of our officers and directors and the other current members of Solaris LLC.

Our History

We were formed in 2014 in connection with the purchase of two proppant management systems from Loadcraft Industries, Ltd., the original manufacturer of the systems, under an exclusive marketing arrangement. In September 2014, we acquired Loadcraft Industries' proppant management system manufacturing business, including a manufacturing facility located in Early, Texas, and commenced our manufacturing operations.

Since 2014, we have grown our fleet of proppant management systems from two systems to 91 systems, improved the capabilities of our systems and developed additional potential product offerings. Such improvements and offerings include:

- Development of our third generation and current control system, which uses Rockwell Automation and Allen-Bradley components, has a program logic control based monitoring and operating platform, and is operated by a single technician from a single point;

- Development of our proprietary PropView® system, which supplements our control system by measuring real time proppant inventory levels and delivery rates both in the well site data van and remotely through our mobile device application and website;

- Development and construction of a non-pneumatic loading option which provides additional proppant transportation flexibility for our customers, allowing them to use belly-dump trucks in addition to the industry standard pneumatic trucks to fill and maintain inventory in our proppant management systems;

- Design and construction of alternative conveyor belt discharge heads that we believe can be integrated with the vast majority of frac blender designs; and

- Design and construction of custom bolt-on tarps to reduce the amount of time proppant is exposed to the open air which we believe reduces silica dust that can occur in the handling of proppant.

We currently own 91 six-silo systems across the U.S. The following table provides locations of our fleet as of March 6, 2018:

Location	Number of Systems	Percentage of Total
Permian Basin	54	60%
Eagle Ford Shale	22	24%
SCOOP/STACK Formations	10	11%
Marcellus Shale/Utica Shale	3	3%
Haynesville Shale	2	2%
Total	91	100%

System Design

Our patented mobile proppant management systems typically contain six silos, two base units, one central conveyor, and one PropView system. Each of the six silos has the capacity to store up to 420,000 pounds of proppant (4,200 cubic feet). Three silos are positioned on each base and the central conveyor is positioned between the two base units. A six-silo configuration includes twenty-four unloading points. The six-silo configuration provides increased inventory capacity compared to other systems, which reduces the amount of truck demurrage, or wait time, at the well site. Our systems are scalable and we are experiencing increased customer demand for our 12-silo configuration, driven by increased proppant loadings and multi-well pad development activity.

Our systems are powered with a single diesel generator. Hydraulic power is not required to operate our system; instead, the systems' motors are electrically driven and operate at variable speeds. Electricity is provided by one of two diesel generators that are standard on the systems while the other serves as a backup for redundancy purposes. The flow of proppant into the well site blender is controlled by the speed of the system's conveyors, which reduces the amount of proppant spillage and silica dust typically associated with labor-intensive, gate-controlled handling equipment. In addition, each silo contains a dust collection system that can handle up to 4,300 cubic feet per minute of proppant flow, which is the equivalent of unloading four pneumatic trucks simultaneously. Each system is also equipped with industrial-grade LED lighting located approximately 55 feet above the well site that provides 336,000 lumens of lighting on the well site.

Our systems are operated using our third-generation Rockwell Automation control system and each system is equipped with our integrated PropView system. The system can be operated by a single individual, who controls the flow of proppant into the well site blender from a rugged, LED-lit Allen-Bradley suitcase touch screen. Our proprietary PropView system enables our customers to track real time proppant inventory levels in and delivery rates from each silo. Our PropView system provides critical information to our customers both directly in the well site data van and remotely through our mobile device application and website. The availability of this data and the ability to integrate the data into existing monitoring systems enables our customers to realize efficiencies through better managing the delivery of proppant throughout the proppant supply chain and across multiple well sites.

Additionally, our systems are highly mobile and can be easily deployed to any North American basin in response to industry activity levels. Our systems do not require specialized equipment to transport and deliver proppant to the well site. Rather, our system is compatible with standard pneumatic trailers, the industry's most abundant proppant transportation option. Our systems are also compatible with other completion equipment, including blending units and pressure pumping fleets, and can store and deliver a full range of proppants, including raw frac sand, resin coated sand and ceramic proppant. The system's compatibility with other well site equipment provides E&P operators with the flexibility to select their preferred choice of pressure pumper and proppant type and source. Our non-pneumatic loading option provides additional proppant transportation flexibility for our customers, allowing them to use belly-dump trucks in addition to pneumatic trucks to fill and maintain inventory in our proppant management systems. This non-pneumatic loading option is compatible with our existing fleet with minimal modification.

Our systems require minimal maintenance for continued operation in the field, primarily consisting of routine replacement of fill tube components and routine maintenance of generators, all of which can be performed in the field without returning the systems to our manufacturing facility. Additionally, our systems have been configured with multiple redundancies, such as dual generators, dual central conveyor belts and twenty-four truck unloading positions, which further improve the overall reliability and efficiency of our customers' operations and enable them to complete more fracturing stages per day.

Early, Texas Manufacturing Facility

We manufacture our systems in our facility located in Early, Texas. Early is located in central Texas, which provides convenient access to our most active operating areas, the Permian Basin, the Eagle Ford Shale, the SCOOP/STACK formations and the Haynesville Shale. We acquired our Early facility in September 2014 and have made capital improvements and improved the workflow in the plant to streamline the production process, increase output and reduce the cost of manufacturing our systems. We are currently producing approximately eight systems per month.

Our Early facility is located on 10.8 acres of contiguous land and includes over 100,000 square feet of covered manufacturing space. We manufacture new systems at the facility and, when appropriate, make repairs to and upgrade our systems. We cut, roll, weld and assemble our systems, including our custom transportation trailers, at the facility. Machinery and capabilities at our Early facility include steel rolling machines, overhead cranes, trunnions, positioners, I-beam assemblies, plasma tables and a paint booth.

We made capital improvements at our Early facility in late 2015 and early 2016 to streamline our manufacturing processes, including adding welding trunnions, production fixtures and overhead crane capacity that reduce the amount of time required to weld and assemble our systems. In addition, we reconfigured the layout of the plant to improve the manufacturing process flow. We believe our Early facility is a competitive advantage that provides us with a greater ability to control manufacturing costs, as well as additional supply chain and quality security and research and development capabilities.

We have historically outsourced the manufacturing of some of our system components in order to increase our manufacturing rate to meet market demand. All systems are completed and inspected in our Early facility to ensure quality control before entering the field.

Kingfisher Facility

In July 2017, we entered into a seven-year contract with an exploration and production company to provide proppant transloading service at a facility to be constructed and operated by Solaris in Kingfisher, Oklahoma. We commenced initial transloading operations at the facility in January 2018. The Kingfisher Facility is located central to the active SCOOP/STACK plays and we believe it is the first independent, unit-train capable, high speed transload facility in Oklahoma. We are initially focused on proppant transloading services, but the Kingfisher Facility will also have capacity to provide transloading services for other drilling and completion related consumables.

The Kingfisher Facility is located on a 300-acre parcel of land, directly on a Class I rail line owned by the Union Pacific Railroad. Solaris secured a 30-year land lease with the State of Oklahoma and commenced construction activity in August 2017. The facility is designed to service multiple large volume customers with dedicated storage and unit train loop tracks, including an initial 8,000 foot unit-train loop and 18,000 feet of rail sidetrack. Initial storage will include 30,000 tons of vertical storage in six silos with individual capacity of 5,000 tons per silo. The facility also services manifest trains and provides direct rail-to-truck transloading. The estimated capital investment for the first phase of development to complete core infrastructure and fully support the customer contract totals at the Kingfisher Facility is approximately $40.0 million. This investment includes capital expenditures related to engineering and site preparation, as well as rail and silo construction that is scheduled to be fully completed by August 2018.

Railtronix™

In December 2017, we acquired the assets of Railtronix, a leading provider of real-time inventory management solutions for proppant mining, rail shipping and transloading operations. As the U.S. oil and gas industry continues to transition towards manufacturing-style development of resource plays, operators and service companies are looking for new ways to digitalize their supply chains. By integrating Railtronix and PropView, we believe we are uniquely positioned to provide critical supply chain data to help our customers improve the reliability of proppant supply, save time and reduce the delivered cost of proppant by monitoring key data points and performance indicators.

Upon closing the acquisition, we integrated Railtronix into our business. We recently completed the first phase of data integration between the Railtronix and PropView inventory management systems in connection with commencing transloading operations at our Kingfisher Facility. We can now provide our customers with full visibility across their supply chain from the mine to well site.

Raw Materials and Key Suppliers

The primary raw materials used in the manufacturing of our systems are steel in the form of plate, bar stock and square and round tubing. We purchase steel and most other raw materials and components on the open market and rely on third parties for providing certain materials, including axles, motors and generators. We believe that we will be able to obtain an adequate supply of raw materials and finished goods to meet our manufacturing requirements because these items are generally available from multiple sources. However, prices for such raw materials and finished goods can fluctuate widely and represent a significant portion of the cost of manufacturing our systems. Accordingly, our cost of revenue and capital costs may be affected by changes in the market price or disruptions in the availability of raw materials, components and sourced finished goods, and significant increases in the cost of steel or other raw materials and motors, generators and other components could adversely affect our revenues or increase our costs. Steel represents 10% to 15%, purchased parts represent 40% to 50% and labor and indirect manufacturing costs represent 30% to 50% of the total cost of manufacturing a typical system.

We purchase the materials used in the manufacturing of our systems from various suppliers. We also work with select third-party manufacturers to fabricate certain components to supplement our internal production capacity during periods of peak demand. During the year ended December 31, 2017, two suppliers, RNB Controls, Inc. and Delta Steel Inc., as well as two third party manufacturers, Heil Trailer International Co. and BWJ Metalworks LLC, accounted for approximately 27% of our total spending. During the year ended December 31, 2016, three suppliers including RNB Controls, Inc., Stewart & Stevenson, LLC and Delta Steel Inc., accounted for approximately 26% of our total purchases.

We have historically relied on a limited number of suppliers for certain critical components used in our systems, including motors for our conveyor belts. To date, we have generally been able to obtain these motors and other equipment, parts and supplies necessary to support our manufacturing operations on a timely basis. While we believe that we will be able to make satisfactory alternative arrangements in the event of any interruption in the supply of these materials and/or products by one of our suppliers, including with respect to the supplier of our motors, we may not always be able to make alternative arrangements in the event of any interruption or shortage in the supply of certain of our materials. In addition, certain materials for which we do not currently have long-term supply agreements could experience shortages and significant price increases in the future. As a result, we may be unable to mitigate any future supply shortages and our results of operations, prospects and financial condition could be adversely affected.

Our Customers and Contracts

Our core customers are major E&P and oilfield service companies. We generally execute master service agreements ("MSAs") with our customers. Generally, the MSAs govern the relationship with our customers with specific work performed under individual work orders, and we typically provide our services on a monthly basis. For the year ended December 31, 2017, EOG Resources, Inc., ProPetro Holding Corp., Schlumberger Technology Corporation and Devon Energy Corporation accounted for approximately 23%, 15%, 13% and 11%, respectively, of our total revenues. For the year ended December 31, 2016, EOG Resources, Inc. and ProPetro Holding Corp. accounted for approximately 39% and 11%, respectively, of our total revenues. Approximately 90% of our current fleet is deployed to customers who are renting multiple systems.

On July 27, 2017, we entered into a sand storage and transload agreement with a third-party customer pursuant to which we have agreed to provide certain rail-to-truck and high-efficiency sand silo transload and storage services for the customer's proppant volumes at the Kingfisher Facility. The agreement became effective in January 2018 when we received initial proppant volumes. The term runs seven years therefrom, with renewal options for additional six-month terms thereafter. Under the agreement, the customer pays us a base fee per ton that is transloaded at the facility and the customer has committed to minimum quarterly service and storage volume obligations. In the event of any quarterly shortfall, the customer is subject to a shortfall fee. The contracted minimum annual revenue upon completion of the initial phase of construction, which is expected by August 2018, is approximately $13.0 million, and we are actively seeking to contract additional capacity at the facility with other customers.

Competition

The oil and gas services industry is highly competitive. Please read "Risk Factors—Risks Related to Our Business—We face significant competition that may impede our ability to gain market share or cause us to lose market share." There are numerous large and small services companies in all regions of the United States with whom we compete. We face competition from proppant producers and proppant transporters who also offer solutions for unloading, storing and delivering proppant at well sites and also from competitors who, like us, are exclusively focused on developing more efficient proppant logistic solutions. Our main competitors include U.S. Silica, Proppant Express Solutions, LLC, FB Industries Inc., National Oilwell Varco, Inc., Charlton Hill, Sandcan, CIG Logistics, OmniTRAX, Inc. and Hi- Crush Partners LP.

Although some of our competitors have greater financial and other resources than we do, we believe that we are well positioned competitively due to our existing market share, patented protected technology, unique service offerings, low cost of operation and strong operational track record. The most important factors on which we compete are product and service quality, performance, reliability and price. Demand for our systems and services and the prices that we will be able to obtain for our systems and services, are closely linked to proppant consumption patterns for the completion of oil and natural gas wells in North America. These consumption patterns are influenced by numerous factors, including the price for hydrocarbons, the drilling rig count and hydraulic fracturing activity, including the number of stages completed and the amount of proppant used per stage. Further, these consumption patterns are also influenced by the location, quality, price and availability of proppant, including raw frac sand, resin-coated sand and ceramic proppant.

Segment Information and Geographic Area

Operating segments are defined under GAAP as components of an enterprise that (i) engage in activities from which it may earn revenues and incur expenses (ii) for which separate operational financial information is available and is regularly evaluated by the chief operating decision maker for the purpose of allocating resources and assessing performance.

Solaris Inc.'s chief operating decision maker is the Chief Executive Officer. Solaris Inc. and the Chief Executive Officer view the Solaris LLC's operations and manage its business as one operating segment. All of our operations are conducted in one geographic area of the United States. For additional information, see Part II, Item 8. "Financial Statements and Supplementary Data."

Seasonality

We provide our proppant management systems and services to E&P companies operating in oil and natural gas producing basins where severe weather conditions may curtail drilling activities and, as a result, impact our revenues generated from those regions. For a discussion of the impact of weather on our operations, please read "Risk Factors— Seasonal weather conditions and natural disasters could severely disrupt normal operations and harm our business."

Environmental and Occupational Health and Safety Regulations

We are subject to stringent and complex federal, state and local laws and regulations governing occupational health and safety, the discharge of materials into the environment and protection of the environment. 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 in particular areas. Any failure to comply with these laws and regulations may result in the assessment of sanctions, including administrative, civil and criminal penalties, the imposition of investigatory, remedial and corrective action obligations, and the issuance of injunctions delaying or prohibiting operations. 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 clear trend in environmental regulation is 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 a material adverse effect on our operations and financial position.

Historically, our environmental compliance costs have not had a material adverse effect on our results of operations; however, there can be no assurance that future events, such as changes in existing laws or enforcement policies, the 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 material costs or that such future compliance will not have a material adverse effect on our business and operating costs.

The following is a discussion of material environmental and occupational health and safety laws, as amended from time to time, that relate to our operations or those of our customers that could have a material adverse effect on our business.

Air Emissions

Our and our customers' operations are subject to the federal Clean Air Act (“CAA”) and analogous state laws, which restrict the emission of air pollutants and impose permitting, monitoring and reporting requirements on various sources. These laws and regulations may require us or our customers to obtain pre-approval for the construction or modification of certain projects or facilities expected to produce or significantly increase air emissions, obtain and strictly comply with stringent air permit requirements or utilize specific equipment or technologies to control emissions of certain pollutants. The need to obtain permits has the potential to delay the development of natural gas projects. Over the next several years, we and our customers may be required to incur certain capital expenditures for air pollution control equipment or other air emissions related issues. For example, in October 2015, the U.S. Environmental Protection Agency (“EPA”) issued a final rule under the CAA, lowering the National Ambient Air Quality Standard (“NAAQS”) for ground-level ozone to 70 parts per billion under both the primary and secondary standards. The EPA published a final rule in November 2017 that issued area designations with respect to ground-level ozone for approximately 85% of the U.S. counties as either “attainment/unclassifiable” or “unclassifiable” and is expected to issue non-attainment designations for the remaining areas of the U.S. not addressed under the November 2017 final rule in the first half of 2018. States are also expected to implement more stringent permitting and pollution control requirements as a result of this new final rule, which could apply to our or our customers’ operations. Additionally, in June 2016, the EPA published a final rule under the CAA that established criteria for aggregating multiple oil and gas sites into a single source for air-quality permitting purposes. This rule could cause small facilities (such as tank batteries and compressor stations), on an aggregate basis, to be deemed a major source, thereby triggering more stringent air permitting requirements, which in turn could result in operational delays or require us to install costly pollution control equipment. Compliance with these or other new regulations could, among other things, require installation of new emission controls on some of our or our customers’ equipment, result in longer permitting timelines, and significantly increase our or our customers’ capital expenditures and operating costs, which could adversely impact our business.

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.

Climate Change

Climate change continues to attract considerable public, governmental and scientific attention. As a result, numerous proposals have been made and are likely to continue to be made at the international, national, regional and state levels of government to monitor and limit emissions of greenhouse gases (“GHGs”). These efforts have included consideration by states or groupings of states of cap-and-trade programs, carbon taxes, GHG reporting and tracking programs, and regulations that directly limit GHG emissions from certain sources.

At the federal level, no comprehensive climate change legislation has been implemented to date. However, the EPA has determined that emissions of carbon dioxide, methane and other GHGs present an endangerment to public health and the environment and has adopted regulations that, among other things, establish construction and operating permit reviews for GHG emissions from certain large stationary sources that are already potential major sources for conventional pollutants, which reviews could require securing Prevention of Significant Deterioration ("PSD") permits at covered facilities emitting GHGs and meeting "best available control technology" standards for those GHG emissions. In addition, the EPA has adopted rules requiring the monitoring and reporting of GHG emissions from specified production, processing, transmission and storage facilities in the United States on an annual basis. In October 2015, the EPA amended and expanded the GHG reporting requirements to all segments of the oil and natural gas industry, including gathering, compression and boosting facilities as well as blowdowns of natural gas transmission pipelines, and in January 2016, the EPA proposed additional revisions to leak detection methodology to align the reporting rules with the new source performance standards.

Federal agencies also have begun directly regulating emissions of methane, a GHG, from oil and natural gas operations. In June 2016, the EPA published a final rule establishing NSPS Subpart OOOOa that requires certain new, modified or reconstructed facilities in the oil and natural gas sector to reduce these methane gas and volatile organic compound ("VOC") emissions. These Subpart OOOOa standards will expand the previously issued NSPS Subpart OOOO requirements issued in 2012 by using certain equipment-specific emissions control practices, requiring additional controls for pneumatic controllers and pumps as well as compressors, and imposing leak detection and repair requirements for natural gas compressor and booster stations. However, in June 2017, the EPA published a proposed rule to stay certain portions of the June 2016 standards for two years and re-evaluate the entirety of the 2016 standards but the EPA has not yet published a final rule and, as a result, the June 2016 rule remains in effect but future implementation of the 2016 standards is uncertain at this time. In another example, the federal Bureau of Land Management ("BLM") published a final rule in November 2016 that imposes requirements to reduce methane emissions from venting, flaring, and leaking on federal and Indian lands. However, in December 2017, the BLM published a final rule that temporarily suspends or delays certain requirements contained in the November 2016 final rule until January 17, 2019. The suspension of the November 2016 final rule is being challenged in court. These rules, should they remain in effect, and any other new methane emission standards imposed on the oil and gas sector could result in increased costs to our or our customers' operations as well as result in delays or curtailment in such operations, which costs, delays or curtailment could adversely affect our business.

Additionally, in December 2015, the United States joined the international community at the 21st Conference of the Parties of the United Nations Framework Convention on Climate Change in Paris, France that prepared an agreement requiring member countries to review and "represent a progression" in their intended nationally determined contributions, which set GHG emission reduction goals every five years beginning in 2020. This "Paris Agreement" was signed by the United States in April 2016 and entered into force in November 2016; however, this agreement does not create any binding obligations for nations to limit their GHG emissions, but rather includes pledges to voluntarily limit or reduce future emissions. However, in August 2017, the U.S. State Department informed the United Nations of the intent of the United States to withdraw from the Paris Agreement. The Paris Agreement provides for a four-year exit process beginning when it took effect in November 2016, which would result in an effective exit date of November 2020. The United States' adherence to the exit process and/or the terms on which the United States may re-enter the Paris Agreement or a separately negotiated agreement are unclear at this time. The adoption and implementation of any international, federal or state legislation or regulations that require reporting of GHGs or otherwise restrict emissions of GHGs could result in increased compliance costs or additional operating restrictions, and could have a material adverse effect on our business, financial condition, demand for our systems and services, results of operations, and cash flows. In addition, substantial limitations on GHG emissions could adversely affect demand for the oil and natural gas our customers produce, which could reduce demand for our systems and services.

Recently, activists concerned about the potential effects of climate change have directed their attention at sources of funding for fossil-fuel energy companies, which has resulted in certain financial institutions, funds and other sources of capital restricting or eliminating their investment in oil and natural gas activities. Ultimately, this could make it more difficult to secure funding for exploration and production or midstream activities. Notwithstanding potential risks related to climate change, the International Energy Agency estimates that global energy demand will continue to rise and will not peak until after 2040 and that oil and natural gas will continue to represent a substantial percentage of global energy use over that time. Finally, it should be noted that increasing concentrations of GHGs in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, floods and other climatic events. If any such effects were to occur, they could have an adverse effect on our financial condition and results of operations and the financial condition and operations of our customers.

Water Discharges

The Federal Water Pollution Control Act, also known as the 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 state waters or waters of the United States. The discharge of pollutants into regulated waters is prohibited, except in accordance with the terms of a permit issued by the EPA or an analogous state agency. Spill prevention, control and countermeasure ("SPCC") requirements require containment to mitigate or prevent contamination of navigable waters in the event of an oil overflow, rupture or leak, and the development and maintenance of SPCC plans at our or our customers' facilities. 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. The CWA and regulations implemented thereunder also prohibit the discharge of dredge and fill material into regulated waters, including jurisdictional wetlands, unless authorized by the U.S. Army Corps of Engineers (the “Corps”) pursuant to an appropriately issued permit.

In June 2015, the EPA and the Corps published a final rule attempting to clarify the federal jurisdictional reach over waters of the United States including wetlands, but legal challenges to this rule followed. The 2015 rule was stayed nationwide to determine whether federal district or appellate courts had jurisdiction to hear cases in the matter and, in January 2017, the U.S. Supreme Court agreed to hear the case. The EPA and Corps proposed a rulemaking in June 2017 to repeal the June 2015 rule, announced their intent to issue a new rule defining the Clean Water Act’s jurisdiction, and published a final rule on February 6, 2018 specifying that the contested June 2015 rule would not take effect until February 6, 2020. Recently, on January 22, 2018, the U.S. Supreme Court issued a decision finding that jurisdiction resides with the federal district courts; consequently, while implementation of the 2015 rule currently remains stayed, the previously-filed district court cases will be allowed to proceed. As a result of these recent developments, future implementation of the June 2015 rule is uncertain at this time but to the extent any rule expands the scope of the Clean Water Act’s jurisdiction, drilling programs could incur increased costs and delays with respect to obtaining permits for dredge and fill activities in wetland areas.

Hydraulic Fracturing

We manufacture and operate proprietary equipment and provide well site services that enhance the delivery of proppant used by hydraulic fracturing operators in the oil and natural gas industry. Hydraulic fracturing is an important and increasingly common practice that is used to stimulate production of natural gas and oil from low permeability hydrocarbon bearing subsurface rock formations. The hydraulic fracturing process involves the injection of water, proppants, and chemical additives 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 use our systems and services in their hydraulic fracturing activities.

While the U.S. Congress has from time to time considered regulation of hydraulic fracturing, no such legislation has been adopted. Rather, hydraulic fracturing is typically regulated by state oil and natural gas commissions and similar agencies. However, several federal agencies have conducted investigations or asserted regulatory authority over certain aspects of the process. For example, in December 2016, the EPA released its final report on the potential impacts of hydraulic fracturing on drinking water resources, concluding that "water cycle" activities associated with hydraulic fracturing may impact drinking water resources under some circumstances. Additionally, the EPA asserted regulatory authority in 2014 pursuant to the U.S. Safe Drinking Water Act's ("SDWA") Underground Injection Control ("UIC") program over hydraulic fracturing activities involving the use of diesel and issued guidance covering such activities. The EPA also published final rules under the CAA in 2012 and in June 2016 governing performance standards, including standards for the capture of air emissions released during oil and natural gas hydraulic fracturing. Also, in June 2016, the EPA published an effluent limit guideline final rule prohibiting the discharge of wastewater from onshore unconventional oil and gas extraction facilities to publicly owned wastewater treatment plants and, in May 2014, published an ANPR regarding Toxic Substances Control Act reporting of the chemical substances and mixtures used in hydraulic fracturing. The BLM published a final rule in March 2015 that established new or more stringent standards relating to hydraulic fracturing on federal and American Indian lands. However, in June 2016, a Wyoming federal judge struck down this final rule, finding that the BLM lacked authority to promulgate the rule, the BLM appealed the decision to the U.S. Circuit Court of Appeals for the Tenth Circuit in July 2016, the appellate court issued a ruling in September 2017 to vacate the Wyoming trial court decision and dismiss the lawsuit challenging the 2015 rule in response to the BLM’s issuance of a proposed rulemaking to rescind the 2015 rule and, in December 2017, the BLM published a final rule rescinding the March 2015 rule. In January 2018, litigation challenging the BLM’s rescission of the 2015 rule was brought in federal court.

Also, some states have adopted, and other states have, from time to time, considered adopting regulations that could impose new or more stringent permitting, disclosure or well construction requirements on hydraulic fracturing operations. States could elect to prohibit high-volume hydraulic fracturing altogether, following the approach taken by the State of New York. 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.

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 adversely impact demand for our systems and services. 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 systems and services, have a material 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. For example, in response to the filing of a lawsuit by several non-governmental environmental groups against the EPA for the agency's failure to timely assess its RCRA Subtitle D criteria regulations for oil and gas wastes, the EPA and the environmental groups entered into an agreement that was finalized in a consent decree issued by the U.S. District Court for the District of Columbia in December 2016. Under the decree, the EPA is required to propose no later than March 15, 2019, a rulemaking for revision of certain Subtitle D criteria regulations pertaining to oil and gas wastes or sign a determination that revision of the regulations is not necessary. If the EPA proposes a rulemaking for revised oil and as waste regulations, the Consent Decree requires that the EPA take final action following notice and comment rulemaking no later than July 15, 2021. 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 a material adverse effect on our business.

Site Remediation

The CERCLA and comparable state laws impose strict, joint and several liability without regard to fault or the legality of the original conduct on certain classes of persons that contributed to the release of a hazardous substance into the environment. 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 generate materials in the course of our operations that may be regulated as hazardous substances.

Endangered Species

The Endangered Species Act ("ESA") 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. As a result of one or more settlements entered into by the U.S. Fish and Wildlife Service, that agency is required to consider listing numerous species as endangered or threatened under the Endangered Species Act by specified timelines. Current ESA listings and the designation of previously unprotected species as threatened or endangered in areas where we or our customers operate could cause us or our customers to incur increased costs arising from species protection measures and could result in delays or limitations in our or our customers' performance of operations, which could adversely affect or reduce demand for our systems and services.

Worker Health and Safety

We are subject to a number of federal and state laws and regulations, including the federal Occupational Safety and Health Act and comparable state statutes, whose purpose is to protect the health and safety of workers. In addition, the U.S. Occupational Safety and Health Administration (“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 our operations and that this information be provided to employees, state and local government authorities and citizens.

State and Local Regulation

We are subject to a variety of state and local environmental review and permitting requirements. Some states, including Texas where our manufacturing facility is located, have state laws similar to major federal environmental laws and thus our operations are also subject to state requirements that may be more stringent than those imposed under federal law. 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. Texas has specific permitting and review processes for oilfield service operations, and state agencies may impose different or additional monitoring or mitigation requirements than federal agencies. 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.

Intellectual Property

We continuously seek to innovate our manufacturing processes and product and service offerings to enhance our operations and deliver increased value to our customers. Our engineering team is focused on continuing to improve our manufacturing operations, expanding the capabilities of our systems and enhance our service offerings. We believe our investment in research and development will result in the development of complementary products and services, which will provide a competitive advantage as our customers focus on extracting oil and natural gas in the most economical and efficient ways possible.

We seek patent and trademark protections for our technology when we deem it prudent, and we aggressively pursue protection of these rights. We believe our patents, trademarks, and other protections for our proprietary technologies are adequate for the conduct of our business and that no single patent or trademark is critical to our business. In addition, we rely to a great extent on the technical expertise and know-how of our personnel to maintain our competitive position, and we take commercially reasonable measures to protect trade secrets and other confidential and/or proprietary information relating to the technologies we develop.

As of December 31, 2017, we had two issued patents in the United States and corollary patents issued in Canada and Mexico; two utility patent applications in the United States and Canada and one provisional patent applications in the United States, each relating to our systems and services and other technologies. Our issued patents expire, if all of the maintenance fees are paid, between 2032 and 2033. We cannot assure you that any of our patent applications will result in the issuance of a patent or whether the examination process will require us to narrow our claims. In addition, any patents may be contested, circumvented, found unenforceable or invalid, and we may not be able to prevent third parties from infringing them.

Properties and Insurance

Our principal properties are described above under the captions "—Early, Texas Manufacturing Facility" and "—Kingfisher Facility." We believe that our properties and facility are adequate for our operations and are maintained in a good state of repair in the ordinary course of our business. However, our assets may be affected by natural or man-made disasters and other external events that may disrupt our manufacturing operations. 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 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.

Further, claims for loss of oil and natural gas production and damage to formations can occur in our industry. Litigation arising from a catastrophic occurrence at a location where our systems are deployed or services are performed may result in our being named as a defendant in lawsuits asserting large claims.

We believe that our insurance coverage is customary for the industry in which we operate and adequate for our business. To address the hazards inherent in our business, we maintain insurance coverage that includes first-party physical damage coverage, third-party general liability insurance, auto liability, employer's liability, environmental liability and other coverage, although coverage for environmental related losses is subject to certain limitations. However, we do not have insurance against all foreseeable risks, either because insurance is not available or because of the high premium costs. The occurrence of an event not fully insured against or the failure of an insurer to meet its insurance obligations could result in substantial losses. In addition, we may not be able to maintain adequate insurance in the future at rates we consider reasonable. Insurance may not be available to cover any or all of the risks to which we are subject, or, even if available, it may be inadequate, or insurance premiums or other costs could rise significantly in the future so as to make such insurance prohibitively expensive.

We customarily enter into MSAs with our customers that delineate our customer's and our respective indemnification obligations with respect to the systems we deploy. Generally, under our MSAs, we assume responsibility for pollution, contamination and other damage originating from any negligence or willful misconduct in our operation of the system. However, we generally do not assume responsibility for any other pollution or contamination that may occur during operations, including any pollution or contamination which may result from the actual proppant used on the well site, including pollution or contamination that may result from seepage or any other uncontrolled disbursement of proppant. While we have not received claims relating to pollution or contamination in the deployment of our systems, if we are ultimately deemed responsible, our obligations may include the control, removal and clean-up of any pollution or contamination. In such cases, we may be exposed to additional liability if we are negligent or commit willful acts causing the pollution or contamination. We routinely attempt to require and are sometime successful in requiring our customers to agree to indemnify us against claims arising from their employees' personal injury or death to the extent that their employees are injured by operating our systems, unless the loss is a result of our negligence or willful misconduct. Similarly, we generally agree to indemnify our customers for liabilities arising from personal injury to or death of any of our employees, unless resulting from the gross negligence or willful misconduct of our customer. The same principals often apply to mutual indemnification for loss or destruction of customer-owned property or equipment, except such indemnification is not limited by negligence or misconduct. Losses due to catastrophic events are generally the responsibility of the customer. However, despite this general allocation of risk, we may be unsuccessful in enforcing contractual terms, incur an unforeseen liability that is not addressed by the scope of the contractual provisions or be required to enter into an MSA with terms that vary from our standard allocations of risk, as described above. Consequently, we may incur substantial losses above our insurance coverage that could materially and adversely affect our financial condition and results of operations.

Legal Proceedings

Due to the nature of our business, we may become, from time to time, involved in routine litigation or subject to disputes or claims related to our business activities. In the opinion of our management, there are no pending litigation, disputes or claims against us which, if decided adversely, would have a material adverse effect on our financial condition, cash flows or results of operations.

Employees

As of December 31, 2017, we employed 266 people pursuant to an Administrative Services Agreement. For additional information, please see note “14. Related Party Transactions” under Part II, Item 8. “Financial Statements and Supplementary Data." None of our employees are subject to collective bargaining agreements. We consider our employee relations to be good.

Available Information

We are required to file any annual, quarterly and current reports, proxy statements and certain other information with the SEC. Any documents filed by us with the SEC may be inspected without charge at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Copies of these materials may be obtained from such office upon payment of a duplicating fee. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room.

The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. Any documents filed by us with the SEC, including this Annual Report on Form 10-K, can be downloaded from the SEC's website.

Our principal executive offices are located at 9811 Katy Freeway, Suite 900, Houston, Texas 77024, and our telephone number is (281) 501-3070. Our website is at www.solarisoilfield.com. Our periodic reports and other information filed with or furnished to the SEC are available, free of charge, through our website, as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to the SEC. Information on our website or any other website is not incorporated by reference into this Annual Report on Form 10-K and does not constitute a part of this Annual Report on Form 10-K.

Item 1A. Risk Factors

The following are certain risk factors that affect our business, financial condition, results of operations and cash flows. Many of these risks are beyond our control. These risk factors should be considered in connection with evaluating the forward-looking statements contained in this Annual Report on Form 10-K. The risks and uncertainties described below are not the only ones that we face. If any of the events described below were to actually occur, our business, financial condition, results of operations and cash flows could be adversely affected and our results could differ materially from expected and historical results, any of which may also adversely affect the holders of our stock.

Risks Related to Our Business

Our business depends on domestic capital spending by the oil and natural gas industry, and reductions in capital spending could have a material adverse effect on our liquidity, results of operations and financial condition.

Our business is directly affected by capital spending to explore for, develop and produce oil and natural gas in the United States. The significant decline in oil and natural gas prices that began in late 2014 caused a reduction in the exploration, development and production activities of most of our customers. In response, we reduced the prices we charged for our systems. Although a moderate recovery began in late 2016 and has continued through 2017 and early 2018, if oil and natural gas prices decline below current levels for an extended period of time, certain of our customers may be unable to pay their vendors and service providers, including us, as a result of the decline in commodity prices. Reduced discovery rates of new oil and natural gas reserves in our areas of operation as a result of decreased capital spending may also have a negative long-term impact on our business, even in an environment of stronger oil and natural gas prices. Any of these conditions or events could adversely affect our operating results. If the recent recovery does not continue or our customers fail to further increase their capital spending, it could have a material adverse effect on our liquidity, results of operations and financial condition.

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

- expected economic returns to E&P companies of 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;
- the level of domestic and global oil and natural gas inventories;
- the supply of and demand for hydraulic fracturing and equipment in the United States;

- federal, state and local regulation of hydraulic fracturing activities, as well as exploration and production activities, including public pressure on governmental bodies and regulatory agencies to regulate our industry;
- U.S. federal, state and local and non-U.S. 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;
- technical difficulties or failures;
- changes in the price and availability of transportation;
- shortages or late deliveries of qualified personnel, equipment or supplies;
- political and economic conditions in oil and natural gas producing countries;
- actions by the members of Organization of Petroleum Exporting Countries with respect to oil production levels and announcements of potential changes in such levels, including the failure of such countries to comply with production cuts announced in November 2016;
- global weather conditions and natural disasters;
- worldwide political, military and economic conditions;
- the cost of producing and delivering oil and natural gas;
- lead times associated with acquiring equipment and products and availability of qualified personnel;
- the discovery rates of new oil and natural gas reserves;
- 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;
- the availability of water resources, suitable proppant and chemical additives in sufficient quantities for use in hydraulic fracturing fluids;
- advances in exploration, development and production technologies or in technologies affecting energy consumption;
- the potential acceleration of development of alternative fuels;
- significant changes in the rail industry or the rail lines services our business, such as increased regulation, embargoes and disruption in service; and
- uncertainty in capital and commodities markets and the ability of oil and natural gas companies to raise equity capital and debt financing.

The volatility of oil and natural gas prices may adversely affect the demand for our systems and services and negatively impact our results of operations.

The demand for our systems and services is primarily determined by current and anticipated oil and natural gas prices and the related levels of capital spending and drilling activity in the areas in which we have operations. Volatility or weakness in oil prices or natural gas prices (or the perception that oil prices or natural gas prices will decrease) affects the spending patterns of our customers and may result in the drilling of fewer new wells. As a result, demand for proppants may decrease, which could, in turn, lead to lower demand for our systems and services and may cause lower prices and lower utilization of our assets. We have, and may in the future, experience significant fluctuations in operating results as a result of the reactions of our customers to changes in oil and natural gas prices. For example, prolonged low commodity prices experienced by the oil and natural gas industry beginning in late 2014 and uncertainty about future prices even when prices increased, combined with adverse changes in the capital and credit markets, caused many E&P companies to significantly reduce their capital budgets and drilling activity. This resulted in a significant decline in demand for oilfield services and adversely impacted the prices oilfield services companies could charge for their services.

Prices for oil and natural gas historically have been extremely volatile and are expected to continue to be volatile. During the past four years, the posted West Texas Intermediate ("WTI") price for oil has ranged from a low of $26.21 per barrel ("Bbl") in February 2016 to a high of $107.26 per Bbl in June 2014. During 2016 and 2017, WTI prices ranged from $26.21 to $60.46 per Bbl. If the prices of oil and natural gas continue to be volatile, reverse their recent increases or decline, our operations, financial condition, cash flows and level of expenditures may be materially and adversely affected.

We face significant competition that may impede our ability to gain market share or cause us to lose market share.

The market for proppant management and logistic services is becoming increasingly competitive. We face competition from proppant producers, pressure pumping companies, transloaders and proppant transporters who also offer solutions for unloading, storing and delivering proppant at well sites and also from competitors who, like us, are focused on developing more efficient last mile logistics management solutions. Some of these solutions utilize containers for on-site proppant storage, handling delivery and others use silo-based storage as we do. Some of our competitors have greater financial and other resources than we do and may develop technology superior to ours or more cost-effective than ours. Competition in our industry is thus based on price, consistency and quality of products, distribution capability, customer service, reliability of supply, breadth of product offering and technical support. If our competitors are able to respond to industry conditions or trends more rapidly or effectively or resort to price competition, we may be unable to gain or maintain our market share or may lose market share or operating profit, which could have an adverse effect on our business, results of operations and financial condition.

Technological advancements in well service technologies, including those that reduce the amount of proppant required for hydraulic fracturing operations, could have a material adverse effect on our business, financial condition and results of operations.

Our industry is characterized by rapid and significant technological advancements and introductions of new products and services using new technologies. As competitors and others use or develop new technologies or technologies comparable to ours in the future, we may lose market share or be placed at a competitive disadvantage. Further, we may face competitive pressure to implement or acquire certain new technologies at a substantial cost. Some of our competitors may have greater financial, technical and personnel resources than we do, which may allow them to gain technological advantages or implement new technologies more rapidly than us. Additionally, we may be unable to implement new technologies or services at all, on a timely basis or at an acceptable cost. New technology or changes in our customers' well completion designs could also reduce the demand for proppant or the amount of proppant required for hydraulic fracturing activities, thereby reducing or eliminating the need for our systems and services. Limits on our ability to effectively use, implement or adapt to new technologies may have a material adverse effect on our business, financial condition and results of operations.

We may be adversely affected by uncertainty in the global financial markets and the deterioration of the financial condition of our customers.

Our future results may be impacted by the uncertainty caused by an economic downturn, volatility or deterioration in the debt and equity capital markets, inflation, deflation or other adverse economic conditions that may negatively affect us or parties with whom we do business resulting in a reduction in our customers' spending and their non-payment or inability to perform obligations owed to us, such as the failure of customers to honor their commitments or the failure of major suppliers to complete orders. Additionally, during times when the natural gas or crude oil markets weaken, our customers are more likely to experience financial difficulties, including being unable to access debt or equity financing, which could result in a reduction in our customers' spending for our systems and services. In addition, in the course of our business we hold accounts receivable from our customers. In the event of the financial distress or bankruptcy of a customer, we could lose all or a portion of such outstanding accounts receivable associated with that customer. Further, if a customer was to enter into bankruptcy, it could also result in the cancellation of all or a portion of our service contracts with such customer at significant expense or loss of expected revenues to us.

Reliance upon a few large customers may adversely affect our revenue and operating results.

Our top three customers collectively represented approximately 51% and 58% of our consolidated revenue for the years ended December 31, 2017 and 2016, respectively. It is likely that we will continue to derive a significant portion of our revenue from a relatively small number of customers in the future. If a major customer fails to pay us, revenue would be impacted and our operating results and financial condition could be materially harmed. Additionally, we typically do not enter into long-term contractual agreements with our customers and if we were to lose any material customer, we may not be able to redeploy our equipment at similar utilization or pricing levels or within a short period of time and such loss could have a material adverse effect on our business until the equipment is redeployed at similar utilization or pricing levels.

We are exposed to the credit risk of our customers, and any material nonpayment or nonperformance by our customers could adversely affect our financial results.

We are subject to the risk of loss resulting from nonpayment or nonperformance by our customers, many of whose operations are concentrated solely in the domestic E&P industry which, as described above, is subject to volatility and, therefore, credit risk. Our credit procedures and policies may not be adequate to fully reduce customer credit risk. For example, for the years ended December 31, 2017 and 2016, we had approximately $0 and $0.1 million of bad debts, respectively, on which we do not expect to collect due to the bankruptcy of a customer. If we are unable 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 our equipment could have a material adverse effect on our business, financial condition, prospects or results of operations.

The Kingfisher Facility currently only has one contracted customer on which we rely for all of the facility's revenues. We may not be able to replace, extend, or add additional customer contracts or contracted volumes on favorable terms, or at all, which could adversely affect our financial results.

The Kingfisher Facility currently only has one customer contract, which became effective in January 2018. We will initially rely on this one customer for all of the facility's revenues, and our ability to replace, extend, or add additional customer contracts or increase contracted volumes on favorable terms, or at all, is subject to a number of factors, many of which are beyond our control. Any failure to obtain additional customers at the Kingfisher Facility or the loss of all or a portion of the revenues attributable to our existing customer as a result of competition, creditworthiness, inability to negotiate extensions or replacement of contracts or otherwise, could have a material adverse effect on our business, financial condition, prospects or results of operations. Significant delay or inability to complete construction of the Kingfisher Facility could result in delay of payments from our one contracted customer until such time construction is completed, if at all.

Delays, changes or increases in plans or costs with respect to the development of the Kingfisher Facility could delay or prevent anticipated project completion and may result in reduced earnings.

Construction and expansion of the Kingfisher Facility is subject to various regulatory, environmental, political, legal, economic and other development risks, including the ability to obtain necessary approvals on a timely basis or at all. Any delay in project construction, including difficulties in engaging qualified contractors necessary to the construction, shortages of equipment, material or skilled labor, increases in the prices of materials, natural disasters and catastrophes, such as hurricanes, explosions, fires, floods, industrial accidents and terrorism, unscheduled delays in the delivery of ordered materials and work stoppages and labor disputes may prevent a planned project from going into service when anticipated, which could cause a delay in the receipt of revenues from the Kingfisher Facility. A significant construction delay, whatever the cause, may result in reduced earnings and an inability to complete construction of the Kingfisher Facility as initially planned, or at all. These events could have a material adverse effect on our financial condition and results of operations.

Increases in regional sand or local sand, or additional transload facilities near our Kingfisher Facility, could affect the volumes and resulting profitability we experience at our Kingfisher Facility

The profitability of our Kingfisher Facility relies in large part upon the volumes of sand being processed through the facility. Any increase in local or regional sand could eliminate our current and potential customers' need for the Kingfisher Facility, thus reducing the throughput volumes and corresponding profitability.

Additionally, while we believe our Kingfisher Facility is strategically located in the SCOOP/STACK formation, any additional transload facilities constructed in close proximity to our Kingfisher Facility could result in increased competition for customers and prices and therefore reduce our operating results associated with the facility.

If we are unable to fully protect our intellectual property rights, we may suffer a loss in our competitive advantage or market share.

Our commercial success depends on our patented and proprietary information and technologies, know-how and other intellectual property. Because of the technical nature of our business, we rely on a combination of patent, copyright, trademark and trade secret laws, and restrictions on disclosure to protect our intellectual property. In particular, as of December 31, 2017, we had one patent issued with respect to our mobile proppant management system design and one patent issued with respect to the lifting and lowering mechanism utilized by our systems to erect and lower their silos. We customarily enter into confidentiality or license agreements with our employees, consultants and corporate partners and control access to and distribution of our design information, documentation and other patented and proprietary information. In addition, in the future we may acquire additional patents or patent portfolios, which could require significant cash expenditures. However, third parties may knowingly or unknowingly infringe our patent or other proprietary rights, third parties may challenge patents or proprietary rights held by us, and pending and future trademark and patent applications may not be approved. Failure to protect, monitor and control the use of our existing intellectual property rights could cause us to lose our competitive advantage and incur significant expenses. It is possible that our competitors or others could independently develop the same or similar technologies or otherwise obtain access to our unpatented technologies. In such case, our trade secrets would not prevent third parties from competing with us. Consequently, our results of operations may be adversely affected. Furthermore, third parties or our employees may infringe or misappropriate our patented or proprietary technologies or other intellectual property rights, which could also harm our business and results of operations. Policing unauthorized use of intellectual property rights can be difficult and expensive, and adequate remedies may not be available.

We may be adversely affected by disputes regarding intellectual property rights of third parties.

Third parties from time to time may initiate litigation against us by asserting that the conduct of our business infringes, misappropriates or otherwise violates intellectual property rights. We may not prevail in any such legal proceedings related to such claims, and our systems may be found to infringe, impair, misappropriate, dilute or otherwise violate the intellectual property rights of others. If we are sued for infringement and lose, we could be required to pay substantial damages and/or be enjoined from using or selling the infringing products or technology. Any legal proceeding concerning intellectual property could be protracted and costly regardless of the merits of any claim and is inherently unpredictable and could have a material adverse effect on our financial condition, regardless of its outcome.

If we were to discover that our technologies or products infringe valid intellectual property rights of third parties, we may need to obtain licenses from these parties or substantially re-engineer our products in order to avoid infringement. We may not be able to obtain the necessary licenses on acceptable terms, or at all, or be able to re-engineer our products successfully. If our inability to obtain required licenses for our technologies or products prevents us from selling our products, that could adversely impact our financial condition and results of operations.

Additionally, we currently license certain third party intellectual property in connection with our business, and the loss of any such license could adversely impact our financial condition and results of operations.

Our operations are subject to inherent risks, some of which are beyond our control. These risks may be self-insured, or may not be fully covered under our insurance policies.

Our assets may be affected by natural or man-made disasters and other external events that may disrupt our manufacturing operations. 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. 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.

The occurrence of a significant event or adverse claim in excess of the insurance coverage that we maintain or that is not covered by insurance could have a material adverse effect on our liquidity, results of operations and financial condition. Claims for loss of oil and natural gas production and damage to formations can occur in our industry. Litigation arising from a catastrophic occurrence at a location where our systems are deployed or services are provided may result in our being named as a defendant in lawsuits asserting large claims.

We do not have insurance against all foreseeable risks, either because insurance is not available or because of the high premium costs. The occurrence of an event not fully insured against or the failure of an insurer to meet its insurance obligations could result in substantial losses. In addition, we may not be able to maintain adequate insurance in the future at rates we consider reasonable. Insurance may not be available to cover any or all of the risks to which we are subject, or, even if available, it may be inadequate, or insurance premiums or other costs could rise significantly in the future so as to make such insurance prohibitively expensive.

Our assets require capital for maintenance, upgrades and refurbishment and may require significant capital expenditures for new equipment.

Our systems and facilities require capital investment in maintenance, upgrades and refurbishment to maintain their competitiveness. The costs of components and labor have increased in the past and may increase in the future with increases in demand, which will require us to incur additional costs to upgrade our facilities or any systems we may manufacture in the future. Any maintenance, upgrade or refurbishment project for our assets could increase our indebtedness or reduce cash available for other opportunities. Furthermore, such projects may require proportionally greater capital investments as a percentage of total asset value, which may make such projects difficult to finance on acceptable terms. To the extent we are unable to fund such projects, we may have less equipment available for service or our equipment may not be attractive to potential or current customers. Additionally, competition or advances in technology within our industry may require us to update or replace existing facilities or systems or build or acquire new ones. Such demands on our capital or reductions in demand for our systems and services and the increase in cost of labor necessary for such maintenance and improvement, in each case, could have a material adverse effect on our business, liquidity position, financial condition, prospects and results of operations and may increase our costs.

We rely on a limited number of third party manufacturers to supplement our internal production capacity during periods of peak demand, and delays in deliveries of any outsourced components or increases in the cost of such outsourced components could harm our business, results of operations and financial condition.

We have established relationships with a limited number of manufacturers that fabricate certain components of our systems during periods of peak demand to supplement our internal production capacity. Should any of these third-party manufacturers be unable to provide or otherwise fail to deliver such components in a timely manner and in the quantities required, any resulting delays in the provision of such components could have a material adverse effect on our business, results of operations and financial condition. Additionally, increasing costs of manufacturing such outsourced components may negatively impact demand for our systems or the profitability of our business operations.

We currently rely on a limited number of suppliers for certain equipment and materials to build our systems, and our reliance on a limited number of suppliers for such equipment and materials exposes us to risks including price and timing of delivery.

We currently rely on a limited number of suppliers for equipment and materials to build our systems. If demand for our systems or the components necessary to build such systems increases or our suppliers for our equipment face financial distress or bankruptcy, our suppliers may not be able to provide such equipment on schedule at the current price or at all. In particular, steel is the principal raw material used in the manufacture of our systems, and the price of steel has historically fluctuated on a cyclical basis and has often depended on a variety of factors over which we have no control. Additionally, we depend on a limited number of suppliers for the motors that we use in our systems, which are a critical component. If our suppliers are unable to provide the raw materials and components needed to build our systems on schedule at the current price or at all, we could be required to seek other suppliers for the raw materials and components needed to build and operate our systems, which may adversely affect our revenues or increase our costs. Any inability to find alternative components at prices or with quality specifications similar to those deployed today could result in delays or a loss of customers.

Our business depends on our customers having access to an adequate supply of proppant to meet their needs.

There have been historical shortages of proppant during various periods, including between 2011 and 2014. Because our business depends upon the availability of proppant to our customers, any future proppant shortages could decrease the demand for our systems and services and have a material adverse effect on our operations, prospects and financial condition.

Fluctuations in transportation costs or the availability or reliability of transportation to supply our proppant management systems and transloading services could impair the ability of our customers to take delivery of proppant and thereby adversely impact our business.

Disruption of proppant transportation services due to shortages of rail cars, pneumatic trucks, weather-related problems, flooding, drought, accidents, mechanical difficulties, strikes, lockouts, bottlenecks or other events could temporarily impair the ability of our customers to take delivery of proppant at the well site or our ability to provide transloading services. Accordingly, if there are disruptions of the services utilized by our customers (whether these services are provided by us or a third party), including but not limited to disruptions in the rail industry or a shortage of qualified motor carriers, and they are unable to find alternative transportation providers to transport proppants to the well site, our business could be adversely affected.

Additionally, any disruptions in transportation services associated with delivery of our proppant management systems could result in reduced revenue days associated with such systems or the loss of customers.

A number of our customers operate in urban areas, which could increase the costs of deploying our systems and/or decrease the demand for our systems.

A number of our current and potential customers operate in urban areas, which could disproportionately expose them to operational and regulatory risk in that area. For example, operations within the city limits of various municipalities in northeastern Colorado may involve additional expenses, including expenses relating to mitigation of noise, odor and light that may be emitted in the deployment of our systems, expenses related to the appearance of our systems and limitations regarding when and how our customers can operate our systems. In addition, we and our customers may experience a higher rate of litigation or increased insurance and other costs related to the deployment of our systems in such highly populated areas.

We may have difficulty managing growth of our business, which could adversely affect our financial condition and results of operations.

As a recently formed company, growth of our business could place a significant strain on our financial, technical, operational and management resources. As we expand the scope of our activities and our geographic coverage through organic growth, there will be additional demands on our financial, technical, operational and management resources. The failure to continue to upgrade our technical, administrative, operating and financial control systems or the occurrences of unexpected expansion difficulties, including the failure to recruit and retain experienced managers, engineers and other professionals in the oilfield services industry, could have a material adverse effect on our business, financial condition, results of operations and our ability to successfully or timely execute our business plan.

Federal, state and local legislative and regulatory initiatives relating to hydraulic fracturing as well as governmental reviews of such activities may serve to limit future oil and natural gas exploration and production activities and could have a material adverse effect on our results of operations and business.

We do not conduct hydraulic fracturing but as our primary line of business, we do rent our systems and unload, store and deliver the proppants used in such systems, as well as provide transloading and other logistics services for our customers, who rely on hydraulic fracturing to stimulate production of natural gas and/or oil from dense subsurface rock formations. Hydraulic fracturing is an important and common practice that is typically regulated by state oil and gas commissions or similar agencies.

However, several federal agencies have asserted regulatory authority or pursued investigations over certain aspects of the hydraulic fracturing process. For example, in February 2014, the EPA asserted regulatory authority pursuant to SDWA UIC program over hydraulic fracturing activities involving the use of diesel and issued guidance covering such activities. The EPA also published final rules under the CAA in 2012 and in June 2016 governing performance standards, including standards for the capture of air emissions released during oil and natural gas hydraulic fracturing. The BLM published a final rule in March 2015 that established new or more stringent standards relating to hydraulic fracturing on federal and American Indian lands, which rule was struck down by a federal judge in June 2016. That decision was subsequently appealed to the U.S. Circuit Court of Appeals for the Tenth Circuit in July 2016, the appellate court issued a ruling in September 2017 to vacate the Wyoming trial court decision and dismiss the lawsuit challenging the 2015 rule in response to the BLM's issuance of a proposed rulemaking to rescind the 2015 rule and, in December 2017, the BLM published a final rule rescinding the March 2015 rule. In January 2018, litigation challenging the BLM's rescission of the 2015 rule was brought in federal court. Also, in December 2016, the EPA released its final report on the potential impacts of hydraulic fracturing on drinking water resources, concluding that "water cycle" activities associated with hydraulic fracturing may impact drinking water resources under some circumstances.

From time to time, legislation has been introduced in Congress to provide for federal regulation of hydraulic fracturing and to require disclosure of the chemicals used in the hydraulic fracturing process but, to date, such legislation has not been adopted. Also, some states and local governments have adopted, and other governmental entities have, from time to time, considered adopting, regulations that could impose more stringent permitting, disclosure and well-construction requirements on hydraulic fracturing operations, including states where we or our customers operate.

Moreover, our customers typically dispose of flowback and produced water or certain other oilfield fluids gathered from oil and natural gas producing operations in underground disposal wells. This disposal process has been linked to increased induced seismicity events in certain areas of the country, particularly in Oklahoma, Texas, Colorado, Kansas, New Mexico and Arkansas. These and other states have begun to consider or adopt laws and regulations that may restrict or otherwise prohibit oilfield fluid disposal in certain areas or underground disposal wells, and state agencies implementing these requirements may issue orders directing certain wells where seismic incidents have occurred to restrict or suspend disposal well operations or impose standards related to disposal well construction and monitoring. Any one or more of these developments may result in our customers having to limit disposal well volumes, disposal rates or locations, or require our customers or third party disposal well operators that are used by our customers to cease disposal well activities, which developments could adversely affect our customers' business and result in a corresponding decrease in the need for our systems and services, which could have a material adverse effect on our business, financial condition, and results of operations.

Increased regulation and attention given to the hydraulic fracturing process and associated processes could lead to greater opposition to, and litigation concerning, oil and natural gas production activities using hydraulic fracturing techniques. Additional legislation or regulation could also lead to operational delays for our customers or increased operating costs in the production of oil and natural gas, including from developing shale plays, or could make it more difficult for our customers to perform hydraulic fracturing. The adoption of any federal, state or local laws or the implementation of regulations regarding hydraulic fracturing could potentially cause a decrease in the completion of new oil and natural gas wells and an associated decrease in demand for our systems and services and increased compliance costs and time, which could have a material adverse effect on our liquidity, results of operations, and financial condition.

Finally, water is an essential component of shale oil and natural gas production during both the drilling and hydraulic fracturing processes. Our customers' access to water to be used in these processes may be adversely affected due to reasons such as periods of extended drought, private, third party competition for water in localized areas or the implementation of local or state governmental programs to monitor or restrict the beneficial use of water subject to their jurisdiction for hydraulic fracturing to assure adequate local water supplies. Our customers' inability to locate or contractually acquire and sustain the receipt of sufficient amounts of water could adversely impact their exploration and production operations and have a corresponding adverse effect on our business, results of operations and financial condition.

Changes in transportation regulations may increase our costs and negatively impact our results of operations.

We are subject to various transportation regulations including as a motor carrier by the U.S. Department of Transportation and by various federal, state and tribal agencies, whose regulations include certain permit requirements of highway and safety authorities. These regulatory authorities exercise broad powers over our trucking operations, generally governing such matters as the authorization to engage in motor carrier operations, safety, equipment testing, driver requirements and specifications and insurance requirements. The trucking industry is subject to possible regulatory and legislative changes that may impact our operations, such as changes in fuel emissions limits, hours of service regulations that govern the amount of time a driver may drive or work in any specific period and limits on vehicle weight and size. As the federal government continues to develop and propose regulations relating to fuel quality, engine efficiency and greenhouse gas emissions, we may experience an increase in costs related to truck purchases and maintenance, impairment of equipment productivity, a decrease in the residual value of vehicles, unpredictable fluctuations in fuel prices and an increase in operating expenses. Increased truck traffic may contribute to deteriorating road conditions in some areas where our operations are performed. Our operations, including routing and weight restrictions, could be affected by road construction, road repairs, detours and state and local regulations and ordinances restricting access to certain roads. Proposals to increase federal, state or local taxes, including taxes on motor fuels, are also made from time to time, and any such increase would increase our operating costs. Also, state and local regulation of permitted routes and times on specific roadways could adversely affect our operations. We cannot predict whether, or in what form, any legislative or regulatory changes or municipal ordinances applicable to our logistics operations will be enacted and to what extent any such legislation or regulations could increase our costs or otherwise adversely affect our business or operations.

We are subject to environmental and occupational health and safety laws and regulations that may expose us to significant costs and liabilities.

Our operations and the operations of our customers are subject to numerous federal, regional, state and local laws and regulations relating to worker health and safety, protection of natural resources and the environment, and waste management, including the transportation and disposal of wastes and other materials. Numerous governmental entities, including the EPA and analogous state agencies have the power to enforce compliance with these laws and regulations and the permits issued under them, often requiring difficult and costly actions. These laws and regulations may impose numerous obligations on our operations and the operations of our customers, including the acquisition of permits to conduct regulated activities, the imposition of restrictions on the types, quantities and concentrations of various substances that can be released into the environment or injected in formations 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, facilities or from customer locations where we are deploying our systems and providing our services, the imposition of substantial liabilities for pollution resulting from our operations, and the application of specific health and safety criteria addressing worker protection. Any failure on our part or the part of our customers to comply with these laws and regulations could result in prohibitions or restrictions on operations, assessment of sanctions including administrative, civil and criminal penalties, issuance of corrective action orders requiring the performance of investigatory, remedial or curative activities or enjoining performance of some or all of our operations in a particular area. In particular, under certain circumstances, environmental agencies may delay or refuse to grant required approvals or cancel or amend existing permits or leases that may relate to our customers' operations, in which event such operations may be interrupted or suspended for varying lengths of time, causing a reduced demand for our systems and services, an associated loss of revenue to us and adversely affecting our results of operations in support of those customers.

Our business activities present risks of incurring significant environmental costs and liabilities, including costs and liabilities resulting from our handling of regulated materials, such as oilfield and other wastes, because of air emissions and wastewater discharges related to our operations, and due to historical oilfield industry operations and waste disposal practices. In addition, private parties, including the owners of properties upon which we deploy our systems or provide our services and facilities where our wastes are taken for reclamation or disposal, also may 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 or natural resource damages. Some environmental laws and regulations may impose strict liability, which means that in some situations we could be exposed to liability as a result of our conduct that was lawful at the time it occurred or the conduct of, or conditions caused by, prior operators or other third parties. Remedial costs and other damages arising as a result of environmental laws and costs associated with changes in environmental laws and regulations could be substantial and could have a material adverse effect on our liquidity, results of operations and financial condition.

Laws and regulations protecting the environment generally have become more stringent in recent years and are expected to continue to do so, which could lead to material increases in costs for future environmental compliance and remediation. Changes in existing laws or regulations, or the adoption of new laws or regulations, could delay or curtail exploratory or developmental drilling for oil and natural gas and could have a corresponding adverse effect on us by reducing the demand for our systems and services. We may not be able to recover some or any of our costs of compliance with these laws and regulations from insurance.

Silica-related legislation, health issues and litigation could have a material adverse effect on our business, reputation or results of operations.

We are subject to laws and regulations relating to human exposure to crystalline silica. In March 2016, OSHA amended its legal requirements, publishing a final rule that established a more stringent permissible exposure limit for exposure to respirable crystalline silica and provided other provisions to protect employees, such as requirements for exposure assessment, methods for controlling exposure, respiratory protection, medical surveillance, hazard communication, and recordkeeping. This final rule became effective in June 2016 and compliance deadlines with respect to hydraulic fracturing will apply on June 23, 2018. Federal and state regulatory authorities, including OSHA, 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 the costs of complying with such future laws and regulations would not have a material 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 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 hydraulic fracturing industry. Concerns over silicosis and other potential adverse health effects, as well as concerns regarding potential liability from the use of hydraulic fracture sand, may have the effect of discouraging our customers' use of hydraulic fracture sand. The actual or perceived health risks of handling hydraulic fracture sand could materially and adversely affect hydraulic fracturing service providers, including us, through reduced use of hydraulic fracture sand, 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 hydraulic fracturing industry.

Anti-indemnity provisions enacted by many states may restrict or prohibit a party's indemnification of us.

We typically enter into agreements with our customers governing the use and operation of our systems and services, which usually include certain indemnification provisions for losses resulting from operations. Such agreements may require each party to indemnify the other against certain claims regardless of the negligence or other fault of the indemnified party; however, many states place limitations on contractual indemnity agreements, particularly agreements that indemnify a party against the consequences of its own negligence. Furthermore, certain states, including Louisiana, New Mexico, Texas and Wyoming have enacted statutes generally referred to as "oilfield anti-indemnity acts" expressly prohibiting certain indemnity agreements contained in or related to oilfield services agreements. Such anti-indemnity acts may restrict or void a party's indemnification of us, which could have a material adverse effect on our business, financial condition, prospects and results of operations.

Fuel conservation measures could reduce demand for oil and natural gas which would in turn reduce the demand for our systems and services.

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 changing demand for oil and natural gas may have a material 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 hydrocarbons and therefore for our systems and services, which would lead to a reduction in our revenues.

Unsatisfactory safety performance may negatively affect our customer relationships and, to the extent we fail to retain existing customers or attract new customers, adversely impact our revenues.

Our ability to retain existing customers and attract new business is dependent on many factors, including our ability to demonstrate that we can reliably and safely operate our business in a manner that is consistent with applicable laws, rules and permits, which legal requirements are subject to change. Existing and potential customers consider the safety record of their third-party service providers to be of high importance in their decision to engage such providers. If one or more accidents were to occur in connection with the use of our systems or performance of our services, the affected customer may seek to terminate or cancel its use of our services and may be less likely to continue to use our systems, which could cause us to lose substantial revenues. Furthermore, our ability to attract new customers may be impaired if they elect not to engage us because they view our safety record as unacceptable. In addition, it is possible that we will experience multiple or particularly severe accidents in the future, causing our safety record to deteriorate. This may be more likely as we continue to grow, if we experience high employee turnover or labor shortage, or hire inexperienced personnel to bolster our staffing needs.

Climate change legislation and regulations restricting or regulating emissions of GHGs could result in increased operating and capital costs for our customers and reduced demand for our systems and services.

Climate change continues to attract considerable public, governmental and scientific attention. As a result, numerous proposals have been made and are likely to continue to be made at the international, national, regional and state levels of government to monitor and limit emissions of greenhouse gases ("GHGs"). While no comprehensive climate change legislation has been implemented at the federal level, the EPA and states or groupings of states have pursued legal initiatives in recent years that seek to reduce GHG emissions through efforts that include consideration of cap-and-trade programs, carbon taxes, GHG reporting and tracking programs and regulations that directly limit GHG emissions from certain sources. In particular, the EPA has adopted rules under authority of the CAA that, among other things, establish certain PSD construction and Title V operating permit reviews for GHG emissions from certain large stationary sources, which reviews could require securing PSD permits at covered facilities emitting GHGs and meeting “best available control technology” standards for those GHG emissions. The EPA has also adopted rules requiring the monitoring and annual reporting of GHG emissions from certain petroleum and natural gas system sources in the United States, including, among others, onshore production.

Federal agencies also have begun directly regulating emissions of methane, a GHG, from oil and natural gas operations. In June 2016, the EPA published a final rule establishing NSPS Subpart OOOOa, that requires certain new, modified or reconstructed facilities in the oil and natural gas sector to reduce these methane gas and VOC emissions. These Subpart OOOOa standards will expand the previously issued NSPS Subpart OOOO requirements issued in 2012 by using certain equipment-specific emissions control practices, requiring additional controls for pneumatic controllers and pumps as well as compressors, and imposing leak detection and repair requirements for natural gas compressor and booster stations. However, in June 2017, the EPA published a proposed rule to stay certain portions of the June 2016 standards for two years and re-evaluate the entirety of the 2016 standards but the EPA has not yet published a final rule and, as a result, the June 2016 rule remains in effect but future implementation of the 2016 standards is uncertain at this time. In another example, the BLM published a final rule in November 2016 that imposes requirements to reduce methane emissions from venting, flaring, and leaking on federal and Indian lands. However, in December 2017, the BLM published a final rule that temporarily suspends or delays certain requirements contained in the November 2016 final rule until January 17, 2019. The suspension of the November 2016 final rule is being challenged in court. These rules, should they remain in effect, and any other new methane emission standards imposed on the oil and gas sector could result in increased costs to our or our customers’ operations as well as result in delays or curtailment in such operations, which costs, delays or curtailment could adversely affect our business. Additionally, in December 2015, the United States joined the international community at the 21st Conference of the Parties of the United Nations Framework Convention on Climate Change in Paris, France that prepared an agreement requiring member countries to review and "represent a progression" in their intended nationally determined contributions, which set GHG emission reduction goals every five years beginning in 2020. This "Paris agreement" was signed by the United States in April 2016 and entered into force in November 2016; however, this agreement does not create any binding obligations for nations to limit their GHG emissions. However, in August 2017, the U.S. State Department informed the United Nations of the intent of the United States to withdraw from the Paris Agreement. The Paris Agreement provides for a four-year exit process beginning when it took effect in November 2016, which would result in an effective exit date of November 2020. The United States' adherence to the exit process and/or the terms on which the United States may re-enter the Paris Agreement or a separately negotiated agreement are unclear at this time.

The adoption and implementation of any international, federal or state legislation or regulations that require reporting of GHGs or otherwise restrict emissions of GHGs could result in increased compliance costs or additional operating restrictions, and could have a material adverse effect on our business, financial condition, demand for our systems and services, results of operations, and cash flows.

Recently, activists concerned about the potential effects of climate change have directed their attention at sources of funding for fossil-fuel energy companies, which has resulted in certain financial institutions, funds and other sources of capital restricting or eliminating their investment in oil and natural gas activities. Ultimately, this could make it more difficult to secure funding for exploration and production or midstream activities. Notwithstanding potential risks related to climate change, the International Energy Agency estimates that global energy demand will continue to rise and will not peak until after 2040 and that oil and natural gas will continue to represent a substantial percentage of global energy use over that time. Finally, increasing concentrations of GHG in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts, floods and other climatic events. If any such climate changes were to occur, they could have an adverse effect on our financial condition and results of operations and the financial condition and operations of our customers.

Any future indebtedness could adversely affect our financial condition.

Although we currently have no indebtedness outstanding under our 2018 Credit Agreement (as defined in "Management's Discussion and Analysis of Financial Condition and Results of Operation—Debt Agreements"), our 2018 Credit Agreement has a borrowing capacity of up to $70.0 million.

In addition, subject to the limits contained in our 2018 Credit Agreement, we may incur additional debt from time to time. Any borrowings we may incur in the future would have several important consequences for our future operations, including that:

- covenants contained in the documents governing such indebtedness may require us to meet or maintain certain financial tests, which may affect our flexibility in planning for, and reacting to, changes in our industry, such as being able to take advantage of acquisition opportunities when they arise;

- our ability to obtain additional financing for working capital, capital expenditures, acquisitions, general corporate and other purposes may be limited;

- we may be competitively disadvantaged to our competitors that are less leveraged or have greater access to capital resources; and

- we may be more vulnerable to adverse economic and industry conditions.

If we incur indebtedness in the future, we may have significant principal payments due at specified future dates under the documents governing such indebtedness. Our ability to meet such principal obligations will be dependent upon future performance, which in turn will be subject to general economic conditions, industry cycles and financial, business and other factors affecting our operations, many of which are beyond our control. Our business may not continue to generate sufficient cash flow from operations to repay any incurred indebtedness. If we are unable to generate sufficient cash flow from operations, we may be required to sell assets, to refinance all or a portion of such indebtedness or to obtain additional financing.

Our 2018 Credit Agreement subjects us to various financial and other restrictive covenants. These restrictions may limit our operational or financial flexibility and could subject us to potential defaults under our 2018 Credit Agreement.

Our 2018 Credit Agreement subjects us to significant financial and other restrictive covenants, including, but not limited to, restrictions on incurring additional debt and certain distributions. Our ability to comply with these financial condition tests can be affected by events beyond our control and we may not be able to do so.

Our 2018 Credit Agreement contains certain financial covenants, including a certain leverage ratio and a certain minimum fixed charge coverage ratio we must maintain. Please see "Management's Discussion and Analysis of Financial Condition and Results of Operation—Debt Agreements."

If we are unable to remain in compliance with the financial covenants of our 2018 Credit Agreement, then amounts outstanding thereunder may be accelerated and become due immediately. Any such acceleration could have a material adverse effect on our financial condition and results of operations.

Increases in interest rates could adversely impact the price of our shares, our ability to issue equity or incur debt for acquisitions or other purposes.

Interest rates on future borrowings, credit facilities and debt offerings could be higher than current levels, causing our financing costs to increase accordingly. Changes in interest rates, either positive or negative, may affect the yield requirements of investors who invest in our shares, and a rising interest rate environment could have an adverse impact on the price of our shares, our ability to issue equity or incur debt for acquisitions or other purposes.

Our business is difficult to evaluate because we have a limited operating history.

We were formed in February 2017 and have limited historical financial and operating results. For purposes of this Annual Report on Form 10-K, our accounting predecessor is Solaris LLC, which was formed in July 2014. For periods prior to the IPO, our historical financial information and operational data described in this Annual Report on Form 10-K is that of Solaris LLC and its consolidated subsidiaries. As a result, there is only limited historical financial and operating information available upon which to base your evaluation of our performance.

We rely on a few key employees whose absence or loss could adversely affect our business.

Many key responsibilities within our business have been assigned to a small number of employees. The loss of their services could adversely affect our business. In particular, the loss of the services of one or more members of our executive team, including our chief executive officer or chief financial officer, could disrupt our operations. We do not have any written employment agreement with our executives at this time. Further, we do not maintain "key person" life insurance policies on any of our employees. As a result, we are not insured against any losses resulting from the death of our key employees.

If we are unable to access the services of a sufficient number of skilled and qualified workers, our capacity and profitability could be diminished and our growth potential could be impaired.

The manufacture and delivery of our products and performance of our services requires skilled and qualified workers with specialized skills and experience who can perform physically demanding work. 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. Our ability to be productive and profitable will depend upon our ability to have access to the services of skilled workers. In addition, our ability to expand our operations depends in part on our ability to increase the size of our skilled labor force. The demand for skilled workers is high, and the supply is limited. As a result, competition for experienced personnel is intense, and a significant increase in the wages paid by competing employers could result in a reduction of our skilled labor force, increases in the rates that we must pay, or both. If either of these events were to occur, our capacity and profitability could be diminished and our growth potential could be impaired.

We may grow through acquisitions and our failure to properly plan and manage those acquisitions may adversely affect our performance.

We have completed and may, in the future, pursue asset acquisitions or acquisitions of businesses. We must plan and manage any acquisitions effectively to achieve revenue growth and maintain profitability in our evolving market. If we fail to manage acquisitions effectively, our results of operations could be adversely affected. The process of upgrading acquired assets to our specifications and integrating acquired assets or businesses may also involve unforeseen costs and delays or other operational, technical and financial difficulties and may require a significant amount time and resources and may divert management’s attention from existing operations or other priorities. Our failure to incorporate acquired assets or businesses into our existing operations successfully or to minimize any unforeseen operational difficulties could have a material adverse effect on our financial condition and results of operations. Such events could also mean an acquisition that we expected to be accretive is not accretive and, in extreme cases, the asset is idle.

Our industry overall has experienced a high rate of employee turnover. Any difficulty we experience replacing or adding personnel could have a material adverse effect on our liquidity, results of operations and financial condition.

We are dependent upon the available labor pool of skilled employees and may not be able to find enough skilled labor to meet our needs, which could have a negative effect on our growth. In addition, we are dependent upon a large number of independent contractors to service our business and construct our proppant management systems. Increased competition for their services could result in a loss of available, skilled contractors or services at a price that is not as advantageous to our business, both of which could negatively affect our operating results. We are also subject to the Fair Labor Standards Act, which governs such matters as minimum wage, overtime and other working conditions. Our systems and services require skilled workers who can perform physically demanding work. As a result of our industry volatility, including the recent and pronounced decline in drilling activity, as well as the demanding nature of the work, many workers in our industry have left to pursue employment in different fields. Though our historical turnover rates have been significantly lower than those of our competitors, if we are unable to retain or meet growing demand for skilled technical personnel, our operating results and our ability to execute our growth strategies may be adversely affected.

We may be subject to claims for personal injury and property damage, which could materially adversely affect our financial condition, prospects and results of operations.

Our systems and services are subject to inherent risks that can cause personal injury or loss of life, damage to or destruction of property, equipment or the environment or the suspension of our operations. Litigation arising from operations where our systems are deployed or services are provided, may cause us to be named as a defendant in lawsuits asserting potentially large claims including claims for exemplary damages. We maintain what we believe is customary and reasonable insurance to protect our business against these potential losses, but such insurance may not be adequate to cover our liabilities, and we are not fully insured against all risks.

In addition, our customer assumes responsibility for, including control and removal of, all other pollution or contamination which may occur during operations, including that which may result from seepage or any other uncontrolled flow of drilling and completion fluids. We may have liability in such cases if we are negligent or commit willful acts. Our customers generally agree to indemnify us against claims arising from their employees' personal injury or death to the extent that, in the case of our well site services, their employees are injured or their properties are damaged by such services, unless resulting from our gross negligence or willful misconduct. Our customers also generally agree to indemnify us for loss or destruction of customer-owned property or equipment. In turn, we agree to indemnify our customers for loss or destruction of property or equipment we own and for liabilities arising from personal injury to or death of any of our employees, unless resulting from gross negligence or willful misconduct of the customer. However, we might not succeed in enforcing such contractual allocation or might incur an unforeseen liability falling outside the scope of such allocation. As a result, we may incur substantial losses which could materially and adversely affect our financial condition and results of operation.

Seasonal weather conditions and natural disasters could severely disrupt normal operations and harm our business.

Our operations are located in different regions of the United States, some of which are prone to periods of heavy snow, ice or rain and others of which may be prone to certain natural disasters such as tornadoes. The occurrence of any such severe weather conditions or natural disasters could cause our E&P customers to suspend operations, thereby reducing the demand for our systems and services and our ability to generate revenues. The exploration activities of our customers may also be affected during such periods of adverse weather conditions. Additionally, extended drought conditions in our operating regions could impact our ability or our customers' ability to source sufficient water or increase the cost for such water. As a result, a natural disaster or inclement weather conditions could severely disrupt the normal operation of our business and adversely impact our financial condition and results of operations.

We may be subject to interruptions or failures in our information technology systems.

We rely on sophisticated information technology systems and infrastructure to support our business, including but not limited to process control technology through our integrated Railtronix and PropView inventory management systems. Any of these systems may be susceptible to outages due to fire, floods, power loss, telecommunications failures, usage errors by employees, computer viruses, cyber-attacks or other security breaches, or similar events. The failure of any of our information technology systems may cause disruptions in our operations, which could adversely affect our sales and profitability.

We are subject to cyber security risks. A cyber incident could occur and result in information theft, data corruption, operational disruption and/or financial loss.

The oil and natural gas industry has become increasingly dependent on digital technologies to conduct certain processing activities. For example, we depend on digital technologies to deliver our systems and perform many of our services and to process and record financial and operating data. At the same time, cyber incidents, including deliberate attacks, have increased. The U.S. government has issued public warnings that indicate that energy assets might be specific targets of cyber security threats. Our technologies, systems and networks, and those of our vendors, suppliers and other business partners, may become the target of cyberattacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of proprietary and other information, or other disruption of business operations. In addition, certain cyber incidents, such as surveillance, may remain undetected for an extended period. Our systems for protecting against cyber security risks may not be sufficient. As cyber incidents continue to evolve, we will likely be required to expend additional resources to continue to modify or enhance our protective measures or to investigate and remediate any vulnerability to cyber incidents.

A terrorist attack or armed conflict could harm our business.

The occurrence or threat of terrorist attacks in the United States or other countries, anti-terrorist efforts and other armed conflicts involving the United States or other countries, including continued hostilities in the Middle East, may adversely affect the United States and global economies and could prevent us from meeting our financial and other obligations. If any of these events occur, the resulting political instability and societal disruption could reduce overall demand for oil and natural gas, potentially putting downward pressure on demand for our systems and services and causing a reduction in our revenues. Oil and natural gas related facilities could be direct targets of terrorist attacks, and our operations could be adversely impacted if infrastructure integral to our customers' operations is destroyed or damaged. Costs for insurance and other security may increase as a result of these threats, and some insurance coverage may become more difficult to obtain, if available at all.

We engage in transactions with related parties and such transactions present possible conflicts of interest that could have an adverse effect on us.

We have entered into transactions with related parties. The details of certain of these transactions are set forth in note 14. “Related Party Transactions” under Part II, Item 8. “Financial Statements and Supplementary Data.” Related party transactions create the possibility of conflicts of interest with regard to our management or directors. Such a conflict could cause an individual in our management or on our board of directors to seek to advance his or her economic interests above ours. Further, the appearance of conflicts of interest created by related party transactions could impair the confidence of our investors. Our board of directors regularly reviews these transactions. Notwithstanding this, it is possible that a conflict of interest could have a material adverse effect on our liquidity, results of operations and financial condition.

Our historical financial statements may not be indicative of future performance.

Due to our limited operating history, comparisons of our current and future operating results with prior periods are difficult. As a result, our limited historical financial performance may make it difficult for stockholders to evaluate our business and results of operations to date and to assess our future prospects and viability.

We may record losses or impairment charges related to idle assets or assets that we sell.

Prolonged periods of low utilization, changes in technology or the sale of assets below their carrying value may cause us to experience losses. These events could result in the recognition of impairment charges that negatively impact our financial results. Significant impairment charges as a result of a decline in market conditions or otherwise could have a material adverse effect on our results of operations in future periods.

Future regulations relating to and interpretations of recently enacted U.S. federal income tax legislation may vary from our current interpretation of such legislation.

The U.S. federal income tax legislation recently enacted in Public Law No. 115-97, commonly referred to as the Tax Cuts and Jobs Act (the “Tax Act”), is highly complex and subject to interpretation. The presentation of our financial condition and results of operations is based upon our current interpretation of the provisions contained in the Tax Act. In the future, the Treasury Department and the Internal Revenue Service are expected to release regulations relating to and interpretive guidance of the legislation contained in the Tax Act. Any significant variance of our current interpretation of such legislation from any future regulations or interpretive guidance could result in a change to the presentation of our financial condition and results of operations and could negatively affect our business.

The final impact of the Tax Act on us could be materially different from our current estimates and could have an adverse impact on our tax obligations and effective tax rate.

The net benefits of the Tax Act, are recorded as provisional amounts as of December 31, 2017, represent the Company’s best estimate using information available to the Company as of March 6, 2018. The Company will refine its estimates to incorporate new or better information as it becomes available through the filing date of its 2017 U.S. income tax returns in the fourth quarter of 2018. Recognized impacts could be materially different from current estimates based on our actual results in 2018 and our further analysis of the new law. Because we are in the process of fully quantifying the impact of the Tax Act on us, we expect to record any adjustments in 2018 in accordance with the guidance provided in SEC Staff Accounting Bulletin No. 118. These adjustments could be material. The full impact of the Tax Act on our business, operations, and financial statements cannot be predicted at this time and we make no assurances in this regard. See Note 11 to the consolidated financial statements.

Changes to state tax laws in response to recently enacted U.S. federal tax legislation.

Currently, many states conform their calculation of corporate taxable income to the calculation of corporate taxable income at the U.S. federal level. Due to recently enacted changes to U.S. federal income tax laws, certain states may change or modify the calculation of corporate taxable income at the state level. Any resulting increase in costs due to such changes could have an adverse effect on our financial position, results of operations and cash flows.

Risks Related to Our Class A Common Stock

Solaris Inc. is a holding company. Solaris Inc.'s sole material asset is its equity interest in Solaris LLC and Solaris Inc. is accordingly dependent upon distributions from Solaris LLC to pay taxes, make payments under the Tax Receivable Agreement and cover its corporate and other overhead expenses.

Solaris Inc. is a holding company and has no material assets other than its equity interest in Solaris LLC. Solaris Inc. has no independent means of generating revenue. To the extent Solaris LLC has available cash, Solaris Inc. intends to cause Solaris LLC to make (i) generally pro rata distributions to its unitholders, including Solaris Inc., in an amount at least sufficient to allow Solaris Inc. to pay its taxes and to make payments under the Tax Receivable Agreement and any subsequent tax receivable agreements that Solaris Inc. may enter into in connection with future acquisitions and (ii) non-pro rata payments to it to reimburse it for Solaris Inc.'s corporate and other overhead expenses. To the extent that Solaris Inc. needs funds and Solaris LLC or its subsidiaries are restricted from making such distributions or payments under applicable law or regulation or under the terms of any future financing arrangements, or are otherwise unable to provide such funds, Solaris Inc.'s liquidity and financial condition could be materially adversely affected.

Moreover, because Solaris Inc. has no independent means of generating revenue, its ability to make payments under the Tax Receivable Agreement is dependent on the ability of Solaris LLC to make distributions to Solaris Inc. in an amount sufficient to cover its obligations under the Tax Receivable Agreement. This ability, in turn, may depend on the ability of Solaris LLC's subsidiaries to make distributions to it. The ability of Solaris LLC, its subsidiaries and other entities in which it directly or indirectly holds an equity interest to make such distributions is subject to, among other things, (i) the applicable provisions of Delaware law (or other applicable jurisdiction) that may limit the amount of funds available for distribution and (ii) restrictions in relevant debt instruments issued by Solaris LLC or its subsidiaries and/other entities in which it directly or indirectly holds an equity interest. To the extent that Solaris Inc. is unable to make payments under the Tax Receivable Agreement for any reason, such payments will be deferred and will accrue interest until paid.

The requirements of being a public company, including compliance with the reporting requirements of the Exchange Act, and the requirements of the Sarbanes-Oxley Act of 2002, may strain our resources, increase our costs and distract management, and we may be unable to comply with these requirements in a timely or cost-effective manner.

As a public company, we need to comply with new laws, regulations and requirements, certain corporate governance provisions of the Sarbanes-Oxley Act of 2002, related regulations of the SEC and the requirements of the New York Stock Exchange ("NYSE"), with which we were not required to comply as a private company. Complying with these statutes, regulations and requirements will occupy a significant amount of time of our board of directors and management and will significantly increase our costs and expenses. We will need to:

- institute a more comprehensive compliance function;
- comply with rules promulgated by the NYSE;

- continue to prepare and distribute periodic public reports in compliance with our obligations under the federal securities laws;
- establish new internal policies, such as those relating to insider trading; and
- involve and retain to a greater degree outside counsel and accountants in the above activities.

Furthermore, while we generally must comply with Section 404 of the Sarbanes Oxley Act of 2002 for our fiscal year ending December 31, 2018, we are not required to have our independent registered public accounting firm attest to the effectiveness of our internal controls until our first annual report subsequent to our ceasing to be an "emerging growth company" within the meaning of Section 2(a)(19) of the Securities Act. Accordingly, we may not be required to have our independent registered public accounting firm attest to the effectiveness of our internal controls until as late as our annual report for the fiscal year ending December 31, 2022. Once it is required to do so, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed, operated or reviewed. Compliance with these requirements may strain our resources, increase our costs and distract management, and we may be unable to comply with these requirements in a timely or cost-effective manner.

In addition, we expect that being a public company subject to these rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as executive officers. We are currently evaluating these rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

If we fail to develop or maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud. As a result, current and potential stockholders could lose confidence in our financial reporting, which would harm our business and the trading price of our Class A common stock.

Effective internal controls are necessary for us to provide reliable financial reports, prevent fraud and operate successfully as a public company. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results would be harmed. We cannot be certain that our efforts to develop and maintain our internal controls will be successful, that we will be able to maintain adequate controls over our financial processes and reporting in the future or that we will be able to comply with our obligations under Section 404 of the Sarbanes-Oxley Act of 2002. Any failure to develop or maintain effective internal controls, or difficulties encountered in implementing or improving our internal controls, could harm our operating results or cause us to fail to meet our reporting obligations. Ineffective internal controls could also cause investors to lose confidence in our reported financial information, which would likely have a negative effect on the trading price of our Class A common stock.

The price of our common stock may fluctuate significantly, and you could lose all or part of your investment.

Although our Class A common stock is listed on the NYSE, we do not know whether an active trading market will continue to develop or how liquid that market might be. You may not be able to resell your Class A common stock at or above the public offering price. Additionally, the lack of liquidity may result in wide bid-ask spreads, contribute to significant fluctuations in the market price of the Class A common stock and limit the number of investors who are able to buy the Class A common stock.

Our principal stockholders collectively hold a significant amount of the voting power of our common stock.

Holders of Class A common stock and Class B common stock vote together as a single class on all matters presented to our stockholders for their vote or approval, except as otherwise required by applicable law or our certificate of incorporation, and the Original Investors own a substantial majority of our Class B common stock, representing 44% of our combined economic interest and voting power.

Although the Original Investors are entitled to act separately in their own respective interests with respect to their ownership in us, if the Original Investors choose to act in concert, they will together have the ability to strongly influence the election of the members of our board of directors, and thereby our management and affairs. In addition, they will be able to strongly influence the outcome of all matters requiring stockholder approval, including mergers and other material transactions. The existence of significant stockholders may also have the effect of deterring hostile takeovers, delaying or preventing changes in control or changes in management, or limiting the ability of our other stockholders to approve transactions that they may deem to be in the best interests of our company.

So long as the Original Investors continue to control a significant amount of our common stock, each will continue to be able to strongly influence all matters requiring stockholder approval, regardless of whether or not other stockholders believe that a potential transaction is in their own best interests. In any of these matters, the interests of the Original Investors may differ or conflict with the interests of our other stockholders. In addition, certain of our Original Investors, including Yorktown, and their respective affiliates may, from time to time, acquire interests in businesses that directly or indirectly compete with our business, as well as businesses that are significant existing or potential customers. Such Original Investors and their respective affiliates may acquire or seek to acquire assets that we seek to acquire and, as a result, those acquisition opportunities may not be available to us or may be more expensive for us to pursue. Moreover, this concentration of stock ownership may also adversely affect the trading price of our Class A common stock to the extent investors perceive a disadvantage in owning stock of a company with a controlling stockholder.

Certain of our directors have significant duties with, and spend significant time serving, entities that may compete with us in seeking acquisitions and business opportunities and, accordingly, may have conflicts of interest in allocating time or pursuing business opportunities.

Certain of our directors hold positions of responsibility with other entities (including affiliated entities) that are in the oil and natural gas industry. These directors may become aware of business opportunities that may be appropriate for presentation to us as well as to the other entities with which they are or may become affiliated. Due to these existing and potential future affiliations, they may present potential business opportunities to other entities prior to presenting them to us, which could cause additional conflicts of interest. They may also decide that certain opportunities are more appropriate for other entities with which they are affiliated, and as a result, they may elect not to present those opportunities to us. These conflicts may not be resolved in our favor. For additional discussion of our directors' business affiliations and the potential conflicts of interest of which our stockholders should be aware, see note 14. “Related Party Transactions” under Part II, Item 8. “Financial Statements and Supplementary Data.”

Certain Designated Parties are not limited in their ability to compete with us, and the corporate opportunity provisions in our amended and restated certificate of incorporation could enable such Designated Parties and their respective affiliates to benefit from corporate opportunities that might otherwise be available to us.

Our governing documents provide that Yorktown, Wells Fargo Central Pacific Holdings, Inc. and our directors who are not also our officers, including William A. Zartler, the Chairman of our board of directors, and their respective portfolio investments and affiliates (collectively, the "Designated Parties") are not restricted from owning assets or engaging in businesses that compete directly or indirectly with us.

In particular, subject to the limitations of applicable law, our amended and restated certificate of incorporation, among other things:

- permits such Designated Parties to conduct business that competes with us and to make investments in any kind of property in which we may make investments; and
- provides that if such Designated Parties, or any employee, partner, member, manager, officer or director of such Designated Parties who is also one of our directors, becomes aware of a potential business opportunity, transaction or other matter, they will have no duty to communicate or offer that opportunity to us.

The Designated Parties may become aware, from time to time, of certain business opportunities (such as acquisition opportunities) and may direct such opportunities to other businesses in which they have invested, in which case we may not become aware of or otherwise have the ability to pursue such opportunity. Furthermore, such businesses may choose to compete with us for these opportunities, possibly causing these opportunities to not be available to us or causing them to be more expensive for us to pursue. In addition, the Designated Parties may dispose of oil and natural gas service assets in the future, without any obligation to offer us the opportunity to purchase any of those assets. As a result, our renouncing our interest and expectancy in any business opportunity that may be from time to time presented to the Designated Parties could adversely impact our business or prospects if attractive business opportunities are procured by such parties for their own benefit rather than for ours.

Our amended and restated certificate of incorporation and amended and restated bylaws, as well as Delaware law, contain provisions that could discourage acquisition bids or merger proposals, which may adversely affect the market price of our Class A common stock and could deprive our investors of the opportunity to receive a premium for their shares.

Our amended and restated certificate of incorporation authorizes our board of directors to issue preferred stock without stockholder approval in one or more series, designate the number of shares constituting any series, and fix the rights, preferences, privileges and restrictions thereof, including dividend rights, voting rights, rights and terms of redemption, redemption price or prices and liquidation preferences of such series. If our board of directors elects to issue preferred stock, it could be more difficult for a third party to acquire us. In addition, some provisions of our amended and restated certificate of incorporation and amended and restated bylaws could make it more difficult for a third party to acquire control of us, even if the change of control would be beneficial to our stockholders. These provisions include:

- dividing our board of directors into three classes of directors, with each class serving staggered three-year terms;
- providing that all vacancies, including newly created directorships, may, except as otherwise required by law or, if applicable, the rights of holders of a series of preferred stock, only be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum (prior to such time, vacancies may also be filled by stockholders holding a majority of the outstanding shares);
- permitting any action by stockholders to be taken only at an annual meeting or special meeting rather than by a written consent of the stockholders, subject to the rights of any series of preferred stock with respect to such rights;
- permitting special meetings of our stockholders to be called only by our board of directors pursuant to a resolution adopted by the affirmative vote of a majority of the total number of authorized directors whether or not there exist any vacancies in previously authorized directorships;
- requiring the affirmative vote of the holders of at least 75% in voting power of all then outstanding common stock entitled to vote generally in the election of directors, voting together as a single class, to remove any or all of the directors from office at any time, and directors will be removable only for "cause";
- prohibiting cumulative voting in the election of directors;
- establishing advance notice provisions for stockholder proposals and nominations for elections to the board of directors to be acted upon at meetings of stockholders; and
- providing that the board of directors is expressly authorized to adopt, or to alter or repeal our bylaws.

In addition, certain change of control events have the effect of accelerating the payment due under the Tax Receivable Agreement, which could be substantial and accordingly serve as a disincentive to a potential acquirer of our company. Please see "—In certain cases, payments under the Tax Receivable Agreement may be accelerated and/or significantly exceed the actual benefits, if any, we realize in respect of the tax attributes subject to the Tax Receivable Agreement."

Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents.

Our amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will, to the fullest extent permitted by applicable law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees or agents to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law (the "DGCL"), our amended and restated certificate of incorporation or our bylaws, or (iv) any action asserting a claim against us that is governed by the internal affairs doctrine, in each such case subject to such Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of, and consented to, the provisions of our amended and restated certificate of incorporation described in the preceding sentence. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, employees or agents, which may discourage such lawsuits against us and such persons. Alternatively, if a court were to find these provisions of our amended and restated certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations.

We do not intend to pay cash dividends on our Class A common stock in the foreseeable future. Consequently, your only opportunity to achieve a return on your investment is if the price of our Class A common stock appreciates.

We do not plan to declare cash dividends on shares of our Class A common stock in the foreseeable future. Consequently, your only opportunity to achieve a return on your investment in us will be if you sell your Class A common stock at a price greater than you paid for it. There is no guarantee that the price of our Class A common stock that will prevail in the market will ever exceed the price that you paid.

Future sales of our Class A common stock in the public market, or the perception that such sales may occur, could reduce our stock price, and any additional capital raised by us through the sale of equity or convertible securities may dilute your ownership in us.

We may sell additional shares of our Class A common stock in subsequent offerings. In addition, subject to certain limitations and exceptions, the Original Investors may redeem their Solaris LLC Units (together with a corresponding number of shares of Class B common stock) for shares of Class A common stock (on a one-for-one basis, subject to conversion rate adjustments for stock splits, stock dividends and reclassification and other similar transactions) and then sell those shares of Class A common stock.

We previously filed a registration statement with the SEC on Form S-8 providing for the registration of 5,629,888 shares of our Class A common stock issued or reserved for issuance under our long term incentive plan. Subject to the satisfaction of vesting conditions, shares registered under the registration statement on Form S-8 may be made available for resale immediately in the public market without restriction.

We cannot predict the size of future issuances of our Class A common stock or securities convertible into Class A common stock or the effect, if any, that future issuances and sales of shares of our Class A common stock will have on the market price of our Class A common stock. Sales of substantial amounts of our Class A common stock (including shares issued in connection with an acquisition), or the perception that such sales could occur, may adversely affect prevailing market prices of our Class A common stock.

Solaris Inc. will be required to make payments under the Tax Receivable Agreement for certain tax benefits that it may claim, and the amounts of such payments could be significant.

In connection with the closing of the IPO, Solaris Inc. entered into a Tax Receivable Agreement with the TRA Holders. This agreement generally provides for the payment by Solaris Inc. to each TRA Holder of 85% of the net cash savings, if any, in U.S. federal, state and local income tax and franchise tax that Solaris Inc. actually realizes (computed using simplifying assumptions to address the impact of state and local taxes) or is deemed to realize in certain circumstances in periods after the IPO as a result of certain increases in tax basis and certain benefits attributable to imputed interest. Solaris Inc. will retain the benefit of the remaining 15% of these cash savings.

The term of the Tax Receivable Agreement will continue until all tax benefits that are subject to the Tax Receivable Agreement have been utilized or expired, unless Solaris Inc. exercises its right to terminate the Tax Receivable Agreement (or the Tax Receivable Agreement is terminated due to other circumstances, including Solaris Inc.'s breach of a material obligation thereunder or certain mergers, asset sales, other forms of business combination or other changes of control), and Solaris Inc. makes the termination payment specified in the Tax Receivable Agreement. In addition, payments Solaris Inc. makes under the Tax Receivable Agreement will be increased by any interest accrued from the due date (without extensions) of the corresponding tax return.

The payment obligations under the Tax Receivable Agreement are Solaris Inc.'s obligations and not obligations of Solaris LLC, and Solaris Inc. expects that the payments it will be required to make under the Tax Receivable Agreement will be substantial. Estimating the amount and timing of payments that may become due under the Tax Receivable Agreement is by its nature imprecise. For purposes of the Tax Receivable Agreement, cash savings in tax generally are calculated by comparing Solaris Inc.’s actual tax liability (determined by using the actual applicable U.S. federal income tax rate and an assumed combined state and local income and franchise tax rate) to the amount Solaris Inc. would have been required to pay had it not been able to utilize any of the tax benefits subject to the Tax Receivable Agreement. The actual increase in tax basis, as well as the amount and timing of any payments under the Tax Receivable Agreement, will vary depending upon a number of factors, including the timing of any redemption of Solaris LLC Units, the price of Solaris Inc.’s Class A common stock at the time of each redemption, the extent to which such redemptions are taxable transactions, the amount and timing of the taxable income Solaris Inc. generates in the future, the U.S. federal income tax rates then applicable, and the portion of Solaris Inc.’s payments under the Tax Receivable Agreement that constitute imputed interest or give rise to depreciable or amortizable tax basis.

The payments under the Tax Receivable Agreement are not conditioned upon a holder of rights under the Tax Receivable Agreement having a continued ownership interest in Solaris Inc. or Solaris LLC. For additional information regarding the Tax Receivable Agreement, see note 11. “Income Taxes” under Part II, Item 8 “Financial Statements and Supplementary Data.”

In certain cases, payments under the Tax Receivable Agreement may be accelerated and/or significantly exceed the actual benefits, if any, Solaris Inc. realizes in respect of the tax attributes subject to the Tax Receivable Agreement.

If we experience a change of control (as defined under the Tax Receivable Agreement, which includes certain mergers, asset sales and other forms of business combinations) or the Tax Receivable Agreement terminates early (at Solaris Inc.’s election or as a result of its breach), we would be required to make a substantial, immediate lump-sum payment. This payment would equal the present value of hypothetical future payments that could be required to be paid under the Tax Receivable Agreement (determined by applying a discount rate of one-year London Interbank Offered Rate ("LIBOR") plus 100 basis points). The calculation of hypothetical future payments will be based upon certain assumptions and deemed events set forth in the Tax Receivable Agreement, including that (i) Solaris Inc. has sufficient taxable income to fully utilize the tax benefits covered by the Tax Receivable Agreement (including having sufficient taxable income to currently utilize any accumulated net operating loss carryforwards) and (ii) any Solaris LLC Units (other than those held by Solaris Inc.) outstanding on the termination date are deemed to be redeemed on the termination date. Any early termination payment may be made significantly in advance of, and may materially exceed, the actual realization, if any, of the future tax benefits to which the termination payment relates.

If we experience a change of control (as defined under the Tax Receivable Agreement) or the Tax Receivable Agreement otherwise terminates early, Solaris Inc.’s obligations under the Tax Receivable Agreement could have a substantial negative impact on Solaris Inc.’s liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales or other forms of business combinations or changes of control. For example, if the Tax Receivable Agreement were terminated immediately after the filing of this Annual Report on Form 10-K, the estimated termination payments would, in the aggregate, be approximately $122.1 million (calculated using a discount rate equal to one-year LIBOR plus 100 basis points, applied against an undiscounted liability of $153.5 million, based upon the last reported closing sale price of our Class A common stock on December 31, 2017). The foregoing number is merely an estimate and the actual payment could differ materially. There can be no assurance that we will be able to finance our obligations under the Tax Receivable Agreement.

Please read note 11. “Income Taxes” under Part II, Item 8 “Financial Statements and Supplementary Data.”

In the event that Solaris Inc.’s payment obligations under the Tax Receivable Agreement are accelerated upon certain mergers, other forms of business combinations or other changes of control, the consideration payable to holders of our Class A common stock could be substantially reduced.

If we experience a change of control (as defined under the Tax Receivable Agreement, which includes certain mergers, asset sales and other forms of business combinations) Solaris Inc. would be obligated to make a substantial, immediate lump-sum payment, and such payment may be significantly in advance of, and may materially exceed, the actual realization, if any, of the future tax benefits to which the payment relates. As a result of this payment obligation, holders of our Class A common stock could receive substantially less consideration in connection with a change of control transaction than they would receive in the absence of such obligation. Further, Solaris Inc.’s payment obligations under the Tax Receivable Agreement will not be conditioned upon the TRA Holders having a continued interest in Solaris Inc. or Solaris LLC. Accordingly, the TRA Holders' interests may conflict with those of the holders of our Class A common stock. Please read "Risk Factors—Risks Related to Our Class A Common Stock—In certain cases, payments under the Tax Receivable Agreement may be accelerated and/or significantly exceed the actual benefits Solaris Inc. realizes, if any, in respect of the tax attributes subject to the Tax Receivable Agreement" and note 11. “Income Taxes” under Part II, Item 8 “Financial Statements and Supplementary Data.”

We will not be reimbursed for any payments made under the Tax Receivable Agreement in the event that any tax benefits are subsequently disallowed.

Payments under the Tax Receivable Agreement will be based on the tax reporting positions that we will determine. The TRA Holders will not reimburse us for any payments previously made under the Tax Receivable Agreement if any tax benefits that have given rise to payments under the Tax Receivable Agreement are subsequently disallowed, except that excess payments made to any TRA Holder will be netted against payments that would otherwise be made to such TRA Holder, if any, after our determination of such excess. As a result, in such circumstances, we could make payments that are greater than our actual cash tax savings, if any, and may not be able to recoup those payments, which could adversely affect our liquidity.

We may issue preferred stock whose terms could adversely affect the voting power or value of our Class A common stock.

Our amended and restated certificate of incorporation authorizes us to issue, without the approval of our stockholders, one or more classes or series of preferred stock having such designations, preferences, limitations and relative rights, including preferences over our Class A common stock respecting dividends and distributions, as our board of directors may determine. The terms of one or more classes or series of preferred stock could adversely impact the voting power or value of our Class A common stock. For example, we might grant holders of preferred stock the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we might assign to holders of preferred stock could affect the residual value of the Class A common stock.

For as long as we are an emerging growth company, we will not be required to comply with certain reporting requirements, including those relating to accounting standards and disclosure about our executive compensation, that apply to other public companies.

We are classified as an "emerging growth company" under the JOBS Act. For as long as we are an emerging growth company, which may be up to five full fiscal years, unlike other public companies, we will not be required to, among other things: (i) provide an auditor's attestation report on management's assessment of the effectiveness of our system of internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002; (ii) comply with any new requirements if adopted by the PCAOB requiring mandatory audit firm rotation or a supplement to the auditor's report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer; (iii) provide certain disclosures regarding executive compensation required of larger public companies; or (iv) hold nonbinding advisory votes on executive compensation. The Company has elected not to use the extended transition period for complying with any new or revised financial accounting standards. We may remain an emerging growth company until December 31, 2022, although we will lose that status sooner if we have more than $1.07 billion of revenues in a fiscal year, have more than $700.0 million in market value of our Class A common stock held by non-affiliates, or issue more than $1.0 billion of non-convertible debt over a three-year period.

To the extent that we rely on any of the exemptions available to emerging growth companies, you will receive less information about our executive compensation and internal control over financial reporting than issuers that are not emerging growth companies. If some investors find our Class A common stock to be less attractive as a result, there may be a less active trading market for our Class A common stock and our stock price may be more volatile.

If securities or industry analysts adversely change their recommendations regarding our Class A common stock or if our operating results do not meet their expectations, our stock price could decline.

The trading market for our Class A common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

Moreover, if one or more of the analysts who cover our company downgrades our Class A common stock or if our operating results do not meet their expectations, our stock price could decline.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal properties are described in Item 1. "Business" under the captions "—Early, Texas Manufacturing Facility" and "—Kingfisher Facility."

Item 3. Legal Proceedings

Due to the nature of our business, we may become, from time to time, involved in routine litigation or subject to disputes or claims related to our business activities. In the opinion of our management, there are no pending litigation, disputes or claims against us which, if decided adversely, will have a material adverse effect on our financial condition, cash flows or results of operations.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Common Stock

Our Class A common stock began trading on the NYSE under the symbol "SOI" on May 12, 2017. Prior to that, there was no public market for our Class A common stock. The table below sets forth, for the periods indicated, the high and low sales prices per share of our Class A common stock since May 12, 2017.

	Sales Price	
	High	Low
2017:		
Second Quarter (1)	$ 12.47	$ 9.90
Third Quarter	17.72	11.04
Fourth Quarter	22.01	14.03

(1) For the period from May 12, 2017 through June 30, 2017.

On March 5, 2018, the closing price of our Class A common stock on the NYSE was $17.49 per share. As of March 5, 2018, we had approximately 13 holders of record of our Class A common stock. This number excludes owners for whom Class A common stock may be held in "street" name.

There is no market for our Class B common stock. As of March 5, 2018, we had 32 holders of record of our Class B common stock.

Dividend Policy

We do not anticipate declaring or paying any cash dividends to holders of our Class A common stock in the foreseeable future. We currently intend to retain future earnings, if any, to finance the growth of our business. Our future dividend policy is within the discretion of our board of directors and will depend upon then-existing conditions, including our results of operations, financial condition, capital requirements, investment opportunities, statutory restrictions on our ability to pay dividends and other factors our board of directors may deem relevant. In addition, our 2018 Credit Agreement contains certain restrictions on our ability to pay cash dividends to holders of our Class A common stock.

Securities Authorized for Issuance under Equity Compensation Plans

The information relating to our equity compensation plans required by Item 5 is incorporated by reference to such information as set forth in Item 12. “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” contained herein.

Issuer Purchases of Equity Securities

We did not purchase any of our equity securities during the quarter ended December 31, 2017.

Sales of Unregistered Equity Securities

On December 6, 2017, the Company completed its acquisition (the “Railtronix Acquisition”) of substantially all of the assets of Railtronix, LLC (“Railtronix™”). Railtronix™ is a leading provider of real-time inventory management solutions for proppant mining, rail shipping and transloading operations. The Company paid $5 million in cash and issued 279,655 Solaris LLC Units and 279,655 shares of Class B common stock to the founder of Railtronix™ as consideration for the Railtronix Acquisition. This issuance of Solaris LLC Units and Class B common stock did not involve any underwriters, underwriting discounts or commissions or a public offering, and such issuance was exempt from registration requirements pursuant to Section 4(a)(2) of the Securities Act.

Under the Solaris LLC Agreement, each holder of Solaris LLC Units has, subject to certain limitations, the Redemption Right to cause Solaris LLC to acquire all or a portion of its Solaris LLC Units for, at Solaris LLC's election, (x) shares of our Class A common stock at a redemption ratio of one share of Class A common stock for each Solaris LLC Unit redeemed, subject to conversion rate adjustments for stock splits, stock dividends and reclassification and other similar transactions, or (y) an equivalent amount of cash. Alternatively, upon the exercise of the Redemption Right, Solaris Inc. (instead of Solaris LLC) has the Call Right to acquire each tendered Solaris LLC Unit directly from the exchanging holder for, at Solaris Inc.'s election, (x) one share of Class A common stock or (y) an equivalent amount of cash. In addition, upon a change of control of Solaris Inc., Solaris Inc. has the right to require each holder of Solaris LLC Units (other than Solaris Inc.) to exercise its Redemption Right with respect to some or all of such unitholder's Solaris LLC Units. In connection with any redemption of Solaris LLC Units pursuant to the Redemption Right or our Call Right, the corresponding number of shares of Class B common stock will be cancelled.

Item 6. Selected Financial Data

Solaris Inc. was formed in February 2017 and did not have any historical financial or operating results prior to the IPO. Following the IPO, Solaris Inc. became the sole managing member for Solaris LLC. As a result, Solaris Inc. consolidates the financial results of Solaris LLC and its subsidiaries and reports noncontrolling interest related to the portion of Solaris LLC Units not owned by Solaris Inc., which reduces net income (loss) attributable to the holders of Solaris Inc.'s Class A stock. For periods prior to the completion of the IPO, the accompanying consolidated financial statements include the historical financial position and results of operations of Solaris LLC, our predecessor.

The following selected historical financial and operating information was derived from our Consolidated Financial Statements as of and for the years ended December 31, 2017, 2016 and 2015. The selected financial data should be read in conjunction with the Company's Consolidated Financial Statements and the accompanying Notes to Consolidated Financial Statements in "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Part II, Item 8. Financial Statements and Supplementary Data."

	Year ended December 31, 2017	2016	2015
	(in thousands, except per share and operating data)		
Statement of Operations Data:			
Total revenue	$ 67,395	$ 18,157	$ 14,205
Total operating costs and expenses (1)	41,934	15,296	15,418
Total other income (expense)	22,925	(15)	(93)
Income (loss) before income tax expense	48,386	2,846	(1,306)
Provision for income taxes	25,899	43	67
Net income (loss)	$ 22,487	$ 2,803	$ (1,373)
Less: net (income) loss related to Solaris LLC	(3,665)	(2,803)	1,373
Less: net income related to non-controlling interests	(15,186)	—	—
Net income attributable to Solaris Inc.	$ 3,636	$ —	$ —
Earnings per share of Class A common stock—basic (2)	$ 0.28	$ —	$ —
Earnings per share of Class A common stock—diluted (2)	$ 0.27	$ —	$ —
Basic weighted-average shares of Class A common stock outstanding (2)	12,117	—	—
Diluted weighted-average shares of Class A common stock outstanding (2)	12,482	—	—
Balance Sheet Data (at period end):			
Cash	$ 63,421	$ 3,568	$ 6,923
Property, plant and equipment, net	151,163	54,350	46,846
Total assets	287,060	77,236	70,553
Long-term debt (including current portion)	212	3,041	529
Total liabilities	45,500	5,890	3,085
Total liabilities, stockholders' and members' equity	287,060	77,236	70,553
Cash Flow Statement Data:			
Net cash provided by operating activities	$ 26,729	$ 4,521	$ 2,156
Net cash used in investing activities	(98,984)	(10,935)	(27,859)
Net cash provided by financing activities	132,108	3,059	7,878
Other Data:			
Adjusted EBITDA (3)	$ 39,923	$ 6,788	$ 1,659
Revenue days (4)	16,712	5,745	2,579

(1) Total operating costs and expenses include equity-based compensation expense as follows (excluding $1,080 recognized in Property, Plant and equipment on the Consolidated Balance Sheets):

	Year ended December 31, 2017	2016	2015
	(in thousands, except per share and operating data)		
Stock-based compensation expense	$ 3,701	$ 127	$ 64

(2) Represents earnings per share of Class A common stock and weighted-average shares of Class A common stock outstanding for the period from May 17, 2017 through December 31, 2017, the period following the Reorganization Transactions and IPO.

(3) Adjusted EBITDA is a non-GAAP financial measure. For a definition of Adjusted EBITDA and a reconciliation to our most directly comparable financial measure calculated and presented in accordance with GAAP, please read Item 7. "Note Regarding Non-GAAP Financial Measures."

(4) Revenue days is defined as the combined number of days our systems earned revenues in a period.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Unless the context requires otherwise, references to the "Company," "Solaris," "we," "us" and "our" refer to (i) Solaris Oilfield Infrastructure, LLC ("Solaris LLC") and its consolidated subsidiaries prior to the completion of our initial public offering and (ii) Solaris Oilfield Infrastructure, Inc. ("Solaris Inc.") and its consolidated subsidiaries following the completion of our initial public offering, unless we state otherwise. The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the accompanying financial statements and related notes. The following discussion contains "forward-looking statements" that reflect our plans, estimates, beliefs and expected performance. Our actual results may differ materially from those anticipated as discussed in these forward-looking statements as a result of a variety of risks and uncertainties, including those described above in "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors" included elsewhere in this Annual Report on Form 10-K, all of which are difficult to predict. In light of these risks, uncertainties and assumptions, the forward-looking events discussed may not occur. We assume no obligation to update any of these forward-looking statements except as otherwise required by law.

Our Predecessor and Solaris

Solaris Oilfield Infrastructure, LLC ("Solaris LLC") was formed in July 2014. Solaris Inc. was incorporated as a Delaware corporation in February 2017 for the purpose of completing an initial public offering of equity in May 2017 (the "IPO" or the "Offering") and related transactions. On May 11, 2017, in connection with the Offering, Solaris Inc. became a holding company whose sole material asset consists of units in Solaris LLC ("Solaris LLC Units"). Solaris Inc. became the managing member of Solaris LLC and is responsible for all operational, management and administrative decisions relating to Solaris LLC's business and consolidate the financial results of Solaris LLC and its subsidiaries.

Overview

We are an independent provider of supply chain management and logistics solutions designed to drive efficiencies and reduce costs for the oil and natural gas industry. Our solutions include high-efficiency mobile and permanent infrastructure that increases proppant throughput capacity at critical junctures in the supply chain, as well as software and technology designed to optimize how proppant is dispatched across the supply chain.

We manufacture and provide our patented mobile proppant management systems that unload, store and deliver proppant at oil and natural gas well sites. Our systems reduce our customers' cost and time to complete wells by improving the efficiency of proppant logistics, as well as enhancing well site safety. In addition, we operate an independent, transload facility in Oklahoma (the "Kingfisher Facility") that integrates our supply chain management and drives additional proppant logistics efficiencies for our customers. Our customers include oil and natural gas exploration and production ("E&P") companies, such as EOG Resources, Inc., Devon Energy and Apache Corporation, as well as oilfield service companies, such as ProPetro Holding Corp. Our systems are deployed in many of the most active oil and natural gas basins in the U.S., including the Permian Basin, the Eagle Ford Shale, the SCOOP/STACK formations, the Haynesville Shale and the Marcellus and Utica Shales. Since commencing operations in April 2014, we have grown our fleet from two systems to 91 systems.

Our mobile proppant management system is designed to address the challenges associated with transferring large quantities of proppant to the well site, including the cost and management of last mile logistics, which we define as the transportation of proppant from transload terminal or regional proppant mine to the well site. Today's horizontal well completion designs require between 400 and 1,000 truckloads of proppant delivered to the well site per well which creates bottlenecks in the storage, handling and delivery of proppant. Our patented systems typically provide 2.5 million pounds of vertical proppant storage capacity in a footprint that is considerably smaller than traditional or competing well site proppant storage equipment. Our systems have the ability to unload up to 24 pneumatic proppant trailers simultaneously. In addition, our non-pneumatic loading option provides additional proppant transportation flexibility for our customers, allowing them to use belly-dump trucks in addition to the industry standard pneumatic trucks to fill and maintain inventory in our proppant management systems. This nonpneumatic loading option is compatible with our existing fleet with minimal modification. Importantly, the proppant storage silos in our systems can be filled from trucks while simultaneously delivering proppant on-demand directly to the blender for hydraulic fracturing operations. Accordingly, our systems can maintain high rates of proppant delivery for extended periods of time, which helps achieve a greater number of frac stages per day, driving a reduction in our customers' costs. Our systems also reduce the amount of truck demurrage, or wait time, at the well site which can result in significant cost savings for our customers. In addition, our systems are scalable and we have experienced increased demand for our larger capacity system, which utilizes 12 silos per location. This added buffer provides our customers with additional on-site storage, which helps further alleviate logistics bottlenecks upstream of the well site.

In July 2017, we entered into a seven-year contract with an exploration and production company to provide proppant transloading service at the Kingfisher Facility constructed and operated by Solaris in Kingfisher County, Oklahoma. The Kingfisher Facility is located central to the active SCOOP/STACK plays and we believe it will be the first independent, unit-train capable, high speed transload facility in Oklahoma. The Kingfisher Facility will initially provide proppant transloading services, but will also have capacity to provide transloading services for other drilling and completion related consumables.

The Kingfisher Facility is located on a 300-acre parcel of land, directly on the Union Pacific Railroad with a 30-year land lease with the State of Oklahoma. The facility is designed to service multiple large volume customers with dedicated storage and unit train loop tracks, including an initial 8,000 foot unit-train loop and 18,000 feet of rail sidetrack. Initial storage will include 30,000 tons of vertical storage in six silos with individual capacity of 5,000 tons per silo. The facility will also service manifest trains and provide direct rail-to-truck transloading. The Company broke ground on rail and storage construction in August 2017 which are expected to be completed by August 2018. We commenced initial transloading operations in January 2018 and we are receiving regular shipments of proppant for our customer. The seven-year contract term commenced in January 2018.

In December 2017, the Company completed its acquisition of substantially all of the assets of Railtronix, LLC (“Railtronix™”). Upon closing the acquisition, we integrated Railtronix into our business. We recently completed the first phase of data integration between the Railtronix and PropView® inventory management systems in connection with commencing transloading operations at our Kingfisher Facility. We can now provide our customers with full visibility across their supply chain – from the mine to well site.

Recent Trends and Outlook

Demand for our products and services is predominantly influenced by the level of drilling and completion by E&P companies, which, in turn, depends largely on the current and anticipated profitability of developing oil and natural gas reserves. More specifically, demand for our products and services is driven by demand for proppant, which, in turn, is primarily driven by advancements in oil and natural gas drilling and well completion technology and techniques, such as horizontal drilling and hydraulic fracturing, which have made the extraction of oil and natural gas increasingly cost-effective in formations that historically would have been uneconomic to develop.

Though the number of active rigs in North America has declined from the highs in late 2014 as a result of the downturn in hydrocarbon prices, the industry has witnessed an increase in demand for drilling and completion activity beginning in the third quarter of 2016 and continuing today as hydrocarbon prices have recovered somewhat. We expect this demand to continue to increase as E&P companies increase drilling and completion activities. According to Baker Hughes’ North American Rig Count, the number of active total rigs in the United States reached a low of 404, as reported on May 27, 2016, but has since increased by more than 142% to 91 active rigs as reported on March 2, 2018. If hydrocarbon prices stabilize at current levels or rise further, we expect to see further increased drilling and completion activity in the basins in which we operate. Should hydrocarbon prices decrease, the demand for our products and services may decrease due to potentially lower industry activity levels.

In addition to increased industry activity levels, we expect to benefit from increased horizontal drilling as well as other long-term macro industry trends that improve drilling economics such as (i) greater rig efficiencies that result in more wells drilled per rig in a given period, (ii) increased complexity and service intensity of well completions, including longer wellbore laterals, more and larger fracturing stages and higher proppant usage per well and (iii) accelerating completion rates through “zipper fracs,” or the process of completing multiple adjacent wells simultaneously.

While we do not currently anticipate any shortages in the supply of the proppant used in hydraulic fracturing operations, supplies of high-quality raw frac sand, the most prevalent proppant currently used, are limited to select areas, predominantly in western Wisconsin and limited areas of Minnesota and Illinois. Accordingly, transportation costs often represent a significant portion of our customer’s overall product cost, and transferring large quantities of proppant to the well site presents a number of challenges, including the cost and management of last mile logistics. Additionally, increased focus on cost control and increased health, safety and environmental regulation has created numerous operational challenges that cannot be addressed with labor intensive proppant storage equipment, such as those that utilize individual containers for on-site proppant storage and handling.

During 2017 and 2018, numerous regional sand mine developments were announced and several have commenced operations in the Permian Basin, the Eagle Ford Shale and the Haynesville Shale. While these regional mines reduce the total distance between mine and destination, there are frequently increased transportation complexities as several buffers are removed from the supply chain, including rail cars and transloading facilities. As a result, we believe the demand for our solutions, including large, mobile inventory capacity at the well site and remote inventory monitoring data along the supply chain will increase as additional local mines are brought on line.

These supply and demand trends have contributed to our significant growth since our formation in 2014. We have increased our total system revenue days, defined as the combined number of days our systems earned revenues, in thirteen of the last fourteen quarters beginning in the second quarter of 2014. Since commencing operations in April 2014, we have also grown our fleet from two systems to 91 systems. The increase in total system revenue days is attributable to an increase in the number of systems available for rental and an increase in the number of systems deployed to customers. Our total system revenue days increased to 16,712 in the year ended December 31, 2017 from 5,745 in the year ended December 31, 2016, an increase of approximately 191%. Our total system revenue days increased to 5,745 in the year ended December 31, 2016 from 2,579 in the year ended December 31, 2015, an increase of approximately 123%.

The number of systems in our fleet increased to an average of 46.9 during the year ended December 31, 2017 from an average of 24.0 during the year ended December 31, 2016, an increase of approximately 95%. The average number of systems deployed to customers increased to 45.8 in the year ended December 31, 2017 from 15.7 in the year ended December 31, 2016, an increase of approximately 192%. In addition, our utilization rate increased from 65% in the year ended December 31, 2016 to 98% in the year ended December 31, 2017, an increase of 51%. We ended 2017 with 77 systems in our fleet and expect to exit the first quarter of 2018 with 90 to 96 systems in our fleet.

The number of systems in our fleet increased to an average of 24.0 during the year ended December 31, 2016 from an average of 13.9 during the year ended December 31, 2015, an increase of approximately 73%. The average number of systems deployed to customers increased to 15.7 in the year ended December 31, 2016 from 7.1 in the year ended December 31, 2015, an increase of approximately 121%. In addition, our utilization rate increased from 51% in the year ended December 30, 2015 to 65% in the year ended December 31, 2016, an increase of 27%.

For the purposes of the above paragraph, the following terms are defined as:

- Utilization rate: the number of total system revenue days in a period divided by the number of available days in a period;
- Available days: the total number of days our systems are available to generate revenue in a period, which takes into account the date on which new systems are added to the fleet. If a system is added to the fleet during a period, the remaining days in the period are considered available days;
- Available systems: available days in a period divided by the actual number of days in a period.

How We Generate Revenue

We generate the majority of our revenue through the rental of our systems and related services, including transportation of our systems and field supervision and support. The system rentals and provision of related services are performed under a variety of contract structures, primarily master service agreements as supplemented by individual work orders detailing statements of work, pricing agreements and specific quotes. The master service agreements generally establish terms and conditions for the provision of our systems and service on a well site, indemnification, damages, confidentiality, intellectual property protection and payment terms and provisions. The services are generally priced based on prevailing market conditions at the time the services are provided, giving consideration to the specific requirements and activity levels of the customer. We typically rent our systems on a monthly basis. In addition from time-to-time, we have evaluated and completed individual system sales on a case-by-case basis.

In early 2018, we began generating revenue for transloading service at our Kingfisher Facility. We generally charge our customers a throughput fee for proppant delivered to the Kingfisher Facility. We expect the majority of the transloading revenue that we generate in 2018 will be related to the seven-year contract that we entered into in July 2017 with a leading STACK exploration and production company. The contract requires the customer to deliver minimum quarterly volumes to the facility.

Finally, we generate revenue through our Railtronix inventory management software. We acquired the assets of Railtronix, LLC in December 2017. We generally charge our customers a throughput fee to monitor proppant that is loaded into a railcar, stored at a transload facility or loaded into a truck.

Costs of Conducting Our Business

The principal costs associated with operating our business are:

- Cost of proppant management system rental (excluding depreciation and amortization);
- Cost of proppant management system services (excluding depreciation and amortization);
- Cost of software inventory management services;
- Cost of transloading operations and services (excluding depreciation and amortization);
- Depreciation and amortization associated with the costs to build our systems and the costs to develop rail and storage assets;
- Salaries, benefits and payroll taxes;
- Selling, general and administrative expenses; and
- Other operating expenses.

Our cost of proppant management system rental (excluding depreciation and amortization) consists primarily of the costs of maintaining our equipment, as well as insurance and property taxes related to our equipment.

Our cost of proppant management system services (excluding depreciation and amortization) consists primarily of direct labor costs, and related travel and lodging expenses, and system transportation costs. A large portion of our cost of proppant management system services (excluding depreciation and amortization) are variable based on the number of systems deployed with customers.

Our cost of software inventory management services consists primarily of direct labor and software subscriptions.

Our cost of transloading operations and services (excluding depreciation and amortization) consists primarily of direct labor costs, fuel, utilities and maintenance.

Our depreciation and amortization expense primarily consists of the depreciation expense related to our systems and related manufacturing machinery and equipment, and our rail and storage assets. The costs to build our systems, including any upgrades, are capitalized and depreciated over a life ranging from 2 to 15 years. The costs to build our rail and storage assets are capitalized and depreciated over a life of 15 to 30 years.

Our salaries, benefits and payroll taxes are comprised of the salaries and related benefits for several functional areas of our organization, including sales and commercial, research and development, manufacturing administrative, accounting and corporate administrative.

Our selling, general and administrative expenses are comprised primarily of office rent, marketing expenses and third-party professional service providers.

How We Evaluate Our Operations

We use a variety of qualitative, operational and financial metrics to assess our performance. Among other measures, management considers revenue, revenue days, tons transloaded, EBITDA and Adjusted EBITDA.

Revenue

We analyze our revenue by comparing actual monthly revenue to our internal projections for a given period and to prior periods to assess our performance. We also assess our revenue in relation to the number of proppant management systems we have deployed to customers and the amount of proppant transloaded at our Kingfisher Facility from period to period.

Revenue Days

We view revenue days as an important indicator of our performance. We calculate revenue days as the combined number of days our systems earn revenue in a period. We assess our revenue days from period to period in relation to the number of proppant management systems we have available in our fleet.

Tons Transloaded

Beginning in January 2018, we view tons transloaded as an important indicator of our performance. We calculate the number of tons transloaded as the combined number of proppant tons that are transloaded at our Kingfisher Facility in a period. We assess the number of tons transloaded from period to period in relation to prior periods and contracted minimum volumes.

EBITDA and Adjusted EBITDA

We view EBITDA and Adjusted EBITDA as important indicators of performance. We define EBITDA as net income (loss), plus (i) depreciation and amortization expense, (ii) interest expense and (iii) income tax expense, including franchise taxes. We define Adjusted EBITDA as EBITDA plus (i) stock-based compensation expense and (ii) certain non-cash charges and unusual or non-recurring charges.

Note Regarding Non-GAAP Financial Measures

EBITDA and Adjusted EBITDA are not financial measures presented in accordance with accounting principles generally accepted in the United States (“GAAP”). We believe that the presentation of these non-GAAP financial measures will provide useful information to investors in assessing our financial condition and results of operations. Net income (loss) is the GAAP measure most directly comparable to EBITDA and Adjusted EBITDA. Our non-GAAP financial measures should not be considered as alternatives to the most directly comparable GAAP financial measure. Each of these non-GAAP financial measures has important limitations as analytical tools because they exclude some but not all items that affect the most directly comparable GAAP financial measures. You should not consider EBITDA or Adjusted EBITDA in isolation or as substitutes for an analysis of our results as reported under GAAP. Because EBITDA and Adjusted EBITDA may be defined differently by other companies in our industry, our definitions of these non-GAAP financial measures may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

Factors Impacting Comparability of Our Financial Results

Our future results of operations may not be comparable to the historical results of operations of our accounting predecessor, Solaris LLC, for the periods presented, primarily for the reasons described below.

Corporate Reorganization

The historical consolidated financial statements included in this report are based on the financial statements of our accounting predecessor, Solaris LLC, prior to our corporate reorganization consummated in connection with the IPO. As a result, the historical consolidated financial data may not give you an accurate indication of what our actual results would have been if the corporate reorganization had been completed at the beginning of the periods presented or of what our future results of operations are likely to be. In connection with the IPO and the transactions related thereto, Solaris Inc. became a holding company whose sole material asset consists of Solaris LLC Units. Solaris Inc. is the managing member of Solaris LLC and is responsible for all operational, management and administrative decisions relating to Solaris LLC’s business and consolidates the financial results of Solaris LLC and its subsidiaries.

In addition, in connection with the IPO, Solaris Inc. entered into a tax receivable agreement (the “Tax Receivable Agreement”) with the existing members of Solaris LLC (collectively, the “Original Investors”) (each such person and any permitted transferee a “TRA Holder,” and together, the “TRA Holders”) on May 17, 2017. This agreement generally provides for the payment by Solaris Inc. to each TRA Holder of 85% of the net cash savings, if any, in U.S. federal, state and local income tax and franchise tax that Solaris Inc. actually realizes (computed using simplifying assumptions to address the impact of state and local taxes) or is deemed to realize in certain circumstances in periods after the IPO as a result of (i) certain increases in tax basis that occur as a result of Solaris Inc. acquisition (or deemed acquisition for U.S. federal income tax purposes) of all or a portion of such TRA Holder’s Solaris LLC Units in connection with the series of reorganization transactions completed on May 17, 2017 (the “Reorganization Transactions”) or pursuant to the exercise of the Redemption Right or the Call Right (each as defined in Solaris LLC’s amended and restated Limited Liability Company Agreement) and (ii) imputed interest deemed to be paid by Solaris Inc. as a result of, and additional tax basis arising from, any payments Solaris Inc. makes under the Tax Receivable Agreement. Solaris will retain the benefit of the remaining 15% of these cash savings.

We anticipate that we will account for the effects of these increases in tax basis and associated payments under the Tax Receivable Agreement arising from any future redemptions of Solaris LLC Units from our Original Investors as follows:

- we will record an increase in deferred tax assets for the estimated income tax effects of the increases in tax basis based on enacted federal and state tax rates at the date of the redemption;
- to the extent we estimate that we will not realize the full benefit represented by the deferred tax asset, based on an analysis that will consider, among other things, our expectation of future earnings, we will reduce the deferred tax asset with a valuation allowance; and
- we will record 85% of the estimated realizable tax benefit as an increase to our payables associated with the future payments due under the Tax Receivable Agreement and the remaining 15% of the estimated realizable tax benefit as an increase to additional paid-in capital.

All of the effects of changes in any of our estimates after the date of the exchange will be included in net income for the period in which those changes occur. Similarly, the effect of subsequent changes in the enacted tax rates will be included in net income for the period in which the change occurs.

Fleet Growth

We have experienced significant growth over the past three years. Since commencing operations in April 2014, we have grown our fleet from two systems to 91 systems and the number of major oil and gas basins in which our systems are deployed has increased from two as of April 2014 to five as of March 6, 2018. Since the second quarter of 2014, we have increased our total system revenue days, defined as the combined number of days our systems earned revenues, in thirteen of the last fourteen quarters. We have increased our system revenue days by more than 3,432% from the second quarter of 2014 to the fourth quarter of 2017, representing a 176% compound annual growth rate. The increase in total system revenue days is attributable to both an increase in the number of systems available for rental and an increase in the rate at which our systems are utilized.

Public Company Expenses

Upon the completion of the IPO, we incurred direct, incremental general and administrative (“G&A”) expenses as a result of being a publicly traded company, including, but not limited to, costs associated with hiring new personnel, implementation of compensation programs that are competitive with our public company peer group, annual and quarterly reports to stockholders, tax return preparation, independent auditor fees, investor relations activities, registrar and transfer agent fees, incremental director and officer liability insurance costs and incremental director compensation. These direct, incremental G&A expenses are not included in our results of operations prior to the IPO.

Income Taxes

Solaris Inc. is a corporation and, as a result, is subject to U.S. federal, state and local income taxes. Although Solaris LLC is subject to franchise tax in the State of Texas (at less than 1% of modified pre-tax earnings) it passes through its taxable income to its owners, including Solaris Inc., for U.S. federal and other state and local income tax purposes and thus is not generally subject to U.S. federal income tax or other state or local income taxes. Accordingly, the financial data attributable to Solaris LLC prior to the IPO contains no provision for U.S. federal income tax or income taxes in any state or locality other than franchise tax in the State of Texas.

Results of Operations

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

	Year Ended December 31, 2017	Year Ended December 31, 2016	Change
	(in thousands)		
Revenue			
Proppant management system rental	$ 54,653	$ 14,594	$ 40,059
Proppant management system services	12,537	3,563	8,974
Proppant inventory software services	205	—	205
Total revenue	67,395	18,157	49,238
Operating costs and expenses:			
Cost of proppant management system rental (excluding $5,792 and $3,352 of depreciation and amortization for the years ended December 31, 2017 and 2016, respectively, shown separately)	2,627	1,431	1,196
Cost of proppant management system services (excluding $461 and $160 of depreciation and amortization for the years ended December 31, 2017 and 2016, respectively, shown separately)	14,184	4,916	9,268
Cost of proppant inventory software services (excluding $42 of depreciation and amortization for the year ended December 31, 2017, shown separately)	76	—	76
Depreciation and amortization	6,635	3,792	2,843
Salaries, benefits and payroll taxes	9,209	3,061	6,148
Selling, general and administrative (excluding $340 and $250 of depreciation and amortization for the years ended December 31, 2017 and 2016, respectively, shown separately)	5,077	2,096	2,981
Other operating expenses	4,126	—	4,126
Total operating costs and expenses	41,934	15,296	26,638
Operating income	25,461	2,861	22,600
Interest expense, net	(97)	(23)	(74)
Income pursuant to Tax Receivable Agreement	23,022	—	23,022
Other income (expense)	—	8	(8)
Total other income (expense)	22,925	(15)	22,940
Income before income tax expense	48,386	2,846	45,540
Provision for income taxes	25,899	43	25,856
Net income	22,487	2,803	19,684
Less: net (income) loss related to Solaris LLC	(3,665)	(2,803)	(862)
Less: net (income) related to non-controlling interests	(15,186)	—	(15,186)
Net income attributable to Solaris	$ 3,636	$ —	$ 3,636

Revenue

Proppant Management System Rental Revenue. Our proppant management system rental revenue increased $40.1 million, or 274%, to $54.7 million for the year ended December 31, 2017 compared to $14.6 million for the year ended December 31, 2016. This increase was primarily due to a 191% increase in the number of revenue days, or 10,967 days, coupled with an increase in rental rates charged to customers due to increasing demand for our systems.

Proppant Management System Services Revenue. Our proppant management system services revenue increased $8.9 million, or 252%, to $12.5 million for the year ended December 31, 2017 compared to $3.6 million for the year ended December 31, 2016.

Proppant management system services revenue related to field technicians and transportation increased as a result of the increasing number of systems we have deployed. Once systems are deployed, the Company provides services to maintain such systems on-site for customers and to coordinate the transportation of systems between customer sites.

Proppant Inventory Software Services. Our proppant inventory system services revenue of $0.2 million for the year ended December 31, 2017 is related to the Railtronix assets acquired in December 2017. We generally charge our customers a throughput fee to monitor proppant that is loaded into a railcar, stored at a transload facility or loaded into a truck.

Operating Expenses

Total operating costs and expenses for the years ended December 31, 2017 and 2016 were $41.9 million and $15.3 million, respectively, which represented 62% and 84% of total revenue, respectively. Total operating costs and expenses increased year-over-year primarily as a result of increases in cost of proppant management system services, depreciation and amortization expense and salaries, benefits and payroll taxes. Cost of proppant management system services increased as a result of an increase in the number of field technicians on staff and amount of system transportation required to support the increase in the number of systems deployed to customers. The average number of systems deployed to customers have increased to 45.8 in the year ended December 31, 2017 from 15.7 in the year ended December 31, 2016. Depreciation and amortization expense also increased, primarily due to the addition of new systems that were manufactured and added to our fleet in 2016 and 2017. Salaries, benefits and payroll taxes increased due to increases in the number of indirect personnel and deferred compensation. Selling, general and administrative expenses increased related to increases in indirect personnel and general business expenses resulting from increased manufacturing and rental operations and incremental public company expenses. Additional details regarding the changes in operating expenses are presented below.

Cost of Proppant Management System Rental (excluding depreciation and amortization). Cost of proppant management system rental increased $1.2 million, or 84%, to $2.6 million for the year ended December 31, 2017 compared to $1.4 million for the year ended December 31, 2016, excluding depreciation and amortization expense. Cost of proppant management system rental as a percentage of proppant management system rental revenue was 5% and 10% for the years ended December 31, 2017 and 2016, respectively. These costs as a percentage of related rental revenue decreased due to lower repairs and maintenance costs relative to the increase in systems that were deployed to customers.

Cost of proppant management system rental including depreciation and amortization expense increased $3.6 million, or 76%, to $8.4 million for the year ended December 31, 2017 compared to $4.8 million for the year ended December 31, 2016. This increase was primarily attributable to an increase in depreciation expense related to additional systems that were manufactured and added to our fleet.

Cost of Proppant Management System Services (excluding depreciation and amortization). Cost of proppant management system services increased $9.3 million, or 189%, to $14.2 million for the year ended December 31, 2017 compared to $4.9 million for the year ended December 31, 2016. This increase was primarily due to an increase in labor and related costs of $3.9 million, or 156%, and travel and lodging costs of $1.2 million, or 207%, both of which were driven by an increase in the number of field technicians required to support the increased revenue days during the year ended December 31, 2017, coupled with an increase in third-party trucking services of $2.9 million, or 206% to transport incremental systems deployed to customers.

For the year ended December 31, 2017, the cost of proppant management system services as a percentage of proppant management system services revenue decreased to 113% compared to 138% the year ended December 31, 2016. Cost of proppant management system services as a percentage of proppant management system services revenue decreased for the year ended December 31, 2017 as a result of increased operating efficiencies in regards to the service costs necessary to support our systems deployed to customers.

Cost of proppant management system services including depreciation and amortization expense increased $9.6 million, or 189%, to $14.7 million for the year ended December 31, 2017 compared to $5.1 million for the year ended December 31, 2016. This increase was primarily attributable to the factors mentioned above, as well as an increase in depreciation expense related to additional light-duty field trucks that we purchased to support our increased activity.

Cost of Proppant Inventory Software Services (excluding depreciation and amortization). Cost of proppant inventory services of $0.1 million for the year ended December 31, 2017 primarily includes labor and software subscription costs related to the Railtronix software acquired in December 2017.

Depreciation and Amortization. Depreciation and amortization increased $2.8 million, or 75%, to $6.6 million for the year ended December 31, 2017 compared to $3.8 million for the year ended December 31, 2016. This increase was primarily attributable to additional depreciation expense related to additional systems that were manufactured and added to our fleet.

Salaries, Benefits and Payroll Taxes. Salaries, benefits and payroll taxes increased $6.1 million, or 201%, to $9.2 million for the year ended December 31, 2017 compared to $3.1 million for the year ended December 31, 2016. The increase was due to an increase in stock-based compensation expense of $3.6 million as a result of the issuance of restricted shares in connection with, and subsequent to, the Offering and an increase of $2.5 million was due to additions in corporate and manufacturing administrative personnel in response to the increase in our manufacturing activity, demand for our systems, and industry activity.

Selling, General and Administrative Expenses (excluding depreciation and amortization). Selling, general and administrative expenses increased $3.0 million, or 142%, to $5.1 million for the year ended December 31, 2017 compared to $2.1 million for the year ended December 31, 2016 due primarily to increases of $1.6 million in professional fees and $0.6 million in employee recruiting fees.

Other Operating Expenses. Other operating expenses in 2017 are primarily one-time bonuses of $3.1 million paid to certain employees in connection with the offering, loss on disposal of field equipment and vehicles of $0.5 million and certain non-recurring organizational costs associated with the IPO of $0.3 million.

Income Pursuant to Tax Receivable Agreement. Income pursuant to the Tax Receivable Agreement is primarily related to the remeasurement of payables related to the Tax Receivable Agreement by the amount of $21,936 as a result of the Tax Act. Refer also to "Income Tax Expenses".

Other Income (Expenses). Other income (expenses) are primarily related to non-recurring transaction costs.

Income Tax Expenses. For the year ended December 31, 2017, we recognized a combined U.S. federal and state provision for income taxes of $25.9 million. Income tax expense was recognized primarily due to the remeasurement of deferred tax assets as a result of the enactment of the Tax Act on December 22, 2017. The provisions of the Tax Act that impact us include, but are not limited to, (1) reducing the U.S. federal corporate income tax rate from 35% to 21%; (2) eliminating the corporate alternative minimum tax (AMT); (3) allowing businesses to immediately expense the cost of new investments in certain qualified depreciable assets acquired after September 27, 2017 (with a phase-down of such expensing starting in 2023), and (4) reducing the maximum deduction for net operating loss (NOL) carryforwards generated in tax years beginning after December 31, 2017, to 80% of a taxpayer's taxable income. The change in tax law required us to remeasure existing net deferred tax assets using the now lower corporate income tax rate in the period of enactment resulting in an income tax expense of approximately $22.6 million to reflect these changes in the year ended December 31, 2017.

As a pass-through entity, Solaris LLC was subject only to the Texas margin tax at a statutory rate of less than 1% of modified pre-tax earnings and was not subject to U.S. federal income tax. During the year ended December 31, 2017, excluding the impact of the Tax Act, we recognized a provision for income taxes of $3.3 million, an increase of $3.3 million as compared to the income tax expense of $43,000 we recognized during the year ended December 31, 2016. This increase was attributable to the Reorganization Transactions (as defined in note 1. "Organization and Background" under Part II, Item 8. "Financial Statements and Supplementary Data") in 2017 and an increase in net income during the applicable periods.

Net Income

Net income increased $19.7 million to $22.5 million for the year ended December 31, 2017 compared to $2.8 million for the year ended December 31, 2016, due to the changes in revenues and expenses discussed above.

Comparison of Non-GAAP Financial Measures

We view EBITDA and Adjusted EBITDA as important indicators of performance. We define EBITDA as net income (loss), plus (i) depreciation and amortization expense, (ii) interest expense and (iii) income tax expense, including franchise taxes. We define Adjusted EBITDA as EBITDA plus (i) stock-based compensation expense and (ii) certain non-cash charges and unusual or non-recurring charges.

We believe that our presentation of EBITDA and Adjusted EBITDA will provide useful information to investors in assessing our financial condition and results of operations. Net income is the GAAP measure most directly comparable to EBITDA and Adjusted EBITDA. EBITDA and Adjusted EBITDA should not be considered alternatives to net income presented in accordance with GAAP. Because EBITDA and Adjusted EBITDA may be defined differently by other companies in our industry, our definitions of EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures of other companies, thereby diminishing their utility. The following table presents a reconciliation of Net income (loss) to EBITDA and Adjusted EBITDA for each of the periods indicated.

	Year ended December 31,		
	2017	2016	Change
		(in thousands)	
Net income	$ 22,487	$ 2,803	$ 19,684
Depreciation and amortization	6,635	3,792	2,843
Interest expense, net	97	23	74
Income taxes (1)	25,899	43	25,856
EBITDA	$ 55,118	$ 6,661	$ 48,457
IPO bonuses (2)	4,627	—	4,627
Stock-based compensation expense (3)	2,211	127	2,084
Loss on disposal of assets	498	—	498
Non-recurring organizational costs (4)	348	—	348
Change in payables related to the Tax Receivable Agreement (5)	(23,022)	—	(23,022)
Other (6)	143	—	143
Adjusted EBITDA	$ 39,923	$ 6,788	$ 33,135

(1) Income taxes for federal and state taxes, including $22,637 related to the Tax Act.

(2) One-time cash bonuses of $3.1 million and stock-based compensation expense of $1.5 million related to restricted stock awards with one-year vesting that were paid or granted to certain employees and consultants in connection with the Offering.

(3) Represents stock-based compensation expense of $1.9 million related to restricted stock awards with three-year vesting and $0.3 million related to the options issued under our long-term incentive plan.

(4) Certain non-recurring organizational costs associated with our IPO.

(5) Other income related to the remeasurement of payables related to the Tax Receivable Agreement includes ($21,936) as a result of the Tax Act.

(6) Non-recurring transaction costs.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016: EBITDA and Adjusted EBITDA

EBITDA increased $48.5 million to $55.1 million for the year ended December 31, 2017 compared to $6.7 million for the year ended December 31, 2016. Adjusted EBITDA increased $33.1 million to $39.9 million for the year ended December 31, 2017 compared to $6.8 million for the year ended December 31, 2016. EBITDA and Adjusted EBITDA increased 727% and 488%, respectively, for the year ended December 31, 2017 compared to the year ended December 31, 2016. The increases were primarily due to the impact of the Tax Act and an increase in the number of revenue days and the number of systems deployed to customers , as well as an increase in the rental rates charged to customers due to increasing demand for our systems.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

	Year Ended December 31, 2016	Year Ended December 31, 2015	Change
	(in thousands)		
Revenue			
Proppant management system rental	$ 14,594	$ 8,296	$ 6,298
Proppant management system services	3,563	3,167	396
Proppant management system sale	—	2,742	(2,742)
Total revenue	18,157	14,205	3,952
Operating costs and expenses:			
Cost of proppant management system rental (excluding $3,352 and $2,000 of depreciation and amortization for the years ended December 31, 2016 and 2015, respectively, shown separately	1,431	994	437
Cost of proppant management system services (excluding $160 and $119 of depreciation and amortization for the years ended December 31, 2016 and 2015, respectively, shown separately	4,916	3,847	1,069
Cost of proppant management system sale	—	1,948	(1,948)
Depreciation and amortization	3,792	2,395	1,397
Salaries, benefits and payroll taxes	3,061	3,571	(510)
Selling, general and administrative (excluding $280 and $276 of depreciation and amortization for the years ended December 31, 2016 and 2015, respectively, shown separately	2,096	2,663	(567)
Other operating expenses	—	—	—
Total operating costs and expenses	15,296	15,418	(122)
Operating income (loss)	2,861	(1,213)	4,074
Interest expense, net	(23)	(22)	(1)
Other income (expense)	8	(71)	79
Total other income (expense)	(15)	(93)	78
Income (loss) before income tax expense	2,846	(1,306)	4,152
Provision for income taxes	43	67	(24)
Net income (loss)	2,803	(1,373)	4,176
Less: net (income) loss related to Solaris LLC	(2,803)	1,373	(4,176)
Net income attributable to Solaris	$ —	$ —	$ —

Revenue

Proppant Management System Rental Revenue. Our proppant management system rental revenue increased $6.3 million, or 76%, to $14.6 million for the year ended December 31, 2016 compared to $8.3 million for the year ended December 31, 2015. This increase was primarily due to a 123% increase in the number of revenue days, or 3,166 days, that resulted in $8.0 million of increased revenue that was partially offset by a 21% decrease in our average system rental rate, or $1.7 million, due to deteriorating industry conditions in hydraulic fracturing operations during 2016 due to low commodity prices.

Proppant Management System Services Revenue. Our proppant management system services revenue increased $0.4 million, or 13%, to $3.6 million for the year ended December 31, 2016 compared to $3.2 million for the year ended December 31, 2015. Proppant management system services revenue from the provision of field technicians increased by $0.8 million, or 46%, to $2.5 million for the year ended December 31, 2016, as a result of the increase in revenue days as noted above. This was partially offset by a decrease in transportation service revenue of $0.3 million, or 21%, to $0.9 million for the year ended December 31, 2016 as there were fewer equipment transportation requests from customers.

Proppant Management System Sale Revenue. Our proppant management system sale revenue of $2.7 million for the year ended December 31, 2015 was attributable to the sale of a proppant management system that closed in January 2015 for $2.7 million (the "System Sale"). In late 2014, we altered our strategy to focus solely on renting rather than selling proppant management systems. We have not sold a system since the System Sale. The System Sale was recognized in 2015 due to the customer making a final payment and taking title to the system in January 2015.

Operating Expenses

Total operating expenses for the years ended December 31, 2016 and 2015 were $15.3 million and $15.4 million, which represented 84% and 109% of total revenue, respectively. Although total operating expenses remained relatively flat year-over-year, the cost of proppant management system rental, which includes maintenance costs, and the cost of proppant management system services, which includes direct labor and related costs, increased primarily due to the increase in revenue days discussed above. As mentioned above, we have focused solely on renting rather than selling proppant management systems since the System Sale. Because there were no proppant management system sales in 2016, we did not recognize any cost of proppant management system sale in 2016. Depreciation and amortization expense also increased, primarily due to the addition of new systems that were manufactured and added to our fleet in 2016. The aforementioned increases in operating expenses were partially offset by lower salaries, benefits and payroll taxes for indirect personnel and selling, general and administrative expenses as cost reduction measures were taken. Additional details regarding the changes in operating expenses are presented below.

Cost of Proppant Management System Rental (excluding depreciation and amortization). Cost of proppant management system rental increased $0.4 million, or 44%, to $1.4 million for the year ended December 31, 2016 compared to $1.0 million for the year ended December 31, 2015. This increase was primarily due to an increase in equipment maintenance cost of $0.4 million, or 53%, that was driven by an increase in revenue days during the year ended December 31, 2016. Cost of proppant management system rental as a percentage of proppant management system rental revenue was 10% and 12% for the years ended December 31, 2016 and 2015, respectively.

Cost of proppant management system rental including depreciation and amortization expense increased $1.8 million, or 60%, to $4.8 million for the year ended December 31, 2016 compared to $3.0 million for the year ended December 31, 2015. This increase was primarily attributable to the factors mentioned above, as well as an increase in depreciation expense related to additional systems that were manufactured and added to our fleet.

Cost of Proppant Management System Services (excluding depreciation and amortization). Cost of proppant management system services increased $1.1 million, or 28%, to $4.9 million for the year ended December 31, 2016 compared to $3.8 million for the year ended December 31, 2015. This increase was primarily due to an increase in labor and related costs of $0.8 million, or 50%, and travel and lodging costs of $0.4 million, or 71%, both of which were driven by an increase in the number of field technicians required to support the increased revenue days during the year ended December 31, 2016. As of December 31, 2016, the cost of proppant management system services as a percentage of proppant management system services revenue increased to 138% compared to 121% as of December 31, 2015. During 2016, in response to reduced overall industry activity levels and at the request of some of our customers, we reduced the amount that we charged for proppant management system services to our proppant management system rental customers while providing similar coverage. As a result, cost of proppant management system services as a percentage of proppant management system services revenue increased in 2016 compared to 2015.

Cost of proppant management system services including depreciation and amortization expense increased $1.1 million, or 28%, to $5.1 million for the year ended December 31, 2016 compared to $4.0 million for the year ended December 31, 2015. This increase was primarily attributable to the factors mentioned above, as well as an increase in depreciation expense related to additional light-duty trucks that were purchased to support our increased activity.

Cost of Proppant Management System Sale (excluding depreciation and amortization). Cost of proppant management system sale decreased $1.9 million, or 100%, to $0.0 million for the year ended December 31, 2016 as there were no system sales during the year ended December 31, 2016.

Depreciation and Amortization. Depreciation and amortization increased $1.4 million, or 58%, to $3.8 million for the year ended December 31, 2016 compared to $2.4 million for the year ended December 31, 2015. This increase was primarily attributable to additional depreciation expense related to additional systems that were manufactured and added to our fleet.

Salaries, Benefits and Payroll Taxes. Salaries, benefits and payroll taxes decreased $0.5 million, or 14%, to $3.1 million for the year ended December 31, 2016 compared to $3.6 million for the year ended December 31, 2015. The decrease was primarily due to a reduction in corporate and manufacturing administrative personnel and cost reduction measures taken in response to the reduction in industry activity.

Selling, General and Administrative Expenses (excluding depreciation and amortization). Selling, general and administrative expenses decreased $0.6 million, or 21%, to $2.1 million for the year ended December 31, 2016 compared to $2.7 million for the year ended December 31, 2015 due primarily to a $0.6 million reduction in professional fees and employee recruiting fees and a $0.2 million reduction in travel expenses, offset by an increase in research and development expense of $0.3 million.

Other Income (Expense)

Other income (expense) increased $0.1 million to $8,000 for the year ended December 31, 2016 compared to $(71,000) for the year ended December 31, 2015. The increase was primarily related to the write-off of a $0.1 million deposit to purchase new railcars during the year ended December 31, 2015.

Income Tax Expense

Income tax expense decreased $24,000, or 36%, to $43,000 for the year ended December 31, 2016 compared to $67,000 for the year ended December 31, 2015, due to lower franchise tax expense.

Net Income (loss)

Net income increased $4.2 million to $2.8 million for the year ended December 31, 2016 compared to $(1.4) million for the year ended December 31, 2015, due to the change in revenues and expenses discussed above.

Comparison of Non-GAAP Financial Measures

We view EBITDA and Adjusted EBITDA as important indicators of performance. We define EBITDA as net income (loss), plus (i) depreciation and amortization expense, (ii) interest expense and (iii) income tax expense, including franchise taxes. We define Adjusted EBITDA as EBITDA plus (i) stock-based compensation expense and (ii) certain non-cash charges and unusual or non-recurring charges.

We believe that our presentation of EBITDA and Adjusted EBITDA will provide useful information to investors in assessing our financial condition and results of operations. Net income is the GAAP measure most directly comparable to EBITDA and Adjusted EBITDA. EBITDA and Adjusted EBITDA should not be considered alternatives to net income presented in accordance with GAAP. Because EBITDA and Adjusted EBITDA may be defined differently by other companies in our industry, our definitions of EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures of other companies, thereby diminishing their utility. The following table presents a reconciliation of Net income (loss) to EBITDA and Adjusted EBITDA for each of the periods indicated.

	Year ended December 31, 2016	Year ended December 31, 2015	Change
	(in thousands)		
Net income (loss)	$ 2,803	$ (1,373)	$ 4,176
Depreciation and amortization	3,792	2,395	1,397
Interest expense, net	23	22	1
Income taxes (1)	43	67	(24)
EBITDA	$ 6,661	$ 1,111	$ 5,550
Sand mining and terminal business development costs (2)	—	446	(446)
Non-recurring supplier settlement (3)	—	38	(38)
Stock-based compensation expense (4)	127	64	63
Adjusted EBITDA	$ 6,788	$ 1,659	$ 5,129

(1) Income taxes include add-back for franchise tax.

(2) Represents salaries and related expenses, professional fees, transactional costs, rent and travel expenses incurred in the development of sand mining and terminal assets, which expenses did not recur in 2016.

(3) Represents reserve for deposits made to a supplier, the majority of which was recovered.

(4) Represents non-cash compensation costs related to employee options.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015: EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA increased $5.6 million and $5.1 million, or 500% and 309%, to $6.7 million and $6.8 million for the year ended December 31, 2016, respectively, compared to $1.1 million and $1.7 million for the year ended December 31, 2015, respectively. The increases were primarily due to an increase in the number of revenue days, which was partially offset by lower average rental rates and the impact of the System Sale during the year ended December 31, 2015.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity to date have been capital contributions from our owners, cash flows from operations, borrowings under our credit agreements, proceeds from the IPO and the November Offering (as defined below). Our primary uses of capital have been capital expenditures to expand our proppant management fleet, construction of the Kingfisher Facility, the acquisition of our manufacturing facility and certain intellectual property and the acquisition of the assets of Railtronix. We strive to maintain financial flexibility and proactively monitor potential capital sources, including equity and debt financing, to meet our investment and target liquidity requirements and to permit us to manage the cyclicality associated with our business.

On May 17, 2017, Solaris Inc. completed the offering of 10,100,000 shares of its Class A common stock, par value $0.01 per share (“Class A common stock”), at a price to the public of $12.00 per share ($11.28 net of underwriting discounts and commissions). After deducting underwriting discounts and commissions and offering expenses payable by Solaris Inc., Solaris Inc. received net proceeds of approximately $113.9 million. Solaris Inc. contributed all of the net proceeds of the IPO to Solaris LLC in exchange for Solaris LLC Units. Solaris LLC used the net proceeds (i) to fully repay our existing balance of approximately $5.5 million under its credit facility, (ii) to pay $3.1 million in cash bonuses to certain employees and consultants and (iii) to distribute approximately $25.8 million to the Original Investors as partial consideration for the recapitalization of their membership interests in Solaris LLC in connection with the IPO. We have used a portion of the proceeds and intend to use the remaining proceeds for general corporate purposes, including funding our 2017 capital program.

On November 14, 2017, Solaris Inc. completed the offering of 7,000,000 shares of its Class A common stock (the “November Offering”), including 3,000,000 shares issued and sold by the Company and an aggregate of 4,000,000 shares sold by certain stockholders of the Company (the “Selling Stockholders”), at a price to the public of $15.75 per share ($15.04125 per share net of underwriting discounts and commissions). On November 13, 2017 the underwriters exercised an option to purchase an aggregate of 1,050,000 additional shares of Class A common stock. After deducting underwriting discounts and commissions and offering expenses payable by Solaris Inc., Solaris Inc. received net proceeds of approximately $44.5 million. Solaris Inc. contributed all of the net proceeds of the November Offering to Solaris LLC in exchange for Solaris LLC Units. Solaris LLC used the net proceeds for general corporate purposes, including to fund the Company’s 2017 capital program. The Company did not receive any proceeds from the sale of shares of Class A common stock by the Selling Stockholders.

We intend to finance most of our capital expenditures, contractual obligations and working capital needs with cash generated from operations, proceeds from the IPO and November Offering and borrowings under our 2018 Credit Agreement (as defined in “—Debt Agreements”). Based upon our construction progress through December 31, 2017 and current contracted capacity at the Kingfisher Facility, we estimate that approximately $15.0 million of remaining capital expenditures will be required to complete the initial phase of the facility’s construction. However, to the extent that we are successful in contracting additional capacity at the Kingfisher Facility with other customers, additional capital expenditures may be required to further advance the construction of the facility. We continuously evaluate our capital expenditures and the amount we ultimately spend will depend on a number of factors, including expected industry activity levels and company initiatives. We believe that our operating cash flow, proceeds from the IPO and November Offering and available borrowings under our 2018 Credit Agreement will be sufficient to fund our operations for at least the next twelve months.

As of December 31, 2017, cash totaled $63.4 million.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

	Year Ended December 31,			Change	
	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
			(in thousands)		
Net cash provided by operating activities	$ 26,729	$ 4,521	$ 2,156	$ 22,208	$ 2,365
Net cash used in investing activities	(98,984)	(10,935)	(27,859)	(88,049)	16,924
Net cash provided by financing activities	132,108	3,059	7,878	129,049	(4,819)
Net change in cash	$ 59,853	$ (3,355)	$ (17,825)	$ 63,208	$ 14,470

Analysis of Cash Flow Changes for Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Operating Activities. Net cash provided by operating activities was $26.7 million for the year ended December 31, 2017, compared to net cash provided by operating activities of $4.5 million for the year ended December 31, 2016. The increase of $22.2 million in operating cash flow was primarily attributable to an increase in net income of $19.7 million due to an increase in the number of revenue days, offset by an increase of $8.5 million in accounts receivable and $7.5 million in inventories as a result of an increase in revenue and an increase in our manufacturing activities, respectively.

Investing Activities . Net cash used in investing activities was $99.0 million for the year ended December 31, 2017, compared to $10.9 million for the year ended December 31, 2016 due to an increase in the manufacturing rate of new systems, construction of the Kingfisher Facility, and acquisition of Railtronix proppant inventory management software. For the year ended December 31, 2017, $69.4 million of investing activities were capital expenditures related to manufacturing new systems, $18.7 million related to the construction of our Kingfisher Facility, $5.0 million related to the cash consideration paid in connection to the Railtronix acquisition and $3.3 million related to the purchase of light duty vehicles to support the service of our systems. During the year ended December 31, 2016, $9.5 million of capital expenditures were related to manufacturing new proppant management systems, and $1.2 million of capital expenditures were related to capital improvements in our manufacturing facility.

Financing Activities. Net cash provided by financing activities of $132.1 million for the year ended December 31, 2017, was primarily related to $111.1 million in net proceeds received in the IPO, $44.7 million in net proceeds received in the November Offering and $5.3 million in proceeds received from the payment of promissory notes from employees, less $5.5 million used to fully repay borrowings under Solaris LLC's Amended Credit Facility (as defined below) and $25.8 million distributions to legacy members of Solaris LLC as partial consideration for the recapitalization of their membership interests in Solaris LLC in connection with the IPO.

Analysis of Cash Flow Changes for Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Operating Activities. Net cash provided by operating activities was $4.5 million for the year ended December 31, 2016, compared to $2.2 million for the year ended December 31, 2015. The increase in operating cash flow was primarily attributable to an increase in the number of revenue days, partially offset by an increase in accounts receivable as a result of higher rental revenue.

Investing Activities . Net cash used in investing activities was $10.9 million for the year ended December 31, 2016, compared to $27.9 million for the year ended December 31, 2015 due to a reduction in the manufacturing rate of new proppant management systems. During the year ended December 31, 2016, $9.5 million of capital expenditures were related to manufacturing new proppant management systems, and $1.2 million of capital expenditures were related to capital improvements in our manufacturing facility. During the year ended December 31, 2015, $27.3 million of capital expenditures were related to manufacturing new proppant management systems, and $0.6 million of capital expenditures were related to capital improvements in our manufacturing facility.

Financing Activities. Net cash provided by financing activities was $3.1 million for the year ended December 31, 2016, compared to $7.9 million for the year ended December 31, 2015. During the year ended December 31, 2016, we borrowed $2.5 million under our Credit Agreement (as defined below) and an existing member paid off its applicable promissory note and interest for $0.9 million in cash. During the year ended December 31, 2015, our members made capital contributions of $8.2 million.

Debt Agreements

Senior Secured Credit Facility

On May 17, 2017, we entered into a First Amendment (the “First Amendment”) to the Credit Agreement, dated as of December 1, 2016 (the “Credit Agreement” and, as amended by the First Amendment, the “Amended Credit Facility”), by and among the Company, as borrower, each of the lenders party thereto and Woodforest National Bank, as administrative agent (the “Administrative Agent”). The First Amendment, among other things, modified the terms of the Credit Agreement to (i) increase the Credit Agreement’s revolving credit commitments (the “Revolving Facility”) from $1.0 million to $20.0 million, (ii) decrease the Credit Agreement’s advance term loan commitments (the “Advance Loan Facility”) from $10.0 million to $0 and (iii) amend both the scheduled maturity date of the Revolving Facility and the Advance Loan Facility to be May 17, 2021. Additionally, the First Amendment increased the accordion feature of the Revolving Facility from $1.0 million to $10.0 million, which accordion could be elected by the Company at any time prior to the scheduled maturity date of the Revolving Facility so long as no default or event of default had occurred and was continuing and provided that no lender had any obligation to increase its own revolving credit commitment.

The Amended Credit Facility permitted extensions of credit up to the lesser of $20.0 million and a borrowing base that was determined by calculating the amount equal to the sum of (i) 80% of the Eligible Accounts (as defined in the Amended Credit Facility), (ii) 65% of the Eligible Inventory/Equipment Value (Appraised) (as defined in the Amended Credit Facility) and (iii) 75% of the Eligible Inventory/Equipment Value (New Build, Acquired or Upgraded) (as defined in the Amended Credit Facility). The borrowing base was calculated on a monthly basis pursuant to a borrowing base certificate delivered by us to the Administrative Agent and an annual appraisal on the equipment delivered to the Administrative Agent (provided that the Administrative Agent could, at its discretion, require a desktop appraisal on equipment every six months). As of December 31, 2017, the borrowing base certificate delivered by us under the Revolving Facility reflected a borrowing base as of such date of $20.0 million.

Borrowings under the Amended Credit Facility bore interest at a one-month London Interbank Offered Rate, or LIBOR, plus an applicable margin and interest was payable monthly. The applicable margin ranged from 3.00% to 4.00% depending on our leverage ratio. The Revolving Facility also included a monthly commitment fee that we paid on undrawn amounts of the Revolving Facility in a range from 0.1875% to 0.50% depending on our leverage ratio; provided, however that we were not required to pay such commitment fee for any month when we have outstanding borrowings greater than 50.0% of the commitments under the Revolving Facility. During the continuance of an event of default, overdue amounts under the Amended Credit Facility would bear interest at 5.00% plus the otherwise applicable interest rate. The Amended Credit Facility had a scheduled maturity date of May 17, 2021.

The Amended Credit Facility contained representations, warranties and covenants that are customary for similar credit arrangements, including, among other things, covenants relating to (i) financial reporting and notification, (ii) payment of obligations, (iii) compliance with applicable laws, (iv) notification of certain events and (v) solvency.

The Amended Credit Facility contained certain covenants, restrictions and events of default including, but not limited to, a change of control restriction and limitations on our ability to (i) incur indebtedness, (ii) issue preferred equity, (iii) pay dividends or make other distributions, (iv) prepay, redeem or repurchase certain debt, (v) make loans and investments, (vi) sell assets, (vii) acquire assets, (viii) incur liens, (ix) enter into transactions with affiliates, (x) consolidate or merge and (xi) enter into hedging transactions. Our obligations under the Amended Credit Facility were secured by substantially all of our assets.

The Amended Credit Facility initially required that we maintain, at all times, a ratio of net funded indebtedness to consolidated EBITDA of not more than 2.50 to 1.00, provided that net funded indebtedness was subject to a cash adjustment with respect to any unrestricted cash and cash equivalents of the Borrower and its subsidiaries in an amount equal to the lesser of $10.0 million or 50% of unrestricted cash and cash equivalents of the Company and its subsidiaries. The Amended Credit Facility also required that we maintain, at all times, a ratio of consolidated EBITDA to fixed charges of not less than 1.25 to 1.00. We were in compliance with all such ratios as of December 31, 2017. Additionally, our capacity to make capital expenditures was capped at $80.0 million for each fiscal year plus, for fiscal years beginning on January 1, 2019, any unused availability for capital expenditures from the immediately preceding fiscal year; provided, however, that we were permitted to make any capital expenditures in an amount equal to the proceeds of equity contributions made to us used to fund such capital expenditures.

As of December 31, 2017, we had no borrowings under the Revolving Facility outstanding with $20.0 million in revolving commitments available.

On January 19, 2018, we entered into a new credit agreement (the “2018 Credit Agreement”) by and among the Company, as borrower, each of the lenders party thereto and Woodforest National Bank, as administrative agent (the “Administrative Agent”). The 2018 Credit Agreement replaces the Company’s Amended Credit Facility. The 2018 Credit Agreement consists of a $50.0 million advancing term loan (the “Advance Loan”) and a $20.0 million revolving loan, with a $10.0 million uncommitted accordion option to increase the total revolving loans (the “Revolving Loan”, and together with the Advance Loan, the “Loans”). No lender has any obligation to increase its own revolving credit commitment. The Advance Loan amortizes beginning in April 2019 and each of the Loans matures on January 19, 2022. Our obligations under the Loans are generally secured by a pledge of substantially all of the assets of the Company and its subsidiaries, and such obligations are guaranteed by our domestic subsidiaries other than Immaterial Subsidiaries (as defined in the 2018 Credit Agreement). We have the option to prepay the loans at any time without penalty.

The 2018 Credit Agreement permits extensions of credit under the Advance Loan through the end of April 2019 and under the Revolving Loan until the Maturity Date. Borrowings under the Revolving Loan are limited by both commitments and a borrowing base determined monthly by calculating percentages of the eligible accounts and the eligible inventory, provided that the portion of the borrowing base attributable to eligible inventory cannot exceed 35% of the entire borrowing base. Borrowings under the Advance Loan are not to exceed 80% of the then current net orderly liquidation value of the applicable equipment or facility build out or the applicable equipment constructed or acquired which is then subject to the liens securing the Loans.

Borrowings under the 2018 Credit Agreement bear interest at one-month LIBOR plus an applicable margin and interest is payable monthly. The applicable margin ranges from 3.00% to 3.50% depending on our senior leverage ratio. The 2018 Credit Agreement requires that we pay a monthly commitment fee on undrawn amounts of the Revolving Loan, ranging from 0.25% to 0.50% depending upon the average outstanding balance of the obligations relative to the Revolving Loan commitments.

The 2018 Credit Agreement requires that we maintain ratios of (a) indebtedness to consolidated EBITDA of not more than 3.50 to 1.00, which steps down to 3.25 to 1.00 beginning April 1, 2018 and 3.00 to 1.00 beginning October 1, 2018, and (b) senior indebtedness to consolidated EBITDA of not more than 2.50 to 1.00, which steps down to 2.25 to 1.00 beginning April 1, 2018 and 2.00 to 1.00 beginning October 1, 2018. For the purpose of these tests, there is subtracted from indebtedness and senior indebtedness, respectively, an amount equal to the lesser of $10.0 million or 50% of unrestricted cash and cash equivalents of the Company and its subsidiaries. EBITDA, as defined in the 2018 Credit Agreement, excludes noncash items and any extraordinary, unusual or non-recurring gains, losses or expenses.

The 2018 Credit Agreement also requires that we maintain a ratio of consolidated EBITDA to fixed charges of not less than 1.25 to 1.00. Capital Expenditures are permitted up to $225.0 million for the fiscal year ending December 31, 2018, and $75.0 million for fiscal year ending December 31, 2019 and each fiscal year thereafter. In addition, for fiscal years beginning on January 1, 2020, any unused availability for capital expenditures from the immediately preceding fiscal year may be carried forward to the subsequent year; provided, however that we are permitted to make any capital expenditures in an amount equal to the proceeds of equity contributions made to the Company used to fund such capital expenditures.

Contractual Obligations

The table below provides estimates of the timing of future payments that we are contractually obligated to make based on agreements in place at December 31, 2017.

	For the Year Ending December 31,						
	2018	2019	2020	2021	2022	Thereafter	Total
	(in thousands)						
Operating lease obligations (1)	$ 585	$ 504	$ 430	$ 350	$ 335	$ 6,181	$ 8,385
Capital lease obligations (2)	33	33	33	33	33	74	239
Purchase commitments (3)	33,553	—	—	—	—	—	33,553
Total	$ 34,171	$ 537	$ 463	$ 383	$ 368	$ 6,255	42,177

(1) Operating lease obligations are related to our 30-year land lease with the State of Oklahoma related to the Company's Kingfisher Facility, as well as other office, land and equipment leases.

(2) Capital lease obligation is related to our capital lease of a building at our Early, Texas manufacturing facility with the City of Early.

(3) Purchase commitments primarily relate to our agreement with our suppliers for material and parts purchases to be used in the manufacturing of our proppant management systems. The purchase commitments represent open purchase orders to our suppliers.

As of December 31, 2017, our liability under the Tax Receivable Agreement was $24.6 million, the timing of which payments are un-determinable.

Income Taxes

Solaris Inc. is a corporation and as a result, is subject to U.S. federal, state and local income taxes. For the year ended December 31, 2017, we recognized a combined U.S. federal and state provision for income taxes of $25.9 million. Income tax expense was recognized primarily as a result of the enactment of the Tax Act. The change in tax law required us to remeasure existing net deferred tax assets using the now lower corporate income tax rate in the period of enactment resulting in an income tax expense of approximately $22.6 million to reflect these changes in the year ended December 31, 2017. In conjunction with the Tax Act, the SEC staff issued Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118), which allows us to record provisional amounts during a measurement period not to extend beyond one year of the enactment date. We have reported provisional amounts for the income tax effects of the Tax Act for which the accounting is incomplete but a reasonable estimate could be determined. Based on a continued analysis of the estimates, it is anticipated that additional revisions may occur during the allowable measurement period.

Solaris LLC is treated as a partnership for U.S. federal income tax purposes and therefore does not pay federal income tax on its taxable income. Instead, the Solaris LLC members are liable for federal income tax on their respective shares of the Company's taxable income reported on the members' federal income tax returns.

Our revenues are derived through transactions in several states, which may be subject to state and local taxes. Accordingly, we have recorded a liability for state and local taxes that management believes is adequate for activities as of December 31, 2017 and 2016.

We are subject to a franchise tax imposed by the State of Texas. The franchise tax rate is 1%, calculated on taxable margin. Taxable margin is defined as total revenue less deductions for cost of goods sold or compensation and benefits in which the total calculated taxable margin cannot exceed 70% of total revenue. Total expenses related to Texas franchise tax were approximately $247,000, $43,000 and $67,000 for the years ended December 31, 2017, 2016 and 2015, respectively.

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events included in the consolidated financial statements. Under this method, we determine deferred tax assets and liabilities on the basis of the differences between the book value and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period in which the enactment date occurs.

We recognize deferred tax assets to the extent we believe these assets are more-likely-than-not to be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent results of operations.

We record uncertain tax positions on the basis of a two-step process in which (1) we determine whether it is more-likely-than-not the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions meeting the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50% likely to be realized upon ultimate settlement with the related tax authority. For the year ended December 31, 2017, the Company has recorded an uncertain tax benefit for the treatment of certain costs incurred in connection with its initial and secondary public offerings.

Interest and penalties related to income taxes are included in the benefit (provision) for income taxes in our consolidated statement of operations. We have not incurred any significant interest or penalties related to income taxes in any of the periods presented.

See Note 11 to our consolidated financial statements for additional information regarding income taxes.

Payables Related to the Tax Receivable Agreement

In connection with the IPO, Solaris Inc. entered into the Tax Receivable Agreement with the TRA Holders on May 17, 2017. This agreement generally provides for the payment by Solaris Inc. to each TRA Holder of 85% of the net cash savings, if any, in U.S. federal, state and local income tax or franchise tax that Solaris Inc. actually realizes (computed using simplifying assumptions to address the impact of state and local taxes) or is deemed to realize in certain circumstances in periods after the IPO as a result of (i) certain increases in tax basis that occur as a result of Solaris Inc.'s acquisition (or deemed acquisition for U.S. federal income tax purposes) of all or a portion of such TRA Holder's Solaris LLC Units in connection with the Reorganization Transactions or pursuant to the exercise of the Redemption Right or the Call Right (each as defined in Solaris LLC's amended and restated Limited Liability Company Agreement) and (ii) imputed interest deemed to be paid by Solaris Inc. as a result of, and additional tax basis arising from, any payments Solaris Inc. makes under the Tax Receivable Agreement. Solaris Inc. will retain the benefit of the remaining 15% of these cash savings.

See Note 11 to our consolidated financial statements for additional information regarding income taxes.

Critical Accounting Policies and Estimates

The preparation of financial statements requires the use of judgments and estimates. Our critical accounting policies are described below to provide a better understanding of how we develop our assumptions and judgments about future events and related estimates and how they can impact our financial statements. A critical accounting estimate is one that requires our most difficult, subjective or complex estimates and assessments and is fundamental to our results of operations.

We base our estimates on historical experience and on various other assumptions we believe to be reasonable according to the current facts and circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We believe the following are the critical accounting policies used in the preparation of our combined financial statements, as well as the significant estimates and judgments affecting the application of these policies. This discussion and analysis should be read in conjunction with our consolidated financial statements and related notes included in this report.

Revenue Recognition

We generate the majority of our revenue through the rental of our systems and related services, including transportation of our systems and field supervision and support. The system rentals and provision of related services are performed under a variety of contract structures, primarily master service agreements as supplemented by individual work orders detailing statements of work, pricing agreements and specific quotes. The master service agreements generally establish terms and conditions for the provision of our systems and service on a well site, indemnification, damages, confidentiality, intellectual property protection and payment terms and provisions. The services are generally priced based on prevailing market conditions at the time the services are provided, giving consideration to the specific requirements and activity levels of the customer. Solaris has entered into 2018 term pricing and capacity arrangements with several customers and has secured take-or-pay arrangements on a portion of Solaris' fleet through 2018.

In early 2018, we began generating revenue for transloading service at our Kingfisher Facility. We generally charge our customers a throughput fee for proppant delivered to the Kingfisher Facility. We expect the majority of the transloading revenue that we generate in 2018 will be related to the seven-year contract that we entered into in July 2017 with a leading STACK exploration and production. The contract requires the customer to deliver minimum quarterly volumes to the facility.

Finally, we generate revenue through our Railtronix inventory management software. We acquired the assets of Railtronix, LLC in December 2017. We generally charge our customers a throughput fee to monitor proppant that is loaded into a railcar, stored at a transload facility and loaded into a truck.

All revenue is recognized when persuasive evidence of an arrangement exists, the service is complete, the amount is determinable and collectability is reasonably assured. Revenue is recognized as services are performed.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, or fair value for assets acquired, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful service lives of the assets. Systems that are in the process of being manufactured are considered property, plant and equipment. However, the systems in process do not depreciate until they are fully completed. Systems in process are a culmination of material, labor and overhead.

The costs of ordinary repairs and maintenance are charged to expense as incurred, while significant enhancements, including upgrades or overhauls, are capitalized. These enhancements include upgrades to various components of the system and to equipment at our manufacturing facility that will either extend the life or improve the utility and efficiency of the systems, plant and equipment. These enhancements include:

- Generation two to three control system upgrades that allow for customization and automation of system controls. This improves the operational capabilities of our systems by allowing automated shutdown logic and a wide range of customer driven customizations. These include seamless integrated controls on various configuration of our systems (three, six or twelve silo configuration), as well as proppant and admixture blending capabilities. This upgrade is added to and depreciated over the remaining life of the system.

- The PropView inventory management system enables our customers to track inventory levels in, and delivery rates from, each silo in a system. This upgrade improves our customers' operational efficiencies and reduces operating and supply chain costs by allowing the customer to better manage proppant inventory levels both onsite and remotely. This upgrade is added to and depreciated over the remaining life of the system.

- Our non-pneumatic loading option provides additional proppant transportation flexibility for our customers, allowing them to use belly-dump trucks in addition to the industry standard pneumatic trucks to fill and maintain inventory in our proppant management systems. This non-pneumatic loading option is compatible with our existing fleet with minimal modification

- Interchangeable discharge heads for the conveyor belt that serves the various needs of our customers. This upgrade allows us to better meet the needs of our customers by fitting to a wide range of blender configurations at the well site. This is depreciated over a 15-year life.

- Plant improvements include upgrades to overhead cranes and the addition of new column bays and trunions that improve the manufacturing flow, as well as improvements in the paint booths. These improvements increase productivity by reducing labor hours, while improving safety. These upgrades are depreciated over their useful lives (range of 2-10 years).

The determination of whether an expenditure should be capitalized or expensed requires management judgment in the application of how the costs benefit future periods, relative to our capitalization policy. Costs that increase the value or materially extend the life of the asset are capitalized and depreciated over the remaining useful life of the asset. When property and equipment are sold or retired, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in the consolidated statements of operations.

Allocation of Purchase Price in Business Combinations

As part of our business strategy, we regularly pursue acquisition and business development opportunities. The purchase price in an acquisition is allocated to the assets acquired and liabilities assumed based on their fair values as of the closing date, which may occur many months after the announcement date. The excess of the purchase price over the amount allocated to the assets and liabilities, if any, is recorded as goodwill. We use all available information to estimate fair values including quoted market prices, the carrying value of acquired assets, and widely accepted valuation techniques such as discounted cash flows. Our most significant estimates in our allocation typically relate to the value assigned to property, plant and equipment, intangible assets and goodwill. The judgments made in determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, could materially impact our results of operations.

Impairment of Long-Lived and Other Intangible Assets

Long-lived assets, which include property, plant and equipment and identified intangible assets, comprise a significant amount of our total assets. We make judgments and estimates in conjunction with the carrying value of these assets, including amounts to be capitalized, depreciation and amortization methods, estimated useful lives and impairment.

The carrying values of these assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recorded in the period in which it is determined that the carrying amount is not recoverable based on estimated future undiscounted cash flows. We estimate the fair value of these intangible and fixed assets using an income approach. This requires us to make long-term forecasts of its future revenues and costs related to the assets subject to review. These forecasts require assumptions about demand for the Company’s products and services, future market conditions and technological developments. The financial and credit market volatility directly impacts our fair value measurement through our income forecast. Although we have made our best estimates of these factors based on current conditions, it is reasonably possible that changes could occur in the near term, including, but not limited to: sustained declines in worldwide rig counts below current analysts’ forecasts, collapse of spot and futures prices for oil and gas, significant deterioration of external financing for our customers, higher risk premiums or higher cost of equity, or any other significant adverse economic news, which could adversely affect our estimates requiring a provision for impairment.

There was no impairment for the years ended December 31, 2017, 2016 and 2015.

Goodwill

Goodwill represents the excess of the purchase price of acquisitions, or fair value of contributed assets, over the fair value of the net assets acquired and consists of synergies in combining operations and other intangible assets which do not qualify for separate recognition. We evaluate goodwill for impairment annually, as of October 31, or more often as facts and circumstances warrant. The recoverability of the carrying value is assessed based on expected future profitability and undiscounted future cash flows of the acquisitions and their contribution to our overall operations. These types of analyses contain uncertainties because they require us to make judgments and assumptions regarding future profitability, industry factors, planned strategic initiatives, discount rates and other factors. Events or circumstances which could indicate a potential impairment include (but are not limited to) a significant sustained reduction in worldwide oil and gas prices or drilling; a significant sustained reduction in profitability or cash flow of oil and gas companies or drilling contractors; a sustained reduction in the market capitalization of the Company; a significant sustained reduction in capital investment by drilling companies and oil and gas companies; or a significant sustained increase in worldwide inventories of oil or gas. There was no impairment for years ended December 31, 2017, 2016 and 2015.

Stock-Based Awards

We follow the fair value recognition provisions in accordance with GAAP. Under the fair value recognition provisions, stock-based compensation cost is measured at the grant date based on the fair value of the award and is amortized to compensation expense on a straight-line basis over the awards' vesting period, which is generally the requisite service period. We have historically and consistently calculated fair value using the Black-Scholes option-pricing model. This valuation approach involves significant judgments and estimates, including estimates regarding our future operations, price variation and the appropriate risk-free rate of return. Our estimates of these variables are made for the purpose of using the valuation model to determine an expense for each reporting period and are not subsequently adjusted. We recognize expense related to the estimated vesting of our performance share units granted.

Recent Accounting Pronouncements

See Note 2, "Summary of Significant Accounting Policies —Recently Accounting Pronouncements" to our consolidated financial statements as of December 31, 2017 and 2016, for a discussion of recent accounting pronouncements.

Under the JOBS Act, we meet the definition of an "emerging growth company," which allows us to have an extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act, however we elected to opt out of such exemption (this election is irrevocable).

Off Balance Sheet Arrangements

We have no material off balance sheet arrangements, except for operating leases. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such financing arrangements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of loss arising from adverse changes in market rates and prices. Currently, our market risks relate to potential changes in the fair value of our long-term debt due to fluctuations in applicable market interest rates. Going forward our market risk exposure generally will be limited to those risks that arise in the normal course of business, as we do not engage in speculative, non-operating transactions, nor do we utilize financial instruments or derivative instruments for trading purposes.

Commodity Price Risk

The market for our services is indirectly exposed to fluctuations in the prices of crude oil and natural gas to the extent such fluctuations impact drilling and completion activity levels and thus impact the activity levels of our customers in the exploration and production and oilfield services industries. We do not currently intend to hedge our indirect exposure to commodity price risk.

Interest Rate Risk

We are subject to interest rate risk on a portion of our long-term debt under the 2018 Credit Agreement. We do not currently have any borrowings under our 2018 Credit Agreement.

Credit Risk

The majority of our accounts receivable have payment terms of 60 days or less. As of December 31, 2017, two customers accounted for 42% of our total accounts receivable. As of December 31, 2016, one customer accounted for 23% of our total accounts receivable. We mitigate the associated credit risk by performing credit evaluations and monitoring the payment patterns of our customers.

Item 8. Financial Statements and Supplementary Data

The following Consolidated Financial Statements are filed as part of this Annual Report on Form 10-K:

Solaris Oilfield Infrastructure, Inc.

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
Solaris Oilfield Infrastructure, Inc.
Houston, Texas

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Solaris Oilfield Infrastructure, Inc. and its subsidiaries (collectively, the "Company") as of December 31, 2017 and 2016, the related consolidated statements of operations, changes in stockholders' and members' equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries at December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2017.

Houston, Texas
March 6, 2018

SOLARIS OILFIELD INFRASTRUCTURE, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands)

	December 31, 2017	December 31, 2016
Assets		
Current assets:		
Cash	$ 63,421	$ 3,568
Accounts receivable, net	12,979	4,510
Prepaid expenses and other current assets	3,622	403
Inventories	7,532	1,365
Total current assets	87,554	9,846
Property, plant and equipment, net	151,163	54,350
Goodwill	17,236	13,004
Intangible assets, net	5,335	36
Deferred tax assets	25,512	—
Other assets	260	—
Total assets	$ 287,060	$ 77,236
Liabilities and Stockholders'/Members' Equity		
Current liabilities:		
Accounts payable	$ 5,000	$ 705
Accrued liabilities	15,468	2,144
Current portion of capital lease obligations	33	26
Current portion of notes payable	—	169
Current portion of senior secured credit facility	—	31
Total current liabilities	20,501	3,075
Capital lease obligations, net of current portion	179	213
Notes payable, net of current portion	—	282
Senior secured credit facility, net of current portion	—	2,320
Payables related to parties pursuant to Tax Receivable Agreement	24,675	—
Other long-term liabilities	145	—
Total liabilities	45,500	5,890
Commitments and contingencies (Note 13)		
Stockholders' and Members' equity:		
Members' equity	—	69,267
Preferred stock, $0.01 par value, 50,000 shares authorized, none issued and outstanding	—	—
Class A common stock, $0.01 par value, 600,000 shares authorized, 19,027 issued and 19,011 outstanding as of December 31, 2017 and none issued and outstanding as of December 31, 2016	190	—
Class B common stock, $0.00 par value, 180,000 shares authorized, 26,810 shares issued and outstanding as of December 31, 2017 and none issued and outstanding as of December 31, 2016	—	—
Additional paid-in capital	121,727	—
Accumulated earnings	3,636	2,079
Treasury stock (at cost), 16 shares and 0 shares as of December 31, 2017 and 2016, respectively	(261)	—
Total stockholders' equity attributable to Solaris and members' equity	125,292	71,346
Non-controlling interest	116,268	—
Total stockholders' and members' equity	241,560	71,346
Total liabilities, stockholders' and members' equity	$ 287,060	$ 77,236

The accompanying notes are an integral part of these financial statements.

SOLARIS OILFIELD INFRASTRUCTURE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amount)

	For the Years Ended December 31, 2017	2016	2015
Revenue:			
Proppant management system rental	$ 54,653	$ 14,594	$ 8,296
Proppant management system services	12,537	3,563	3,167
Proppant inventory software services	205	—	—
Proppant management system sale	—	—	2,742
Total revenue	67,395	18,157	14,205
Operating costs and expenses:			
Cost of proppant management system rental (excluding $5,792, $3,352 and $2,000 of depreciation and amortization for the years ended December 31, 2017, 2016 and 2015, respectively, shown separately)	2,627	1,431	994
Cost of proppant management system services (excluding $461, $160 and $119 of depreciation and amortization for the years ended December 31, 2017, 2016 and 2015, respectively, shown separately)	14,184	4,916	3,847
Cost of proppant inventory software services (excluding $42 of depreciation and amortization for the year ended December 31, 2017, shown separately)	76	—	—
Cost of proppant management system sale	—	—	1,948
Depreciation and amortization	6,635	3,792	2,395
Salaries, benefits and payroll taxes (1)	9,209	3,061	3,571
Selling, general and administrative (excluding $340, $250 and $276 of depreciation and amortization for the years ended December 31, 2017, 2016 and 2015, respectively, shown separately)	5,077	2,096	2,663
Other operating expenses	4,126	—	—
Total operating costs and expenses	41,934	15,296	15,418
Operating income (loss)	25,461	2,861	(1,213)
Interest expense	(97)	(23)	(22)
Income pursuant to Tax Receivable Agreement	23,022	—	—
Other income (expense)	—	8	(71)
Total other income (expense)	22,925	(15)	(93)
Income (loss) before income tax expense	48,386	2,846	(1,306)
Provision for income taxes	25,899	43	67
Net income (loss)	22,487	2,803	(1,373)
Less: net (income) loss related to Solaris LLC	(3,665)	(2,803)	1,373
Less: net (income) related to non-controlling interests	(15,186)	—	
Net income attributable to Solaris	$ 3,636	$ —	$ —
Earnings per share of Class A common stock - basic (2)	$ 0.28	—	—
Earnings per share of Class A common stock - diluted (2)	$ 0.27	—	—
Basic weighted-average shares of Class A common stock outstanding (2)	12,117	—	—
Diluted weighted-average shares of Class A common stock outstanding (2)	12,482	—	—

(1) Salaries, benefits and payroll taxes include equity-based compensation expense as follows (excluding $1,080 recognized in Property, Plant and equipment on the Consolidated Balance Sheets):

	2017	2016	2015
Stock-based compensation expense	$ 3,701	$ 127	$ 64

(2) Represents earnings per share of Class A common stock and weighted-average shares of Class A common stock outstanding for the period from May 17, 2017 through December 31, 2017, the period following the reorganization transactions and IPO. See Note 10.

The accompanying notes are an integral part of these financial statements.

SOLARIS OILFIELD INFRASTRUCTURE, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' AND MEMBERS' EQUITY
(in thousands)

	Members' Equity	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Earnings/ (Deficit)	Treasury Stock		Non-controlling Interest	Total Stockholders' and Members' Equity
		Shares	Amount	Shares	Amount			Shares	Amount		
Balance at January 1, 2015	$ 60,620	—	$ —	—	$ —	$ —	$ —	—	$ —	$ —	$ 60,620
Member contributions	8,162	—	—	—	—	—	—	—	—	—	8,162
Purchase of member units	(5)	—	—	—	—	—	—	—	—	—	(5)
Issuance of membership units in exchange for notes receivable, includes accrued interest	5,766	—	—	—	—	—	—	—	—	—	5,766
Notes receivable from unit-holders, includes accrued interest	(5,766)	—	—	—	—	—	—	—	—	—	(5,766)
Unit-based compensation expense	64	—	—	—	—	—	—	—	—	—	64
Net income (loss)	(1,373)	—	—	—	—	—	—	—	—	—	(1,373)
Balance at December 31, 2015	67,468	—	—	—	—	—	—	—	—	—	67,468
Additional members' equity related to accrued interest on notes receivable that were exchanged for membership units	327	—	—	—	—	—	—	—	—	—	327
Accrued interest related to notes receivable that were exchanged for membership units	(327)	—	—	—	—	—	—	—	—	—	(327)
Unit-based compensation expense	127	—	—	—	—	—	—	—	—	—	127
Proceeds from pay down of promissory note related to membership units	948	—	—	—	—	—	—	—	—	—	948
Net income (loss)	2,803	—	—	—	—	—	—	—	—	—	2,803
Balance at December 31, 2016	71,346	—	—	—	—	—	—	—	—	—	71,346
Additional members' equity related to accrued interest on notes receivable that were exchanged for membership units prior to the Reorganization	84	—	—	—	—	—	—	—	—	—	84
Accrued interest related to notes receivable that were exchanged for membership units prior to the Reorganization	(84)	—	—	—	—	—	—	—	—	—	(84)
Proceeds from pay down of promissory note and interest related to membership units prior to the Reorganization	3,808	—	—	—	—	—	—	—	—	—	3,808
Unit-based compensation expenses prior to the Reorganization	43	—	—	—	—	—	—	—	—	—	43
Net Income prior to the Reorganization	3,665	—	—	—	—	—	—	—	—	—	3,665
Effect of the Reorganization	(78,862)	10,100	101	32,366	—	77,256	—	—	—	125,056	123,551
Deferred tax asset and payables related to parties pursuant to Tax Receivable Agreement from the Reorganization	—	—	—	—	—	(19,149)	—	—	—	—	(19,149)
Effect of the November Offering	—	8,050	81	(5,050)	—	66,352	—	—	—	(21,969)	44,464
Deferred tax asset and payables related to parties pursuant to Tax Receivable Agreement from the November Offering	—	—	—	—	—	(12,928)	—	—	—	—	(12,928)
Exchange of B shares for A shares	—	785	8	(785)	—	1,997	—	—	—	(2,005)	—
Deferred tax asset and payables related to parties pursuant to Tax Receivable Agreement from the exchange of B shares for A shares	—	—	—	—	—	(2,755)	—	—	—	—	(2,755)
Stock option exercises	—	75	—	—	—	261	—	16	(261)	—	—
Issuance of B shares in connection with the acquisition of the assets of Railtronix ™	—	—	—	280	—	4,507	—	—	—	—	4,507
Stock-based compensation subsequent to the Reorganization	—	—	—	—	—	4,738	—	—	—	—	4,738
Additional members' equity related to accrued interest on notes receivable that were exchanged for membership units subsequent to the Reorganization	—	—	—	—	—	28	—	—	—	—	28
Accrued interest related to notes receivable that were exchanged for membership units subsequent to the Reorganization	—	—	—	—	—	(28)	—	—	—	—	(28)
Proceeds from pay down of promissory note and interest related to membership units subsequent to the Reorganization	—	—	—	—	—	1,448	—	—	—	—	1,448
Net income subsequent to the Reorganization	—	—	—	—	—	—	3,636	—	—	15,186	18,822
Balance at December 31, 2017	$ —	19,010	$ 190	26,811	$ —	$121,727	$ 3,636	16	(261)	$ 116,268	$ 241,560

The accompanying notes are an integral part of these financial statements .

SOLARIS OILFIELD INFRASTRUCTURE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the Year Ended December 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net income (loss)	$ 22,487	$ 2,803	$ (1,373)
Adjustment to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	6,635	3,792	2,395
Loss on disposal of asset	498	—	22
Provision for bad debt	—	131	—
Stock-based compensation	3,701	127	64
Amortization of debt issuance costs	51	4	—
Change in payables related to parties pursuant to Tax Receivable Agreement	(23,022)	—	—
Deferred income tax expense	25,652	—	—
Other	(28)	—	—
Changes in assets and liabilities:			
Accounts receivable	(8,469)	(3,065)	1,047
Prepaid expenses and other assets	(3,273)	109	1,148
Inventories	(7,532)	327	1,794
Accounts payable	4,224	41	(1,515)
Accrued liabilities	5,805	252	(1,426)
Net cash provided by operating activities	26,729	4,521	2,156
Cash flows from investing activities:			
Investment in property, plant and equipment	(93,912)	(10,899)	(27,790)
Proceeds from disposal of asset	—	—	4
Purchase price adjustment on acquisition	—	—	(73)
Cash paid for Railtronix ™ acquisition	(5,000)	—	—
Investment in intangible assets	(72)	(36)	—
Net cash used in investing activities	(98,984)	(10,935)	(27,859)
Cash flows from financing activities:			
Payments under capital leases	(27)	(25)	(25)
Payments under notes payable	(451)	(211)	(254)
Proceeds from borrowings under the credit facility	3,000	2,500	—
Repayment of credit facility	(5,500)	—	—
Payments related to debt issuance costs	(111)	(153)	—
Proceeds from members' contributions	—	948	8,162
Payments to purchase member units	—	—	(5)
Proceeds from issuance of Class A common stock sold in initial public offering, net of offering costs	111,075	—	—
Proceeds from issuance of Class A common stock sold in November Offering, net of offering costs	44,684	—	—
Distributions paid to unitholders	(25,818)	—	—
Proceeds from pay down of promissory note related to membership units	5,256	—	—
Net cash provided by financing activities	132,108	3,059	7,878
Net increase (decrease) in cash	59,853	(3,355)	(17,825)
Cash at beginning of period	3,568	6,923	24,748
Cash at end of period	$ 63,421	$ 3,568	$ 6,923
Non-cash activities			
Investing:			
Capitalized depreciation in property, plant and equipment	$ 668	$ 674	$ 539
Property and equipment additions incurred but not paid at year-end	7,765	264	198
Issuance of shares in acquisition	4,505	—	—
Financing:			
Notes payable issued for property, plant and equipment	—	397	297
Accrued interest from notes receivable issued for membership units	—	327	208
Cash paid for:			
Interest	104	20	18
Income taxes	45	35	60

The accompanying notes are an integral part of these financial statements.

1. Organization and Background of Business

Description of Business

We are an independent provider of supply chain management and logistics solutions designed to drive efficiencies and reduce costs for the oil and natural gas industry. We manufacture and provide patented proppant management systems that unload, store and deliver proppant at oil and natural gas well sites. The systems are designed to address the challenges associated with transferring large quantities of proppant to the well site, including the cost and management of last mile logistics.

The systems are deployed in many of the most active oil and natural gas basins in the U.S., including the Permian Basin, the Eagle Ford Shale, the SCOOP/STACK Formations, the Haynesville Shale and the Marcellus and Utica Shales.

We are also developing an independent, unit-train capable, high speed transload facility in Oklahoma. Commercial operations commenced in January 2018 and we expect to complete the initial phase one of construction by August 2018. In July 2017, we entered into a seven-year contract with a leading STACK exploration and production company to provide proppant transloading service at the facility.

We also provide remote monitoring of proppant inventory from the source mine to well site through our Railtronix™ and PropView® inventory management systems. Our customers rely on this data to manage distribution of proppant along their supply chain.

Initial Public Offering

Solaris Oilfield Infrastructure, Inc. (“Solaris Inc.” or the “Company”) was incorporated as a Delaware corporation in February 2017 for the purpose of completing an initial public offering of equity (the “IPO” or the “Offering”) and related transactions. On May 11, 2017, in connection with the Offering, Solaris Inc. became a holding company whose sole material asset consists of units in Solaris Oilfield Infrastructure, LLC (“Solaris LLC Units”). Solaris Inc. became the managing member of Solaris Oilfield Infrastructure, LLC (“Solaris LLC”) and is responsible for all operational, management and administrative decisions relating to Solaris LLC's business. Solaris Inc. consolidates the financial results of Solaris LLC and its subsidiaries and reports non-controlling interest related to the portion of Solaris LLC Units not owned by Solaris Inc., which will reduce net income (loss) attributable to the holders of Solaris Inc.’s Class A stock.

On May 17, 2017, Solaris Inc. completed the Offering of 10,100,000 shares of the Class A common stock, par value $0.01 per share (“Class A common stock”), at a price to the public of $12.00 per share ($11.28 net of underwriting discounts and commissions). After deducting underwriting discounts and commissions payable by Solaris Inc., Solaris Inc. received net proceeds of approximately $113.9 million. After deducting offering expenses of approximately $2.8 million, Solaris Inc. received approximately $111.1 million. Solaris Inc. contributed all of the net proceeds of the IPO to Solaris LLC in exchange for Solaris LLC Units. Solaris LLC used the net proceeds (i) to fully repay borrowings under its credit facility of $5.5 million, (ii) to pay approximately $3.1 million in cash bonuses to certain employees and consultants and (iii) to distribute approximately $25.8 million to its then-existing members (the “Original Investors”) as partial consideration for the recapitalization of their membership interests in Solaris LLC in connection with the IPO. Solaris LLC has used and intends to continue to use the remaining proceeds for general corporate purposes, including funding the remainder of its 2017 capital program, the majority of which we expect will be used to manufacture additional systems for our fleet and advance construction of the Kingfisher Facility.

Reorganization Transactions

In connection with the IPO, we completed a series of reorganization transactions on May 17, 2017 (the "Reorganization Transactions"), including:

a) Solaris LLC's limited liability company agreement was amended and restated to, among other things, appoint Solaris Inc. as sole managing member, and all of the membership interests in Solaris LLC held by the Original Investors were converted into (i) a single class of units in Solaris LLC, referred to as "Solaris LLC Units," representing in the aggregate 32,365,823 Solaris LLC Units and (ii) the right to receive the distributions of cash and shares of Solaris Inc.'s Class B common stock described in clauses (c) and (d) below;

b) Solaris Inc. issued and contributed 32,365,823 shares of its Class B common stock and all of the net proceeds of the IPO to Solaris LLC in exchange for a number of Solaris LLC Units equal to the number of shares of Class A common stock issued in the IPO;

c) Solaris LLC used a portion of the proceeds from the IPO to distribute to the Original Investors, on a pro rata basis, an aggregate amount of cash equal to 2,288,800 times the initial public offering price per share of Class A common stock after underwriting discounts and commissions;

d) Solaris LLC distributed to each of the Original Investors one share of Class B common stock for each Solaris LLC Unit such Original Investors held; and

e) Solaris Inc. issued 648,676 shares of restricted stock under the Solaris Inc. Long-Term Incentive Plan (the "LTIP") of which 203,222 vest over one year and 445,454 vest over three years. Additionally, Options under the Solaris LLC 2015 Membership Unit Option Plan were converted to 591,261 options under the LTIP with accelerated vesting terms ending November 13, 2017.

November Offering

On November 14, 2017, Solaris Inc. completed the offering of 7,000,000 shares of its Class A common stock (the “November Offering”), including 3,000,000 shares issued and sold by Solaris Inc. and an aggregate of 4,000,000 shares sold by certain stockholders of the Company (the “Selling Stockholders”), at a price to the public of $15.75 per share ($15.04125 per share net of underwriting discounts and commissions). On November 13, 2017 the underwriters exercised an option to purchase an aggregate of 1,050,000 additional shares of Class A common stock. After deducting underwriting discounts and commissions and offering expenses payable by Solaris Inc., Solaris Inc. received net proceeds of approximately $44.5 million. Solaris Inc. contributed all of the net proceeds of the November Offering to Solaris LLC in exchange for Solaris LLC Units. Solaris LLC used the net proceeds for general corporate purposes, including to fund the Company’s 2017 capital program. Solaris Inc. did not receive any proceeds from the sale of shares of Class A common stock by the Selling Stockholders.

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying consolidated financial statements of Solaris Inc. have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). These financial statements reflect all normal recurring adjustments that are necessary for fair presentation.

As discussed in Note 1, as a result of the Reorganization Transactions, the Company is the sole managing member for Solaris LLC and consolidates entities in which it has a controlling financial interest. The Reorganization Transactions were considered transactions between entities under common control. As a result, the financial statements for periods prior to the IPO and the Reorganization Transactions have been adjusted to combine the previously separate entities for presentation purposes.

Thus, for periods prior to the completion of the offering, the accompanying consolidated financial statements include the historical financial position and results of operations of Solaris LLC and its subsidiaries. All material intercompany transactions and balances have been eliminated upon consolidation.

Use of Estimates

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in the preparation of these consolidated financial statements include, but are not limited to, depreciation associated with property, plant and equipment and related impairment considerations of those assets, determination of fair value of intangible assets acquired in business combinations and certain liabilities. Actual results could differ from management's best estimates as additional information or actual results become available in the future, and those differences could be material.

Cash

For the purposes of the statements of cash flows, the Company considers all short-term, highly liquid, investments with an original maturity of three months or less to be cash equivalents. Cash is deposited in demand accounts in federally insured domestic institutions to minimize risk. Accounts of each institution are insured by Federal Deposit Insurance Corporation. Cash balances at times may exceed federally-insured limits. We have not incurred losses related to these deposits.

Accounts Receivable

Accounts receivable consists of trade receivables recorded at the invoice amount, plus accrued revenue that is earned but not yet billed, less an estimated allowance for doubtful accounts (if any). Accounts receivable are generally due within 60 days or less, or in accordance with terms agreed with customers, and are stated at amounts due from customers net of any allowance for doubtful accounts. The Company considers accounts outstanding longer than the payment terms past due. The Company determines the allowance by considering a number of factors, including the length of time trade accounts receivable are past due, previous loss history, the customer’s current ability to pay its obligation, and the condition of the general economy and the industry as a whole. Accounts receivable are written off when they are deemed uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. As of December 31, 2016, the Company had $131 of allowance for doubtful accounts, which was subsequently deemed uncollectible. The allowance for doubtful accounts of $131 and the related accounts receivable balance were fully extinguished in the first quarter of 2017. Allowance for doubtful accounts is zero as of December 31, 2017.

Inventories

Inventories consist of materials used in the manufacturing of the Company’s systems, which include raw materials and purchased parts. Inventory purchases are recorded initially at cost and net realizable value. Adjustments that reduce the average cost will be recognized as impairments in the consolidated statements of operations. There were no impairments recorded for the years ended December 31, 2017, 2016 and 2015.

Business Combinations

The Company accounts for business combinations using the acquisition method of accounting. Under this method, acquired assets, including separately identifiable intangible assets and any assumed liabilities, are recorded at their acquisition date estimated fair value. The excess of purchase price over the fair value amounts assigned to the assets acquired and liabilities assumed represents the goodwill amount resulting from the acquisition. Determining the fair value of assets acquired and liabilities assumed involves the use of significant estimates and assumptions. Additional disclosures for business combinations are presented in Note 3 - Business Combination.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, or fair value for assets acquired in a business combination, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful service lives of the assets as noted below:

	Useful Life
Proppant management systems and related equipment	Up to 15 years
Machinery and equipment	2-10 years
Furniture and fixtures	5 years
Computer hardware	3 years
Computer software	5-10 years
Vehicles	5 years
Buildings and leasehold improvements	15 years

Systems that are in the process of being manufactured are considered property, plant and equipment. However, the systems in process do not depreciate until they are fully completed. Systems in process are a culmination of material, labor and overhead.

Expenditures for maintenance and repairs are charged against income (loss) as incurred. Betterments that increase the value or materially extend the life of the related assets are capitalized. Upon sale or disposition of property and equipment, the cost and related accumulated depreciation and amortization are removed from the consolidated financial statements and any resulting gain or loss is recognized in the consolidated statements of operations.

The Company, on occasion, has had vehicles that are pledged against the respective notes payables for those vehicles. As of December 31, 2017, there were no vehicles pledged against notes payable. As of December 31, 2016, the cost of vehicles pledged was $859.

Definite-lived Intangible Assets

Identified intangible assets with determinable lives consist primarily of customer relationships, a non-competition agreement and software acquired in the acquisition of Railtronix as described further in Note 3, as well as patents that were filed for our systems and other intellectual property. Amortization expense of identified intangibles is expected to be approximately $770 in each of the next five years. Amortization on these assets is calculated on the straight-line method over the estimated useful lives of the assets, which is five to fifteen years based on estimates the Company believes are reasonable. The Company recorded amortization expense of $46, $1 and $0 for the years ended December 31, 2017, 2016 and 2015, respectively.

Identified intangible assets by major classification consist of the following:

	Gross	Accumulated Amortization	Net Book Value
As of December 31, 2016:			
Patents and other	$ 37	$ (1)	$ 36
Total identifiable intangibles	$ 37	$ (1)	$ 36
As of December 31, 2017:			
Customer relationships	$ 4,703	$ (36)	$ 4,667
Software acquired in the acquisition of Railtronix	346	(3)	343
Non-competition agreement	225	(3)	222
Patents and other	108	(5)	103
Total identifiable intangibles	$ 5,382	$ (47)	$ 5,335

Goodwill

Goodwill represents the excess of the purchase price of a business over the estimated fair value of the identifiable assets acquired and liabilities assumed. As of December 31, 2017 and 2016, the Company reported $17,236 and $13,004, respectively, of goodwill related to the 2015 purchase of the silo business from Loadcraft Industries Ltd and the 2017 purchase of the assets of Railtronix (Note 3). The Company evaluates goodwill for impairment annually, as of October 31, or more often as facts and circumstances warrant. Factors such as unexpected adverse economic conditions, competition and market changes may require more frequent assessments. There was no impairment for the years ended December 31, 2017, 2016 and 2015.

Before employing detailed impairment testing methodologies, the Company may first evaluate the likelihood of impairment by considering qualitative factors relevant to the business, such as macroeconomic, industry, market or any other factors that have a significant bearing on fair value. If the Company first utilizes a qualitative approach and determines that it is more likely than not that goodwill is impaired, detailed testing methodologies are then applied. Otherwise, the Company concludes that no impairment has occurred. The Company may also choose to bypass a qualitative approach and opt instead to employ detailed testing methodologies, regardless of a possible more likely than not outcome. If the Company determines through the qualitative approach that detailed testing methodologies are required, or if the qualitative approach is bypassed, the Company compares the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit.

Impairment of Long-Lived Assets and Definite-lived Intangible Assets

Long-lived assets, such as property, plant, equipment and definite-lived intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, such as insufficient cash flows or plans to dispose of or sell long-lived assets before the end of their previously estimated useful lives. If the carrying amount is not recoverable, the Company recognizes an impairment loss equal to the amount by which the carrying amount exceeds fair value. The Company estimates fair value based on projected future discounted cash flows. Fair value calculations for long-lived assets and intangible assets contain uncertainties because it requires the Company to apply judgment and estimates concerning future cash flows, strategic plans, useful lives and market performance. The Company also applies judgment in the selection of a discount rate that reflects the risk inherent in the current business model. There was no impairment for the years ended December 31, 2017, 2016 and 2015.

Revenue Recognition

The Company generates the majority of its revenue through the rental of its proppant management systems and related services, including transportation of its systems and field supervision and support, as well as through its proppant inventory management software services. The system rentals and provision of system and software services are performed under a variety of contract structures, primarily master service agreements as supplemented by individual work orders detailing statements of work, pricing agreements and specific quotes. The master service agreements generally establish terms and conditions for the provision of the Company's systems and service on a well site, indemnification, damages, confidentiality, intellectual property protection and payment terms and provisions. The majority of the services are priced based on prevailing market conditions at the time the services are provided, giving consideration to the specific requirements and activity levels of the customer.

In early 2018, we began generating revenue for transloading service at our Kingfisher Facility. We generally charge our customers a throughput fee for proppant delivered to the Kingfisher Facility. We expect the majority of the transloading revenue that we generate in 2018 will be related to the seven-year contract that we entered into in July 2017 with a leading STACK exploration and production company. The seven-year term commenced in January 2018. The contract requires the customer to deliver minimum quarterly volumes to the facility.

Finally, we generate revenue through our Railtronix inventory management software. We acquired the assets of Railtronix in December 2017. We generally charge our customers a throughput fee to monitor proppant that is loaded into a railcar, stored at a transload facility or loaded into a truck.

All revenue is recognized when persuasive evidence of an arrangement exists, the service is complete, the amount is determinable and collectability is reasonably assured. Revenue is recognized as services are performed.

In January 2015, the Company completed the sale of a system at prevailing market rates. The Company does not recognize revenue from proppant system sales as a reportable segment as it is not included by management in their evaluation of operating decisions and performance. No other sale of systems has occurred since.

Taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from revenues in the consolidated statements of operations.

Stock-based Compensation

The Company accounts for its stock-based compensation including grants of restricted stock and options in the consolidated statements of operations based on their estimated fair values. The Company recognizes expense on a straight-line basis over the awards' vesting period, which is generally the requisite service period.

Solaris LLC previously sponsored a stock-based management compensation program called the 2015 Membership Unit Option Plan (the "Plan"). Solaris LLC accounted for the units under the Plan as compensation cost measured at the fair value of the award on the date of grant using the Black-Scholes option-pricing model.

In connection with the Offering, the options granted under the Plan were modified by a conversion into options under the LTIP. Refer also to Note 10.

Research and Development

The Company expenses research and development costs as incurred, which is included in selling, general and administrative expenses in the consolidated statements of operations. For the years ended December 31, 2017, 2016 and 2015, research and development costs were $210, $476 and $141, respectively.

Financial Instruments

The carrying value of the Company's financial instruments, consisting of cash, accounts receivable, accounts payable and accrued expenses, approximates their fair value due to the short maturity of such instruments. Financial instruments also consist of a revolving credit facility and term loans, for which fair value approximates carrying value as the debt bears interest at a variable rate which is reflective of current rates otherwise available to the Company. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Fair Value Measurements

The Company's financial assets and liabilities are to be measured using inputs from the three levels of the fair value hierarchy, of which the first two are considered observable and the last unobservable, which are as follows:

- Level 1—Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date;
- Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in

markets that are not active or other inputs corroborated by observable market data for substantially the full term of the assets or liabilities; and

- Level 3—Unobservable inputs that reflect the Company's assumptions that market participants would use in pricing assets or liabilities based on the best information available.

Income Taxes

Solaris Inc. is a corporation and, as a result, is subject to U.S. federal, state and local income taxes. For the year ended December 31, 2017, we recognized a combined U.S. federal and state provision for income taxes of $25.9 million. Income tax expense was recognized primarily due to the remeasurement of deferred tax assets as a result of the enactment of Public Law No. 115-97, commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act") on December 22, 2017. The change in tax law required us to remeasure existing net deferred tax assets using the now lower corporate income tax rate in the period of enactment resulting in an income tax expense of approximately $22.6 million to reflect these changes in the year ended December 31, 2017. In conjunction with the Tax Act, the SEC staff issued Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118), which allows us to record provisional amounts during a measurement period not to extend beyond one year of the enactment date. We have reported provisional amounts for the income tax effects of the Tax Act for which the accounting is incomplete but a reasonable estimate could be determined. Based on a continued analysis of the estimates, it is anticipated that additional revisions may occur during the allowable measurement period.

Solaris LLC is treated as a partnership for U.S. federal income tax purposes and therefore does not pay federal income tax on its taxable income. Instead, the Solaris LLC members are liable for federal income tax on their respective shares of the Company's taxable income reported on the members' federal income tax returns.

Our revenues are derived through transactions in several states, which may be subject to state and local taxes. Accordingly, we have recorded a liability for state and local taxes that management believes is adequate for activities as of December 31, 2017 and 2016.

We are subject to a franchise tax imposed by the State of Texas. The franchise tax rate is 1%, calculated on taxable margin. Taxable margin is defined as total revenue less deductions for cost of goods sold or compensation and benefits in which the total calculated taxable margin cannot exceed 70% of total revenue. Total expenses related to Texas franchise tax were approximately $248, $43 and $67 for the years ended December 31, 2017, 2016 and 2015, respectively.

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events included in the consolidated financial statements. Under this method, we determine deferred tax assets and liabilities on the basis of the differences between the book value and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period in which the enactment date occurs.

We recognize deferred tax assets to the extent we believe these assets are more-likely-than-not to be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent results of operations.

We record uncertain tax positions on the basis of a two-step process in which (1) we determine whether it is more-likely-than-not the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions meeting the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50% likely to be realized upon ultimate settlement with the related tax authority. For the year ended December 31, 2017, the Company has recorded an uncertain tax benefit for the treatment of certain costs incurred in connection with its initial and secondary public offerings.

Interest and penalties related to income taxes are included in the benefit (provision) for income taxes in our consolidated statement of operations. We have not incurred any significant interest or penalties related to income taxes in any of the periods presented.

See Note 11 to our consolidated financial statements for additional information regarding income taxes.

Payables Related to Parties Pursuant to Tax Receivable Agreement

In connection with the IPO, Solaris Inc. entered into a Tax Receivable Agreement (the “Tax Receivable Agreement”) with the Original Investors (each such person and any permitted transferee, a “TRA Holder,” and together, the “TRA Holders”) on May 17, 2017. This agreement generally provides for the payment by Solaris Inc. to a TRA Holder of 85% of the net cash savings, if any, in U.S. federal, state and local income tax or franchise tax that Solaris Inc. actually realizes (computed using simplified assumptions to address the impact of state and local taxes) or is deemed to realize in certain circumstances in periods after the IPO as a result of (i) certain increases in tax basis that occur as a result of Solaris Inc.’s acquisition (or deemed acquisition for U.S. federal income tax purposes) of all or a portion of such TRA Holder's Solaris LLC Units in connection with the Reorganization Transactions or pursuant to the exercise of the Redemption Right or the Call Right (each as defined in Solaris LLC's amended and restated Limited Liability Company Agreement) and (ii) imputed interest deemed to be paid by Solaris Inc. as a result of, and additional tax basis arising from, any payments Solaris makes under the Tax Receivable Agreement. Solaris Inc. will retain the benefit of the remaining 15% of these cash savings. For the year ended December 31, 2017, the Company recorded a payable to related parties pursuant to the Tax Receivable Agreement of $46.6 million. This payable was subsequently adjusted for the impact of the Tax Act, which caused a reduction in the net cash savings subject to the Tax Receivable Agreement by reducing the corporate tax rate from 35% to 21%. This adjustment reduced the payable to its final balance of $24.7 million and resulted in an increase to non-operating income of $21.9 million.

Environmental Matters

The Company is subject to various federal, state and local laws and regulations relating to the protection of the environment. Management has established procedures for the ongoing evaluation of the Company’s operations, to identify potential environmental exposures and to comply with regulatory policies and procedures. Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and do not contribute to current or future revenue generation are expensed as incurred. Liabilities are recorded when environmental costs are probable, and the costs can be reasonably estimated. The Company maintains insurance which may cover in whole or in part certain environmental expenditures. As of December 31, 2017 and 2016, there were no environmental matters deemed probable.

Segment Information

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, or decision-making group, in making decisions on how to allocate resources and assess performance. The Company’s chief operating decision maker is the Chief Executive Officer. The Company and the Chief Executive Officer view the Company’s operations and manage its business as one operating segment. All long-lived assets of the Company reside in the United States.

Recent Accounting Pronouncements

In May 2017, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2017 09, Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting ("ASU 2017-09"). ASU 2017-09 clarifies when to account for a change to the terms or conditions of a share-based payment award as a modification. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. ASU 2017-09 should be applied on a prospective basis and is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company adopted ASU 2017-09 during the quarter ending June 30, 2017, which did not have an impact on the Company’s financial statements.

In February 2017, the FASB issued ASU No. 2017-05, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets ("ASU 2017-05"). ASU 2017-05 clarifies the scope of Subtopic 610-20 and adds guidance for partial sales of nonfinancial assets. Subtopic 610-20 was issued in May 2014 as part of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) and provides guidance for recognizing gains and losses from the transfer of nonfinancial assets in contracts with noncustomers. The amendments in ASU 2017-05 clarify that a financial asset is within the scope of Subtopic 610-20 if it meets the definition of an in substance nonfinancial asset. The amendments also clarify that nonfinancial assets within the scope of Subtopic 610-20 may include nonfinancial assets transferred within a legal entity to a counterparty. The amendments in ASU 2017-05 are effective at the same time as the amendments in ASU 2014-09, which are effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Early adoption is permitted for interim or annual reporting periods beginning after December 15, 2016. An entity may elect to apply the amendments in ASU 2017-05 either retrospectively to each period presented in the financial statements in accordance with the guidance on accounting changes (retrospective approach) or retrospectively with a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption (modified retrospective approach). The Company will adopt ASU 2017-05 in the quarter ending March 31, 2018 using the modified retrospective approach. Adoption of this ASU will not impact the Company's opening balance of retained earnings as of January 1, 2018 as our reported results do not differ under the new revenue standard and the previous guidance.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment ("ASU 2017-04"). ASU 2017-04 simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Under the amendments in this update, an entity should perform its annual or interim, goodwill impairment test by comparing the fair value of a reporting unity with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. ASU 2017-04 should be applied on a prospective basis and is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company adopted ASU 2017-04 in October 2017, which did not have an impact on the Company's financial statements.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business ("ASU 2017-01"). ASU 2017-01 clarifies the definition of a business for determining whether transactions should be accounted for as acquisitions or disposals of assets or businesses. ASU 2017-01 provides a screen for an entity to use to determine when a set of assets and activities is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the asset is not a business. If the screen is not met, ASU 2017-01 requires that to be considered a business, a set of assets and activities must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. ASU 2017-01 also removes the evaluation of whether a market participant could replace missing elements. ASU 2017-01 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company adopted ASU 2017-01 in the third quarter of 2017 which did not have a material impact on the consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash ("ASU 2016-18"). ASU 2016-18 is intended to add and clarify guidance on the classification and presentation of restricted cash on the statement of cash flows. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. ASU 2016-18 will be implemented by the Company during the first quarter ending March 31, 2018 and will not have a material impact on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments ("ASU 2016-15"), seeking to eliminate diversity in practice related to how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments in ASU 2016-15 address eight specific cash flow issues and apply to all entities, including both business entities and not-for-profit entities that are required to present a statement of cash flows under FASB ASC 230, Statement of Cash Flows. The amendments in ASU 2016-15 are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. ASU 2016-15 will be implemented by the Company during the first quarter ending March 31, 2018 and will not have a material impact on the consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Compensation—Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"). ASU 2016-09 simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The Company adopted ASU 2016-09 during the first quarter ending March 31, 2017 which did not have a material impact on the consolidated financial statements. ASU 2016-09 requires prospective recognition of excess tax benefits resulting from stock-based compensation vesting and exercises to be recognized as a reduction of income taxes and reflected in operating cash flows. Previously, these amounts would have been recognized in additional paid in capital and presented as a financing activity on the statements of cash flows. No net excess tax benefits were recognized as a reduction of income taxes for the year ended December 31, 2017. The Company has elected to prospectively account for forfeitures as they occur per ASU 2016-09, contrary to previously estimating the expected forfeitures. ASU 2016-09 requires that employee taxes paid when an employer withholds shares for tax-withholding purposes to be reported as financing activities in the statement of cash flows. Previously, these cash flows would have been included in operating activities. The Company has elected to adopt this prospectively, as permitted by ASU 2016-09. This change resulted in no impact on the consolidated statements of cash flows for the years ended December 31, 2017 and 2016.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), as part of a joint project with the International Accounting Standards Board to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. To satisfy the foregoing objective, the FASB is creating Topic 842, Leases, which supersedes Topic 840. Under the new guidance, a lessee will be required to recognize assets and liabilities for capital and operating leases with lease terms of more than 12 months. Additionally, this ASU will require disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases, including qualitative and quantitative requirements. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. The new standard will be effective during the first quarter ending March 31, 2019. The Company is currently assessing the potential impact this new standard may have on the consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory ("ASU 2015-11"). This ASU requires entities measuring inventories under the first-in, first-out or average cost methods to measure inventory at the lower of cost and net realizable value, where net realizable value is "estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation." Inventory was previously required to be measured at the lower of cost or market, where the measurement of market value had several potential outcomes. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The Company adopted ASU 2015-11 during the first quarter ending March 31, 2017 which did not have a material impact on the consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40)—Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern ("ASU 2014-15"). ASU 2014-15 provides guidance to U.S. GAAP about management's responsibility to evaluate whether there is a substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Specifically, ASU 2014-15 (1) defines the term substantial doubt, (2) requires an evaluation of every reporting period including interim periods, (3) provides principles for considering the mitigating effect of management's plan, (4) requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans, (5) requires an express statement and other disclosures when substantial doubt is not alleviated, and (6) requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). For public business entities, the amendments are effective for fiscal years ending after December 15, 2016, including interim periods within those fiscal years, with early adoption permitted. The Company adopted ASU 2014-15 for the year ended December 31, 2016, which did not impact the consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). The objective of ASU 2014-19 is to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most of the existing revenue recognition guidance, including industry-specific guidance. The core principle of ASU 2014-09 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying the new guidance, an entity will (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract;(3) determine the transaction price; (4) allocate the transaction price to the contract's performance obligations; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 applies to all contracts with customers except those that are within the scope of other topics in the FASB Accounting Standards Codification. The FASB has also issued the following standards which clarify ASU 2014-09 and have the same effective date as the original standard: ASU 2016-12, Revenue from Contracts with Customers: Narrow- Scope Improvements and Practical Expedients, ASU 2016-10 Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing and ASU 2017-13, Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842). The pronouncements are effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period.

We have completed our scoping and impact assessment of ASU 2014-09. In performing our impact assessment, we evaluated a representative population of revenue contracts related to our two material revenue streams: proppant management system rental and proppant management system services. Through our contract review process, we identified all material contract types and contractual features that represent our revenue. For those contracts evaluated during its implementation, we reviewed key contract provisions under ASU 2014-09 to assess the impact on the amount and timing of revenue recognition, as well as the presentation of revenues upon adoption of the new standard. As a part of this assessment, we compared our historical accounting policies and practices to that required by ASU 2014-09.

We have elected to apply the modified retrospective approach to adoption of ASU 2014-09. Under the modified retrospective method, prior periods are not updated to be presented on an accounting basis that is consistent with 2018; rather, a cumulative adjustment for the effects of applying the new standard to periods prior to 2018 is recorded to retained earnings as of January 1, 2018. Because only 2018 revenues will reflect application of the new standard, incremental disclosures are required to present 2018 revenues under the prior standard. Based upon work completed to date, we do not expect the adoption of ASU 2014-09 to have a material impact on net profit. In addition, our disclosures surrounding revenue recognition will be more robust upon adoption of ASU 2014-09. We are continuing to perform other implementation activities, including the development of new controls and policies and draft disclosures.

3. Business Combination

On December 6, 2017 the Company completed its acquisition of substantially all of the assets of Railtronix, LLC, a leading provider of real-time inventory management solutions for proppant mining, rail shipping and transloading operations, (“Railtronix™”) for $9,505 including $5,000 cash consideration, and $4,505 equity consideration of 279,655 LLC Units and 279,655 shares of Class B common stock. The equity consideration was based on the closing price of our Class A common stock on December 6, 2017 of $16.11.

The preliminary purchase price was allocated based on the fair value of $4,697, $225, and $346 for identifiable intangible assets including customer relationships, a non-competition agreement and software, respectively. The amount of consideration in excess of the fair value of identifiable intangible assets of $4,237 was recognized as goodwill. The valuations to derive the allocation of purchase price included a multi period excess earnings valuation method, with or without valuation method, and relief from royalty valuation method estimates using estimates for future cash flows from customer relationships, return on workforce, customer attrition, working capital assumptions, income taxes, competition, costs saved through owning the asset and risk adjusted discount rates.

The goodwill recognized is attributable to expected customer growth as well as expected synergies of integrating Railtronix with the Company's PropView inventory management system, which we believe will uniquely position the Company to provide critical supply chain data to help our customers improve the reliability of proppant supply, save time and reduce the delivered cost of proppant by monitoring key data points and performance indicators. A portion of goodwill is expected to be deductible for corporate income tax purposes.

The actual impact of this acquisition was an increase to "Total revenues" and "Net income" of $205 and $87, respectively, in the consolidated statement of operations for the year ended December 31, 2017. The unaudited pro forma results presented below have been prepared to give the effect of the acquisition discussed above on our results of operations for the years ended December 31, 2017 and 2016 as if it had been consummated on January 1, 2016. The unaudited pro forma results do not purport to represent what our actual results of operations would have been if the acquisition had been completed on such date or to project our results of operation for any future date or period.

	For the Year Ended December 31, 2017		For the Year Ended December 31, 2016	
	Actual	Pro Forma	Actual	Pro Forma
Pro forma (unaudited)				
Total revenues	$ 67,395	$ 69,252	$ 18,157	$ 19,192
Net income	22,487	23,017	2,803	2,496

Certain contingent performance-based cash awards totaling $2,500 are also payable to the seller upon the achievement of generating certain financial milestones. The Company has not yet concluded that it is probable that these milestones will be achieved and thus has not recognized this obligation in the consolidated financial statements.

4. Prepaid Expenses and Other Current Assets

Prepaid expenses and other currents assets were comprised of the following at December 31:

	2017	2016
Prepaid purchase orders	$ 2,731	$ 126
Prepaid insurance	389	69
Deposits	261	114
Other assets	241	94
Prepaid expenses and other current assets	$ 3,622	$ 403

5. Property, Plant and Equipment

Property, plant and equipment was comprised of the following at December 31:

	2017	2016
Proppant management systems and related equipment	$ 116,307	$ 51,899
Proppant management systems in process	6,043	1,252
Transloading facility construction in process	28,729	—
Computer and related equipment	2,455	829
Machinery and equipment	4,396	3,916
Vehicles	4,577	1,235
Buildings	3,251	3,008
Land	578	578
Furniture and fixtures	91	7
Property, plant and equipment, gross	166,427	62,724
Less: accumulated depreciation	(15,264)	(8,374)
Property, plant and equipment, net	$ 151,163	$ 54,350

Depreciation expense for the years ended December 31, 2017, 2016 and 2015 was $6,588, $3,791 and $2,395, respectively, of which $5,792, $3,352 and $2,000 is attributable to cost of proppant system rental, $461, $160 and $119 is attributable to cost of proppant system services, and $335, $279 and $276 is attributable to selling, general and administrative expenses, respectively. The Company capitalized $668, $674 and $539 of depreciation expense associated with machinery and equipment used in the manufacturing of its systems for the years ended December 31, 2017, 2016 and 2015, respectively.

In July 2017, the Company acquired a lease for $250 in connection with the Kingfisher Facility described in Note 12. Refer to Note 13 for commitments and contingencies in connection with additional construction plans for this asset. This asset as well as construction costs incurred through December 31, 2017 are recognized in property, plant and equipment as Transloading facility construction in process.

6. Accrued Liabilities

Accrued liabilities were comprised of the following at December 31:

	2017	2016
Property, plant and equipment	$ 7,612	$ 182
Employee related expenses	4,829	1,237
Selling, general and administrative	1,507	78
Cost of sales	825	107
Excise, franchise and sales taxes	608	83
Ad valorem taxes	15	440
Other	72	17
Accrued liabilities	$ 15,468	$ 2,144

7. Capital Leases

Solaris LLC leases property from the City of Early, Texas under an agreement classified as a capital lease. The lease expires on February 28, 2025. The capital lease obligation is payable in monthly installments of $3 including imputed interest at a rate of 3.25%. As of December 31, 2017 and 2016, the Company had property, plant and equipment under capital lease with a cost of $294 and accumulated depreciation of $64 and $44, respectively.

Future principal minimum payments under the capital lease are as follows as of December 31:

		Amount
2018	$	33
2019		33
2020		33
2021		33
2022		33
Thereafter		73
Total payments		238
Less: amount representing imputed interest at 3.25%		(26)
Present value of payments		212
Less: current portion		(33)
Capital lease obligation, net of current portion	$	179

8. Notes Payable

Solaris LLC has, on occasion, financed its annual insurance policy and certain vehicles. As of December 31, 2017, there were no outstanding notes payable.

Notes payable was comprised of the following at December 31:

		2017		2016
Notes payable to insurance finance company, including interest rate of 4.4%, with final payment in January 2017	$	—	$	11
Notes payable to vehicle companies, including interest rates ranging from 0% to 6.6%, maturing at various dates through August 2020, and secured by vehicles		—		440
Total notes payable		—		451
Less: current maturities		—		(169)
Notes payable, net of current portion	$	—	$	282

9. Senior Secured Credit Facility

On May 17, 2017, the Company entered into an amendment (the "First Amendment") to the Credit Agreement, dated as of December 1, 2016 (the "Credit Agreement" and, as amended by the First Amendment, the "Amended Credit Facility") by and among the Company, as borrower, each of the lenders party thereto and Woodforest National Bank, as administrative agent (the "Administrative Agent"). The First Amendment, among other things, modified the terms of the Credit Agreement to (i) increase the Credit Agreement's revolving credit commitments (the "Revolving Facility") from $1.0 million to $20.0 million, (ii) decrease the Credit Agreement's advance term loan commitments (the "Advance Loan Facility") from $10.0 million to $0 and (iii) amend both the scheduled maturity date of the Revolving Facility and the Advance Loan Facility to be May 17, 2021. Additionally, the First Amendment increased the accordion feature of the Revolving Facility from $1.0 million to $10.0 million, which could be elected by the Company at any time prior to the scheduled maturity date of the Revolving Facility so long as no default or event of default had occurred and as continuing and provided that no lender had any obligation to increase its own revolving credit commitment.

The Amended Credit Facility permitted extensions of credit up to the lesser of $20.0 million and a borrowing base that was determined by calculating the amount equal to the sum of (i) 80% of the Eligible Accounts (as defined in the Amended Credit Facility), (ii) 65% of the Eligible Inventory/Equipment Value (Appraised) (as defined in the Amended Credit Facility) and (iii) 75% of the Eligible Inventory/Equipment Value (New Build, Acquired or Upgraded) (as defined in the Amended Credit Facility). The borrowing base was calculated on a monthly basis pursuant to a borrowing base certificate delivered by us to the Administrative Agent and an annual appraisal on the equipment delivered to the Administrative Agent (provided that the Administrative Agent could, at its discretion, require a desktop appraisal on equipment every six months). As of December 31, 2017, the borrowing base certificate delivered by us under the Revolving Facility reflected a borrowing base as of such date of $20.0 million.

Borrowings under the Amended Credit Facility bore interest at a one-month London Interbank Offered Rate, or LIBOR, plus an applicable margin and interest were payable monthly. The applicable margin ranged from 3.00% to 4.00% depending on our leverage ratio.

The Revolving Facility also included a monthly commitment fee that we paid on undrawn amounts of the Revolving Facility in a range from 0.1875% to 0.50% depending on our leverage ratio; provided, however that we were not required to pay such commitment fee for any month when we had outstanding borrowings greater than 50.0% of the commitments under the Revolving Facility. During the continuance of an event of default, overdue amounts under the Amended Credit Facility would bear interest at 5.00% plus the otherwise applicable interest rate. The Amended Credit Facility had a scheduled maturity date of May 17, 2021.

The Credit Agreement contained representations, warranties and covenants that are customary for similar credit arrangements, including, among other things, covenants relating to (i) financial reporting and notification, (ii) payment of obligations, (iii) compliance with applicable laws, (iv) notification of certain events and (v) solvency.

The Amended Credit Facility contained certain covenants, restrictions and events of default including, but not limited to, a change of control restriction and limitations on the Company’s ability to (i) incur indebtedness, (ii) issue preferred equity, (iii) pay dividends or make other distributions, (iv) prepay, redeem or repurchase certain debt, (v) make loans and investments, (vi) sell assets, (vii) acquire assets, (viii) incur liens, (ix) enter into transactions with affiliates, (x) consolidate or merge and (xi) enter into hedging transactions. The Company's obligations under the Amended Credit Facility were secured by substantially all of its assets.

The Amended Credit Facility initially required that we maintain, at all times, a ratio of net funded indebtedness to consolidated EBITDA of not more than 2.50 to 1.00, provided that net funded indebtedness was subject to a cash adjustment with respect to any unrestricted cash and cash equivalents of the Borrower and its subsidiaries in an amount equal to the lesser of $10.0 million or 50% of unrestricted cash and cash equivalents of the Company and its subsidiaries. The Amended Credit Facility also required that we maintain, at all times, a ratio of consolidated EBITDA to fixed charges of not less than 1.25 to 1.00. We were in compliance with all such ratios as of December 31, 2017 and 2016. Additionally, our capacity to make capital expenditures was capped at $80.0 million for each fiscal year plus, for fiscal years beginning on January 1, 2019, any unused availability for capital expenditures from the immediately preceding fiscal year; provided, however, that we were permitted to make any capital expenditures in an amount equal to the proceeds of equity contributions made to us used to fund such capital expenditures.

As of December 31, 2017, we had no borrowings under the Revolving Credit Facility outstanding with $20.0 million revolving commitments available. As of December 31, 2016, we had $1.5 million in borrowings under the Advance Loan Facility outstanding with $8.5 million in advance loan commitments available and $1.0 million in borrowings under the Revolving Credit Facility outstanding with $0.0 million in revolving commitments available.

The Senior Secured Credit Facility was comprised of the following at December 31:

	2017	2016
Revolving Facility	$ —	$ 1,000
Advance Facility	—	1,500
Less: Unamortized debt issuance cost	—	(149)
Total Senior Secured Credit Facility	—	2,351
Less: current maturities	—	(31)
Senior Secured Credit Facility, net of current portion	$ —	$ 2,320

On January 19, 2018, we entered into a new credit agreement (the “2018 Credit Agreement”) by and among the Company, as borrower, each of the lenders party thereto and Woodforest National Bank, as administrative agent (the “Administrative Agent”). The 2018 Credit Agreement replaces the Company’s Amended Credit Facility, as amended on May 17, 2017, by and among the Company, as borrower, each of the lenders party thereto and the Administrative Agent. The 2018 Credit Agreement consists of a $50.0 million advancing term loan (the “Advance Loan”) and a $20.0 million revolving loan, with a $10.0 million uncommitted accordion option to increase the total revolving loans (the “Revolving Loan”, and together with the Advance Loan, the “Loans”). No lender has any obligation to increase its own revolving credit commitment. The Advance Loan amortizes beginning in April 2019 and each of the Loans matures on January 19, 2022. Our obligations under the Loans are generally secured by a pledge of substantially all of the assets of the Company and its subsidiaries, and such obligations are guaranteed by our domestic subsidiaries other than Immaterial Subsidiaries (as defined in the Credit Agreement). We have the option to prepay the loans at any time without penalty.

The 2018 Credit Agreement permits extensions of credit under the Advance Loan through the end of April 2019 and under the Revolving Loan until the Maturity Date. Borrowings under the Revolving Loan are limited by both commitments and a borrowing base determined monthly by calculating percentages of the eligible accounts and the eligible inventory, provided that the portion of the borrowing base attributable to eligible inventory cannot exceed 35% of the entire borrowing base. Borrowings under the Advance Loan are not to exceed 80% of the then current net orderly liquidation value of the applicable equipment or facility build out or the applicable equipment constructed or acquired which is then subject to the liens securing the Loans.

Borrowings under the 2018 Credit Agreement bear interest at one-month LIBOR plus an applicable margin and interest is payable monthly. The applicable margin ranges from 3.00% to 3.50% depending on our senior leverage ratio. The Credit Agreement requires that we pay a monthly commitment fee on undrawn amounts of the Revolving Loan, ranging from 0.25% to 0.50% depending upon the average outstanding balance of the obligations relative to the Revolving Loan commitments.

The 2018 Credit Agreement requires that we maintain ratios of (a) indebtedness to consolidated EBITDA of not more than 3.50 to 1.00, which steps down to 3.25 to 1.00 beginning April 1, 2018 and 3.00 to 1.00 beginning October 1, 2018, and (b) senior indebtedness to consolidated EBITDA of not more than 2.50 to 1.00, which steps down to 2.25 to 1.00 beginning April 1, 2018 and 2.00 to 1.00 beginning October 1, 2018. For the purpose of these tests, there is subtracted from indebtedness and senior indebtedness, respectively, an amount equal to the lesser of $10.0 million or 50% of unrestricted cash and cash equivalents of the Company and its subsidiaries. EBITDA, as defined in the 2018 Credit Agreement, excludes noncash items and any extraordinary, unusual or non-recurring gains, losses or expenses.

The 2018 Credit Agreement also requires that we maintain a ratio of consolidated EBITDA to fixed charges of not less than 1.25 to 1.00. Capital Expenditures are permitted up to $225.0 million for the fiscal year ending December 31, 2018, and $75.0 million for fiscal year ending December 31, 2019 and each fiscal year thereafter. In addition, for fiscal years beginning on January 1, 2020, any unused availability for capital expenditures from the immediately preceding fiscal year may be carried forward to the subsequent year; provided, however that we are permitted to make any capital expenditures in an amount equal to the proceeds of equity contributions made to the Company used to fund such capital expenditures.

10. Equity

Stock-based compensation

In 2015, Solaris LLC approved the Plan whereby Solaris LLC awarded 14,596 options to its officers, key employees and consultants to purchase the Company’s membership units. As of December 31, 2016, there were 12,938 option units outstanding and 47,062 option units available for grant. As of December 31, 2016, there was $323 in unrecognized compensation costs that were to be expensed over 2.67 years.

In 2016 and 2017, there were no additional membership units issued by Solaris LLC under the Plan. In connection with the IPO, the options granted under the Plan were converted into options under the LTIP (see below).

Effective May 17, 2017, both the Board of Directors of Solaris (the "Board") and the holder of all Solaris' then-outstanding equity interests adopted the LTIP for the benefit of employees, directors and consultants of the Company and its affiliates. The LTIP provides for the grant of all or any of the following types of equity-based awards: (1) incentive stock options qualified as such under U.S. federal income tax laws; (2) stock options that do not qualify as incentive stock options; (3) stock appreciation rights; (4) restricted stock awards; (5) restricted stock units; (6) bonus stock; (7) performance awards; (8) dividend equivalents; (9) other stock-based awards; (10) cash awards; and (11) substitute awards.

Subject to adjustment in accordance with the terms of the LTIP, 5,118,080 shares of Solaris Inc.'s Class A common stock have been reserved for issuance pursuant to awards under the LTIP. Class A common stock withheld to satisfy exercise prices or tax withholding obligations will be available for delivery pursuant to other awards. The LTIP will be administered by the Board, the Compensation Committee of the Board or an alternative committee appointed by the Board.

In connection with the IPO, the options granted under the Plan were converted into options under the LTIP. A total of 591,261 options to purchase Class A common stock of the Company were issued to employees, directors and consultants at a weighted average exercise price of $2.87 per option and a weighted average grant date fair value of $12.04 per option and had the same fair value as immediately prior to the conversion. The vesting terms from the options under the LTIP were accelerated from the previous vesting terms under the Plan such that, twenty-five percent (25%) of the options were considered vested upon the conversion, an additional 25% of the options vested on July 24, 2017 and the remaining options vested on November 13, 2017. During the year ended December 31, 2017, 75,130 options were exercised in exchange for an equal number of shares of Class A common stock and a total of 16,354 shares were surrendered and recorded as treasury stock on the consolidated balance sheets. Cash received from option exercises for the year ended December 31, 2017 was $263. The actual tax expense realized for the tax deductions from option exercises totaled $20 for the year ended December 31, 2017.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. Expected volatility is based on implied volatilities from historical trading of publicly traded companies which are in the same industry sector. The simplified method is used to derive an expected term. The expected term represents an estimate of the time options are expected to remain outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. treasury yield curve in effect at the time of grant.

In connection with the 2015 and 2017 grants, the Company used the following assumptions to determine compensation costs for options granted:

2015:	
Expected volatility	47.00 %
Expected term (years)	6.25
Expected annual dividend yield	— %
Expected risk-free rate of return	2.14 %
2017:	
Expected volatility	37.84 %
Expected term (years)	4.97
Expected annual dividend yield	— %
Expected risk-free rate of return	1.42 %

Compensation cost, as measured at the grant date fair value of the award, is recognized as an expense over the employee's requisite service period for service based awards (generally the vesting period of the award of four years). For the years ended December 31, 2017, 2016 and 2015, the Company recognized $295, $127 and $64 of stock-based compensation expense on options, respectively.

The following is a summary of the option activity under the Plan for the years ended December 31, 2016 and 2015 and under the LTIP for the year ended December 31, 2017:

	Options Outstanding			
	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Balance, January 1, 2015	—	$ —		$ —
Granted	14,596	135.00		—
Exercised	—	—		—
Forfeited	—	—		—
Balance, December 31, 2015	14,596	$ 135.00	9.66	$ —
Exercisable, December 31, 2015	—	—	—	—
Granted	—	—		—
Exercised	—	—		—
Forfeited	(1,658)	135.00		—
Balance, December 31, 2016	12,938	$ 135.00	8.67	$ —
Exercisable, December 31, 2016	3,235	$ 135.00	8.67	$ —
Canceled	(12,938)	135.00		—
Granted	591,261	2.87		—
Exercised	(91,484)	2.87		—
Forfeited	(33,346)	2.87		—
Balance, December 31, 2017	466,431	2.87	6.79	—
Exercisable, December 31, 2017	466,431	2.87	6.79	—

As of December 31, 2017, the Company had no unvested options outstanding.

In connection with the IPO, a total of 648,676 shares of restricted stock were granted to certain employees, directors and consultants under the LTIP. 203,222 shares of the restricted stock were issued with a one-year vesting period and 445,454 shares of the restricted stock were issued with a three-year vesting period.

On July 18, 2017, 156,250 shares of restricted stock were granted to two employees under the LTIP. The 156,250 shares of restricted stock were issued with a vesting period of the later of one-year or the completion of certain performance obligations in connection with the first phase of development of the core infrastructure for the Kingfisher Facility and to generally fully satisfy the related customer contract described in Note 13. These awards were deemed probable of meeting such performance obligations as of December 31, 2017 and therefore, compensation expense was recognized for the ratable period ending December 31, 2017.

On August 23, 2017, 423,737 shares of restricted stock were granted to certain employees and directors under the LTIP with a three-year vesting period.

On November 15, 2017, 4,490 shares of restricted stock were granted to certain employees under the LTIP with a three-year vesting period.

The following table further summarizes activity related to restricted stock for the year ended December 31, 2017:

	Restricted Stock Awards		
	Number of Shares		Weighted Average Grant Date Fair Value ($)
Issued on May 17, 2017	648,676	$	12.04
Awarded	584,477		13.25
Vested	—		—
Forfeited	(14,888)		12.87
Unvested at December 31, 2017	1,218,265	$	12.61

For the year ended December 31, 2017, the Company recognized $3,406 of stock-based compensation expense on restricted stock in salaries, benefits and payroll taxes in the consolidated statements of operations and $1,080 in transloading facility construction in process within property, plant and equipment, net in the consolidated balance sheets. As of December 31, 2017, total unrecognized compensation cost related to nonvested restricted stock was $10,881, which is expected to be recognized over a weighted-average period of 2.20 years.

The number of shares remaining available for future issuance under LTIP is 3,433,384.

Notes receivable from unit-holders

Solaris LLC's Limited Liability Company Agreement authorized Solaris LLC to issue Solaris LLC Units at a value of $100 per unit to Solaris LLC's employees in exchange for a promissory note. The promissory notes are partial recourse, accrue interest at 6% per annum and mature through various dates during 2022. Principal and accrued interest are due and payable upon the earlier of employee termination or the maturity date of the note. In 2016 and 2017, there were no additional Solaris LLC Units issued.

As of December 31, 2017, there were no outstanding borrowings related to Solaris LLC Units issued to non-executive officer employees and consultants under promissory notes. During 2017, employees paid off their applicable promissory notes of $4.7 million principal and $575 of accrued interest in cash for previously assigned 46,875 Solaris LLC Units.

As of December 31, 2016, the outstanding principal for the notes totaled $4.7 million and accrued interest for the notes totaled $463. These notes are recorded in stockholders' and members' equity as the notes were originally received in exchange for the issuance of membership units and are netted against the value of the respective units issued. During 2017, $112 of accrued interest was incurred for the notes, prior to being paid off.

Earnings(Loss) Per Share

Basic earnings per share of Class A common stock is computed by dividing net income attributable to Solaris for the period from May 17, 2017 through December 31, 2017, the period following the reorganization transactions and IPO, by the weighted-average number of shares of Class A common stock outstanding during the same period. Diluted earnings per share is computed giving effect to all potentially dilutive shares.

There were no shares of Class A or Class B common stock outstanding prior to May 17, 2017, therefore no earnings per share information has been presented for any period prior to that date.

The following table sets forth the calculation of earnings per share, or EPS, for the year ended December 31, 2017:

Basic net income per share:		**Year Ended December 31, 2017**
Numerator		
Net income attributable to Solaris	$	3,636
Less income attributable to participating securities (1)		(248)
Net income attributable to common stockholders	$	3,388
Denominator		
Weighted average number of unrestricted outstanding common shares used to calculate basic net income per share		12,117
Effect of dilutive securities:		
Stock options (2)		365
Diluted weighted-average shares of Class A common stock outstanding used to calculate diluted net income per share		12,482
Earnings per share of Class A common stock - basic	$	0.28
Earnings per share of Class A common stock - diluted	$	0.27

(1) The Company's restricted shares of common stock are participating securities.

(2) The year ended December 31, 2017 includes 365 shares of Class A Common Stock resulting from an assumed conversion of the stock options in the calculation of the denominator for diluted earnings per common share as these shares were dilutive.

From January 1, 2018 through March 6, 2018, 5,903,247 shares of Class B common stock were exchanged for an equal number of shares of Class A common stock. Additionally, from January 1, 2018 through March 6, 2018, 235,396 options were exercised in exchange for an equal number of shares of Class A common stock.

The following number of weighted-average potentially dilutive shares were excluded from the calculation of diluted earnings per share because the effect of including such potentially dilutive shares would have been antidilutive upon conversion:

	Year Ended December 31, 2017
Class B common stock	31,100
Restricted stock awards	225
	31,325

11. Income Taxes

Income Taxes

The Company is a corporation and, as a result is subject to U.S. federal, state and local income taxes. Solaris LLC is treated as a pass-through entity for U.S. federal tax purposes and in most state and local jurisdictions. As such, Solaris LLC's members, including the Company, are liable for federal and state income taxes on their respective shares of Solaris LLC's taxable income. Solaris LLC is liable for income taxes in those states not recognizing its pass-through status.

On December 22, 2017, the U.S. government enacted in Public Law No. 115-97, commonly referred to as the Tax Cuts and Jobs Act (the “Tax Act”), comprehensive tax legislation. The provisions of the Tax Act that impact us include, but are not limited to, (1) reducing the U.S. federal corporate income tax rate from 35% to 21%; (2) eliminating of the corporate alternative minimum tax (AMT); (3) allowing businesses to immediately expense the cost of new investments in certain qualified depreciable assets acquired after September 27, 2017 (with a phase-down of such expensing starting in 2023), and (4) reducing the maximum deduction for net operating loss (NOL) carryforwards generated in tax years beginning after December 31, 2017, to 80 percent of a taxpayer's taxable income. In conjunction with the Tax Act, the SEC staff issued Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118), which provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Act for which the accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Tax Act.

In connection with our initial analysis of the impact of the Tax Act, we have recorded a discrete net tax expense of $22.6 million and a gain pursuant to the Tax Receivable Agreement of $21.9 million in the period ending December 31, 2017. This net expense primarily relates to impact of remeasuring our existing net deferred tax asset as a result of the corporate income tax rate reduction from 35% to 21%. Based on a continued analysis of the estimates, it is anticipated that additional revisions may occur during the allowable measurement period.

Income Tax Expense

The components of the income tax expense are:

	Year Ended December 31,		
	2017	**2016**	**2015**
Current:			
Federal	$ —	$ —	$ —
State	247	43	67
	247	43	67
Deferred:			
Federal	24,385	—	—
State	1,267	—	—
	25,652	—	—
Income tax expense	$ 25,899	$ 43	$ 67

Income tax expense differs from the amount computed by applying the statutory federal income tax rate of 35% to income (loss) before taxes as follows:

	Year Ended December 31,		
	2017	**2016**	**2015**
Income (loss) before income taxes	$ 48,386	$ 2,846	$ (1,306)
Less: net income prior to corporate reorganization	3,665	2,846	(1,306)
Less: net income before income taxes attributable to noncontrolling interest	15,439	—	—
Income (loss) attributable to Solaris Oilfield Infrastructure, Inc. stockholders before income taxes	29,282	—	—
Income tax expense (benefit) at the federal statutory rate	10,249	—	—
State income taxes, net of federal benefit	1,071	43	67
Remeasurement of federal deferred tax assets due to rate change	22,637	—	—
Tax receivable agreement adjustments	(8,058)	—	—
Income tax (benefit) expense	$ 25,899	$ 43	$ 67

The effective combined U.S. federal and state income tax rates were 53.5% and 1.5% for the years ended December 31, 2017 and 2016, respectively. The year-over-year increase in the effective tax rate was primarily attributable to remeasuring our existing net deferred tax asset from 35% to 21% due to the federal corporate income tax rate change enacted under the Tax Act. The effective tax rate also increased as a result of the Reorganization Transactions in 2017 and an increase in net income during the period. These increases in the effective tax rate were offset by a favorable tax adjustment related to the revaluation of the Tax Receivable Agreement due to the Tax Act. The revaluation of the Tax Receivable Agreement under the Tax Act resulted in an increase to non-operating income of $21.9 million. This income is not taxable and thus lowered the overall effective tax rate.

Deferred Tax Assets and Liabilities

The Company's deferred tax position reflects the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax reporting. Significant components of the deferred tax assets and liabilities are as follows:

	December 31,	
	2017	2016
Assets:		
Investments in subsidiaries	$ 20,219	$ —
Imputed interest	612	—
Net operating loss carryforward	5,493	—
Total deferred tax assets	26,324	—
Liabilities:		
Total deferred tax liabilities	—	—
Net deferred tax asset	$ 26,324	$ —

As of December 31, 2017, the Company had approximately $24.5 million of federal net operating loss carryovers and $6.1 million of state net operating loss carryovers that expire in year 2037.

The Company regularly reviews its deferred tax assets, including net operating loss carryovers, for recoverability and a valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset may not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences are deductible. In assessing the need for a valuation allowance, the Company makes estimates and assumptions regarding projected future taxable income, its ability to carry back operating losses to prior periods, the reversal of deferred tax liabilities and the implementation of tax planning strategies. Based on our cumulative earnings history and forecasted future sources of taxable income, we believe that we will be able to realize our deferred tax assets in the future. As the Company reassesses these assumptions in the future, changes in forecasted taxable income may alter this expectation and may result in an increase to the valuation allowance and an increase in the effective tax rate.

Uncertain Tax Benefits

The Company evaluates its tax positions and recognizes only tax benefits that, more likely than not, will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax position is measured at the largest amount of benefit that has a greater than 50.0% likelihood of being realized upon settlement. At December 31, 2017, 2016 and 2015, the Company's uncertain tax benefits totaling $812, $0 and $0, respectively, are reported as a component of the net deferred tax asset in the consolidated balance sheets. The current year addition to uncertain tax benefits relates to the treatment of certain costs incurred in connection with the Company's initial and secondary public offerings. Changes in the Company's gross unrecognized tax benefits are as follows:

	Year Ended December 31,		
	2017	2016	2015
Balance, January 1,	$ —	$ —	$ —
Additions for the current year tax	812	—	—
Additions related to prior years	—	—	—
Reductions related to settlements with taxing authorities	—	—	—
Reductions related to lapses in statute of limitations	—	—	—
Reductions related to prior years	—	—	—
Balance, December 31,	$ 812	$ —	$ —

The full balance of unrecognized tax benefits as of December 31, 2017, if recognized, would affect the effective tax rate. However, we do not believe that any of the unrecognized tax benefits will be realized within the coming year. The Company has elected to recognize interest and penalties related to unrecognized tax benefits in income tax expense; notwithstanding, as of December 31, 2017, the Company has not accrued any penalties or interest.

Payables Related to Parties Pursuant to Tax Receivable Agreement

As of December 31, 2017, our liability under the Tax Receivable Agreement was $24.7 million, representing 85% of the calculated net cash savings in U.S. federal, state and local income tax or franchise tax that Solaris Inc. anticipates realizing in future years from additional depreciation and amortization related to basis adjustments under Section 754 of the Internal Revenue Code of 1986, as amended (the "Code"), created in connection with the IPO or pursuant to an exercise of the Redemption Right or the Call Right (each as defined in Solaris LLC's amended and restated Limited Liability Company Agreement).

The projection of future taxable income involves significant judgment. Actual taxable income may differ from our estimates, which could significantly impact our liability under the Tax Receivable Agreement. We have determined it is more-likely-than-not that we will be able to utilize all of our deferred tax assets subject to the Tax Receivable Agreement; therefore, we have recorded a liability under the Tax Receivable Agreement related to the tax savings we may realize from the depreciation and amortization related to basis adjustments under Section 754 of the Code, created in connection with the IPO or pursuant to an exercise of the Redemption Right or the Call Right. If we determine the utilization of these deferred tax assets is not more-likely-than-not in the future, our estimate of amounts to be paid under the Tax Receivable Agreement would be reduced. In this scenario, the reduction of the liability under the Tax Receivable Agreement would result in a benefit to our consolidated statement of operations.

12. Concentrations

For the year ended December 31, 2017, four customers accounted for 23%, 15%, 13% and 11% of the Company's revenue. For the year ended December 31, 2016, two customers accounted for 40% and 9% of the Company's revenue. For the year ended December 31, 2015, four customers accounted for 65% of the Company's revenue. As of December 31, 2017, four customers accounted for 63% of the Company's accounts receivable. As of December 31, 2016, one customer accounted for 23% of the Company's accounts receivable.

For the years ended December 31, 2017, 2016 and 2015, two, one and one supplier accounted for 17%, 15% and 13% of the Company's total purchases, respectively. As of December 31, 2017, three suppliers accounted for 38% of the Company's accounts payables. As of December 31, 2016, two suppliers accounted for 25% of the Company's accounts payables.

13. Commitments and Contingencies

In the normal course of business, the Company is subjected to various claims, legal actions, contract negotiations and disputes. The Company provides for losses, if any, in the year in which they can be reasonably estimated. In management's opinion, there are currently no such matters outstanding that would have a material effect on the accompanying consolidated financial statements.

Operating Leases

The Company leases land and equipment under operating leases which expire at various dates through February 2047.

The Company's future minimum payments under non-cancelable operating leases are as follows:

Year Ending December 31,	Amount
2018	$ 585
2019	504
2020	430
2021	350
2022	335
Thereafter	6,181
Total minimum lease payments	$ 8,385

The above amounts include $6.6 million of commitments related to a 30-year land lease with the State of Oklahoma related to the Company's Kingfisher Facility further described below.

Other Commitments

In the normal course of business, the Company has certain short-term purchase obligations and commitments for products and services, primarily related to purchases of materials used in the manufacturing of its systems. At December 31, 2017 and 2016, the Company had commitments of approximately $33,600 and $835, respectively, related to these commitments.

On July 27, 2017, Solaris Logistics, LLC, a wholly owned subsidiary of Solaris LLC, entered into a seven-year customer contract with an exploration and production company to provide proppant transloading service at the Kingfisher Facility, which became effective in January 2018.

Certain performance-based cash awards of $1,875 and performance-based equity awards in the form of 156,250 shares of restricted stock were granted in connection with construction of the Kingfisher Facility and are both contingent upon performance obligations including certain construction milestones which are considered probable. As such, $1,875 has been recognized as accrued liabilities in the consolidated balance sheet as of December 31, 2017, and of which $500 has been settled in January 2018. Certain other performance-based cash awards contingent upon final costs of construction are deemed probable however an estimate cannot be made as of December 31, 2017. As of December 31, 2017, the Company had remaining obligations related to executed agreements in connection with construction activities at the Kingfisher Facility of approximately $15.0 million.

In connection with the acquisition of Railtronix, the seller is entitled to certain performance-based cash awards totaling $2,500 upon the achievement of generating certain financial milestones. As of December 31, 2017, the Company had not concluded that it is probable that these milestones will be achieved and thus has not recognized this obligation in the consolidated financial statements.

The Company has executed a guarantee of lease agreement with Solaris Energy Management, LLC, a related party of the Company, related to the rental of office space for the Company's corporate headquarters. The total future guaranty is $2.2 million as of December 31, 2017. Refer to Note 14 for additional information regarding related party transactions recognized.

14. Related Party Transactions

The Company recognizes certain costs incurred in relation to transactions with entities owned or partially owned by William A. Zartler, the Chairman of the Board. These costs include rent paid for office space, travel services, personnel, consulting and administrative costs. For the year ended December 31, 2017, Solaris LLC paid $910 for these services, of which $464 was included in salaries, benefits and payroll taxes, and $446 was included in selling, general and administrative expenses in the consolidated statement of operations. For the year ended December 31, 2016, Solaris LLC paid $325 for these services, of which $224 was included in salaries, benefits and payroll taxes, and $101 was included in selling, general and administrative expenses in the consolidated statement of operations. For the year ended December 31, 2015, Solaris LLC paid $108 for these services, all of which was included in selling, general and administrative expenses in the consolidated statement of operations.

These costs are primarily incurred in connection with the administrative services agreement, dated November 22, 2016, between Solaris LLC and Solaris Energy Management LLC (“SEM”), a company partially-owned by William A. Zartler (as amended, the “Amended Services Agreement”).

Payables Related to the Tax Receivable Agreement

In connection with the IPO, Solaris Inc. entered into the Tax Receivable Agreement with the TRA Holders on May 17, 2017. See note 11 for further discussion of the impact of the Tax Receivable Agreement on Solaris Inc.

15. Subsequent Events

The Company has evaluated events and transactions subsequent to the balance sheet date and through March 6, 2018, the date the financial statements were available to be issued.

2018 Credit Agreement

On January 19, 2018, we entered into the “2018 Credit Agreement” by and among the Company, as borrower, each of the lenders party thereto and Woodforest National Bank, as administrative agent (the “Administrative Agent”). The 2018 Credit Agreement replaces the Company’s Amended Credit Facility, as amended on May 17, 2017, by and among the Company, as borrower, each of the lenders party thereto and the Administrative Agent. The 2018 Credit Agreement consists of a $50.0 million advancing term loan (the “Advance Loan”) and a $20.0 million revolving loan, with a $10.0 million uncommitted accordion option to increase the total revolving loans (the “Revolving Loan”, and together with the Advance Loan, the “Loans”). No lender has any obligation to increase its own revolving credit commitment. The Advance Loan amortizes beginning in April 2019 and each of the Loans matures on January 19, 2022. Our obligations under the Loans are generally secured by a pledge of substantially all of the assets of the Company and its subsidiaries, and such obligations are guaranteed by our domestic subsidiaries other than Immaterial Subsidiaries (as defined in the 2018 Credit Agreement). We have the option to prepay the loans at any time without penalty.

The 2018 Credit Agreement permits extensions of credit under the Advance Loan through the end of April 2019 and under the Revolving Loan until the Maturity Date. Borrowings under the Revolving Loan are limited by both commitments and a borrowing base determined monthly by calculating percentages of the eligible accounts and the eligible inventory, provided that the portion of the borrowing base attributable to eligible inventory cannot exceed 35% of the entire borrowing base. Borrowings under the Advance Loan are not to exceed 80% of the then current net orderly liquidation value of the applicable equipment or facility build out or the applicable equipment constructed or acquired which is then subject to the liens securing the Loans.

Borrowings under the 2018 Credit Agreement bear interest at one-month LIBOR plus an applicable margin and interest is payable monthly. The applicable margin ranges from 3.00% to 3.50% depending on our senior leverage ratio. The 2018 Credit Agreement requires that we pay a monthly commitment fee on undrawn amounts of the Revolving

Loan, ranging from 0.25% to 0.50% depending upon the average outstanding balance of the obligations relative to the Revolving Loan commitments.

The 2018 Credit Agreement requires that we maintain ratios of (a) indebtedness to consolidated EBITDA of not more than 3.50 to 1.00, which steps down to 3.25 to 1.00 beginning April 1, 2018 and 3.00 to 1.00 beginning October 1, 2018, and (b) senior indebtedness to consolidated EBITDA of not more than 2.50 to 1.00, which steps down to 2.25 to 1.00 beginning April 1, 2018 and 2.00 to 1.00 beginning October 1, 2018. For the purpose of these tests, there is subtracted from indebtedness and senior indebtedness, respectively, an amount equal to the lesser of $10.0 million or 50% of unrestricted cash and cash equivalents of the Company and its subsidiaries. EBITDA, as defined in the 2018 Credit Agreement, excludes noncash items and any extraordinary, unusual or non-recurring gains, losses or expenses.

The Credit Agreement also requires that we maintain a ratio of consolidated EBITDA to fixed charges of not less than 1.25 to 1.00. Capital Expenditures are permitted up to $225.0 million for the fiscal year ending December 31, 2018, and $75.0 million for fiscal year ending December 31, 2019 and each fiscal year thereafter. In addition, for fiscal years beginning on January 1, 2020, any unused availability for capital expenditures from the immediately preceding fiscal year may be carried forward to the subsequent year; provided, however that we are permitted to make any capital expenditures in an amount equal to the proceeds of equity contributions made to the Company used to fund such capital expenditures.

Common stock

From January 1, 2018 through March 6, 2018, 5,903,247 shares of Class B common stock were exchanged for an equal number of shares of Class A common stock. Additionally, from January 1, 2018 through March 6, 2018, 235,396 options were exercised in exchange for an equal number of shares of Class A common stock.

16. Selected Quarterly Financial Data (Unaudited)

	Three Months Ended			
	March 31,	**June 30,**	**September 30,**	**December 31,**
	(in thousands, except per share amounts)			
2017				
Total revenue	$ 10,324	$ 13,389	$ 18,478	$ 25,204
Operating income	4,825	1,670	8,082	10,884
Net income	4,782	1,062	7,406	9,237
Net income attributable to Solaris	—	157	1,379	2,100
Earnings per share of Class A common stock - basic (1)	$ —	$ 0.01	$ 0.13	$ 0.13
Earnings per share of Class A common stock - diluted (1)	$ —	$ 0.01	$ 0.12	$ 0.13
2016				
Total revenue	$ 3,144	$ 2,976	$ 4,748	$ 7,289
Operating income (loss)	(126)	(785)	724	3,048
Net income (loss)	(127)	(804)	711	3,023
Net income (loss) attributable to Solaris	—	—	—	—
Earnings per share of Class A common stock - basic (1)	$ —	$ —	$ —	$ —
Earnings per share of Class A common stock - diluted (1)	$ —	$ —	$ —	$ —

(1) Represents earnings per share of Class A common stock and weighted-average shares of Class A common stock outstanding for the period from May 17, 2017 through December 31, 2017, the period following the reorganization transactions and IPO. See Note 10.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

In accordance with Exchange Act Rules 13a-15 and 15d-15, we have evaluated, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2017. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2017 at the reasonable assurance level.

Management's Annual Report on Internal Control over Financial Reporting and Attestation Report of the Independent Registered Public Accounting Firm

This annual report does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of our independent registered public accounting firm due to a transition period established by the rules of the SEC for newly public companies.

Changes in Internal Control over Financial Reporting

There were no changes in our system of internal control over financial reporting (as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act) during the fourth quarter of 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Not applicable.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

Information as to Item 10 will be set forth in the Proxy Statement for the Annual Meeting of Shareholders to be held on May 14, 2018 (the "Annual Meeting") and is incorporated herein by reference.

Item 11. Executive Compensation

Information as to Item 11 will be set forth in the Proxy Statement for the Annual Meeting and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information as to Item 12 will be set forth in the Proxy Statement for the Annual Meeting and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information as to Item 13 will be set forth in the Proxy Statement for the Annual Meeting and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

Information as to Item 14 will be set forth in the Proxy Statement for the Annual Meeting and is incorporated herein by reference.

Part IV

Item 15. Exhibits and Financial Statement Schedules

(1) Financial Statements

The consolidated financial statements of Solaris Oilfield Infrastructure, Inc. and Subsidiaries and the Report of Independent Registered Public Accounting Firm are included in Part II, Item 8 of this report. Reference is made to the accompanying Index to Consolidated Financial Statements.

(2) Financial Statement Schedules

All financial statement schedules have been omitted because they are not applicable or the required information is presented in the financial statements or the notes thereto.

(3) Index to Exhibits

The exhibits required to be filed or furnished pursuant to Item 601 of Regulation S-K are set forth below.

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of Solaris Oilfield Infrastructure, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K (File No. 001 38090) filed with the Commission on May 23, 2017).
3.2	Amended and Restated Bylaws of Solaris Oilfield Infrastructure, Inc. (incorporated by reference to Exhibit 3.2 to the Registrant's Form 8-K (File No. 001 38090) filed with the Commission on May 23, 2017).
10.1†	Solaris Oilfield Infrastructure, Inc. Long Term Incentive Plan (incorporated by reference to Exhibit 4.3 to the Registrant's Form S-8 Registration Statement (File No. 333 216721) filed with the Commission on May 16, 2017).
10.2†	Form of Restricted Stock Agreement under the Solaris Oilfield Infrastructure, Inc. Long Term Incentive Plan (incorporated by reference to Exhibit 4.4 to the Registrant's Form S-8 Registration Statement (File No. 333 216721) filed with the Commission on May 16, 2017).
10.3†	Form of Stock Option Agreement under the Solaris Oilfield Infrastructure, Inc. Long Term Incentive Plan (incorporated by reference to Exhibit 4.5 to the Registrant's Form S-8 Registration Statement (File No. 333 216721) filed with the Commission on May 16, 2017).
10.4	Second Amended and Restated Limited Liability Company Agreement of Solaris Oilfield Infrastructure, LLC Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K (File No. 001 38090) filed with the Commission on May 17, 2017).
10.5	Indemnification Agreement (William A. Zartler) (incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K (File No. 001 38090) filed with the Commission on May 17, 2017).
10.6	Indemnification Agreement (Gregory A. Lanham) (incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K (File No. 001 38090) filed with the Commission on May 17, 2017).
10.7	Indemnification Agreement (Kyle S. Ramachandran) (incorporated by reference to Exhibit 10.4 to the Registrant's Form 8-K (File No. 001 38090) filed with the Commission on May 17, 2017).
10.8	Indemnification Agreement (Kelly L. Price) (incorporated by reference to Exhibit 10.5 to the Registrant's Form 8-K (File No. 001 38090) filed with the Commission on May 17, 2017).
10.9	Indemnification Agreement (Cynthia M. Durrett) (incorporated by reference to Exhibit 10.6 to the Registrant's Form 8-K (File No. 001 38090) filed with the Commission on May 17, 2017).
10.10	Indemnification Agreement (Lindsay R. Bourg) (incorporated by reference to Exhibit 10.7 to the Registrant's Form 8-K (File No. 001 38090) filed with the Commission on May 17, 2017).
10.11	Indemnification Agreement (James R. Burke) (incorporated by reference to Exhibit 10.8 to the Registrant's Form 8-K (File No. 001 38090) filed with the Commission on May 17, 2017).
10.12	Indemnification Agreement (Edgar R. Giesinger) (incorporated by reference to Exhibit 10.9 to the Registrant's Form 8-K (File No. 001 38090) filed with the Commission on May 17, 2017).

10.13	Indemnification Agreement (W. Howard Keenan, Jr.) (incorporated by reference to Exhibit 10.10 to the Registrant's Form 8-K (File No. 001 38090) filed with the Commission on May 17, 2017).
10.14	Indemnification Agreement (F. Gardner Parker) (incorporated by reference to Exhibit 10.11 to the Registrant's Form 8-K (File No. 001 38090) filed with the Commission on May 17, 2017).
10.15	Indemnification Agreement (A. James Teague) (incorporated by reference to Exhibit 10.12 to the Registrant's Form 8-K (File No. 001 38090) filed with the Commission on May 17, 2017).
10.16	Tax Receivable Agreement (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K (File No. 001-38090) filed with the Commission on May 23, 2017).
10.17	Registration Rights Agreement (incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K (File No. 001-38090) filed with the Commission on May 23, 2017).
10.18	Credit Agreement, dated as of December 1, 2016, among Solaris Oilfield Infrastructure, LLC, the Lenders from Time to Time Party Thereto and Woodforest National Bank, as Administrative Agent (incorporated by reference to Exhibit 10.10 to the Registrant's Form S-1/A Registration Statement (File No. 333 216721) filed with the Commission on May 2, 2017).
10.19	First Amendment to the Credit Agreement, dated as of May 17, 2017, among Solaris Oilfield Infrastructure, LLC, the Lenders from Time to Time Party Thereto and Woodforest National Bank, as Administrative Agent (incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K (File No. 001 38090) filed with the Commission on May 23, 2017).
10.20	Amended and Restated Administrative Services Agreement (incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K (File No. 001-38090) filed with the Commission on May 23, 2017).
10.21+	Sand Storage and Transload Agreement, dated July 27, 2017, between Solaris Logistics, LLC and Devon Energy Production Company, L.P. (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K/A (File No. 001-38090) filed with the Commission on October 19, 2017).
10.22	Indemnification Agreement (Christopher M. Powell) (incorporated by reference to Exhibit 10.2 to the Registrant's Form 10-Q (File No. 001-38090) filed with the Commission on November 2, 2017).
10.23*	Credit Agreement, dated January 19, 2018, by and among Solaris Oilfield Infrastructure, Inc., each of the lenders party thereto and Woodforest National Bank, as administrative agent.
21.1*	List of Subsidiaries of Solaris Oilfield Infrastructure, Inc.
23.1*	Consent of BDO USA, LLP, Independent Registered Public Accounting Firm for Solaris Oilfield Infrastructure, Inc.
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith

** Furnished herewith. Pursuant to SEC Release No. 33 8212, this certification will be treated as "accompanying" this Annual Report on Form 10 K and not "filed" as part of such report for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of Section 18 of the Exchange Act, and this certification will not be deemed to be incorporated by reference into any filing under the Securities Act, except to the extent that the registrant specifically incorporates it by reference.

† Management contract or compensatory plan or arrangement.

\+ Certain portions have been omitted pursuant to a confidential treatment request. Omitted information has been separately filed with the Securities and Exchange Commission.

Item 16. Form 10-K Summary

None.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SOLARIS OILFIELD INFRASTRUCTURE, INC.

By: /s/ Gregory A. Lanham
Gregory A. Lanham
Chief Executive Officer
Date: March 6, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 6, 2018.

Signature	Title
/s/ Gregory A. Lanham Gregory A. Lanham	Chief Executive Officer and Director (Principal Executive Officer)
/s/ Kyle S. Ramachandran Kyle S. Ramachandran	Chief Financial Officer (Principal Financial Officer)
/s/ Lindsay R. Bourg Lindsay R. Bourg	Chief Accounting Officer (Principal Accounting Officer)
/s/ William A. Zartler William A. Zartler	Chairman
/s/ James R. Burke James R. Burke	Director
/s/ Edgar R. Giesinger Edgar R. Giesinger	Director
/s/ W. Howard Keenan, Jr. W. Howard Keenan, Jr.	Director
/s/ F. Gardner Parker F. Gardner Parker	Director
/s/ A. James Teague A. James Teague	Director

Exhibit 10.23

CREDIT AGREEMENT

dated as of January 19, 2018

among

SOLARIS OILFIELD INFRASTRUCTURE, LLC,

The Lenders From Time to Time Party Hereto

and

WOODFOREST NATIONAL BANK,
as Administrative Agent

CADENCE BANK, N.A.,
as Documentation Agent,

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CREDIT AGREEMENT

CREDIT AGREEMENT (as amended, modified, restated, supplemented and in effect from time to time, herein called this "Agreement") dated as of January 19, 2018 (the "Effective Date"), among SOLARIS OILFIELD INFRASTRUCTURE, LLC, a Delaware limited liability company, the LENDERS party hereto, CADENCE BANK, N.A., as Documentation Agent, and WOODFOREST NATIONAL BANK, as Administrative Agent for the Lenders. In consideration of the mutual promises contained in this Agreement, and for other good and valuable consideration, the receipt of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
Definitions

SECTION 1.01 Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"Accounts" shall have the meaning assigned to it in the Uniform Commercial Code enacted in the State of Texas.

"Acquisition" means any transaction, or any series of related transactions, consummated on or after the date of this Agreement, by which any Loan Party (i) acquires any going business or all or substantially all of the assets of any Person, or division thereof, whether through the purchase of assets, merger or otherwise, including the purchase or other acquisition (in one transaction or a series of transactions) of any assets of any other Person constituting a business unit, or (ii) directly or indirectly acquires (in one transaction or as the most recent transaction in a series of transactions) at least a majority (in number of votes) of the securities of a corporation which have ordinary voting power for the election of directors (other than securities having such power only by reason of the happening of a contingency) or a majority (by percentage or voting power) of the outstanding ownership interests of a partnership or limited liability company.

"Additional Collateral" shall have the meaning ascribed to such term in Section 5.03(b) hereof.

"Additional Collateral Event" shall have the meaning ascribed to such term in Section 5.03(b) hereof.

"Adjusted LIBO Rate" means an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate multiplied by (b) the Statutory Reserve Rate.

"Administrative Agent" means Woodforest National Bank, in its capacity as administrative agent for the Lenders hereunder, and its successors in that capacity.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Advance Loan Availability Period" means the period from the Effective Date to but excluding the earlier of (i) the last day of the 15th full calendar month after the Effective Date and (ii) the date of early termination of the Advance Loan Commitments pursuant to the exercise of remedies by the Administrative Agent in accordance with the terms hereof.

"Advance Loan Commitment" means, with respect to each Lender, the commitment, if any, of such Lender to make Advance Loans hereunder, expressed as an amount representing the maximum principal amount of the Advance Loans to be made by such Lender hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.07 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04. The initial amount of each Lender's Advance Loan Commitment is set forth on Schedule 2.01A, or in the Assignment and Assumption pursuant to which such Lender shall have assumed its Advance Loan Commitment, as applicable. The initial aggregate amount of the Lenders' Advance Loan Commitments is $50,000,000.

"Advance Loan Lender" means a Lender with an Advance Loan Commitment or an outstanding Advance Loan.

"Advance Loan Maturity Date" means January 19, 2022.

"Advance Loans" means loans made by the Lenders to the Borrower pursuant to clause (a) of Section 2.01.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Agent Party" has the meaning assigned to it in Section 9.01(d).

"Anti-Corruption Laws" means all laws, rules, and regulations of any jurisdiction applicable to any Loan Party from time to time concerning or relating to bribery or corruption.

"Applicable Percentage" means, with respect to any Revolving Lender, the percentage of the total Revolving Commitments represented by such Lender's Revolving Commitment; provided that in the case of Section 2.20 when a Defaulting Lender shall exist, "Applicable Percentage" shall mean the percentage of the total Revolving Commitments (disregarding any Defaulting Lender's Revolving Commitment) represented by such Lender's Revolving Commitment. If the Revolving Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Revolving Commitments most recently in effect, giving effect to any assignments and to any Lender's status as a Defaulting Lender at the time of determination.

"Applicable Rate" means, for any day with respect to any Loan, the applicable rate per annum set forth below under the caption "Spread", based upon the Senior Leverage Ratio as of the most recent determination date; but during the period beginning with the Effective Date and ending March 31, 2018, Category 1 shall be applicable:

Senior Leverage Ratio	Spread
Category 3 : greater than or equal to 1.75 to 1.00	3.50%
Category 2 : less than 1.75 to 1.00 but greater than or equal to 1.25 to 1.00	3.25%
Category 1 : less than 1.25 to 1.00	3.00%

For purposes of the foregoing, (i) the Senior Leverage Ratio shall be determined as of the end of each fiscal quarter of the Borrower's fiscal year based upon the Borrower's consolidated financial statements delivered pursuant to Sections 5.01(a) or (b) and (ii) each change in the Applicable Rate resulting from a change in the Senior Leverage Ratio shall be effective during the period commencing on and including the date of delivery to the Administrative Agent of such consolidated financial statements indicating such change and ending on the date immediately preceding the effective date of the next such change; but the Senior Leverage Ratio shall be deemed to be in Category 3 at any time that an Event of Default has occurred which is continuing or at the request of the Required Lenders if the Borrower fails to timely deliver the consolidated financial statements required to be delivered by it pursuant to Sections 5.01(a) or (b) , during the period from the deadline for delivery thereof until such consolidated financial statements are received.

" Applicable Commitment Fee " means (i) 0.50% for any applicable calendar quarter during which the average outstanding principal balance of the Obligations shall be less than fifty percent (50%) of the average aggregate amount of the Revolving Commitment during such calendar quarter, and (ii) 0.25% for any applicable calendar quarter during which the average outstanding principal balance of the Obligations shall be equal to or greater than fifty percent (50%) of the average aggregate amount of the Revolving Commitment during such calendar quarter.

" Approved Fund " has the meaning assigned to it in Section 9.04(b) .

" Assignment and Assumption " means an assignment and assumption entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.04) , and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

" Banking Services " means each and any of the following bank services provided to any Loan Party by any Lender or any of its Affiliates: (a) commercial credit cards, (b) stored value cards and (c) treasury management services (including, without limitation, controlled disbursement, automated clearinghouse transactions, return items, overdrafts and interstate depository network services).

" Bankruptcy Event " means, with respect to any Person, such Person becomes the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, custodian, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business appointed for it, or, in the good faith determination of the Administrative Agent, has taken any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any such proceeding or appointment, provided that a Bankruptcy Event shall not result solely by virtue of any ownership interest, or the acquisition of any ownership interest, in such Person by a Governmental Authority or instrumentality thereof, unless such ownership interest results in or provides such Person with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Person (or such Governmental Authority or instrumentality) to reject, repudiate, disavow or disaffirm any contracts or agreements made by such Person.

" Board " means the Board of Governors of the Federal Reserve System of the United States of America and any successor entity performing similar functions.

" Borrower " means SOLARIS OILFIELD INFRASTRUCTURE, LLC, a Delaware limited liability company.

" Borrowing " means Loans of the same Class made, converted or continued on the same date.

" Borrowing Base " means, as at any date, the amount of the Borrowing Base shown on the Borrowing Base Certificate then most recently delivered pursuant to Section 5.01 hereof, determined by calculating the amount equal to:

(i) 80% of the Eligible Accounts at said date, plus

(ii) 65% of the Eligible Inventory at said date (determined at the lower of cost or market on a consistent basis).

The portion of the Borrowing Base attributable to Eligible Inventory shall not exceed thirty-five percent (35%) of the entire Borrowing Base In the absence of a current Borrowing Base

Certificate, Administrative Agent shall determine the Borrowing Base from time to time in its reasonable discretion, taking into account all information reasonably available to it, and the Borrowing Base from time to time so determined shall be the Borrowing Base for all purposes of this Agreement until a current Borrowing Base Certificate is furnished to and accepted by Administrative Agent.

" Borrowing Base Certificate " means a certificate, duly executed by an appropriate officer or other responsible party acceptable to Administrative Agent on behalf of Borrower, appropriately completed and in substantially the form of Exhibit D hereto. Each Borrowing Base Certificate shall be effective only as accepted by Administrative Agent (and with such revisions, if any, as Administrative Agent may require as a condition to such acceptance).

" Borrowing Request " means a request by the Borrower for a Borrowing in accordance with Section 2.03 .

" Business Day " means any day that is not a Saturday, Sunday or other day on which commercial banks in Houston, Texas are authorized or required by law to remain closed.

" Capital Expenditures " means, for any period, (a) the additions to property, plant and equipment and other capital expenditures of the Borrower and its consolidated Subsidiaries that are (or would be) set forth in a consolidated statement of cash flows of Borrower for such period prepared in accordance with GAAP and (b) Capital Lease Obligations incurred by the Borrower and its consolidated Subsidiaries during such period, but excluding expenditures for the restoration, repair or replacement of any fixed or capital asset which was destroyed or damaged, in whole or in part, to the extent financed by the proceeds of an insurance policy maintained by such Person.

" Capital Lease Obligations " of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

" Cash Adjustment ", as of any date, means the lesser of (x) $10,000,000 or (y) fifty percent (50%) of unrestricted cash and cash equivalents of the Borrower and its Subsidiaries as of such date.

" Ceiling Rate " means, on any day, the maximum nonusurious rate of interest permitted for that day by whichever of applicable federal or Texas (or any jurisdiction whose usury laws are deemed to apply to the Notes or any other Loan Documents despite the intention and desire of the parties to apply the usury laws of the State of Texas) laws permits the higher interest rate, stated as a rate per annum. On each day, if any, that the Texas Finance Code establishes the Ceiling Rate, the Ceiling Rate shall be the "weekly ceiling" (as defined in the Texas Finance Code) for that day. Administrative Agent may from time to time, as to current and future balances, implement any other ceiling under the Texas Finance Code by notice to the Borrower, if and to the extent permitted by the Texas Finance Code. Without notice to the Borrower or any other Person, the Ceiling Rate shall automatically fluctuate upward and downward as and in the amount by which such maximum nonusurious rate of interest permitted by applicable law fluctuates.

" Change in Control " means the occurrence of any of the following events or series of events:

(a) Solaris Inc. shall cease to be the sole managing member of the Borrower; or

(b) any Person (excluding any Qualifying Owner or any group of Qualifying Owners acting together which would constitute a "group" for purposes of Section 13(d) of the Exchange Act, and excluding a corporation or other entity owned, directly or indirectly, by the stockholders of Solaris Inc. in substantially the same proportions as their ownership of stock of the Solaris Inc.) is or becomes the beneficial owner, directly or indirectly, of securities of Solaris Inc. representing more than 50% of the combined voting power of Solaris Inc.'s then outstanding voting securities; or

(c) there is consummated a merger or consolidation of Solaris Inc. with any other corporation or other entity, and, immediately after the consummation of such merger or consolidation, the voting securities of Solaris Inc. immediately prior to such merger or consolidation do not continue to represent or are not converted into more than 50% of the combined voting power of the then-outstanding voting securities of the Person resulting from such merger or consolidation or, if the surviving company is a Subsidiary, the ultimate parent thereof; or

(d) the stockholders of Solaris Inc. approve a plan of complete liquidation or dissolution of Solaris Inc. or there is consummated an agreement or series of related agreements for the sale or other disposition, directly or indirectly, by Solaris Inc. of all or substantially all of Solaris Inc.'s assets, other than such sale or other disposition by Solaris Inc. of all or substantially all of Solaris Inc.'s assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by stockholders of Solaris Inc. in substantially the same proportions as their ownership of Solaris Inc. immediately prior to such sale.

Notwithstanding the foregoing, except with respect to clause (b) above, a Change in Control shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of the shares of Solaris Inc. immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in, and own substantially all of the shares of, an entity which owns, either directly or through a Subsidiary, all or substantially all of the assets of Solaris Inc. immediately following such transaction or series of transactions.

" Change in Law " means the occurrence after the date of this Agreement or, with respect to any Lender, such later date on which such Lender becomes a party to this Agreement, of (a) the adoption of or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the interpretation or application thereof by any Governmental Authority or (c) the making or issuance of any request, guideline or directive (whether or not having the force of law) of any Governmental Authority after the date of this Agreement; provided that, notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall be deemed to be a "Change in Law," regardless of the date enacted, adopted or issued.

" Class ", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans or Advance Loans and, when used in reference to any Commitment, refers to whether such Commitment is a Revolving Commitment or Advance Loan Commitment.

" Code " means the Internal Revenue Code of 1986, as amended from time to time.

" Collateral " means any and all "Collateral", as defined in any applicable Security Document. The Collateral shall not include any Excluded Assets.

" Commitment " means a Revolving Commitment or the Advance Loan Commitment, or any combination thereof (as the context requires).

" Commodity Exchange Act " means the Commodity Exchange Act (7 U.S.C. §1 et seq.), as amended from time to time, and any successor statute.

" Communications " has the meaning assigned to it in Section 9.01(d) .

" Connection Income Taxes " means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

" Consolidated Net Tangible Assets " means as of any date of determination, for Solaris Inc., Borrower and Subsidiaries of Solaris Inc. or Borrower, on a consolidated basis, the aggregate amount of total assets included in such Persons' most recent quarterly or annual consolidated balance sheet prepared in accordance with GAAP less applicable reserves reflected in such balance sheet, after deducting the following amounts: (a) all current liabilities reflected in such balance sheet, and (b) all goodwill, trademarks, patents, unamortized debt discounts and expenses and other like intangibles reflected in such balance sheet.

" Contribution Agreement " means that certain Contribution Agreement dated concurrently herewith by and among Borrower and the current Domestic Subsidiaries of Borrower, as the same may be amended, modified, supplemented and restated (and joined in pursuant to a joinder agreement) from time to time.

" Control " means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. " Controlling " and " Controlled " have meanings correlative thereto.

" Credit Party " means the Administrative Agent, the Issuing Bank or any other Lender.

" Debt Service " means the sum of (i) Interest Expense and (ii) scheduled principal payments on Indebtedness for the applicable period, determined in each case on a consolidated basis for Borrower and its Subsidiaries.

" Default " means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

" Defaulting Lender " means any Lender that (a) has failed, within two (2) Business Days of the date required to be funded or paid, to (i) fund any portion of its Loans, (ii) fund any portion of its participations in Letters of Credit or (iii) pay over to any Credit Party any other amount required to be paid by it hereunder, unless, in the case of clause (i) above, such Lender notifies the Administrative Agent in writing that such failure is the result of such Lender's good faith determination that a condition precedent to funding (specifically identified and including the particular default, if any) has not been satisfied, (b) has notified the Borrower or any Credit Party in writing, or has made a public statement to the effect, that it does not intend or expect to comply with any of its funding obligations under this Agreement (unless such writing or public statement indicates that such position is based on such Lender's good faith determination that a condition precedent to funding (specifically identified and including the particular default, if any) cannot be satisfied) or generally under other agreements in which it commits to extend credit, (c) has failed, within three (3) Business Days after request by a Credit Party, acting in good faith, to provide a certification in writing from an authorized officer of such Lender that it will comply with its obligations (and is financially able to meet such obligations) to fund prospective Loans and participations in then outstanding Letters of Credit under this Agreement, provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon such Credit Party's receipt of such certification in form and substance satisfactory to it and the Administrative Agent, or (d) has become the subject of a Bankruptcy Event.

" Devon Agreement " means that certain Sand Storage and Transload Agreement dated as of July 27, 2017 executed by and between Solaris Logistics, LLC and Devon Energy Production Company, L.P., as the same may from time to time be amended, modified, supplemented or restated.

" Disqualified Stock " means any Equity Interest that, by its terms (or by the terms of any security or other Equity Interest into which it is convertible or for which it is exchangeable), or upon the happening of any event or condition, (a) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise (except as a result of a change of control or asset sale so long as any rights of the holders thereof upon the occurrence of a change of control or asset sale event shall be subject to the prior repayment in full of the Loans and all other Obligations under the Loan Documents that are accrued and payable and the termination of the Commitments), (b) is redeemable at the option of the holder thereof, in whole or in part, (c) provides for the scheduled payments of dividends or distributions in cash, or (d) is or becomes convertible into or exchangeable for Indebtedness or any other Equity Interests that would constitute Disqualified Stock, in each case, prior to the date that is (91) days after the last to occur of the Revolving Maturity Date and Advance Loan Maturity Date.

" dollars " or " $ " refers to lawful money of the United States of America.

" Domestic Subsidiary " shall mean any Subsidiary of Borrower that is not a Foreign Subsidiary.

" EBITDA " means, without duplication, for any period the consolidated net income (excluding any extraordinary, unusual or non-recurring gains, losses or expenses) of Solaris Inc. and its Subsidiaries plus , to the extent deducted in calculating consolidated net income, (a) depreciation, amortization, other non-cash items, (b) Interest Expense, (c) federal and state income tax expense (or Permitted Tax Distributions) (including Texas margin tax or gross receipts taxes), (d) management fees and costs, and (e) fees and expenses related to the Transactions in an aggregate amount not exceeding $1,500,000 and minus , to the extent added in calculating consolidated net income, any non-cash income.

" Electronic Signature " means an electronic signature attached to, a contract and adopted by a person with the intent to sign, authenticate or accept such contract or record.

" Electronic System " means any electronic system, including e-mail, e-fax, IntraLinks®, ClearPar®, Debt Domain, Syndtrak and any other Internet or extranet-based site, whether such electronic system is owned, operated or hosted by the Administrative Agent or the Issuing Bank and any of its respective Related Parties or any other Person, providing for access to data protected by passcodes or other security system.

" Eligible Accounts " means, as at any date of determination thereof, each Account (which is subject to a Security Document and on which Administrative Agent shall have a first-priority perfected Lien subject only to Permitted Encumbrances) which is at said date payable to Borrower or any of its Subsidiaries and which complies with the following requirements: (a) the Account arose from performance of services which have been fully and satisfactorily performed in all material respects or from the sale of goods in which the Account obligee had the sole and complete ownership which have been sold to the Account debtor on an absolute sale basis on open account and not on consignment, on approval or on a "sale or return" basis or subject to any other repurchase or return agreement (evidencing which the Account obligee or Administrative Agent has possession of shipping and delivery receipts); (b) no material part of any goods giving rise to the Account has been returned, rejected, lost or damaged; (c) the Account arose in the ordinary course of business of the obligee thereon, is stated to be payable in lawful money of the United States and is not evidenced by chattel paper or an instrument of any kind and no notice of bankruptcy, insolvency or financial embarrassment of the Account debtor has been received by the Account obligee, Administrative Agent or any Lender; (d) the applicable Account debtor is not a foreign country or any subdivision or agency or department thereof or located outside of the United States and the Account is not subject to the Federal Assignment of Claims Act; (e) the Account is a valid obligation of the Account debtor thereunder and is not subject to any offset, counterclaim, allowance, adjustment or other defense on the part of such Account debtor or to any claim, dispute, objection or complaint on the part of such Account debtor denying liability thereunder (other than discounts for prompt payment shown on the applicable invoice and disclosed to Administrative Agent in writing); (f) the Account is subject to no Lien whatsoever, except for the Liens created pursuant to the Security Documents and Permitted Encumbrances; (g) the Account is evidenced by an invoice; (h) the Account is due not more than 60 days after the date of invoice, has been billed within 30 days after shipment of the applicable goods or performance of the applicable services and has not remained unpaid for more than 90 calendar days after the date of the applicable invoice; (i) the Account has not arisen out of transactions with any Loan Party, any Affiliate of a Loan Party or an employee, officer, agent, director, stockholder, partner, trustee or other owner or holder of any indicia of equity rights (whether issued and outstanding capital stock, partnership interests or otherwise) of any Loan Party or any Affiliate of any Loan Party; (j) each of the representations and warranties set forth in the Security Documents with respect to such Account is true and correct in all material respects; (k) not more than 20% of all of the Accounts of the applicable Account debtor or any of its Affiliates fail to satisfy all of the requirements of an "Eligible Account", and (l) Administrative Agent has not deemed such Account ineligible because of a reasonable uncertainty about the creditworthiness of the Account debtor or because Administrative Agent otherwise reasonably considers the collateral value thereof to be impaired or its ability to realize such value to be insecure. In the event the aggregate Eligible Accounts owed to Borrower or any of its Subsidiaries by a particular Account debtor or any Affiliate of such Account debtor shall exceed 20% (the " Maximum Single Account Debtor Percentage ") of the total Eligible Accounts of Borrower and its Subsidiaries, that portion of such Eligible Accounts in excess of the Maximum Single Account Debtor Percentage shall be excluded from the term "Eligible Account". In the event of any dispute under the foregoing criteria about whether an Account is or has ceased to be an Eligible Account, the decision of Administrative Agent shall be presumed correct, absent manifest error. Nothing in this definition of "Eligible Accounts" shall be construed to limit or release any right of Administrative Agent to any Collateral.

" Eligible Inventory " means, as at any date of determination thereof, raw materials (steel, etc), new/unused generators, axles, tires, motors, sand system computers and finished goods not yet in the rental fleet which is subject to the Security Documents and on which Administrative Agent shall have a first-priority perfected Lien (subject only to Permitted Encumbrances) and which complies with the following requirements: (a) the applicable Inventory shall be valued in accordance with GAAP and shall be within the United States of America; (b) the applicable Inventory is in good condition, meets all standards imposed by any Governmental Authority having regulatory authority over it, its use and/or sale or lease and is either currently usable or currently salable or leaseable in the normal course of business of the owner thereof; (c) the applicable Inventory is in the possession of the Loan Party granting a Lien thereon, and not in the possession or control of any warehouseman, bailee or any agent (unless such Loan Party has delivered a waiver or subordination agreement relating to any such Inventory held by a warehouseman, bailee or agent in form and substance reasonably acceptable to the Administrative Agent); (d) each of the representations and warranties set forth in the Security Documents with respect to such Inventory is true and correct in all material respects on such date, and (e) Administrative Agent has not deemed such Inventory ineligible because Administrative Agent reasonably considers the collateral value thereof to be impaired or its ability to realize such value to be insecure. The term "Eligible Inventory" shall not include any Inventory which has either been received by a customer, even if on a consignment or "sale or return" basis, or as to which title has passed from the owner thereof. In the event of any dispute under the foregoing criteria about whether a portion of any Inventory is or has ceased to be Eligible Inventory, the decision of Administrative Agent shall be presumed correct, absent manifest error. Nothing in this definition of "Eligible Inventory" shall be construed to limit or release any right of Administrative Agent to any Collateral.

" Environmental Laws " means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material or to health and safety matters.

" Environmental Liability " means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower or any other Loan Party directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

" Equipment " shall have the meaning assigned to it in the Uniform Commercial Code enacted in the State of Texas.

" Equity Interests " means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, or any warrants, options or other rights to acquire such interests.

" ERISA " means the Employee Retirement Income Security Act of 1974, as amended from time to time.

" ERISA Affiliate " means any trade or business (whether or not incorporated) that, together with the Borrower or any other Loan Party, is treated as a single employer under Section

414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

“ ERISA Event ” means (a) any “reportable event”, as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30 day notice period is waived); (b) the existence with respect to any Plan of a failure to make the “minimum required contribution” (as defined in Section 430 of the Code or Section 303 of ERISA), or of an “accumulated funding deficiency” (as defined in Section 431 of the Code or Section 304 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(c) of the Code or Section 302(c) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Borrower or any other Loan Party or any of their ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by the Borrower or any other Loan Party or any of their ERISA Affiliates from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by the Borrower or any other Loan Party or any of their ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by the Borrower or any other Loan Party or any of their ERISA Affiliates of any notice, or the receipt by any Multiemployer Plan from the Borrower or any other Loan Party or any of their ERISA Affiliates of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

“ Event of Default ” has the meaning assigned to such term in Article VII .

“ Excluded Assets ” means (i) (a) all leasehold estates with respect to office space used by Borrower or any of its Subsidiaries and (b) other real property interests having an aggregate book value not exceeding $1,000,000, (ii) motor vehicles having an aggregate book value of not greater than $1,250,000, (iii) “commercial tort claims” (as that term is defined in the UCC) having an aggregate book value of not greater than $100,000, (iv) the outstanding Equity Interests in each Foreign Subsidiary which is owned directly by Borrower or any of its Domestic Subsidiaries in excess of 65% of issued and outstanding Equity Interests of such Foreign Subsidiary, and Equity Interests issued by Foreign Subsidiaries that are owned by Foreign Subsidiaries, (v) any property owned by any Foreign Subsidiary or Foreign Subsidiary Holdco, (vi) any property with respect to which the Borrower and Administrative Agent reasonably determine, in writing, that the cost or other consequence of obtaining a Lien thereon or perfection thereof is excess in relation to the benefit to the secured party of the security to be afforded thereby, and (vii) any item of general intangibles that is now or hereafter held by Borrower or any of its Subsidiaries but only to the extent that such item of general intangibles (or any agreement evidencing such item of general intangibles) contains a term, provision or other contractual obligation or is subject to a rule of law, statute or regulation that restricts, prohibits, or requires a consent (that has not been obtained) of a Person (other than Borrower or any of its Subsidiaries) to, the grant, creation, attachment or perfection of the security interest granted in the Security Documents, and any such restriction, prohibition and/or requirement of consent is effective and enforceable under applicable law and is not rendered ineffective by applicable law (including, without limitation, pursuant to Sections 9.406, 9.407, 9.408 or 9.409 of the UCC, and any successor provision thereto).

" Excluded Swap Obligation " means, with respect to any Loan Party, any Swap Obligation if, and to the extent that, all or a portion of the Guarantee of such Loan Party of, or the grant by such Loan Party of a security interest to secure, such Swap Obligation (or any Guarantee thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) (a) by virtue of such Loan Party's failure for any reason to constitute an "eligible contract participant" as defined in the Commodity Exchange Act and the regulations thereunder at the time the Guarantee of such Loan Party or the grant of such security interest becomes or would become effective with respect to such Swap Obligation or (b) in the case of a Swap Obligation subject to a clearing requirement pursuant to Section 2(h) of the Commodity Exchange Act (or any successor provision thereto), because such Loan Party is a "financial entity," as defined in Section 2(h)(7)(C)(i) the Commodity Exchange Act (or any successor provision thereto), at the time the Guarantee of such Loan Party or the grant by such Loan Party of a security interest becomes or would become effective with respect to such related Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such Loan Party or security interest is or becomes illegal.

" Excluded Taxes " any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan, Letter of Credit or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan, Letter of Credit or Commitment (other than pursuant to an assignment request by the Borrower under Section 2.18(b)) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 2.16 , amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender acquired the applicable interest in a Loan, Letter of Credit or Commitment or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient's failure to comply with Section 2.16(f) and (d) any U.S. federal withholding Taxes imposed under FATCA.

" FATCA " means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreement entered into pursuant to Section 1471(b)(1) of the

Code, and any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code and any fiscal or regulatory legislation, rules or practices adopted pursuant to any such intergovernmental agreement.

" Federal Funds Effective Rate " means, for any day, the rate calculated by the NYFRB based on such day's federal funds transactions by depositary institutions (as determined in such manner as the NYFRB shall set forth on its public website from time to time) and published on the next succeeding Business Day by the NYFRB as the federal funds effective rate.

" Financial Officer " means the chief financial officer, principal accounting officer, treasurer or controller of the Borrower.

" Fixed Charge Coverage Ratio " means, as of any testing day, the ratio of (a) EBITDA for the 12 months ending on such date minus (i) Permitted Tax Distributions relating to income generated during such period, (ii) Restricted Payments made during such period (other than Permitted Tax Distributions (including actual payments made in connection with the Tax Receivable Agreement)), and (iii) maintenance and replacement Capital Expenditures for such period not financed with the proceeds of equity or capital contributions made to Borrower that are used to fund such Capital Expenditures, the proceeds of Indebtedness, asset sales proceeds, insurance or condemnation proceeds, asset trade-ins or exchanges or as part of an Acquisition permitted pursuant to Section 6.18 to (b) Debt Service for such 12-month period, determined in all cases (including Debt Service) on a consolidated basis for Solaris Inc. and its Subsidiaries.

" Foreign Lender " means any Lender that is organized under the laws of a jurisdiction other than the United States of America, a State thereof or the District of Columbia.

" Foreign Subsidiaries " means Subsidiaries of Borrower which are organized under the laws of a jurisdiction other than the United States of America, any State of the United States or any political subdivision thereof.

" Foreign Subsidiary Holdco " means any direct or indirect Subsidiary substantially all of whose assets consists of Equity Interests in (or treated as Equity Interests for U.S. federal income tax purposes) and any Indebtedness of (a) one or more Foreign Subsidiaries or (b) other Foreign Subsidiary Holdcos.

" GAAP " means generally accepted accounting principles in the United States of America.

" Governmental Authority " means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank) and any group or body charged with setting financial accounting or regulatory capital rules or standards (including, without limitation, the Financial Accounting

Standards Board, the Bank for International Settlements or the Basel Committee on Banking Supervision or any successor or similar authority to any of the foregoing).

" Guarantee " of or by any Person (the "guarantor") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

" Guarantors " means each Domestic Subsidiary (other than any Immaterial Subsidiary) of the Borrower now or hereafter existing.

" Guaranty " means that certain Guaranty dated as of December 1, 2016 executed by Guarantors in favor of the Administrative Agent and any and all other guaranties now or hereafter executed in favor of the Administrative Agent relating to the Obligations hereunder and the other Loan Documents, as any of them may from time to time be amended, modified, restated or supplemented.

" Hazardous Materials " means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

" Immaterial Subsidiary " means any Domestic Subsidiary of Borrower which (a) (i) for any twelve (12) month period ending on the last day of any fiscal quarter of Borrower had less than $10,000 of revenues and (ii) as of the last day of such fiscal quarter was the owner of less than $25,000 of assets, all as shown on the consolidated financial statements of Borrower. All Immaterial Subsidiaries as of the Effective Date are identified as such on Schedule 3.12 attached hereto.

" Indebtedness " of any Person means, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current Accounts payable incurred in the ordinary course of business), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (g) all Guarantees by such Person of Indebtedness of others, (h) all Capital Lease Obligations of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty and (j) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

" Indemnified Taxes " means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Loan Party under any Loan Document and (b) to the extent not otherwise described in clause (a) hereof, Other Taxes.

" Ineligible Institution " has the meaning assigned to it in Section 9.04(b) .

" Interest Expense " means, for any period, total interest expense accruing on Indebtedness of the Borrower and its Subsidiaries, on a consolidated basis, during such period (including interest expense attributable to Capital Lease Obligations and amounts attributable to interest incurred under Swap Agreements), determined in accordance with GAAP.

" Interest Payment Date " means the 5th day of each calendar month (commencing on February 5, 2018).

" Interest Period " means each period beginning on the fifth day of a calendar month and ending on the fourth day of the immediately following calendar month; provided that (i) the first Interest Period shall commence of the Effective Date and shall end on the earlier of the fourth day of the calendar month in which the Effective Date occurs or the fourth day of the calendar month immediately following the calendar month in which the Effective Date occurs and (ii) the last Interest Period shall end on the last to occur of the Revolving Maturity Date or the Advance Loan Maturity Date.

" Inventory " shall have the meaning assigned to it in the Uniform Commercial Code enacted in the State of Texas.

" IRS " means the United States Internal Revenue Service.

" Issuing Bank " means Woodforest National Bank, in its capacity as the issuer of Letters of Credit hereunder, and its successors in such capacity as provided in Section 2.04(i) . The Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by

Affiliates of the Issuing Bank, in which case the term "Issuing Bank" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

" LC Disbursement " means a payment made by the Issuing Bank pursuant to a Letter of Credit.

" LC Exposure " means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit at such time plus (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Borrower at such time. The LC Exposure of any Revolving Lender at any time shall be its Applicable Percentage of the total LC Exposure at such time.

" Lender Parent " means, with respect to any Lender, any Person as to which such Lender is, directly or indirectly, a subsidiary.

" Lenders " means the Persons listed on Schedule 2.01A and any other Person that shall have become a party hereto pursuant to an Assignment and Assumption, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption. Unless the context otherwise requires, the term "Lenders" includes the Issuing Bank.

" Letter of Credit " means any letter of credit issued pursuant to this Agreement.

" Letter of Credit Commitment " means the commitment of the Issuing Bank to issue Letters of Credit hereunder. The initial amount of the Issuing Bank's Letter of Credit Commitment is set forth on Schedule 2.01B .

" LIBO Rate " means, for any Interest Period, the rate of interest identified as "LIBOR (1) Month" as published in The Wall Street Journal on the first day of such Interest Period. If The Wall Street Journal ceases to be published or if it ceases to publish a LIBOR (1) Month rate, then the Administrative Agent will choose a substitute index rate acting in its reasonable discretion. If the LIBOR (1) Month rate is published as a range of rates, the highest rate will be considered the LIBOR (1) Month rate for the purposes of this Agreement. On days when The Wall Street Journal is not published (such as holidays and Sundays), the LIBOR (1) Month rate shall be the LIBOR (1) Month rate stated in the most recently published edition of The Wall Street Journal. Each change in the LIBOR (1) Month rate shall become effective, without notice to Borrower. The Administrative Agent shall calculate the LIBO Rate and such calculation shall be presumed correct absent manifest error. Notwithstanding the foregoing, if the LIBO Rate shall be less than zero, such rate shall be deemed zero for the purposes of this Agreement.

" Lien " means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

“ Loan Documents ” means, collectively, this Agreement, the Notes, the Guaranty, the Security Documents, the Notice of Entire Agreement, the Contribution Agreement, any subordination agreement relating to Subordinated Debt, letter of credit applications and agreements between the Borrower and the Issuing Bank regarding the respective rights and obligations between the Borrower and the Issuing Bank in connection with the issuance of Letters of Credit, all instruments, certificates and agreements now or hereafter executed or delivered to the Administrative Agent or any Lender pursuant to any of the foregoing or in connection with the obligations under this Agreement and the other Loan Documents or any commitment regarding such obligations, and all amendments, modifications, renewals, extensions, increases and rearrangements of, and substitutions for, any of the foregoing. The term “Loan Document” as used herein shall not include any Swap Agreement or agreements governing Banking Services (but the obligations now or hereafter owing to any Lender or any Affiliate of a Lender under a Swap Agreement or agreements governing Banking Services shall nevertheless be secured by all Collateral).

“ Loan Parties ” means the Borrower and each of its Subsidiaries and shall also include each Guarantor.

“ Loans ” means Advance Loans and Revolving Loans, as applicable.

“ Material Adverse Effect ” means a material adverse effect on (a) the business, assets, operations, prospects or condition, financial or otherwise, of the Borrower and its Subsidiaries taken as a whole, (b) the ability of any Loan Party to perform any of its obligations under any Loan Document or (c) the rights of or remedies available to the Lenders under any Loan Document.

“ Material Indebtedness ” means Indebtedness (other than the Loans and Letters of Credit), or obligations in respect of one or more Swap Agreements, of any one or more of the Borrower and any other Loan Party in an aggregate principal amount exceeding $500,000. For purposes of determining Material Indebtedness, the “principal amount” of the obligations in respect of any Swap Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that would be required to be paid if such Swap Agreement were terminated at such time.

“ Moody’s ” means Moody’s Investors Service, Inc.

“ Mortgage ” means a mortgage, deed of trust, assignment of leases and rents, leasehold mortgage or other security document granting a Lien on any Mortgaged Property to secure the Obligations. Each Mortgage shall be satisfactory in form and substance to the Administrative Agent.

“ Mortgaged Property ” means, initially, each parcel of real property and the improvements thereto owned by Borrower and its Subsidiaries, and includes each other parcel of real property and improvements thereto with respect to which a Mortgage is granted pursuant hereto. The Mortgaged Property shall not include any Excluded Assets.

" Multiemployer Plan " means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

" Notes " shall have the meaning assigned to such term in Section 2.02(a) hereof.

" Notice of Entire Agreement " means a notice of entire agreement executed by Borrower, each other Loan Party and the Administrative Agent, as the same may from time to time be amended, modified, supplemented or restated.

" NYFRB " means the Federal Reserve Bank of New York.

" NYFRB Rate " means, for any day, the greater of (a) the Federal Funds Effective Rate in effect on such day and (b) the Overnight Bank Funding Rate in effect on such day (or for any day that is not a Business Day, for the immediately preceding Business Day); provided that if none of such rates are published for any day that is a Business Day, the term "NYFRB Rate" means the rate for a federal funds transaction quoted at 11:00 a.m. on such day received by the Administrative Agent from a Federal funds broker of recognized standing selected by it; provided, further, that if any of the aforesaid rates shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

" Obligations " means, as at any date of determination thereof, the sum of the following: (i) the aggregate principal amount of Loans outstanding hereunder, plus (ii) the aggregate amount of the LC Exposure, plus (iii) all other liabilities, obligations and indebtedness under any Loan Document of Borrower or any other Loan Party, plus (iv) any obligations of Borrower (whether now existing or hereafter arising) under any Swap Agreement entered into with any Lender (or an Affiliate of any Lender) or agreements governing Banking Services entered into with any Lender (or an Affiliate of any Lender); provided, however, that the definition of "Obligations" shall not create any guarantee by any Loan Party of (or grant of security interest by any Loan Party to support, as applicable) any Excluded Swap Obligations of such Loan Party for purposes of determining any obligations of any Loan Party.

" Other Connection Taxes " means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Taxes (other than a connection arising from such Recipient having executed, delivered, enforced, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, or engaged in any other transaction pursuant to, or enforced, any Loan Document, or sold or assigned an interest in any Loan, Letter of Credit or Loan Document).

" Other Taxes " means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 2.18(b)).

“ Overnight Bank Funding Rate ” means, for any day, the rate comprised of both overnight federal funds and overnight eurodollar borrowings by U.S. managed banking offices of depository institutions (as such composite rate shall be determined by the NYFRB as set forth on its public website from time to time) and published on the next succeeding Business Day by the NYFRB as an overnight bank funding rate (from and after such date as the NYFRB shall commence to publish such composite rate).

“ Participant ” has the meaning set forth in Section 9.04 .

“ Patriot Act ” means the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)).

“ PBGC ” means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

“ Permitted Encumbrances ” means:

(a) Liens imposed by law for Taxes that are not yet delinquent or are being contested in compliance with Section 5.05 ;

(b) carriers’, warehousemen’s, mechanics’, materialmen’s, repairmen’s and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than 30 days or are being contested in compliance with Section 5.05 ;

(c) pledges and deposits made in the ordinary course of business in compliance with workers’ compensation, unemployment insurance and other social security laws or regulations;

(d) deposits (including letters of credit) to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds, commodity, currency or other hedges permitted hereunder and other obligations of a like nature, in each case in the ordinary course of business;

(e) judgment liens in respect of judgments that do not constitute an Event of Default under Article VII and pre-judgment Liens created by or existing from any litigation or legal proceedings that are being contested in good faith by appropriate proceedings for which adequate reserves have been made to the extent required by GAAP, and which would not, upon becoming Liens securing judgments for the payment of money, constitute an Event of Default;

(f) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the Borrower or other Loan Party;

(g) Liens in favor of a banking or other financial institution arising as a matter of law or in the ordinary course of business under customary general terms and conditions encumbering deposits or other funds maintained with a financial institution (including the right of set-off) and that are within the general parameters customary in the banking industry or arising pursuant to such banking institution's general terms and conditions;

(h) Liens on specific items of inventory or other goods and proceeds thereof of any Person securing such Person's obligations in respect of bankers' acceptances or letters of credit issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods in the ordinary course of business;

(i) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods; and

(j) Liens encumbering reasonable customary initial deposits and margin deposits and similar Liens attaching to commodity trading accounts or other brokerage accounts incurred in the ordinary course of business and not for speculative purposes.

" Permitted Investments " means:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case maturing within one year from the date of acquisition thereof;

(b) investments in commercial paper maturing within 270 days from the date of acquisition thereof and having, at such date of acquisition, the highest credit rating obtainable from S&P or from Moody's;

(c) investments in certificates of deposit, banker's acceptances and time deposits maturing within 365 days from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of any commercial bank organized under the laws of the United States of America or any State thereof which has a combined capital and surplus and undivided profits of not less than $500,000,000;

(d) fully collateralized repurchase agreements with a term of not more than 30 days for securities described in clause (a) above and entered into with a financial institution satisfying the criteria described in clause (c) above; and

(e) money market funds that (i) comply with the criteria set forth in Securities and Exchange Commission Rule 2a-7 under the Investment Company Act of 1940, (ii) are rated AAA by S&P and Aaa by Moody's and (iii) have portfolio assets of at least $5,000,000,000.

" Permitted Tax Distributions " means for any calendar year or portion thereof during which the Borrower is a pass-through entity for U.S. federal income tax purposes, payments and distributions to the members or partners of the Borrower, (a) in an amount not to exceed the product of (i) the highest combined marginal federal and applicable state and local income tax rates for individuals residing in New York, New York (taking into account the character of the taxable income (e.g., long-term capital gain, qualified dividend income, ordinary income, etc.) and the deductibility of state and local income Taxes), multiplied by (ii) the total aggregate taxable income of the Borrower and its Subsidiaries during the relevant calendar year or portion thereof, calculated without regard to, for clarity any tax deductions or basis adjustments arising under Code Section 743 attributable to the assets of the Borrower or its Subsidiaries, plus (b) amounts due and payable by Borrower or any Subsidiary thereof to Solaris, Inc. pursuant to the Tax Receivable Agreement.

" Person " means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

" Plan " means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Borrower or any other Loan Party or any of their ERISA Affiliates is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

" Qualified ECP Loan Party " means, in respect of any Swap Obligation, each Loan Party that has total assets exceeding $10,000,000 at the time the relevant Guarantee or grant of the relevant security interest becomes or would become effective with respect to such Swap Obligation or such other person as constitutes an "eligible contract participant" under the Commodity Exchange Act or any regulations promulgated thereunder and can cause another person to qualify as an "eligible contract participant" at such time by entering into a keepwell under Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

" Qualifying Owners " means (i) William A. Zartler, or any company of which he is the manager, managing member or otherwise controls, including, but not limited to, Solaris Energy Capital, LLC, (ii) any wife, lineal descendant, legal guardian or other legal representative or estate of the principal member named in clause (i) above; (iii) any trust of which at least one of the trustees is a person described in clauses (i) or (ii) above, (iv) Yorktown Energy Partners X, L.P. and any affiliated funds or investment vehicles managed by Yorktown Partners LLC, (v) Loadcraft Site Services, LLC, (vi) any affiliated funds or investment vehicles managed by any of the persons described in clauses (iv) or (v) above, and (vii) any general partner, managing member, principal or managing director of any of the persons described in clauses (iv) or (v) above.

" Recipient " means, as applicable, (a) the Administrative Agent, (b) any Lender and (c) the Issuing Bank.

" Register " has the meaning set forth in Section 9.04 .

" Related Parties " means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

" Required Lenders " means Lenders having Revolving Exposures, Advance Loans and unused Commitments representing at least 51% of the sum of the total Revolving Exposures, outstanding Advance Loans and unused Commitments at such time; provided that, (x) if there are less than three Lenders, the above described percentage shall be increased to 100% and (y) for the purpose of determining the Required Lenders needed for any waiver, amendment, modification or consent, any Lender that is a Loan Party, or any Affiliate of a Loan Party shall be disregarded.

" Restricted Payment " means (i) any payment or prepayment of any Subordinated Debt or (ii) any dividend or other distribution (whether in cash, securities or other property) with respect to any Equity Interests in the Borrower or other Loan Party, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any Equity Interests in the Borrower or other Loan Party or any option, warrant or other right to acquire any such Equity Interests in the Borrower or other Loan Party. The term "Restricted Payments" as used herein shall include management fees paid to any Person owning any Equity Interests in and to Borrower or any other Loan Party (other than cost reimbursement arrangements) and Permitted Tax Distributions.

" Revolving Availability Period " means the period from and including the Effective Date to but excluding the earlier of the Revolving Maturity Date and the date of termination of the Revolving Commitments.

" Revolving Commitment " means, with respect to each Lender, the commitment, if any, of such Lender to make Revolving Loans and to acquire participations in Letters of Credit hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Revolving Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.07 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04 . The initial amount of each Lender's Revolving Commitment is set forth on Schedule 2.01A , or in the Assignment and Assumption pursuant to which such Lender shall have assumed its Revolving Commitment, as applicable. The initial aggregate amount of the Lenders' Revolving Commitments is $20,000,000.

" Revolving Exposure " means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Revolving Loans and its LC Exposure at such time.

" Revolving Lender " means a Lender with a Revolving Commitment or, if the Revolving Commitments have terminated or expired, a Lender with Revolving Exposure.

" Revolving Loan " means a loan made by the Lenders to the Borrower pursuant to clause (b) of Section 2.01
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" Revolving Maturity Date " means January 19, 2022.

"S&P" means Standard & Poor's Ratings Group.

"Sanctioned Country" means, at any time, a country, region or territory which is the subject or target of any Sanctions (at the time of this Agreement, Cuba, Iran, North Korea, Sudan, Syria and Crimea).

"Sanctioned Person" means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State, (b) any Person operating, organized or resident in a Sanctioned Country or (c) any Person owned or controlled by any such Person or Persons described in the foregoing clauses (a) or (b).

"Sanctions" means all economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State.

"Security Agreements" means, collectively, (i) the Security Agreements dated as of December 1, 2016 executed between Borrower and each of its Domestic Subsidiaries (and such Foreign Subsidiaries as are Guarantors), respectively, and Administrative Agent and (ii) any and all security agreements hereafter executed in favor of Administrative Agent and securing all or any part of the Obligations, as any of them may from time to time be amended, modified, restated or supplemented.

"Security Documents" means, collectively, the Mortgages, the Security Agreements and any and all other agreements, deeds of trust, mortgages, chattel mortgages, security agreements, pledges, guaranties, assignments of production or proceeds of production, assignments of income, assignments of contract rights, assignments of partnership interest, assignments of royalty interests, assignments of performance, completion or surety bonds, standby agreements, subordination agreements, undertakings and other instruments and financing statements now or hereafter executed and delivered as security for the Obligations, as any of them may from time to time be amended, modified, restated or supplemented.

"Senior Leverage Ratio" means, as of any testing day, the ratio of (a) Indebtedness (other than Subordinated Debt) as of such date minus the Cash Adjustment as of such date to (b) EBITDA for the 12 months then ended, determined in each case on a consolidated basis for Solaris Inc. and its Subsidiaries. In the event that any Person becomes a Subsidiary of Borrower (or assets constituting a division or a line of business are acquired) (i) if such Acquisition occurred during the applicable period for which the Senior Leverage Ratio is being determined, EBITDA of such Person for purposes of this definition shall be calculated on a pro forma basis as if such Person had been a Subsidiary of the Borrower (or such assets had been purchased on the first day of such period) for all of such period so long as Administrative Agent has been provided with financial statements (which shall be audited to the extent available) for the most recently ended fiscal year of such Person (or for such assets) and, to the extent available, unaudited financial statements for the most recently ended fiscal quarter or month and (ii) EBITDA shall be increased by an amount, approved in writing by the Administrative Agent, projected by the Borrower in good faith to be equal to the sum of (A) the pro forma effect (assuming such actions were taken on the first day of the relevant calculation period) of actions taken, prior to or during the first four consecutive fiscal quarters both beginning and ending after such Acquisition for the purposes of realizing reasonably identifiable and quantifiable cost savings, and (B) any additional costs incurred prior to or during the first five consecutive fiscal quarters both beginning and ending after such Acquisition in connection with the combination of the operations of the acquired entity with the operations of the Borrower and its Subsidiaries. The Borrower shall furnish to the Administrative Agent supporting calculations for such pro forma adjustment and such other information as the Administrative Agent may reasonably request to determine the accuracy of such calculation.

"Solaris Inc." means Solaris Oilfield Infrastructure, Inc., a Delaware corporation.

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentage (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject for Eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentage shall include those imposed pursuant to such Regulation D. Loans shall be deemed to constitute Eurocurrency fundings and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Subordinated Debt" means all Indebtedness of a Person which has been subordinated on terms and conditions satisfactory to the Administrative Agent and the Required Lenders, in their sole discretion, to all of the Obligations, whether now existing or hereafter incurred. Indebtedness shall not be considered as "Subordinated Debt" unless and until the Administrative Agent shall have received copies of the documentation evidencing or relating to such Indebtedness together with a subordination agreement, in form and substance satisfactory to the Required Lenders, duly executed by the holder or holders of such Indebtedness and evidencing the terms and conditions of the required subordination.

"Subordinated Debt Documents" means any indenture or note under which any Subordinated Debt is issued and all other instruments, agreements and other documents evidencing or governing any Subordinated Debt or providing for any Guarantee or other right in respect thereof.

"Subsidiary" means, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, Controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more Subsidiaries of the parent or by the parent and one or more Subsidiaries of the parent.

" Swap Agreement " means any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; provided that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of the Borrower or its Subsidiaries shall be a Swap Agreement.

" Swap Obligation " means, with respect to any Loan Party, any obligation to pay or perform under any agreement, contract or transaction that constitutes a "swap" within the meaning of section 1a(47) of the Commodity Exchange Act.

" Taxes " means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), value added taxes, or any other goods and services, use or sales taxes, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

" Tax Receivable Agreement " means the Tax Receivable Agreement dated as of May 17, 2017 by and among Solaris Inc. and the other parties thereto and any similar agreement entered into by Solaris Inc. after the date hereof.

" Total Leverage Ratio " means, as of any testing day, the ratio of (a) Indebtedness (including Subordinated Debt) as of such date minus the Cash Adjustment as of such date to (b) EBITDA for the 12 months then ended, determined in each case on a consolidated basis for Solaris Inc. and its Subsidiaries. In the event that any Person becomes a Subsidiary of Borrower (or assets constituting a division or a line of business are acquired) (i) is such Acquisition occurred during the applicable period for which the Total Leverage Ratio is being determined, EBITDA of such Person for purposes of this definition shall be calculated on a pro forma basis as if such Person had been a Subsidiary of the Borrower (or such assets had been purchased on the first day of such period) for all of such period so long as Administrative Agent has been provided with financial statements (which shall be audited to the extent available) for the most recently ended fiscal year of such Person (or for such assets) and, to the extent available, unaudited financial statements for the most recently ended fiscal quarter or month and (ii) EBITDA shall be increased by an amount, approved in writing by the Administrative Agent, projected by the Borrower in good faith to be equal to the sum of (A) the pro forma effect (assuming such actions were taken on the first day of the relevant calculation period) of actions taken, prior to or during the first four consecutive fiscal quarters both beginning and ending after such Acquisition for the purposes of realizing reasonably identifiable and quantifiable cost savings, and (B) any additional costs incurred prior to or during the first five consecutive fiscal quarters both beginning and ending after such Acquisition in connection with the combination of the operations of the acquired entity with the operations of the Borrower and its Subsidiaries. The Borrower shall furnish to the Administrative Agent supporting calculations for such pro forma adjustment and such other information as the Administrative Agent may reasonably request to determine the accuracy of such calculation.

" Total Revolving Exposure " means the sum of the outstanding principal amount of all Lenders' Revolving Loans and their LC Exposure at such time.

" Transactions " means (a) the execution, delivery and performance by each Loan Party of the Loan Documents to which it is to be a party, the borrowing of Loans, the use of the proceeds thereof and the issuance of Letters of Credit hereunder and (b) the execution, delivery and performance by each Loan Party of each other document and instrument required to satisfy the conditions precedent to the initial Loan hereunder, including without limitation all applicable Subordinated Debt Documents and all documents and instruments relating to any required equity contribution.

" UCC " means the Uniform Commercial Code in effect from time to time in the State of Texas.

" U.S. Person " means a "United States person" within the meaning of Section 7701(a)(30) of the Code.

" U.S. Tax Compliance Certificate " has the meaning assigned to such term in Section 2.16(f)(ii)(B)(3) .

" Withdrawal Liability " means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02 Classification of Loans and Borrowings . For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a "Revolving Loan"). Borrowings also may be classified and referred to by Class (e.g. a "Revolving Borrowing").

SECTION 1.03 Terms Generally . The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, Accounts and contract rights.

SECTION 1.04 Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith. For purposes of determining compliance with any provision of this Agreement, the determination of whether a lease is to be treated as an operating lease or capital lease shall be made without giving effect to any change in accounting for leases pursuant to GAAP resulting from the implementation of proposed Accounting Standards Update (ASU) Leases (Topic 842) issued May 16, 2013, or any successor proposal. Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made (i) without giving effect to any election under Accounting Standards Codification 825-10-25 (or any other Accounting Standards Codification or Financial Accounting Standard having a similar result or effect) to value any Indebtedness or other liabilities of any Loan Party at "fair value", as defined therein and (ii) without giving effect to any treatment of Indebtedness in respect of convertible debt instruments under Accounting Standards Codification 470-20 (or any other Accounting Standards Codification or Financial Accounting Standard having a similar result or effect) to value any such Indebtedness in a reduced or bifurcated manner as described therein, and such Indebtedness shall at all times be valued at the full stated principal amount thereof.

ARTICLE II

The Credits

SECTION 2.01 Commitments. Subject to the terms and conditions set forth herein, each Lender agrees (a) to make Advance Loans to the Borrower from time to time during the Advance Loan Availability Period in an aggregate principal amount not exceeding such Lender's Advance

Loan Commitment, and (b) to make Revolving Loans to the Borrower from time to time during the Revolving Availability Period in an aggregate principal amount that will not result in (i) such Lender's Revolving Exposure exceeding such Lender's Revolving Commitment or (ii) the Total Revolving Exposure exceeding the lesser of (x) the aggregate of all Lenders' Revolving Commitments or (y) the then current Borrowing Base. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Revolving Loans. Amounts repaid in respect of Advance Loans may not be reborrowed.

SECTION 2.02 Loans and Borrowings.

(a) Each Loan shall be made as part of a Borrowing consisting of Loans of the same Class made by the Lenders ratably in accordance with their respective Commitments of the applicable Class. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required. The Loans made by each Lender shall be evidenced by a single Note of Borrower (each, together with all renewals, extensions, modifications and replacements thereof and substitutions therefor, a "Note," collectively, the "Notes") in substantially the forms of Exhibit C-1 (Revolving Loans) and Exhibit C-2 (Advance Loans), respectively, payable to such Lender in a principal amount equal to the applicable Commitment of such Lender with respect to Revolving Loans and Advance Loans, and otherwise duly completed. Each Lender is hereby authorized by Borrower to endorse on the schedule (or a continuation thereof) that may be attached to each Note of such Lender, to the extent applicable, the date, amount, type of and the applicable period of interest for each Loan made by such Lender to Borrower hereunder, and the amount of each payment or prepayment of principal of such Loan received by such Lender, provided, that any failure by such Lender to make any such endorsement shall not affect the obligations of Borrower under such Note or hereunder in respect of such Loan.

(b) At the time that each Revolving Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of $100,000; provided that a Revolving Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Revolving Commitments or that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.04(e). Advance Loan Borrowings may be made in an aggregate amount for each such loan that is an integral multiple of $100,000 subject to any other limitations provided for in this Agreement.

SECTION 2.03 Requests for Borrowings. To request a Revolving Borrowing or Advance Loan Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone or email not later than 11:00 a.m., Houston, Texas time, two (2) Business Days before the date of the proposed Borrowing; provided that any such notice of a Revolving Borrowing to finance the reimbursement of an LC Disbursement as contemplated by Section 2.04(e) may be given not later than 2:00 p.m., Houston, Texas time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery, telecopy or email to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02 :

(i) whether the requested Borrowing is to be a Revolving Borrowing or Advance Loan Borrowing;

(ii) the aggregate amount of such Borrowing;

(iii) the date of such Borrowing, which shall be a Business Day; and

(iv) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.05 .

Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

SECTION 2.04 Letters of Credit .

(a) General . Subject to the terms and conditions set forth herein, the Borrower may request the issuance of Letters of Credit as the applicant thereof for the support of its or its Subsidiaries' obligations, in a form reasonably acceptable to the Administrative Agent and the Issuing Bank, at any time and from time to time during the Revolving Availability Period. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, the Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control. Notwithstanding anything herein to the contrary, the Issuing Bank shall have no obligation hereunder to issue, and shall not issue, any Letter of Credit the proceeds of which would be made available to any Person (i) to fund any activity or business of or with any Sanctioned Person, or in any country or territory that, at the time of such funding, is the subject of any Sanctions or (ii) in any manner that would result in a violation of any Sanctions by any party to this Agreement.

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions . To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall hand deliver, telecopy or email to the Issuing Bank and the Administrative Agent (at least five (5) Business Days in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with Section 2.04(c)), the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by the Issuing Bank, the Borrower also shall submit a letter of credit application on the

Issuing Bank's standard form in connection with any request for a Letter of Credit. The Issuing Bank shall accept or reject all Letter of Credit requests within five (5) Business Days of receipt thereof. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension (i) the aggregate undrawn amount of all outstanding Letters of Credit issued by the Issuing Bank at such time plus (y) the aggregate amount of all LC Disbursements made the Issuing Bank that have not yet been reimbursed by or on behalf of the Borrower at such time shall not exceed its Letter of Credit Commitment, (ii) no Lender's Revolving Exposure shall exceed its Revolving Commitment and (iii) the Total Revolving Exposure shall not exceed the lesser of (x) the total Revolving Commitments or (y) the then current Borrowing Base. The Borrower may, at any time and from time to time, reduce the Letter of Credit Commitment with the consent of the Issuing Bank; provided that the Borrower shall not reduce the Letter of Credit Commitment if, after giving effect of such reduction, the conditions set forth in clauses (i) through (iii) above shall not be satisfied.

(c) Expiration Date. Each Letter of Credit shall expire (or be subject to termination by notice from the Issuing Bank to the beneficiary thereof) at or prior to the close of business on the earlier of (i) the date one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension) and (ii) the date that is five (5) Business Days prior to the Revolving Maturity Date.

(d) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the Issuing Bank or the Lenders, the Issuing Bank hereby grants to each Revolving Lender, and each Revolving Lender hereby acquires from the Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Revolving Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the Issuing Bank, such Lender's Applicable Percentage of each LC Disbursement made by the Issuing Bank and not reimbursed by the Borrower on the date due as provided in Section 2.04(e), or of any reimbursement payment required to be refunded to the Borrower for any reason. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this Section 2.04(d) in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If the Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the Borrower shall reimburse such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement not later than 2:00 p.m., Houston, Texas time, on the date that such LC Disbursement is made, if the Borrower shall have received notice of such LC Disbursement prior to 10:00 a.m., Houston, Texas time, on such date, or, if such notice has not been received by the Borrower prior to such time on such date, then not later than 2:00 p.m., Houston, Texas time, on (i) the Business Day that the Borrower receives such notice, if such notice is received prior to 10:00 a.m., Houston, Texas time, on the day of receipt, or (ii) the Business Day immediately following the day that the Borrower receives such notice, if such notice is not received prior to such time on the day of receipt; provided that the Borrower may, subject to the conditions to borrowing set forth in Section 4.03 of this Agreement, request in accordance with Section 2.03 of this Agreement that such payment be financed with a Revolving Borrowing in an equivalent amount and, to the extent so financed, the Borrower's obligation to make such payment shall be discharged and replaced by the resulting Revolving Borrowing. If the Borrower fails to make such payment when due, the Administrative Agent shall notify each Revolving Lender of the applicable LC Disbursement, the payment then due from the Borrower in respect thereof and such Lender's Applicable Percentage thereof. Promptly following receipt of such notice, each Revolving Lender shall pay to the Administrative Agent its Applicable Percentage of the payment then due from the Borrower, in the same manner as provided in Section 2.05 with respect to Loans made by such Lender (and Section 2.05 shall apply, mutatis mutandis, to the payment obligations of the Revolving Lenders), and the Administrative Agent shall promptly pay to the Issuing Bank the amounts so received by it from the Revolving Lenders. Promptly following receipt by the Administrative Agent of any payment from the Borrower pursuant to this Section 2.04(e) , the Administrative Agent shall distribute such payment to the Issuing Bank or, to the extent that Revolving Lenders have made payments pursuant to this Section 2.04(e) to reimburse the Issuing Bank, then to such Lenders and the Issuing Bank as their interests may appear. Any payment made by a Revolving Lender pursuant to this Section 2.04(e) to reimburse the Issuing Bank for any LC Disbursement (other than the funding of Revolving Loans as contemplated above) shall not constitute a Loan and shall not relieve the Borrower of its obligation to reimburse such LC Disbursement.

(f) Obligations Absolute . The Borrower's obligation to reimburse LC Disbursements as provided in Section 2.04(e) shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by the Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Borrower's obligations hereunder. Neither the Administrative Agent, the Lenders nor the Issuing Bank, nor any of their Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Issuing Bank; provided that the foregoing shall not be construed to excuse the Issuing Bank from liability to the Borrower to the extent of any direct damages (as opposed to special, indirect, consequential or punitive damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by the Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of the Issuing Bank (as finally determined by a court of competent jurisdiction), the Issuing Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures. The Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The Issuing Bank shall promptly notify the Administrative Agent and the Borrower by telephone (confirmed by telecopy) of such demand for payment and whether the Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse the Issuing Bank and the Revolving Lenders with respect to any such LC Disbursement.

(h) Interim Interest. If the Issuing Bank shall make any LC Disbursement, then, unless the Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the reimbursement is due and payable at the rate per annum then applicable to Loans and such interest shall be due and payable on the date when such reimbursement is payable; provided that, if the Borrower fails to reimburse such LC Disbursement when due pursuant to Section 2.04(e), then Section 2.12(b) shall apply. Interest accrued pursuant to this Section 2.04(h) shall be for the account of the Issuing Bank, except that interest accrued on and after the date of payment by any Revolving Lender pursuant to Section 2.04(e) to reimburse the Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Replacement of the Issuing Bank. The Issuing Bank may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Lenders of any such replacement of the Issuing Bank. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 2.11(b). From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of the Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(j) Cash Collateralization. If any Event of Default shall occur and be continuing, on the Business Day that the Borrower receives notice from the Administrative Agent or the Required Lenders (or, if the maturity of the Loans has been accelerated, Revolving Lenders with LC Exposure representing greater than 51% of the total LC Exposure) demanding the deposit of cash collateral pursuant to this Section 2.04(j), the Borrower shall deposit in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Lenders, an amount in cash equal to the LC Exposure as of such date plus any accrued and unpaid interest thereon; provided that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default described in clauses (g) or (h) of Article VII. The Borrower also shall deposit cash collateral pursuant to this Section 2.04(j) as and to the extent required by Section 2.10(b). Each such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the obligations of the Borrower under this Agreement. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest earned on the investment of such deposits, which investments shall be made (consistent with the goal of preservation of capital) at the option and sole discretion of the Administrative Agent and at the Borrower's risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Borrower for the LC Exposure at such time or, if the maturity of the Loans has been accelerated (but subject to the consent of Revolving Lenders with LC Exposure representing greater than 51% of the total LC Exposure), be applied to satisfy other obligations of the Borrower under this Agreement. If the Borrower is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to the Borrower within three (3) Business Days after all Events of Default have been cured or waived. If the Borrower is required to provide an amount of cash collateral hereunder pursuant to Section 2.10(b), such amount (to the extent not applied as aforesaid) shall be returned to the Borrower as and to the extent that, after giving effect to such return, the Borrower would remain in compliance with Section 2.10(b) and no Default shall have occurred and be continuing.

(k) Subject to the appointment and acceptance of a successor Issuing Bank, the Issuing Bank may resign as the Issuing Bank at any time upon thirty days' prior written notice to the Administrative Agent, the Borrower and the Lenders, in which case, such Issuing Bank shall be replaced in accordance with Section 2.04(i) above.

SECTION 2.05 Funding of Borrowings .

(a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof solely by wire transfer of immediately available funds by 12:00 noon, Houston, Texas time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders. Except in respect of the provisions of this Agreement covering the reimbursement of Letters of Credit, the Administrative Agent will make such Loans available to the Borrower by promptly crediting the funds so received in the aforesaid account of the Administrative Agent to an account of the Borrower maintained with the Administrative Agent in Houston, Texas and designated by the Borrower in the applicable Borrowing Request; provided that Revolving Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.04(e) shall be remitted by the Administrative Agent to the Issuing Bank.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.05(a) and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. If a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of the Borrower, the interest rate applicable to Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.06 [Intentionally Left Blank] .

SECTION 2.07 Termination and Reduction and Increase of Commitments .

(a) Unless previously terminated, (i) the Advance Loan Commitments shall be reduced by the amount of any Advance Loans made and shall terminate at 5:00 p.m., Houston, Texas time on the last day of the Advance Loan Availability Period and (ii) the Revolving Commitments shall terminate on the Revolving Maturity Date.

(b) T he Borrower may at any time terminate, or from time to time reduce, the Commitments of any Class; provided that (i) each reduction of the Commitments of any Class shall be in an amount that is an integral multiple of $500,000 and (ii) the Borrower shall not terminate or reduce the Revolving Commitments if, after giving effect to any concurrent prepayment of the Revolving Loans in accordance with Section 2.10, the Total Revolving Exposure would exceed the lesser of (x) the total Revolving Commitments or (y) the then current Borrowing Base.

(c) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under Section 2.07(b) , at least three (3) Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; provided that a notice of termination of the Revolving Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments of any Class shall be permanent. Each reduction of the Commitments of any Class shall be made ratably among the Lenders in accordance with their respective Commitments of such Class.

(d) At any time prior to the expiration of the Revolving Availability Period, and so long as no Default or Event of Default shall have occurred which is continuing, the Borrower may elect to increase the aggregate of the Revolving Commitments to an amount not exceeding $30,000,000 minus any reductions in the Revolving Commitments pursuant to Section 2.07(b) , provided that (i) the Borrower shall give at least fifteen (15) Business Days' prior written notice of such increase to the Administrative Agent and each existing Lender, (ii) each existing Lender shall have the right (but not the obligation) to subscribe to its pro rata share of the proposed increase in the Revolving Commitments by giving written notice of such election to the Borrower and the Administrative Agent within ten (10) Business Days after receipt of a notice from the Borrower as above described and only if an existing Lender does not exercise such election may the Borrower elect to add a new Lender, (iii) no Lender shall be required to increase its Revolving Commitment unless it shall have expressly agreed to such increase in writing, (iv) the addition of new Lenders shall be subject to the terms and provisions of Section 9.04 as if such new Lenders were acquiring an interest in the Loans by assignment from an existing Lender (to the extent applicable, i.e., required approvals, minimum amounts and the like), (v) the Borrower shall execute and deliver such additional or replacement Notes and such other documentation (including evidence of proper authorization) as may be reasonably requested by the Administrative Agent, any new Lender or any Lender which is increasing its Revolving Commitment, (vi) no Lender shall have any right to decrease its Revolving Commitment as a result of such increase of the aggregate amount of the Revolving Commitments, (vii) the Administrative Agent shall have no obligation to arrange, find or locate any Lender or new bank or financial institution to participate in any unsubscribed portion of such increase in the aggregate committed amount of the Revolving Commitments, (viii) such option to increase the Revolving Commitments may only be exercised once and (ix) **the consent of all Lenders shall be required for any increase of such Lender's Revolving Commitment (such consent to be given or denied in its sole discretion and subject to such terms as it may then require)** . The Borrower shall be required to pay (or to reimburse each applicable Lender for) any breakage costs incurred by any Lender in connection with the need to reallocate existing Loans among the Lenders following any increase in the Revolving Commitments pursuant to this provision.

SECTION 2.08 Repayment of Loans; Evidence of Debt.

(a) The Borrower hereby unconditionally promises to pay (i) to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Revolving Loan of such Lender on the Revolving Maturity Date and (ii) to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Advance Loan of such Lender as provided in Section 2.09.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the Indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder and the Class thereof, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to Sections 2.08(b) or 2.08(c) shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

SECTION 2.09 Amortization of Advance Loans.

(a) On April 5, 2019 and on the fifth (5th) day of each calendar month thereafter prior to the Advance Loan Maturity Date, the Borrower shall repay Advance Loan Borrowings in the aggregate principal amount equal to 1/33rd of the aggregate unpaid principal balance of the Advance Loans as of the last day of the Advance Loan Availability Period.

(b) To the extent not previously paid, all Advance Loans shall be due and payable on the Advance Loan Maturity Date.

(c) Each repayment of a Borrowing shall be applied ratably to the Loans included in the repaid Borrowing. Repayments of Advance Loan Borrowings shall be accompanied by accrued interest on the amount repaid.

SECTION 2.10 Prepayment of Loans .

(a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to the requirements of this Section. Each prepayment of an Advance Loan shall be in an amount equal to the lesser of the entire unpaid principal balance of the Advance Loans or an integral multiple of $100,000. Each prepayment of an Advance Loan shall require at least three (3) Business Days' advance written notice to the Administrative Agent and such notice shall be deemed to satisfy the notice required pursuant to Section 2.10(e) of this Agreement.

(b) In the event and on such occasion that the sum of the Revolving Exposures exceeds the lesser of (x) the total Revolving Commitments or (y) the then current Borrowing Base, the Borrower shall prepay Revolving Borrowings (or, if no such Borrowings are outstanding, deposit cash collateral in an account with the Administrative Agent pursuant to Section 2.04(j)) in an aggregate amount equal to such excess.

(c) Any prepayment of an Advance Loan Borrowing shall be applied to reduce all of the subsequent scheduled repayments of the Advance Loan Borrowings in inverse order of their maturity.

(d) Prior to any optional or mandatory prepayment of Borrowings hereunder, the Borrower shall select the Borrowing or Borrowings to be prepaid and shall specify such selection in the notice of such prepayment pursuant to this Section.

(e) The Borrower shall notify the Administrative Agent by email or telephone (confirmed by telecopy) of any prepayment hereunder not later than 11:00 a.m., Houston, Texas time, one (1) Business Day before the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date, the principal amount of each Borrowing or portion thereof to be prepaid and, in the case of a mandatory prepayment, a reasonably detailed calculation of the amount of such prepayment; provided that, if a notice of optional prepayment is given in connection with a conditional notice of termination of the Revolving Commitments as contemplated by Section 2.07 , then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.07 . Promptly following receipt of any such notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Borrowing shall be in an amount that would be permitted in the case of an advance of a Borrowing as provided in Section 2.02 , except as necessary to apply fully the required amount of a mandatory prepayment.

(f) All Swap Agreements and agreements governing Banking Services between Borrower and any Lender (or any Affiliate of a Lender) are independent agreements governed by the written provisions of said Swap Agreements and said agreements governing Banking Services, which will remain in full force and effect, unaffected by any repayment, prepayment, acceleration, reduction, increase or change in the terms of the Obligations, except as otherwise expressly provided in said Swap Agreements and said agreements governing Banking Services, and any payoff statement relating to the Obligations shall not apply to said Swap Agreements or agreements governing Banking Services except as otherwise expressly provided in such payoff statement.

SECTION 2.11 Fees .

(a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a commitment fee, which shall accrue at the Applicable Commitment Fee on the average daily unused amount of the Revolving Commitment of such Lender during the period from and including the date hereof to but excluding the date on which such Revolving Commitment terminates. Accrued commitment fees shall be payable in arrears on the 5th day of each March, June, September and December (commencing on March 5, 2018) and on the date on which the Revolving Commitments terminate. All commitment fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day). For purposes of computing such commitment fees, a Revolving Commitment of a Lender shall be deemed to be used to the extent of the outstanding Revolving Loans and LC Exposure of such Lender for purposes of calculating fees due under this Section 2.11(a)).

(b) The Borrower agrees to pay (i) to the Administrative Agent for the account of each Revolving Lender a participation fee with respect to its participations in Letters of Credit, which shall accrue at the same Applicable Rate used to determine the interest rate applicable to Loans on the average daily amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date on which such Lender's Revolving Commitment terminates and the date on which such Lender ceases to have any LC Exposure (provided, however, that in no event shall the per annum fee for any single Letter of Credit be less than $500, payable quarterly in arrears in installments of $125 per quarter) and (ii) at any time or times that there shall be two or more Lenders, to the Issuing Bank a fronting fee, which shall accrue at the rate of 0.125% per annum on the average daily amount of the LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date of termination of the Revolving Commitments and the date on which there ceases to be any LC Exposure, as well as the Issuing Bank's standard fees with respect to the amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Participation fees and fronting fees shall be payable in arrears on the 5th day of each March, June, September and December (commencing on March 5, 2018); provided that all such fees shall be payable on the date on which the Revolving Commitments terminate and any such fees accruing after the date on which the Revolving Commitments terminate shall be payable on demand. Any other fees payable to the Issuing Bank pursuant to this Section 2.11(b) shall be payable within 10 Business Days after demand. All participation fees and fronting fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) If any payment required hereunder is more than ten (10) days late, Borrower will (subject to the provisions of Section 9.12 hereof) pay a delinquency charge in an amount equal to the greater of (i) 5.00% of the delinquent payment up to the maximum amount of $1,500 or (ii) $25.00.

(d) The Borrower agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Borrower and the Administrative Agent.

(e) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent (or to the Issuing Bank, in the case of fees payable to it) for distribution, in the case of commitment fees and participation fees, to the Lenders entitled thereto. Fees paid shall not be refundable under any circumstances.

SECTION 2.12 Interest .

(a) The Loans shall bear interest at the lesser of (i) the Adjusted LIBO Rate plus the Applicable Rate or (ii) the Ceiling Rate.

(b) Notwithstanding the foregoing, if any Event of Default has occurred which is continuing:

(i) any overdue amount shall bear interest per annum that is (x) in the case of overdue principal, the rate that would otherwise be applicable thereto plus 5%, not to exceed the Ceiling Rate, or (y) in the case of any other overdue amount, including overdue interest, to the extent permitted by applicable law, the rate applicable to Loans plus 5%, not to exceed the Ceiling Rate (in each case, after as well as before judgment); and

(ii) at the election of the Required Lenders, the entire unpaid principal balance of the Loans shall bear interest at the rate that would otherwise be applicable thereto plus 5%, not to exceed the Ceiling Rate (in each case, after as well as before judgment).

(c) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and, in the case of Revolving Loans, upon termination of the Revolving Commitments; provided that (i) interest accrued pursuant to Section 2.12(b) shall be payable on demand, and (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of a Revolving Loan prior to the end of the Revolving Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment.

(d) All interest hereunder shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable LIBO Rate shall be calculated by the Administrative Agent, and such calculation shall be presumed correct absent manifest error.

SECTION 2.13 [Intentionally Left Blank] .

SECTION 2.14 [Intentionally Left Blank] .

SECTION 2.15 [Intentionally Left Blank] .

SECTION 2.16 Taxes .

(a) Any and all payments by or on account of any obligation of any Loan Party under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion of an applicable withholding agent) requires the deduction or withholding of any Tax from any such payment by a withholding agent, then the applicable withholding agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by the applicable Loan Party shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(b) The Loan Parties shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it for, Other Taxes.

(c) As soon as practicable after any payment of Taxes by any Loan Party to a Governmental Authority pursuant to this Section, such Loan Party shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(d) The Borrower shall indemnify each Recipient, within 10 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(e) Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that the Borrower has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Borrower to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 9.04(c) relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to such Lender from any other source against any amount due to the Administrative Agent under this Section 2.16(e).

(f) (i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation as reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Sections 2.16(f)(ii)(A), (ii)(B), (ii)(C) and (ii)(D) below) shall not be required if in the relevant Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing, in the event that the Borrower is a U.S. Person:

(A) any Lender that is a U.S. Person shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable:

(1) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed originals of IRS Form W-8BEN-E or IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN-E or IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(2) in the case of a Foreign Lender claiming that interest paid under this Agreement is exempt from United States withholding Tax because it is effectively connected with a United States trade or business of such Foreign Lender, executed originals of IRS Form W-8ECI;

(3) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form of Exhibit E-1 to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code (a " U.S. Tax Compliance Certificate ") and (y) executed originals of IRS Form W-8BEN-E, IRS Form W-8BEN, IRS Form W-8EXP or Form W-8IMY (with proper attachments as applicable); or

(4) to the extent a Foreign Lender is not the beneficial owner, executed originals of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN-E, IRS Form W-8BEN, IRS Form W-8EXP, a U.S. Tax Compliance Certificate substantially in the form of Exhibit E-2 or Exhibit E-3 , IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if such Foreign Lender is a partnership and one or

more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit E-4 on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(g) If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section (including by the payment of additional amounts pursuant to this Section), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this Section 2.16(g) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this Section 2.16(g), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this Section 2.16(g) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(h) Each party's obligations under this Section shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Loan Document.

(i) For purposes of this Section, the term "Lender" includes any Issuing Bank and the term "applicable law" includes FATCA.

SECTION 2.17 Payments Generally; Pro Rata Treatment; Sharing of Set-offs.

(a) The Borrower shall make each payment required to be made by it hereunder or under any other Loan Document (whether of principal, interest, fees or reimbursement of LC Disbursements, or of amounts payable under Section 2.16, or otherwise) by the time expressly required hereunder or under such other Loan Document for such payment (or, if no such time is expressly required, prior to 2:00 p.m., Houston, Texas time), on the date when due, in immediately available funds, without set off, deduction or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at Woodforest National Bank-Loan Operations, P.O. Box 7889, The Woodlands, TX 77387-7889, except payments to be made directly to the Issuing Bank as expressly provided herein and except that payments pursuant to Sections 2.16 and 9.03 shall be made directly to the Persons entitled thereto and payments pursuant to other Loan Documents shall be made to the Persons specified therein. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment under any Loan Document shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments under each Loan Document shall be made in dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees and other Obligations then due, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal and unreimbursed LC Disbursements and other Obligations then due, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements and other Obligations then due to such parties.

(c) If any Lender shall, by exercising any right of set off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Revolving Loans, Advance Loans or participations in LC Disbursements, resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Loans, Advance Loans and participations in LC Disbursements and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans, Advance Loans and participations in LC Disbursements of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans, Advance Loans and participations in LC Disbursements; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this Section 2.17(c) shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements to any assignee or participant, other than to the Borrower or any other Loan Party or Affiliate thereof (as to which the provisions of this Section 2.17(c) shall apply). Each Lender agrees that it will not exercise any right of set-off or counterclaim or otherwise obtain payment in respect of any Obligation owed to it other than principal of and interest accruing on the Loans and participations in the LC Disbursements, unless all of the outstanding principal of and accrued interest on the Loans and LC Disbursements have been paid in full. The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or the Issuing Bank hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the Issuing Bank, as the case may be, the amount due. If the Borrower has not in fact made such payment when due, then each of the Lenders or the Issuing Bank, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to this Agreement, then the Administrative Agent may, in its discretion (and notwithstanding any contrary provision hereof), (i) apply any amounts thereafter received by the Administrative Agent for the account of such Lender for the benefit of the Administrative Agent to satisfy such Lender's obligations to it under this Agreement until all such unsatisfied obligations are fully paid, and/or (ii) hold any such amounts in a segregated account as cash collateral for, and application to, any future funding obligations of such Lender under this Agreement, in the case of each of clauses (i) and (ii) above, in any order as determined by the Administrative Agent in its discretion.

(f) Notwithstanding the foregoing, amounts received from any Loan Party that is not a Qualified ECP Loan Party shall not be applied to any Excluded Swap Obligation of such Loan Party.

SECTION 2.18 Mitigation Obligations; Replacement of Lenders.

(a) If the Borrower is required to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.16, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or Affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.16 in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If the Borrower is required to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.16, or if any Lender becomes a Defaulting Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 9.04), all its interests, rights (other than its existing rights to payments pursuant to Section 2.16) and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Borrower shall have received the prior written consent of the Administrative Agent (and, if a Revolving Commitment is being assigned, the Issuing Bank), which consent shall not unreasonably be withheld, (ii) such assignor Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in LC Disbursements, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from payments required to be made pursuant to Section 2.16 , such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

SECTION 2.19 [Intentionally Left Blank] .

SECTION 2.20 Defaulting Lender . Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(a) fees shall cease to accrue on the unfunded portion of any Commitment of such Defaulting Lender pursuant to this Agreement;

(b) the Commitments and Revolving Exposure of such Defaulting Lender shall not be included in determining whether the Required Lenders have taken or may take any action hereunder (including any consent to any amendment, waiver or other modification pursuant to Section 9.02); provided, that in the case of an amendment, waiver or other modification requiring the consent of all Lenders or of each Lender affected thereby, the Defaulting Lender's consent shall be only be required with respect to (i) a proposed increase or extension of such Defaulting Lender's Commitments and (ii) a proposed reduction or excuse, or a proposed postponement of the scheduled date of payment, of the principal amount of, or interest or fees payable on, any Loans or LC Disbursements as to any such Defaulting Lender;

(c) if any LC Exposure exists at the time a Lender becomes a Defaulting Lender then:

(i) all or any part of the LC Exposure of such Defaulting Lender shall be reallocated among the non-Defaulting Lenders in accordance with their respective Applicable Percentages but only (x) to the extent that such reallocation does not, as to any non-Defaulting Lender, cause such non-Defaulting Lender's Revolving Exposure to exceed its Commitment and (y) if the condition set forth in Section 4.03 are satisfied at that time;

(ii) if the reallocation described in clause (i) above cannot, or can only partially, be effected, the Borrower shall within one (1) Business Day following notice by the Administrative Agent, cash collateralize for the benefit of the Issuing Bank only the Borrower's obligations corresponding to such Defaulting Lender's LC Exposure (after giving effect to any partial reallocation pursuant to clause (i) above) in accordance with the procedures set forth in Section 2.04(j) for so long as such LC Exposure is outstanding;

(iii) if the Borrower cash collateralizes any portion of such Defaulting Lender's LC Exposure pursuant to this Section 2.20(c) , the Borrower shall not be required to pay any fees to such Defaulting Lender pursuant to Section 2.11 with respect to such Defaulting Lender's LC Exposure during the period such Defaulting Lender's LC Exposure is cash collateralized;

(iv) if the LC Exposure of the non-Defaulting Lenders is reallocated pursuant to this Section 2.20(c) , then the fees payable to the Lenders pursuant to Section 2.11 shall be adjusted in accordance with such non-Defaulting Lenders' Applicable Percentages; and

(v) if all or any portion of such Defaulting Lender's LC Exposure is neither cash collateralized nor reallocated pursuant to this Section 2.20(c) , then, without prejudice to any rights or remedies of the Issuing Bank or any Lender hereunder, all fees that otherwise would have been payable to such Defaulting Lender (solely with respect to the portion of such Defaulting Lender's Commitments that were utilized by such LC Exposure and any applicable letter of credit fees) with respect to such Defaulting Lender's LC Exposure shall be payable to the Issuing Bank until and to the extent that such LC Exposure is cash collateralized and/or reallocated; and

(d) so long as any Lender is a Defaulting Lender, the Issuing Bank shall not be required to issue, amend or increase any Letter of Credit, unless it is satisfied that the related exposure and each Defaulting Lender's then outstanding LC Exposure will be 100% covered by the Revolving Commitments of the non-Defaulting Lenders and/or cash collateral will be provided by the Borrower in accordance with Section 2.20(c) , and LC Exposure related to any newly issued or increased Letter of Credit shall be allocated among non-Defaulting Lenders in a manner consistent with Section 2.20(c)(i) (and Defaulting Lenders shall not participate therein).

If (i) a Bankruptcy Event with respect to any Lender Parent shall occur following the date hereof and for so long as such event shall continue or (ii) the Issuing Bank has a good faith belief that any Lender has defaulted in fulfilling its obligations under one or more other agreements in which such Lender commits to extend credit, the Issuing Bank shall not be required to issue, amend or increase any Letter of Credit, unless the Issuing Bank shall have entered into arrangements with the Borrower or such Lender, satisfactory to the Issuing Bank to defease any risk to it in respect of such Lender hereunder.

In the event that the Administrative Agent, the Borrower and the Issuing Bank each agrees that a Defaulting Lender has adequately remedied all matters that caused such Lender to be a Defaulting Lender, then the LC Exposure of the Lenders shall be readjusted to reflect the inclusion of such Lender's Revolving Commitment and on such date such Lender shall purchase at par such of the Loans of the other Lenders as the Administrative Agent shall determine may be necessary in order for such Lender to hold such Loans in accordance with its Applicable Percentage.

ARTICLE III

Representations and Warranties

The Borrower represents and warrants to the Lenders that:

SECTION 3.01 Organization; Powers. Each of the Borrower and the other applicable Loan Parties is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so would not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

SECTION 3.02 Authorization; Enforceability. The Transactions to be entered into by each Loan Party are within such Loan Party's powers and have been duly authorized by all necessary corporate or limited liability company action. This Agreement has been duly executed and delivered by the Borrower and constitutes, and each other Loan Document to which any Loan Party is to be a party, when executed and delivered by such Loan Party, will constitute, a legal, valid and binding obligation of the Borrower or such Loan Party (as the case may be), enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 3.03 Governmental Approvals; No Conflicts. The Transactions (a) do not require any material consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect and except filings necessary to perfect Liens created under the Loan Documents, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of the Borrower or any other applicable Loan Party or any order of any Governmental Authority in each case, as are applicable to the Borrower and the Loan Parties, (c) will not violate or result in a default under any material indenture, agreement or other instrument binding upon the Borrower or any other Loan Party or their assets, or give rise to a right thereunder to require any payment to be made by the Borrower or any other Loan Party, and (d) will not result in the creation or imposition of any Lien on any asset of the Borrower or any other Loan Party, except Liens created under the Loan Documents.

SECTION 3.04 Financial Condition. The Borrower has heretofore furnished to the Lenders Borrower's consolidated balance sheet and statements of income, equity and cash flows (1) as of and for the fiscal year ended December 31, 2016 and (2) as of and for the fiscal quarters and the portions of the fiscal year ended March 31, 2017, June 30, 2017 and September 30, 2017, certified by its chief financial officer. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Borrower and its consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (2) above. Since December 31, 2016, there has been no material adverse change in the business, assets, operations, prospects or condition, financial or otherwise, of the Borrower and its Subsidiaries, taken as a whole. Except as set forth on Schedule 6.01, after giving effect to the Transactions, none of the Borrower or its Subsidiaries has, as of the Effective Date, any material contingent liabilities or unrealized losses.

SECTION 3.05 Properties.

(a) As of the Effective Date, the Borrower and each other Loan Party has good title to, or valid leasehold interests in, all of its real and personal property material to its business (including the Mortgaged Properties), except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes.

(b) The Borrower and each other Loan Party owns, or is licensed to use, all trademarks, trade names, copyrights, patents and other intellectual property material to its business, and the use thereof by the Borrower and each other Loan Party does not infringe upon the rights of any other Person, except for any such infringements that could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.06 Litigation and Environmental Matters.

(a) There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of the Borrower, threatened in writing against or directly affecting the Borrower or any other Loan Party (i) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected to result in a Material Adverse Effect or (ii) that directly involve any of the Loan Documents or the Transactions.

(b) Except with respect to any other matters that could not reasonably be expected to result in a Material Adverse Effect, neither the Borrower nor any other Loan Party (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has become subject to any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

SECTION 3.07 Compliance with Laws and Agreements. The Borrower and each other Loan Party is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so could not reasonably be expected to result in a Material Adverse Effect. No Default has occurred and is continuing. Without limiting the foregoing, Borrower represents and warrants that each Loan Party is in material compliance with all applicable Bank Secrecy Act and anti-money laundering laws and regulations and is in compliance, in all material respects, with the Patriot Act.

SECTION 3.08 Investment Company Status. Neither the Borrower nor any other Loan Party is an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940.

SECTION 3.09 Taxes. The Borrower and each other Loan Party has timely (taking into account any valid extensions) filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which the Borrower or such other Loan Party, as applicable, has set aside on its books adequate reserves or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.10 ERISA. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect. To the extent applicable, the present value of all accumulated benefit obligations under each Plan (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets of such Plan, and the present value of all accumulated benefit obligations of all underfunded Plans (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets of all such underfunded Plans, in each of such cases so as to cause a Material Adverse Effect.

SECTION 3.11 Disclosure. As of the Effective Date, the Borrower has disclosed to the Lenders all agreements, instruments and corporate or other restrictions to which the Borrower or any other Loan Party is subject, and all other matters known to any of them, that could, in each case, reasonably be expected to result in a Material Adverse Effect. None of the reports, financial statements, certificates or other information furnished by or on behalf of any Loan Party to the Administrative Agent or any Lender in connection with the negotiation of this Agreement or any other Loan Document or delivered hereunder or thereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, taken as a whole, in the light of the circumstances under which they were made, not misleading in any material respect; provided, however, that with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

SECTION 3.12 Subsidiaries. As of the Effective Date, the Borrower has no Subsidiaries other than as set forth on Schedule 3.12 hereto. The Borrower owns all of the Equity Interests in and to each Subsidiary listed on Schedule 3.12 hereto.

SECTION 3.13 Insurance. As of the Effective Date, all premiums due in respect of all insurance maintained by the Borrower and each other Loan Party have been paid.

SECTION 3.14 Labor Matters. As of the Effective Date, there are no strikes, lockouts or slowdowns against the Borrower or any other Loan Party pending or, to the knowledge of the Borrower, threatened. The hours worked by and payments made to employees of the Borrower and the other Loan Parties have not been in violation of the Fair Labor Standards Act or any other applicable Federal, state, local or foreign law dealing with such matters, except where such violation could not reasonably be expected to have a Material Adverse Effect. All payments due from the Borrower or any other Loan Party, or for which any claim may be made against the Borrower or any other Loan Party, on account of wages and employee health and welfare insurance and other benefits, have been paid or accrued as a liability on the books of the Borrower or such other Loan Party, except where the failure to do so could not reasonably be expected to have a Material Adverse Effect. The consummation of the Transactions will not give rise to any right of termination or right of renegotiation on the part of any union under any collective bargaining agreement to which the Borrower or any other Loan Party is bound, except where such right could not reasonably be expected to have a Material Adverse Effect.

SECTION 3.15 Solvency. Immediately after the consummation of the Transactions to occur on the Effective Date and immediately following the making of each Loan and after giving effect to the application of the proceeds of such Loans, (a) the fair value of the assets of each Loan Party, at a fair valuation, will exceed its debts and liabilities, subordinated, contingent or otherwise; (b) the present fair saleable value of the property of each Loan Party will be greater than the amount that will be required to pay the probable liability of its debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured; (c) each Loan Party will be able to pay its debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured; and (d) each Loan Party will not have unreasonably small capital with which to conduct the business in which it is engaged as such business is now conducted and is proposed to be conducted following the Effective Date.

SECTION 3.16 Material Property Subject to Security Documents. The Collateral constitutes all of the real and material personal property owned by Borrower or any of its Subsidiaries (other than Excluded Assets).

SECTION 3.17 Property of Foreign Subsidiaries. As of the Effective Date, the aggregate book value of the total assets owned by Foreign Subsidiaries of Borrower is no greater than 5% of the aggregate book value of the total assets owned by Borrower and all of its Subsidiaries.

SECTION 3.18 Property of Immaterial Subsidiaries. As of the Effective Date, the aggregate of all revenues of the Immaterial Subsidiaries for the twelve month period ending on the last day of the most recently ended fiscal quarter of the Borrower did not exceed $100,000 and the aggregate value of assets owned by the Immaterial Subsidiaries as of the last day of such fiscal quarter did not exceed $250,000.

SECTION 3.19 Anti-Corruption Laws and Sanctions. Each Loan Party has implemented and maintains in effect policies and procedures designed to ensure compliance by each Loan Party and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, and each Loan Party and their respective officers and directors and, to the knowledge of the Borrower, any of their respective employees and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects. None of (a) any Loan Party or any of their respective directors, officers or employees, or (b) to the knowledge of the Borrower, any agent of any Loan Party that will act in any capacity in connection with or benefit from the credit facility established hereby, is a Sanctioned Person. No Borrowing or Letter of Credit, use of proceeds or Transaction will violate Anti-Corruption Laws or applicable Sanctions.

ARTICLE IV

Conditions

SECTION 4.01 Effective Date. The obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.02):

(a) The Administrative Agent (or its counsel) shall have received from each party hereto either (i) counterparts of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page of this Agreement) that such party has signed counterparts of this Agreement.

(b) The Administrative Agent (or its counsel) shall have received from Borrower an original of each Note signed on behalf of Borrower.

(c) The Administrative Agent (or its counsel) shall have received from Borrower and from each other party to the Loan Documents (other than the Notes) either (i) counterparts of each applicable Loan Document signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page of the applicable Loan Document) that such party has signed counterparts of such Loan Document.

(d) The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of each Loan Party, the authorization of the Transactions and any other legal matters relating to the Loan Parties, the Loan Documents or the Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel.

(e) The Administrative Agent shall have received a certificate, dated the Effective Date and signed by an appropriate officer or other responsible party acceptable to Administrative Agent on behalf of Borrower, confirming compliance with the applicable conditions set forth in this Article IV .

(f) The Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Effective Date, including, to the extent invoiced, reimbursement or payment of all out of pocket expenses (including fees, charges and disbursements of counsel) required to be reimbursed or paid by any Loan Party hereunder or under any other Loan Document.

(g) The Administrative Agent shall have received each of the following:

(i) to the extent applicable, certificates representing all of the outstanding Equity Interests in each Subsidiary of Borrower as of the Effective Date (other than Equity Interests included in the Excluded Assets) and powers of attorney, endorsed in blank, with respect to such certificates;

(ii) all documents and instruments, including Uniform Commercial Code financing statements, required by law or reasonably requested by the Administrative Agent to be filed, registered or recorded to create or perfect the Liens intended to be created under the Security Documents;

(iii) executed agreements whereby each warehouseman, bailee, agent or processor which is an Affiliate of any Loan Party and which has possession of any property of the Borrower or any of its Subsidiaries has subordinated any Lien such warehouseman, bailee, agent or processor may claim therein and agreed to hold all such property for the Administrative Agent's account subject to the Administrative Agent's instruction and executed landlord waiver or subordination agreements, in form and substance satisfactory to the Administrative Agent, with respect to each leased location in respect of which the landlord is an Affiliate of any Loan Party.

(iv) the results of a search of the Uniform Commercial Code (or equivalent) filings made with respect to the Loan Parties in such jurisdictions as the Administrative Agent may require and copies of the financing statements (or similar documents) disclosed by such search and evidence reasonably satisfactory to the Administrative Agent that the Liens indicated by such financing statements (or similar documents) are permitted by Section 6.02 or have been released; and

(v) evidence reasonably satisfactory to the Administrative Agent that none of the Mortgaged Property lies in an area requiring special notices of flood hazard issues or the purchase of flood hazard insurance and, to the extent reasonably required by Administrative Agent with respect to Mortgaged Property, a policy or policies of title insurance issued by a nationally recognized title insurance company, insuring the Lien of each such Mortgage as a valid first Lien on the Mortgaged Property described therein, free of any other Liens except as permitted by Section 6.02 , together with such endorsements, coinsurance and reinsurance as the Administrative Agent may reasonably request, and such surveys, abstracts and appraisals as may be required pursuant to such Mortgages or as the Administrative Agent may reasonably request. To the extent the Administrative Agent does not require any of the foregoing items as a condition to the initial advance hereunder, the Administrative Agent shall have the right at any time thereafter to request such items upon forty-five (45) days (or such longer period of time as may be acceptable to the Administrative Agent in its sole discretion) written notice to the Borrower and the failure to deliver such items within such time period shall constitute an Event of Default hereunder.

(h) The Administrative Agent shall have received a written opinion (addressed to the Administrative Agent and the Lenders and dated the Effective Date) of counsel for the Borrower and the other Loan Parties, in form and substance reasonably satisfactory to the Administrative Agent and its counsel, covering such other matters relating to the Loan Parties, the Loan Documents or the Transactions as the Required Lenders shall reasonably request.

(i) The Administrative Agent shall have received evidence that the insurance required by Section 5.07 and the Security Documents is in effect.

(j) The Administrative Agent shall have received a Borrowing Base Certificate as of the last day of the calendar month most recently ended prior to the Effective Date.

(k) The Administrative Agent shall have received evidence satisfactory to the Administrative Agent that the Borrower and each other Loan Party shall have been released from all liabilities and obligations in respect of Indebtedness (other than the Obligations and other than liabilities and obligations expressly permitted under Section 6.01 hereof, or as to which the proceeds of the Advance Loan will be used to pay off such obligations in full).

The Administrative Agent shall notify the Borrower and the Lenders of the Effective Date, and such notice shall be conclusive and binding.

SECTION 4.02 Advance Loans . The obligation of each Lender to make an Advance Loan is further subject to the satisfaction or waiver of the following conditions:

(a) Delivery to the Administrative Agent of evidence satisfactory to the Administrative Agent that the principal amount of the applicable Advance Loan shall not exceed eighty percent (80%) of the then current net orderly liquidation value of the applicable equipment or facility build out or the applicable equipment constructed or acquired, as demonstrated to the reasonable satisfaction of the Administrative Agent, which is then subject to the Liens of the Security Documents. For the avoidance of doubt, it is hereby acknowledged and agreed that as of the Effective Date, the applicable aggregate net orderly liquidation value of such equipment and facility build out is $46,170,000.00.

(b) Delivery to the Administrative Agent of a desk top appraisal of net orderly liquidation value, reasonably satisfactory to the Administrative Agent, on all equipment or facility build out and all equipment constructed or acquired for which the Administrative Agent has not yet previously received an appraisal.

SECTION 4.03 Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing, and of the Issuing Bank to issue, amend, renew or extend any Letter of Credit, is subject to receipt of the request therefor in accordance herewith and to the satisfaction or waiver of the following conditions:

(a) The representations and warranties of each Loan Party set forth in the Loan Documents shall be true and correct in all material respects on and as of the date of such Borrowing or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be required to be true and correct in all material respects only as of such specified date).

(b) At the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Default shall have occurred and be continuing and there shall have occurred no event which would be reasonably likely to have a Material Adverse Effect.

Each Borrowing and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in this Section.

ARTICLE V

Affirmative Covenants

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full and all Letters of Credit shall have expired or terminated, in each case, without any pending draw, and all LC Disbursements shall have been reimbursed, the Borrower covenants and agrees with the Lenders that:

SECTION 5.01 Financial Statements and Other Information. The Borrower will furnish to the Administrative Agent:

(a) within 120 days after the end of each fiscal year of the Borrower, (i) the audited consolidated balance sheet of Solaris Inc. and related statements of operations, shareholders' equity and cash flows as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by independent public accountants of recognized national standing (without a "going concern" or like qualification, commentary or exception and without any qualification, commentary or exception as to the scope of such audit) and (ii) a schedule prepared by the Borrower and certified by one of its Financial Officers showing any adjustments to the audited consolidated financial statements which are necessary to demonstrate the financial condition and results of operations of the Borrower and its consolidated Subsidiaries, to the effect that such consolidated financial statements together with such schedule present fairly in all material respects the financial condition and results of operations of the Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied;

(b) within 45 days after the end of each fiscal quarter of each fiscal year of the Borrower, (i) the consolidated balance sheet of Solaris Inc. and related statements of operations, shareholders' equity and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year and (ii) a schedule prepared by the Borrower showing any adjustments to the consolidated financial statements which are necessary to demonstrate the financial condition and results of operations of the Borrower and its consolidated Subsidiaries, all certified by one of the Borrower's Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes;

(c) within 30 days after the end of the first two months of each fiscal quarter of each fiscal year of the Borrower and within 45 days after the end of the last month of each fiscal quarter of each fiscal year of the Borrower, (i) the consolidated balance sheet of Solaris Inc. and related statements of operations for such month and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year and (ii) a schedule prepared by the Borrower showing any adjustments to the consolidated financial statements which are necessary to demonstrate the financial condition and results of operations of the Borrower and its consolidated Subsidiaries,, all certified by one of Borrower's Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes;

(d) concurrently with any delivery of financial statements under <u>clauses (a)</u> or <u>(b)</u> above, a certificate of a Financial Officer of the Borrower, in the form of <u>Exhibit B</u> hereto, (i) certifying as to whether a Default has occurred and, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth reasonably detailed calculations demonstrating compliance with <u>Section 5.13</u> and (iii) stating whether any change in GAAP or in the application thereof has occurred since the Effective Date and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

(e) within 45 days after the commencement of each fiscal year of the Borrower, a detailed consolidated budget for such fiscal year (including a projected consolidated balance sheet and related statements of projected operations and cash flow as of the end of and for such fiscal year and setting forth the assumptions used for purposes of preparing such budget, together with an analysis of current and projected market share and market conditions information) and, promptly when available, any significant revisions of such budget;

(f) within 30 days after the end of the first two months of each fiscal quarter of each fiscal year of the Borrower and within 45 days after the end of the last month of each fiscal quarter of each fiscal year of the Borrower, (A) a Borrowing Base Certificate as of the last day of such calendar month, together with such supporting information as the Administrative Agent may reasonably request, (B) a listing and aging of the Accounts of each Loan Party which has executed a Security Agreement covering its Accounts as of the end of such calendar month, prepared in reasonable detail and containing such information as Administrative Agent may reasonably request, (C) to the extent included in (or proposed to be included in) the Borrowing Base, a summary of the Inventory and Equipment of each Loan Party which has executed a Security Agreement covering the applicable Inventory and Equipment as of the end of such calendar month, prepared in reasonable detail and containing such other information as Administrative Agent may reasonably request, and (D) a utilization report regarding equipment held for rental, prepared in reasonable detail and containing such other information as Administrative Agent may reasonably request; and

(g) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of the Borrower or any other Loan Party, or compliance with the terms of any Loan Document, as the Administrative Agent may reasonably request.

Documents required to be delivered pursuant to Section 5.01(a), (b), or (c) may be delivered electronically and shall in any event be deemed to have been delivered for all purposes hereunder on the date on which such documents are posted on Solaris Inc.'s behalf on an internet or intranet website, if any, to which each Lender and the Administrative Agent have access (whether a governmental, commercial, third-party website or whether sponsored by the Administrative Agent). The Administrative Agent shall have no obligation to maintain copies of the documents referred to above, and each Lender shall be solely responsible for maintaining its copies of such documents.

SECTION 5.02 Notices of Material Events. The Borrower will furnish to the Administrative Agent prompt written notice of the following:

(a) the occurrence of any Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting the Borrower or any other Loan Party that, if adversely determined, could reasonably be expected to result in a Material Adverse Effect;

(c) any other development that results in, or would reasonably be expected to result in, a Material Adverse Effect.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of the Borrower setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

SECTION 5.03 Information Regarding Borrower .

(a) The Borrower will furnish to the Administrative Agent prompt written notice of any change (i) in any Loan Party's jurisdiction of organization, corporate name or in any trade name used to identify it in the conduct of its business or in the ownership of its properties, (ii) in the location of any Loan Party's chief executive office, its principal place of business, any office in which it maintains books or records relating to Collateral owned by it or any office or facility at which Collateral owned by it is located (including the establishment of any such new office or facility), (iii) in any Loan Party's identity or corporate structure or (iv) in any Loan Party's Federal Taxpayer Identification Number. The Borrower agrees not to effect or permit any change referred to in the preceding sentence unless all filings have been made under the Uniform Commercial Code or otherwise that are required in order for the Administrative Agent to continue at all times following such change to have a valid, legal and perfected security interest in all the Collateral. The Borrower also agrees promptly to notify the Administrative Agent if any material portion of the Collateral is damaged or destroyed.

(b) After the Effective Date, Borrower will notify the Administrative Agent in writing promptly upon Borrower's or any of its Subsidiaries' acquisition or ownership of any estate (fee simple or leasehold) of real property (other than the Mortgaged Property and other than Excluded Assets) or of any personal property (other than Excluded Assets) not already covered by the Security Documents (such acquisition or ownership being herein called an " Additional Collateral Event " and the property so acquired or owned being herein called " Additional Collateral "). As soon as practicable and in any event within sixty (60) days (or such longer period of time as may be acceptable to the Administrative Agent in its sole discretion) after an Additional Collateral Event, Borrower shall (a) execute and deliver or cause to be executed and delivered Security Documents, in form and substance satisfactory to Administrative Agent, in favor of Administrative Agent and duly executed by Borrower or the applicable Subsidiary, covering and affecting and granting a first-priority Lien upon the applicable Additional Collateral, and such other documents (including, without limitation, all items required by Administrative Agent in connection with the Security Documents executed prior to the initial Loans being made hereunder, such as surveys, environmental assessments, certificates, legal opinions, all in form and substance satisfactory to Administrative Agent) as may be reasonably requested by Administrative Agent in connection with the execution and delivery of such Security

Documents; (b) with respect to any Additional Collateral which is real property, to the extent required by Administrative Agent, cause a title insurance underwriter satisfactory to Administrative Agent to issue to Administrative Agent a mortgage policy of title insurance, in form and substance satisfactory to Administrative Agent, insuring the first-priority Lien (subject only to Permitted Encumbrances) of the applicable Mortgage in such amount as is satisfactory to Administrative Agent, and (c) deliver or cause to be delivered by Subsidiaries of Borrower such other documents or certificates consistent with the terms of this Agreement and relating to the transactions contemplated hereby as Administrative Agent may reasonably request.

SECTION 5.04 Existence; Conduct of Business. The Borrower will, and will cause each other Loan Party to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges, franchises, patents, copyrights, trademarks and trade names material to the conduct of its business; provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 6.03.

SECTION 5.05 Payment of Obligations. The Borrower will, and will cause each other Loan Party to, pay its Indebtedness and other obligations, including liabilities for Taxes, before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) the Borrower or such other Loan Party has set aside on its books adequate reserves with respect thereto in accordance with GAAP, (c) such contest effectively suspends collection of the contested obligation and the enforcement of any Lien securing such obligation and (d) the failure to make payment pending such contest would not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.06 Maintenance of Properties. The Borrower will, and will cause each other Loan Party to, keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted.

SECTION 5.07 Insurance. The Borrower will, and will cause each other Loan Party to, maintain, with financially sound and reputable insurance companies (a) insurance in such amounts (with no greater risk retention) and against such risks as are customarily maintained by companies of established repute engaged in the same or similar businesses operating in the same or similar locations and (b) all insurance required to be maintained pursuant to the Security Documents. The Borrower will furnish to the Lenders, upon request of the Administrative Agent, information in reasonable detail as to the insurance so maintained.

SECTION 5.08 Casualty and Condemnation. The Borrower will furnish to the Administrative Agent prompt written notice of any casualty or other insured damage to any material portion of the Collateral or the commencement of any legal action or proceeding for the taking of any Collateral or any part thereof or interest therein under power of eminent domain or by condemnation or similar legal proceeding.

SECTION 5.09 Books and Records; Inspection and Audit Rights .

(a) The Borrower will, and will cause each other Loan Party to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities. The Borrower will, and will cause each other Loan Party to, permit any representatives designated by the Administrative Agent, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested.

(b) The Borrower will, and will cause each other Loan Party to, permit any representatives designated by Administrative Agent (including any consultants, accountants, lawyers and appraisers retained by Administrative Agent) to conduct evaluations and appraisals of the Borrower's computation of the Borrowing Base and the assets included in the Collateral, all at such reasonable times and as often as reasonably requested. A new field appraisal on equipment will be required annually or at any time as market conditions or regulatory guidelines require. In addition, the Administrative Agent may, at its discretion, require a desktop appraisal on all equipment if the last full appraisal of equipment shall be more than 6 months old. The Borrower shall pay the reasonable fees and expenses of any representatives retained by Administrative Agent to conduct any such evaluation or appraisal of the assets included in the Collateral; but the Borrower shall not, unless an Event of Default has occurred and is continuing or unless the evaluation or appraisal is required by regulatory guidelines, be required to pay such fees and expenses for (x) more than one such evaluation or appraisal of the assets included in the Collateral (other than Eligible Inventory) during any calendar year or (y) more than two such evaluations or appraisals of Eligible Inventory during any calendar year. The Borrower also agrees to modify or adjust the computation of the Borrowing Base (which may include maintaining additional reserves or modifying the eligibility criteria for the components of the Borrowing Base) to the extent reasonably required by Administrative Agent as a result of any such evaluation or appraisal.

SECTION 5.10 Compliance with Laws . The Borrower will, and will cause each other Loan Party to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property, except where the failure to do so would not reasonably be expected to result in a Material Adverse Effect. The Borrower will maintain in effect and enforce, and cause each other Loan Party to maintain in effect and enforce, policies and procedures designed to ensure compliance by the applicable Loan Party and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions.

SECTION 5.11 Use of Proceeds and Letters of Credit . The proceeds of the Advance Loans will used only for equipment and facility build out and construction or acquisition of mobile proppant management systems. Letters of Credit and the proceeds of the Revolving Loans will be used only for general working capital purposes. No part of the proceeds of any Loan or any Letter of Credit will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations T, U and X.

SECTION 5.12 Further Assurances. The Borrower will, and will cause each other Loan Party to, execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents), which may be required under any applicable law, or which the Administrative Agent or the Required Lenders may reasonably request, to effectuate the transactions contemplated by the Loan Documents or to grant, preserve, protect or perfect the Liens created or intended to be created by the Security Documents or the validity or priority of any such Lien, all at the expense of the Loan Parties. The Borrower also agrees to provide to the Administrative Agent, from time to time upon reasonable request by the Administrative Agent, evidence reasonably satisfactory to the Administrative Agent as to the perfection and priority of the Liens created or intended to be created by the Security Documents.

SECTION 5.13 Financial Covenants. Solaris Inc. will have and maintain:

(a) Fixed Charge Coverage Ratio – a Fixed Charge Coverage Ratio of not less than 1.25 to 1.00 as of the end of any fiscal quarter of Solaris Inc.

(b) Senior Leverage Ratio – a Senior Leverage Ratio of not greater than (i) 2.50 to 1.00 as of the end of any fiscal quarter of Solaris Inc. from and after the Effective Date through and including March 31, 2018, (ii) 2.25 to 1.00 as of the end of any fiscal quarter of Solaris Inc. from and after April 1, 2018 through and including September 30, 2018 and (iii) 2.00 to 1.00 as of the end of any fiscal quarter of Solaris Inc. thereafter.

(c) Total Leverage Ratio – a Total Leverage Ratio of not greater than (i) 3.50 to 1.00 as of the end of any fiscal quarter of Solaris Inc. from and after the Effective Date through and including March 31, 2018, (ii) 3.25 to 1.00 as of the end of any fiscal quarter of Solaris Inc. from and after April 1, 2018 through and including September 30, 2018 and (iii) 3.00 to 1.00 as of the end of any fiscal quarter of Solaris Inc. thereafter.

SECTION 5.14 Primary Banking Relationships. Within forty-five (45) days after the Effective Date, the Borrower will, and will cause each other Loan Party to, maintain its primary treasury and depository relationships with the Administrative Agent.

SECTION 5.15 Accuracy of Information. The Borrower will ensure that any information, including financial statements or other documents (but excluding any financial projections), furnished to the Administrative Agent or the Lenders in connection with this Agreement or any amendment or modification hereof or waiver hereunder contains no material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and the furnishing of such information shall be deemed to be a representation and warranty by the Borrower on the date thereof as to the matters specified in this Section; provided however, that, notwithstanding the foregoing, with respect to projected financial information, the Borrower will ensure that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

SECTION 5.16 Devon Cash Collateral Amount In the event that any Loan Party shall receive all or any part of the Early Termination Fee (as such term is defined in the Devon Agreement), 50% of such amount received (the " Devon Cash Collateral Amount ") shall be delivered to the Administrative Agent within two (2) Business Days after receipt by the applicable Loan Party to be held in substantially the same manner as the cash collateral payments provided for under Section 2.04(j) ; provided that (i) the Borrower may at any time or times require that withdrawals from the Devon Cash Collateral Amount be used to make payments or prepayments on the Advance Loans and (ii) except as provided in the foregoing clause (i) , no part of the Devon Cash Collateral Amount shall be released or applied to the Obligations without the prior written consent of the Required Lenders.

SECTION 5.17 Post Closing Obligations . The Borrower shall use, and cause each of its Subsidiaries to use, its commercially reasonable efforts to obtain and deliver to the Administrative Agent (within 120 days after the date hereof with respect to existing locations as of the date hereof and within 30 days of the establishment of any new locations established after the date hereof) (i) an executed agreement, in form and substance reasonably acceptable to the Administrative Agent, whereby each warehouseman, bailee, agent or processor (other than locations described in Section 4.01(g)(iii)) which has possession of any Collateral of the Borrower or any of its Subsidiaries with a fair market value in excess of $250,000 has subordinated any Lien such warehouseman, bailee, agent or processor may claim therein and has agreed to hold all such Collateral for the Administrative Agent's account subject to the Administrative Agent's instruction and (ii) a landlord subordination or waiver agreement, in form and substance reasonably satisfactory to the Administrative Agent, with respect to each leased location (other than locations described in Section 4.01(g)(iii)) where Collateral which is subject to a Security Agreement having an average quarterly value (measured as of the quarter most recently ended) greater than or equal to $250,000 is maintained.

ARTICLE VI

Negative Covenants

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full and all Letters of Credit have expired or terminated, in each case, without any pending draw, and all LC Disbursements shall have been reimbursed, the Borrower covenants and agrees with the Lenders that:

SECTION 6.01 Indebtedness; Certain Equity Securities .

(a) The Borrower will not, and will not permit any other Loan Party to, create, incur, assume or permit to exist any Indebtedness, except:

(i) Indebtedness created under the Loan Documents;

(ii) Indebtedness existing on the date hereof and set forth in Schedule 6.01 ;

(iii) Indebtedness of any Domestic Subsidiary to Borrower or any other Domestic Subsidiary and Indebtedness of Borrower to any of its Domestic Subsidiaries;

(iv) Guarantees of Indebtedness permitted under this Section 6.01(a) ;

(v) Capital Lease Obligations or purchase money Indebtedness in an aggregate amount not exceeding, at any one time outstanding, $1,500,000;

(vi) exposure resulting from any Swap Agreement permitted under Section 6.07 hereof;

(vii) unsecured Subordinated Debt;

(viii) Indebtedness incurred by Foreign Subsidiaries (including Indebtedness owed to Borrower and its Domestic Subsidiaries), provided that the aggregate outstanding amount of all such Indebtedness shall not exceed $500,000;

(ix) other Indebtedness in an aggregate principal amount not exceeding $5,000,000 at any one time outstanding;

(x) Indebtedness arising from the financing of any insurance premium of any Loan Party in the ordinary course of business, so long as (i) such Indebtedness shall not be in excess of the amount of the unpaid cost of, and shall be incurred only to defer the cost of, such insurance for the underlying term of such insurance policy, (ii) any unpaid amount of such Indebtedness is fully cancelled upon termination of the underlying insurance policy, and (iii) the aggregate principal amount of Indebtedness at any time outstanding pursuant to this clause shall not exceed $1,000,000; and

(xi) extensions, renewals and replacements of any of the foregoing that do not increase the outstanding principal amount thereof.

(b) The Borrower will not, nor will it permit any other Loan Party to, issue any Disqualified Stock after the Effective Date.

SECTION 6.02 Liens . The Borrower will not, and will not permit any other Loan Party to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including Accounts receivable) or rights in respect of any thereof, except:

(i) Liens created under the Loan Documents and Liens securing obligations owed to one or more of the Lenders or Affiliates thereof (but not to any Person which is not, at the time such obligations are incurred, a Lender or an Affiliate thereof) under a Swap Agreement or under an agreement governing Banking Services;

(ii) any Lien on any property or asset of the Borrower or any other Loan Party existing on the date hereof and set forth in Schedule 6.02 and any renewals and extensions thereof that do not increase the outstanding principal amount secured or the properties or assets covered.

(iii) Liens created pursuant to Capital Lease Obligations or purchase money Indebtedness permitted pursuant to this Agreement; provided that such Liens are only in respect of the property or assets (and proceeds, including insurance proceeds with respect thereto) subject to, and secure only, the respective Capital Lease Obligations or purchase money Indebtedness;

(iv) Liens securing Indebtedness permitted under Section 6.01 hereof; provided that the amount of Indebtedness outstanding at any one time pursuant to this section (iv) shall not exceed $500,000;

(v) Liens deemed to arise in connection with investments permitted under Section 6.04 ; and

(vi) Permitted Encumbrances.

SECTION 6.03 Fundamental Changes .

(a) The Borrower will not, nor will it permit any other Loan Party to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or liquidate or dissolve, except that (i) any Subsidiary may merge into Borrower in a transaction in which Borrower is the surviving Person, (ii) any Subsidiary may merge into any Domestic Subsidiary in a transaction in which the surviving entity is a Domestic Subsidiary and any Foreign Subsidiary of Borrower may merge into any other Foreign Subsidiary, (iii) any Subsidiary may liquidate or dissolve if Borrower determines in good faith that such liquidation or dissolution is in the best interests of Borrower and is not materially disadvantageous to the Lenders and if such Subsidiary is a Domestic Subsidiary, its assets are transferred to Borrower or a Domestic Subsidiary and (iv) Borrower or any Subsidiary may give effect to a merger or consolidation the purpose of which is to effect an investment, disposition or Acquisition permitted under Article VI so long as Borrower continues in existence and the surviving entity is a Domestic Subsidiary.

(b) The Borrower will not, and will not permit any other Loan Party to, engage to any material extent in any business other than businesses of the type conducted by the Borrower and the other Loan Parties on the date of execution of this Agreement and businesses reasonably related thereto.

SECTION 6.04 Investments, Loans, Advances, Guarantees and Acquisitions . The Borrower will not, and will not permit any other Loan Party to, purchase, hold or acquire (including pursuant to any merger with any Person that was not a wholly owned Subsidiary of Borrower or that is a Foreign Subsidiary prior to such merger) any Equity Interests in or evidences of indebtedness or other securities (including any option, warrant or other right to acquire any of the foregoing) of, make or permit to exist any loans or advances to, Guarantee any obligations of, or make or permit to exist any investment or any other interest in, any other Person, or purchase or otherwise acquire (in one transaction or a series of transactions) any assets of any other Person constituting a business unit, except:

(a) investments and loans and advances existing on the date hereof and set forth on Schedule 6.04 ;

(b) Permitted Investments;

(c) loans or advances permitted under Section 6.01(a) ;

(d) loans or advances by the Borrower or any of its Subsidiaries to their respective employees, directors, managers, officers, agents, customers, or suppliers in the ordinary course of business, not to exceed $500,000 in the aggregate at any one time outstanding;

(e) Accounts receivable owned by the Borrower or any of its Subsidiaries, if created in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(f) Guarantees constituting Indebtedness permitted by Section 6.01 , and Guarantees of the obligations (other than Indebtedness) of Borrower's Subsidiaries; provided that a Subsidiary of Borrower shall not Guarantee any Subordinated Debt;

(g) investments (i) received in connection with the bankruptcy or reorganization of, or settlement of delinquent Accounts and disputes with, customers and suppliers, in each case in the ordinary course of business or (ii) received in settlement of debts created in the ordinary course of business and owing to Borrower or any Subsidiary or in satisfaction of judgments;

(h) investments by (i) any Domestic Subsidiary in Borrower or any other Domestic Subsidiary or by Borrower in any of its Domestic Subsidiaries, (ii) by any Foreign Subsidiary of Borrower in any other Foreign Subsidiary of Borrower, or (iii) investments by Borrower or any Domestic Subsidiary in Foreign Subsidiaries in an aggregate amount not exceeding the sum of $500,000 plus the amount of equity contributions made to Borrower that are used to fund such investments; and

(i) investments in the form of Acquisitions permitted pursuant to Section 6.18 ;

(j) any reinvestment of the proceeds of any involuntary disposition or of any disposition, in each case, so long as such reinvestment is permitted by the terms hereof;

(k) investments in assets useful in the business of Borrower or any Subsidiary using the proceeds of any disposition permitted by Section 6.05 ;

(l) investments in Canadian Foreign Subsidiaries of the Borrower, by way of the conveyance of equipment, in an aggregate amount not to exceed fifteen percent (15%) of the book value of the proppant management systems and related equipment shown on the financial statements most recently delivered pursuant to Section 5.01 hereof;

(m) other investments in an aggregate amount not to exceed $2,500,000 at any one time outstanding.

SECTION 6.05 Asset Sales . The Borrower will not, and will not permit any other Loan Party to, sell, transfer, lease or otherwise dispose of any asset, including any Equity Interest owned by it, nor will the Borrower permit any of its Subsidiaries to issue any additional Equity Interest in such Subsidiary, except:

(a) sales of Inventory, used, obsolete, worn out, worthless or surplus equipment, and cash equivalents in the ordinary course of business;

(b) sales, transfers and dispositions to the Borrower or to any of its Subsidiaries; provided that any such sales, transfers or dispositions involving a Subsidiary of Borrower that is not a Loan Party shall be made in compliance with Section 6.09 ; and

(c) dispositions not otherwise permitted hereunder which are made for fair market value provided, that (i) at the time of any such disposition, no Event of Default shall exist or shall result from such disposition and (ii) the aggregate fair market value in any fiscal year of Borrower of all assets so sold by the Borrower or any of its Subsidiaries pursuant to this clause (c) shall not exceed 5% of the Consolidated Net Tangible Assets determined as of the last day of the immediately preceding fiscal year;

(d) dispositions made by any Immaterial Subsidiary or any Foreign Subsidiary;

(e) dispositions in connection with an investment permitted by Section 6.04 ; provided that, after giving effect to any applicable conveyance of equipment to Canadian Foreign Subsidiaries of the Borrower pursuant to Section 6.04(l) , at least 85 mobile proppant silo systems and 29 sets of three flipper silo transport trailers will remain in the US;

(f) dispositions in connection with transactions permitted under Section 6.06 ;

(g) dispositions of Accounts, in the ordinary course of business, (i) in a true sale transaction effected in connection with the final collection thereof or (ii) in connection with the compromise or settlement thereof;

(h) dispositions resulting from any casualty or other insured damage to, or any taking under the power of eminent domain or by condemnation or similar proceeding of, any property or asset of the Loan Parties;

(i) dispositions of property made or deemed made solely because of the creation of Liens permitted under Section 6.02 ; and

(j) leases, subleases, licenses or sublicenses, in each case in the ordinary course of business and which do not materially interfere with the business of the Loan Parties.

provided that all sales, transfers, leases and other dispositions permitted hereby (other than those permitted by clauses (b) , (e), (i) , and (j) above) shall be made for fair value and solely for cash consideration.

SECTION 6.06 Sale and Leaseback Transactions . The Borrower will not, and will not permit any other Loan Party to, enter into any arrangement, directly or indirectly, whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereinafter acquired, and thereafter rent or lease such property or other property that it intends to use for substantially the same purpose or purposes as the property sold or transferred.

SECTION 6.07 Swap Agreements . The Borrower will not, and will not permit any other Loan Party to, enter into any Swap Agreement, other than Swap Agreements entered into in the ordinary course of business to hedge or mitigate risks to which the Borrower or any other Loan Party is exposed in the conduct of its business or the management of its liabilities.

SECTION 6.08 Restricted Payments . The Borrower will not, nor will it permit any other Loan Party to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, or incur any obligation (contingent or otherwise) to do so, except:

(i) the Borrower may declare and pay dividends with respect to its Equity Interests payable solely in additional shares of its Equity Interests,

(ii) Subsidiaries of Borrower may declare and pay dividends ratably with respect to their Equity Interests,

(iii) the Borrower may pay Permitted Tax Distributions,

(iv) so long as, both at the time of, and immediately after effect has been given to, such proposed action, no Default or Event of Default shall have occurred and be continuing:

(w) Borrower may make distributions to Solaris Inc. to be used to pay operating expenses of Solaris Inc. to the extent incurred in the ordinary course of business, together with other corporate overhead costs and expenses (including legal, administrative, accounting and similar expenses and franchise Taxes and other fees, Taxes and expenses required to maintain the corporate existence of Solaris Inc.), which are reasonable and customary,

(x) the Borrower may make Restricted Payments pursuant to and in accordance with stock option plans or other benefit plans for management, directors or employees of the Borrower or Solaris Inc.,

(y) the Borrower may make Restricted Payments, including, without limitation, to purchase, redeem, retire, or otherwise acquire its Equity Interests, to the extent such Restricted Payments are made from the substantially concurrent receipt by the Borrower of capital contributions or the substantially concurrent issuance of new Equity Interests of the Borrower,

(z) the Borrower may make repurchases, redemptions or exchanges of Equity Interests of the Borrower or Solaris Inc. deemed to occur upon exercise of stock options or exchange of exchangeable shares if such Equity Interests represent a portion of the exercise price of such options and may make repurchases, redemptions or other acquisitions or retirements for value of Equity Interests of the Borrower or Solaris Inc. made in lieu of withholding Taxes in connection with any exercise or exchange of stock options, warrants or other similar rights, and

(v) the Borrower may declare and pay Restricted Payments in addition to the dividends permitted by the foregoing provisions so long as, both at the time of, and immediately after effect has been given to, such proposed action, (w) no Default or Event of Default shall have occurred and be continuing, (x) the aggregate amount of Revolving Loans which could be borrowed is greater than $5,000,000 and (y) the Fixed Charge Coverage Ratio is greater than 1.75 to 1.00.

SECTION 6.09 Transactions with Affiliates. The Borrower will not, nor will it permit any other Loan Party to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except (a) transactions in the ordinary course of business that are at prices and on terms and conditions not less favorable to the Borrower or such other Loan Party than could be obtained on an arm's-length basis from unrelated third parties, (b) transactions between or among the Borrower and any Loan Party not involving any other Affiliate and (c) any Restricted Payment permitted by Section 6.08 and other intercompany transactions expressly permitted by this Agreement.

SECTION 6.10 Restrictive Agreements. The Borrower will not, nor will it permit any other Loan Party to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon (a) the ability of the Borrower or any other Loan Party to create, incur or permit to exist any Lien upon any of its property or assets, or (b) the ability of any Subsidiary of Borrower to pay dividends or other distributions with respect to any of its Equity Interests or to make or repay loans or advances to the Borrower or any other Subsidiary of Borrower or to Guarantee Indebtedness of the Borrower or any of its Subsidiaries; provided that the foregoing shall not apply to (i) restrictions and conditions imposed by law or by any Loan Document or any permitted refinancing thereof (ii) customary restrictions and conditions in agreements relating to the sale of an asset or a Subsidiary which sale is otherwise permitted hereunder (iii) customary restrictions and provisions in joint venture agreements and other similar agreements applicable to joint ventures to the extent such joint ventures are permitted hereunder, (iv) customary provisions in commercial agreements arising in the ordinary course of business and restricting leases, subleases, licenses, or sublicenses, (v) customary restrictions and conditions contained in any agreement relating to any agreement that is permitted under Section 6.01, Section 6.02, Section 6.05, or is otherwise permitted by this Agreement, or (vi) restrictions or conditions in agreements already in existence as of the Effective Date and disclosed to the Administrative Agent in writing and any renewal, extension, or replacement thereof.

SECTION 6.11 Amendment of Material Documents. The Borrower will not, nor will it permit any other Loan Party to, amend, modify or waive any of its rights under (a) any Subordinated Debt Document, or (b) without the prior written consent of the Administrative Agent, the Tax Receivable Agreement, the Devon Agreement or its organizational documents, in each case under this clause (b), in any manner adverse to the Lenders.

SECTION 6.12 Additional Subsidiaries. The Borrower will not, and will not permit any other Loan Party to, form or acquire any Subsidiary after the Effective Date except that Borrower or any of its Subsidiaries may form, create or acquire a wholly-owned Subsidiary so long as (a) immediately thereafter and giving effect thereto, no event will occur and be continuing which constitutes a Default; (b) such Subsidiary (and, where applicable, Borrower) shall execute and deliver a Guaranty (or, at the option of Administrative Agent, a joinder to the Guaranty executed concurrently herewith) and such Security Documents as the Administrative Agent may reasonably require to effectuate the provisions of this Agreement regarding Collateral to be covered by the Security Documents (provided that no Immaterial Subsidiary or Foreign Subsidiary or Foreign Subsidiary Holdco shall be required to execute and deliver such a Guaranty or such Security Documents and no Domestic Subsidiary shall be required to execute and deliver such a Guaranty or such Security Documents if such documents require the guaranty of the Obligations by, or the pledging of more than 65% of the total outstanding voting Equity Interests of, any Foreign Subsidiary or any Foreign Subsidiary Holdco), and (c) Administrative Agent is given prior notice of such formation, creation or acquisition. Borrower shall not permit any Foreign Subsidiary to form, create or acquire a Domestic Subsidiary. If an Immaterial Subsidiary shall cease on any date to satisfy the conditions for qualification as an Immaterial Subsidiary, such Subsidiary shall be required to comply with the provisions of this Section as if it had been newly formed or acquired on such date.

SECTION 6.13 Capital Expenditures. The Borrower will not, and will not permit any of its Subsidiaries to, permit the aggregate amount of all Capital Expenditures (excluding an amount equal to the proceeds of equity contributions made to Borrower that are used to fund such Capital Expenditures and any Capital Expenditures financed with the asset sales proceeds, insurance or condemnation proceeds, asset trade-ins or exchanges or funded as part of an

Acquisition permitted pursuant to Section 6.18) for Borrower and its Subsidiaries during any fiscal year of the Borrower to exceed (x) $225,000,000 for the fiscal year ending December 31, 2018, (y) $75,000,000 for the fiscal year ending December 31, 2019, and (z) for each subsequent fiscal year, $75,000,000 plus any unused availability for Capital Expenditures from the immediately preceding fiscal year (but not from any earlier year), it being understood that in any applicable fiscal year unused availability from the immediately preceding fiscal year shall be reduced first as Capital Expenditures are made.

SECTION 6.14 [Intentionally Left Blank] .

SECTION 6.15 Property of Foreign Subsidiaries . Borrower will not permit the aggregate book value of the total assets owned by Foreign Subsidiaries of Borrower to exceed 10% of the aggregate book value of the total assets owned by Borrower and all of its Subsidiaries.

SECTION 6.16 Property of Immaterial Subsidiaries . Borrower will not permit the aggregate of all revenues of the Immaterial Subsidiaries for any twelve month period ending on the last day of any fiscal quarter of the Borrower to exceed $100,000 and will not permit the aggregate value of assets owned by the Immaterial Subsidiaries to exceed $250,000, unless the assets of an Immaterial Subsidiary are pledged, on terms reasonably satisfactory to the Administrative Agent, to secure the Obligations and such Immaterial Subsidiary shall execute a Guaranty of the Obligations, on terms reasonably satisfactory to the Administrative Agent (whereupon such Subsidiary shall no longer be deemed an Immaterial Subsidiary), within 45 calendar days after Borrower discovers the existence of such excess.

SECTION 6.17 Anti-Corruption Laws and Sanctions . The Borrower will not request any Borrowing or Letter of Credit, and the Borrower shall not use, and shall not permit any other Loan Party or any of its or their respective directors, officers, employees and agents to use, the proceeds of any Borrowing or Letter of Credit (A) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws, (B) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, to the extent such activities, business or transaction would be prohibited by Sanctions if conducted by a corporation incorporated in the United States, or (C) in any manner that would result in the violation of any Sanctions applicable to any party hereto.

SECTION 6.18 Acquisitions . None of the Loan Parties will consummate any Acquisition without the prior written consent of the Required Lenders except Acquisitions that satisfy the following conditions precedent:

(a) The total cash and noncash consideration (excluding an amount equal to the proceeds of equity contributions made to Borrower that are used to fund such consideration but including the fair market value of all Equity Interests issued or transferred to the sellers thereof, all indemnities, earnouts and other contingent payment obligations to, and the aggregate amounts paid or to be paid under non-compete, consulting and other affiliated agreements with, the sellers thereof, all write-downs of property and reserves for liabilities with respect thereto and all assumptions of Indebtedness, liabilities and other obligations in connection therewith) paid by or on behalf of the Borrower and its Subsidiaries for any such purchase or other acquisition, when aggregated with the total cash and noncash consideration paid by or on behalf of the Loan Parties for all other purchases and other acquisitions made by the Loan Parties pursuant to this Section 6.18 , shall not exceed $25,000,000 in the aggregate for all Acquisitions closed in any fiscal year or $50,000,000 in the aggregate from and after the Effective Date;

(b) any Acquisition of Equity Interests shall require (i) the acquisition of all (but not less than all) of the Equity Interests in and to the applicable Person, or (ii) the acquisition of less than all of the Equity Interests in and to the applicable Person, provided that such joint venture created thereby is permitted under Section 6.04 hereof;

(c) immediately before and immediately after giving effect to any Acquisition, no Default or Event of Default shall have occurred and be continuing;

(d) the Administrative Agent shall have received reasonably satisfactory evidence that immediately after giving effect to such purchase or other acquisition, the Loan Parties shall be in pro forma compliance with the covenants set forth in Section 5.13 , such compliance to be determined on the basis of the financial statements most recently delivered to the Administrative Agent and the Lenders pursuant to Section 5.01(b) as though such Acquisition had been consummated as of the first day of the trailing four fiscal quarter period ending on the date of such financial statement;

(e) all of the requirements of Sections 5.03(b) and 6.12 shall have been satisfied;

(f) Administrative Agent shall have received such other documents as may be reasonably requested by the Administrative Agent in connection with such Acquisition;

(g) Administrative Agent shall have received a copy of the fully executed acquisition agreement and all amendments thereto (each, as amended, an " Acquisition Agreement "), relating to the Acquisition;

(h) Administrative Agent shall have received copies of the material documents evidencing the closing of the transactions contemplated by such Acquisition Agreement;

(i) Borrower shall deliver (or cause to be delivered) to the Administrative Agent evidence reasonably satisfactory to the Administrative Agent that all consents and approvals required to be obtained from any Governmental Authority or other Person in connection with the applicable Acquisition shall have been obtained, and all applicable waiting periods and appeal periods shall have expired, in each case without the imposition of any burdensome conditions.

SECTION 6.19 Solaris Inc. Assets and Indebtedness . Borrower shall at all times be and remain a consolidated subsidiary of Solaris Inc. under GAAP. If on any date Solaris Inc. shall hold any material assets, become liable for any material obligations, engage in any trade or business or conduct any business activity, other than:

(a) the maintenance of its legal existence in compliance with applicable law,

(b) the issuance of its Equity Interests to its shareholders,

(c) the making of dividends or distributions on its Equity Interests,

(d) the ownership of the Equity Interests of Borrower,

(e) the filing of registration statements, and compliance with applicable reporting and other obligations, under federal, state or other securities laws,

(f) the performance of obligations under and compliance with its organizational documents, or any applicable law, ordinance, regulation, rule, order, judgment, decree or permit, including as a result of or in connection with the activities of its Subsidiaries, or the customary conduct of the activities of a publically traded holding company,

(g) the incurrence and payment of its operating and business expenses and any taxes for which it may be liable,

(h) the execution and delivery of any Loan Documents to which it is a party and the performance of its obligations thereunder (and the acknowledgment of any related intercreditor agreement),

(i) the making of payments under the Tax Receivables Agreement (and the compliance with other obligations thereunder), and

(j) the management and payment for legal, tax and accounting matters in connection with any of the foregoing,

then, in such event, each of the references to "Solaris Inc." in this Agreement (other than in (a) the definitions of Change in Control, Permitted Tax Distribution, Solaris Inc. and Tax Receivables Agreement, (b) Section 6.08(iv) , (c) Section 7.02 and (d) this Section) shall thereafter be deemed to mean the Borrower (without any necessity for amendment of this Agreement), with the result, among other things, that the annual audited financial statements required under Section 5.01(a) shall be prepared for the Borrower rather than for Solaris Inc. and all financial covenants set forth herein shall be determined at the Borrower level.

ARTICLE VII

Events of Default

SECTION 7.01 Events of Default . If any of the following events (" Events of Default ") shall occur:

(a) the Borrower shall fail to pay any principal of any Loan or any reimbursement obligation in respect of any LC Disbursement when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) the Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable under this Agreement or any other Loan Document, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of three (3) Business Days;

(c) any representation or warranty made or deemed made by or on behalf of the Borrower or any other Loan Party in or in connection with any Loan Document or any amendment or modification thereof or waiver thereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with any Loan Document or any amendment or modification thereof or waiver thereunder, shall prove to have been incorrect in any material respect when made or deemed made;

(d) the Borrower shall fail to observe or perform any covenant, condition or agreement contained in Sections 5.02 , 5.03(b) , 5.07 , 5.11 , 5.13 or 5.16 or in Article VI ;

(e) any Loan Party shall fail to observe or perform any covenant, condition or agreement contained in any Loan Document (other than those specified in clauses (a) , (b) or (d) of this Article), and such failure shall continue unremedied for a period of 20 days after the earlier of (i) the Borrower becoming aware of such failure and (ii) written notice thereof from the Administrative Agent to the Borrower (which notice will be given at the request of the Required Lenders);

(f) any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity;

(g) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Borrower or any other Loan Party or their debts, or of a substantial part of their assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any other Loan Party or for a substantial part of their assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(h) the Borrower or any other Loan Party shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (g) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any other Loan Party or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(i) the Borrower or any other Loan Party shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;

(j) one or more judgments for the payment of money in an aggregate amount in excess of $500,000 (exclusive of amounts covered by insurance) shall be rendered against the Borrower or any other Loan Party and the same shall remain undischarged for a period of sixty (60) consecutive days during which execution shall not be effectively stayed or is not otherwise being paid in accordance with its terms (to the extent such execution is effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of the Borrower or any other Loan Party to enforce any such judgment;

(k) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in a Material Adverse Effect;

(l) any Lien purported to be created under any Security Document shall cease to be a valid and perfected Lien on any Collateral, with the priority required by the applicable Security Document, except as a result of the sale or other disposition of the applicable Collateral in a transaction permitted under the Loan Documents, and the same shall not be fully cured within 30 days after notice thereof to the Borrower by the Administrative Agent, or any Lien purported to be created under any Security Document shall be asserted by any Loan Party not to be a valid and perfected Lien on any Collateral, with the priority required by the applicable Security Document, except as a result of the sale or other disposition of the applicable Collateral in a transaction permitted under the Loan Documents;

(m) a Change in Control shall occur;

(n) the Borrower shall fail to observe or perform any covenant, condition or agreement contained in Section 5.01 and such failure shall continue unremedied for a period of 20 days;

then, and in every such event (other than an event described in clauses (g) or (h) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take any or all of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower, and (iii) require cash collateral for the LC Exposure in accordance with Section 2.04(j) hereof; and in case of any event described in clauses (g) or (h) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding and cash collateral for the LC Exposure, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

SECTION 7.02 Financial Covenant Cure .

(a) Notwithstanding anything to the contrary contained in Section 7.01 , in the event of any Event of Default with respect to the covenants set forth in Section 5.13 for any applicable period (a " Financial Covenant Default "), and until the expiration of the tenth (10th) Business Day after the date on which financial statements are required to be delivered for such period pursuant to Section 5.01(a) or (b) and the corresponding compliance certificate to be delivered pursuant to Section 5.01(d) with respect to the applicable fiscal quarterly period hereunder, the Borrower may (in accordance with applicable law) sell or issue common Equity Interests to Solaris, Inc., or to any Person that is not a Loan Party (to the extent such transaction would not result in a Change in Control) or otherwise obtain cash capital contributions on account of common Equity Interests and, in either case, apply the proceeds of such issuance of Equity Interests to increase EBITDA (such application, a " Covenant Cure Payment "); provided that (i) the proceeds of such issuance of Equity Interests or cash capital contribution, as applicable, is actually received by the Borrower no later than ten (10) Business Days after the date on which financial statements, for the applicable period for which such Financial Covenant Default has occurred, are required to be delivered pursuant to Section 5.01(a) or (b) and the corresponding compliance certificate is required to be delivered pursuant to Section 5.01(d) with respect to such fiscal quarter hereunder and (ii) the amount of the Covenant Cure Payment shall not exceed the amount necessary to bring the Borrower into compliance with Section 5.13 , if any. Subject to the terms set forth above and the terms in clause (b) and (c) below, upon (A) application of the proceeds of such issuance of Equity Interests or cash capital contribution, as applicable, as provided above within the ten (10) Business Day period described above in such amounts sufficient to cure the Events of Default under the covenants set forth in Section 5.13 , and (B) delivery of an updated compliance certificate executed by a Financial Officer to the Administrative Agent reflecting compliance with the covenants set forth in Section 5.13 , as applicable, such Events of Default shall be deemed cured and no longer in existence. For the avoidance of doubt, the amount of any Covenant Cure Payment made in accordance with the terms of this Section 7.02 shall be deemed to increase EBITDA by a like amount for purposes of calculating the Fixed Charge Coverage Ratio, Senior Leverage Ratio, and the Total Leverage Ratio for the relevant fiscal quarter.

(b) The parties hereby acknowledge and agree that this Section 7.02 may not be relied on for purposes of calculating any financial ratios or other conditions or compliances other than the financial covenants set forth in Section 5.13 and shall not result in any adjustment to any amounts (including, for the avoidance of doubt, any decrease to Indebtedness with the proceeds of such issuance of Equity Interests or other cash capital contribution, as applicable) other than the amount of EBITDA referred to in Section 7.02(a) above for purposes of determining the Borrower's compliance with Section 5.13 . To the extent a Covenant Cure Payment is applied to increase EBITDA, such Covenant Cure Payment shall only be taken into account in connection with the calculations of the covenants contained in Section 5.13 as of a particular fiscal quarter end and any subsequent calculations of such covenants which contain such particular fiscal quarter as part of its trailing twelve month period or trailing four quarter period.

(c) In each period of four consecutive fiscal quarters, there shall be at least two (2) fiscal quarters in which no cure set forth in this Section 7.02 is made. The cure rights provided in this Section 7.02 may not be exercised in any two consecutive quarters. The Borrower may not utilize more than three cures provided in this Section 7.02 during the duration of this Agreement

ARTICLE VIII

The Administrative Agent

Each of the Lenders and the Issuing Bank hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms of the Loan Documents, together with such actions and powers as are reasonably incidental thereto.

The bank serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any of its Subsidiaries or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that the Administrative Agent is required to exercise in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02), and (c) except as expressly set forth in the Loan Documents, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity.

The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02) or in the absence of its own gross negligence or willful misconduct, BUT REGARDLESS OF THE PRESENCE OF ORDINARY NEGLIGENCE. The Administrative Agent shall not be deemed to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii) the contents of any certificate, report or other document delivered thereunder or in connection therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document, (iv) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may (and, in the event (i) neither the Administrative Agent nor any Affiliate of the Administrative Agent, as a Lender, has any Revolving Exposure, outstanding Advance Loan or unused Commitment and (ii) the Required Lenders so request, the Administrative Agent shall) resign at any time by notifying the Lenders, the Issuing Bank and the Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring

Administrative Agent may, on behalf of the Lenders and the Issuing Bank, appoint a successor Administrative Agent which shall be a bank with an office in Houston, Texas, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 9.03 shall continue in effect for the benefit of such retiring Administrative Agent, its sub agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

Each Lender acknowledges and agrees that the extensions of credit made hereunder are commercial loans and letters of credit and not investments in a business enterprise or securities. Each Lender further represents that it is engaged in making, acquiring or holding commercial loans in the ordinary course of its business and has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement as a Lender, and to make, acquire or hold Loans hereunder. Each Lender shall, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information (which may contain material, non-public information within the meaning of the United States securities laws concerning the Borrower and its Affiliates) as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder and in deciding whether or to the extent to which it will continue as a Lender or assign or otherwise transfer its rights, interests and obligations hereunder.

ARTICLE IX

Miscellaneous

SECTION 9.01 Notices .

(a) Except as expressly provided elsewhere in this Agreement (and subject to Section 9.01(b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(i) if to the Borrower, to it at 9811 Katy Freeway, Suite 900, Houston, Texas 77024;

(ii) if to the Administrative Agent, to Woodforest National Bank-Loan Operations, P.O. Box 7889, The Woodlands, TX 77387-7889;

(iii) if to the Issuing Bank, to Woodforest National Bank-Loan Operations, P.O. Box 7889, The Woodlands, TX 77387-7889; and

(iv) if to any other Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices delivered through Electronic Systems, to the extent provided in paragraph (b) below, shall be effective as provided in said paragraph (b) .

(b) Notices and other communications to the Lenders and the Issuing Bank hereunder may be delivered or furnished using Electronic Systems pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Article II unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications. Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient, at its e-mail address as described in the foregoing clause (i) , of notification that such notice or communication is available and identifying the website address therefor; provided that, for both clauses (i) and (ii) above, if such notice, email or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient.

(c) Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto.

(d) Each Loan Party agrees that the Administrative Agent may, but shall not be obligated to, make Communications (as defined below) available to the Issuing Bank and the other Lenders by posting the Communications on Debt Domain, IntraLinks, Syndtrak, ClearPar or a substantially similar Electronic System. Any Electronic System used by the Administrative Agent is provided "as is" and "as available." The Agent Parties (as defined below) do not warrant the adequacy of such Electronic Systems and expressly disclaim liability for errors or omissions in the Communications. No warranty of any kind, express, implied or statutory, including any warranty of merchantability, fitness for a particular purpose, non-infringement of third-party rights or freedom from viruses or other code defects, is made by any Agent Party in connection with the Communications or any Electronic System. In no event shall the Administrative Agent or any of its Related Parties (collectively, the "Agent Parties") have any liability to the Borrower or any other Loan Party, any Lender, the Issuing Bank or any other Person or entity for damages of any kind, including direct or indirect, special, incidental or consequential damages, losses or expenses (whether in tort, contract or otherwise) arising out of the Borrower's, any Loan Party's or the Administrative Agent's transmission of communications through an Electronic System. "Communications" means, collectively, any notice, demand, communication, information, document or other material provided by or on behalf of any Loan Party pursuant to any Loan Document or the transactions contemplated therein which is distributed by the Administrative Agent, any Lender or any Issuing Bank by means of electronic communications pursuant to this Section, including through an Electronic System.

SECTION 9.02 Waivers; Amendments.

(a) No failure or delay by the Administrative Agent, the Issuing Bank or any Lender in exercising any right or power hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the Issuing Bank and the Lenders hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of any Loan Document or consent to any departure by any Loan Party therefrom shall in any event be effective unless the same shall be permitted by Section 9.02(b), and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent, any Lender or the Issuing Bank may have had notice or knowledge of such Default at the time.

(b) Subject to Section 9.02(c) below, neither this Agreement nor any other Loan Document nor any provision hereof or thereof may be waived, amended or modified except, in the case of this Agreement, pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders or, in the case of any other Loan Document, pursuant to an agreement or agreements in writing entered into by the Administrative Agent and the Loan Party or Loan Parties that are parties thereto, in each case with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment (including any mandatory prepayment) of the principal amount of any Loan or LC Disbursement, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.17(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (v) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision of any Loan Document specifying the number or percentage of Lenders (or Lenders of any Class) required to waive, amend or modify any rights thereunder or make any determination or grant any consent thereunder, without the written consent of each Lender (or each Lender of such Class, as the case may be), (vi) release all or substantially all of the Guarantors from liability under the Guaranty or limit the liability of all or substantially all of the Guarantors in respect of the Guaranty, without the written consent of each Lender, (vii) release all or substantially all of the Collateral from the Liens of the Security Documents, without the written consent of each Lender or (vii) change any provisions of any Loan Document in a manner that by its terms adversely affects the rights in respect of payments due to Lenders holding Loans of any Class differently than those holding Loans of any other Class, without the written consent of Lenders holding a majority in interest of the outstanding Loans and unused Commitments of each affected Class; provided further that (A) any change to Section 2.20 shall require the written consent of each of the Administrative Agent and the Issuing Bank, (B) no agreement shall amend, modify or otherwise affect any of the rights or duties of the Administrative Agent or the Issuing Bank without the prior written consent of the Administrative Agent or the Issuing Bank, as the case may be, (C) no such agreement shall amend or modify the provisions of Section 2.05 or any letter of credit application and any bilateral agreement between the Borrower and the Issuing Bank regarding the respective rights and obligations between the Borrower and the Issuing Bank in connection with the issuance of Letters of Credit without the prior written consent of the Administrative Agent and the Issuing Bank, respectively, and (D) any waiver, amendment or modification of this Agreement that by its terms affects the rights or duties under this Agreement of the Revolving Lenders (but not the Advance Loan Lenders) or the Advance Loan Lenders (but not the Revolving Lenders) may be effected by an agreement or agreements in writing entered into by the Borrower and requisite percentage in interest of the affected Class of Lenders.

(c) If the Administrative Agent and the Borrower acting together identify any ambiguity, omission, mistake, typographical error or other defect in any provision of this Agreement or any other Loan Document, then the Administrative Agent and the Borrower shall be permitted to amend, modify or supplement such provision to cure such ambiguity, omission, mistake, typographical error or other defect, and such amendment shall become effective without any further action or consent of any other party to this Agreement.

SECTION 9.03 Expenses; Indemnity; Damage Waiver .

(a) The Borrower shall pay (i) all reasonable out of pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of one law firm for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of the Loan Documents or any amendments, modifications or waivers of the provisions thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out of-pocket expenses incurred by the Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all out-of-pocket expenses incurred by the Administrative Agent, the Issuing Bank or any Lender, including the fees, charges and disbursements of any counsel for the Administrative Agent, the Issuing Bank or any Lender, in connection with the enforcement or protection of its rights in connection with the Loan Documents, including its rights under this Section, or in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) The Borrower shall indemnify the Administrative Agent, the Issuing Bank and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an " Indemnitee ") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of any Loan Document or any other agreement or instrument contemplated hereby or thereby, the performance by the parties to the Loan Documents of their respective obligations hereunder or thereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by the Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any Mortgaged Property or any other property currently or formerly owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not such claim, litigation, investigation or proceeding is brought by any Loan Party, or equity holders, affiliates or creditors or any Loan Party or any other third Person and whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and non-appealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee, BUT THE PRESENCE OF ORDINARY NEGLIGENCE SHALL NOT AFFECT THE AVAILABILITY OF SUCH INDEMNITY. This Section 9.03(b) shall not apply with respect to Taxes other than any Taxes that represent losses, claims or damages arising from any non-Tax claim.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent or the Issuing Bank under Sections 9.03(a) or 9.03(b) , each Lender severally agrees to pay to the Administrative Agent or the Issuing Bank, as the case may be, such Lender's pro rata share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent or the Issuing Bank in its capacity as such. For purposes hereof, a Lender's "pro rata share" shall be determined based upon (without duplication) its share of the sum of the total Revolving Exposures, outstanding Advance Loans and unused Commitments at the time.

(d) To the extent permitted by applicable law, no party hereto shall assert, and each such party hereby waives, any claim against any other party hereto, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof; provided that, nothing in this clause (d) shall relieve the Borrower of any obligation it may have to indemnify an Indemnitee against special, indirect, consequential or punitive damages asserted against such Indemnitee by a third party.

(e) All amounts due under this Section shall be payable not later than three (3) Business Days after written demand therefor.

SECTION 9.04 Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), except that (i) the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), Participants (to the extent provided in Section 9.04(c)) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Issuing Bank and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) (i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more Persons (other than an Ineligible Institution) all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment, participations in Letters of Credit and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld) of:

(A) the Borrower, provided that no consent of the Borrower shall be required for an assignment to a Lender, an Affiliate of a Lender, an Approved Fund or, if an Event of Default has occurred and is continuing, any other assignee, and provided further that the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within ten (10) Business Days after having received notice thereof; and

(B) the Administrative Agent, provided that no consent of the Administrative Agent shall be required for an assignment of (x) any Revolving Commitment to an assignee that is a Lender (other than a Defaulting Lender) with a Revolving Commitment immediately prior to giving effect to such assignment and (y) all or any portion of an Advance Loan to a Lender, an Affiliate of a Lender or an Approved Fund; and

(C) the Issuing Bank, provided that no consent of the Issuing Bank shall be required for an assignment of all or any portion of an Advance Loan.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment or Loans of any Class, the amount of the Commitment or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than $500,000 in respect of a Revolving Commitment or $2,500,000 in respect of an Advance Loan Commitment and Advance Loans (in the aggregate), and shall not result in the assigning Lender holding a Revolving Commitment of less than $2,500,000 or $2,500,000 in respect of an Advance Loan Commitment and Advance Loans (in the aggregate), unless each of the Borrower and the Administrative Agent otherwise consent, provided that no such consent of the Borrower shall be required if an Event of Default has occurred and is continuing;

(B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement, provided that this clause shall not be construed to prohibit the assignment of a proportionate part of all the assigning Lender's rights and obligations in respect of one Class of Commitments or Loans;

(C) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of $3,500; and

(D) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

For the purposes of this Section, the term " Approved Fund " and " Ineligible Institution " have the following meanings:

" Approved Fund " means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of its business (excluding, for the avoidance of doubt, any investor a material part of whose business activity is investing in debt of entities with a view to acquiring an equity interest in such entities or its holding companies) and that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

" Ineligible Institution " means (a) a natural person, (b) a Defaulting Lender or its Lender Parent, (c) a company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural person or relative(s) thereof, or (d) the Borrower or any of its Affiliates; provided that such company, investment vehicle or trust shall not constitute an Ineligible Institution if it (x) has not been established for the primary purpose of acquiring any Loans or Commitments, (y) is managed by a professional advisor, who is not such natural person or a relative thereof, having significant experience in the business of making or purchasing commercial loans, and (z) has assets greater than $25,000,000 and a significant part of its activities consist of making or purchasing commercial loans and similar extensions of credit in the ordinary course of its business; provided that upon the occurrence of an Event of Default, any Person (other than a Lender) shall be an Ineligible Institution if after giving effect any proposed assignment to such Person, such Person would hold more than 25% of the then outstanding Total Revolving Exposure or Commitments, as the case may be.

(iii) Subject to acceptance and recording thereof pursuant to Section 9.04(b)(iv) , from and after the effective date specified in each Assignment and Assumption the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.16 and 9.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Section 9.04(c) .

(iv) The Administrative Agent, acting for this purpose as a non-fiduciary agent of the Borrower, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount (and stated interest) of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the " Register "). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent, the Issuing Bank and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The

Register shall be available for inspection by the Borrower, the Issuing Bank and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(v) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in Section 9.04(b) and any written consent to such assignment required by Section 9.04(b) , the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register; provided that if either the assigning Lender or the assignee shall have failed to make any payment required to be made by it pursuant to this Agreement, the Administrative Agent shall have no obligation to accept such Assignment and Assumption and record the information therein in the Register unless and until such payment shall have been made in full, together with all accrued interest thereon. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this Section 9.04(b)(v) .

(c) Any Lender may, without the consent of the Borrower, the Administrative Agent or the Issuing Bank, sell participations to one or more banks or other entities (a " Participant "), other than an Ineligible Institution, in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (A) such Lender's obligations under this Agreement shall remain unchanged; (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations; and (C) the Borrower, the Administrative Agent, the Issuing Bank and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 9.02(b) that affects such Participant. The Borrower agrees that each Participant shall be entitled to the benefits of Section 2.16 (subject to the requirements and limitations therein, including the requirements under Sections 2.16(f) and (g) (it being understood that the documentation required under Section 2.16(f) shall be delivered to such participating Lender and the information and documentation required under Section 2.16(g) will be delivered to the Borrower and the Administrative Agent)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 9.04(b) ; provided that such Participant (A) agrees to be subject to the provisions of Section 2.18 as if it were an assignee under Section 9.04(b) ; and (B) shall not be entitled to receive any greater payment under Section 2.16 , with respect to any participation, than its participating Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation. Each Lender that sells a participation agrees, at the Borrower's request and expense, to use reasonable efforts to cooperate with the Borrower to effectuate the provisions of

Section 2.18(b) with respect to any Participant. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.08 as though it were a Lender, provided that such Participant agrees to be subject to Section 2.17(c) as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as an agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the " Participant Register "); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register to any Person (including the identity of any Participant or any information relating to a Participant's interest in any Commitments, Loans, Letters of Credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such Commitment, Loan, Letter of Credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

SECTION 9.05 Survival . All covenants, agreements, representations and warranties made by the Loan Parties in the Loan Documents and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of the Loan Documents and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent, the Issuing Bank or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 2.16 and 9.03 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any provision hereof.

SECTION 9.06 Counterparts; Integration; Effectiveness; Electronic Execution.

(a) This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the other Loan Documents and any separate letter agreements with respect to (i) fees payable to the Administrative Agent and (ii) the reductions of the Letter of Credit Commitment constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

(b) Delivery of an executed counterpart of a signature page of this Agreement by telecopy, emailed pdf. or any other electronic means that reproduces an image of the actual executed signature page shall be effective as delivery of a manually executed counterpart of this Agreement. The words "execution," "signed," "signature," "delivery," and words of like import in or relating to any document to be signed in connection with this Agreement and the transactions contemplated hereby shall be deemed to include Electronic Signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act or any similar state laws based on the Uniform Electronic Transactions Act; provided that nothing herein shall require the Administrative Agent to accept electronic signatures in any form or format without its prior written consent.

SECTION 9.07 Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.08 Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of the Borrower against any of and all the obligations of the Borrower now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 9.09 Governing Law; Jurisdiction; Consent to Service of Process.

(a) This Agreement shall be construed in accordance with and governed by the law of the State of Texas.

(b) The Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of each court of the State of Texas sitting in Montgomery County and of the United States District Court for the Southern District of Texas (Houston Division), and any appellate court from any thereof, in any action or proceeding arising out of or relating to any Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such Texas State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or any other Loan Document shall affect any right that the Administrative Agent, the Issuing Bank or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against the Borrower or its properties in the courts of any jurisdiction.

(c) The Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in Section 9.09(b). Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this Agreement or any other Loan Document will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.10 WAIVER OF JURY TRIAL. BORROWER HEREBY AGREES NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY, AND WAIVES ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY BY BORROWER, AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE

AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE. EACH CREDIT PARTY IS HEREBY AUTHORIZED TO FILE A COPY OF THIS SECTION IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER BY BORROWER.

SECTION 9.11 Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 9.12 Interest Rate Limitation. Borrower and the Lenders intend to strictly comply with all applicable federal and Texas laws, including applicable usury laws (or the usury laws of any jurisdiction whose usury laws are deemed to apply to the Notes or any other Loan Documents despite the intention and desire of the parties to apply the usury laws of the State of Texas). Accordingly, the provisions of this Section shall govern and control over every other provision of this Agreement or any other Loan Document which conflicts or is inconsistent with this Section, even if such provision declares that it controls. As used in this Section, the term "interest" includes the aggregate of all charges, fees, benefits or other compensation which constitute interest under applicable law, provided that, to the maximum extent permitted by applicable law, (a) any non-principal payment shall be characterized as an expense or as compensation for something other than the use, forbearance or detention of money and not as interest, and (b) all interest at any time contracted for, reserved, charged or received shall be amortized, prorated, allocated and spread, using the actuarial method, during the full term of the Notes. In no event shall Borrower or any other Person be obligated to pay, or any Lender have any right or privilege to reserve, receive or retain, (a) any interest in excess of the maximum amount of nonusurious interest permitted under the laws of the State of Texas or the applicable laws (if any) of the United States or of any other jurisdiction, or (b) total interest in excess of the amount which such Lender could lawfully have contracted for, reserved, received, retained or charged had the interest been calculated for the full term of the Notes at the Ceiling Rate. The daily interest rates to be used in calculating interest at the Ceiling Rate shall be determined by dividing the applicable Ceiling Rate per annum by the number of days in the calendar year for which such calculation is being made. None of the terms and provisions contained in this Agreement or in any other Loan Document (including, without limitation, Article VII hereof) which directly or indirectly relate to interest shall ever be construed without reference to this Section, or be construed to create a contract to pay for the use, forbearance or detention of money at any interest rate in excess of the Ceiling Rate. If the term of any Note is shortened by reason of acceleration or maturity as a result of any Default or by any other cause, or by reason of any required or permitted prepayment, and if for that (or any other) reason any Lender at any time, including but not limited to, the stated maturity, is owed or receives (and/or has received) interest in excess of interest calculated at the Ceiling Rate, then and in any such event all of any such excess interest shall be canceled automatically as of the date of such acceleration, prepayment or other event which produces the excess, and, if such excess interest has been paid to such Lender, it shall be credited pro tanto against the then-outstanding principal balance of Borrower's obligations to such Lender, effective as of the date or dates when the event occurs which causes it to be excess interest, until such excess is exhausted or all of such principal has been fully paid and satisfied, whichever occurs first, and any remaining balance of such excess shall be promptly refunded to its payor.

SECTION 9.13 Keepwell. Each Qualified ECP Loan Party hereby jointly and severally absolutely, unconditionally and irrevocably undertakes to provide such funds or other support as may be needed from time to time by each other Loan Party to honor all of its obligations under any Loan Document in respect of Swap Obligations (provided, however, that each Qualified ECP Loan Party shall only be liable under this Section for the maximum amount of such liability that can be hereby incurred without rendering its obligations under this Section or otherwise under any applicable Loan Document voidable under applicable law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount). Each Qualified ECP Loan Party intends that this Section constitute, and this Section shall be deemed to constitute, a "keepwell, support, or other agreement" for the benefit of each other Loan Party for all purposes of Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

SECTION 9.14 Patriot Act. Each Lender that is subject to the requirements of the Patriot Act hereby notifies the Borrower that pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender to identify the Borrower in accordance with the Patriot Act.

SECTION 9.15 Documentation Agent. CADENCE BANK, N.A., in its capacity as Documentation Agent, shall have no rights, powers, duties, obligations or liabilities under this Agreement or any of the other Loan Documents, but to the extent that for any reason any Person makes a claim against CADENCE BANK, N.A., in its capacity as Documentation Agent and not as Lender the indemnification provisions in Article VIII and in Section 9.03 shall apply.

SECTION 9.16 Amendment and Restatement. This Agreements amends and restates in its entirety that certain Credit Agreement dated as of December 1, 2016 executed by and among Woodforest National Bank, as administrative agent, certain lenders therein named, and Borrower (as the same may have been amended from time to time).

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective authorized officers as of the day and year first above written.

SOLARIS OILFIELD INFRASTRUCTURE, LLC,
a Delaware limited liability company

By: /s/ Kyle Ramachandran
Kyle Ramachandran, Chief Financial Officer

The undersigned hereby join in this Agreement to evidence their consent to execution by Borrower of this Agreement, to confirm that each Loan Document now or previously executed by the undersigned in connection with the December 1, 2016 credit agreement described in Section 9.15 hereof applies and shall continue to apply to this Agreement, and to acknowledge that without such consent and confirmation, Lenders would not execute this Agreement.

SOLARIS OILFIELD SITE SERVICES OPERATING, LLC, a
Texas limited liability company
SOLARIS OILFIELD EARLY PROPERTY, LLC,
a Texas limited liability company
SOLARIS OILFIELD SITE SERVICES PERSONNEL LLC, a
Delaware limited liability company

By: /s/ Kyle Ramachandran
Kyle Ramachandran, Chief Financial Officer

WOODFOREST NATIONAL BANK, individually and as Administrative Agent and as Issuing Bank

By: /s/ Jack Legendre
Name: Jack Legendre
Title: SVP

CADENCE BANK, N.A., as a Lender and as Documentation Agent

By: /s/ Tim Ashe
Name: Tim Ashe
Title: Assistant Vice President

COMMUNITYBANK OF TEXAS, N.A.

By: /s/ Joe F. West
Name: Joe F. West
Title: SEVP

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH

By: /s/ Judith Smith
Name: Judith Smith
Title: Authorized Signatory

By: /s/ Szymon Ordys
Name: Szymon Ordys
Title: Authorized Signatory

ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the " Assignment and Assumption ") is dated as of the Effective Date set forth below and is entered into by and between ________________________(the " Assignor ") and ________________________ (the " Assignee "). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, supplemented or otherwise modified from time to time, the " Credit Agreement "), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor's rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including any letters of credit, guarantees and swingline loans included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as the " Assigned Interest "). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1.	Assignor:	[Assignor [is][is not] a Defaulting Lender]
2.	Assignee:	________________________________ [and is an Affiliate/Approved Fund of __________________]
3.	Borrower(s):	SOLARIS OILFIELD INFRASTRUCTURE, LLC, a Delaware limited liability company
4.	Administrative Agent:	WOODFOREST NATIONAL BANK, as the administrative agent under the Credit Agreement
5.	Credit Agreement:	The Credit Agreement dated as of January 19, 2018 among SOLARIS OILFIELD INFRASTRUCTURE, LLC, a Delaware limited liability company, the Lenders parties thereto, WOODFOREST NATIONAL BANK, as Administrative Agent, and the other lenders parties thereto

6. Assigned Interest:

Facility Assigned	Aggregate Amount of Commitment/Loans for all Lenders	Amount of Commitment/Loans Assigned	Percentage Assigned of Commitment/Loans [1]
Revolving Loan Commitment	$ ____________	$ ____________	________%
Advance Loan Commitment	$ ____________	$ ____________	________%

Effective Date: ________________, 20___ **[TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]**

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR

____

By: ____________________________
Name: ____________________________
Title: ____________________________

ASSIGNEE

____

By: ____________________________
Name: ____________________________
Title: ____________________________

[1] Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

Consented to and Accepted:

WOODFOREST NATIONAL BANK, as Administrative
Agent and as Issuing Bank

By: ____________________________
Name: ____________________________
Title: ____________________________

Consented to:

SOLARIS OILFIELD INFRASTRUCTURE, LLC,
a Delaware limited liability company

By: ____________________________
Name: ____________________________
Title: ____________________________

ANNEX 1

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor . The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of any Loan Party or their respective Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by any Loan Party or their respective Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee . The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it satisfies the requirements, if any, specified in the Credit Agreement that are required to be satisfied by it in order to acquire the Assigned Interest and become a Lender, (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by the Assigned Interest and either it, or the Person exercising discretion in making its decision to acquire the Assigned Interest, is experienced in acquiring assets of such type, (v) it has received a copy of the Credit Agreement, and has received or has been accorded the opportunity to receive copies of the most recent financial statements delivered pursuant to Section 5.01 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender, and (vi) attached to the Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments . From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions . This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Acceptance and adoption of the terms of this Assignment and Assumption by the Assignee and the Assignor by Electronic Signature or delivery of an executed counterpart of a signature page of this Assignment and Assumption by any Electronic System shall be effective as delivery of a manually executed counterpart of this Assignment and

Assumption. This Assignment and Assumption shall be construed in accordance with and governed by the law of the State of Texas.

COMPLIANCE CERTIFICATE

The undersigned hereby certifies that he or she is the ___________________ of SOLARIS OILFIELD INFRASTRUCTURE, LLC, a Delaware limited liability company (the " Borrower "), and that as such he or she is authorized to execute this certificate on behalf of the Borrower pursuant to the Credit Agreement (the " Agreement ") dated as of January 19, 2018, by and among Borrower, WOODFOREST NATIONAL BANK, as Administrative Agent, and the lenders therein named; and that a review has been made under his or her supervision with a view to determining whether the Loan Parties have fulfilled all of their respective obligations under the Agreement, the Notes and the other Loan Documents; and further certifies, represents and warrants that to his or her knowledge (each capitalized term used herein having the same meaning given to it in the Agreement unless otherwise specified):

(a) The financial statements delivered to the Administrative Agent concurrently with this Compliance Certificate have been prepared in accordance with GAAP consistently followed throughout the period indicated and fairly present the financial condition and results of operations of the applicable Persons as at the end of, and for, the period indicated (subject, in the case of quarterly financial statements, to normal changes resulting from year-end adjustments and the absence of certain footnotes).

(b) No Default or Event of Default has occurred and is continuing at the end of the accounting period covered by the attached financial statements, except as set forth in a separate attachment, if any, to this Compliance Certificate specifying the details thereof and any action taken or proposed to be taken with respect thereto.. In this regard, the compliance with the provisions of Sections 5.13 and 6.13 as of the effective date of the financial statements delivered to the Administrative Agent concurrently with this Compliance Certificate is as follows:

(i) **Section 5.13(a) – Fixed Charge Coverage Ratio**

Actual	Required
________ to 1.00	________ 1.25 to 1.00

(ii) **Section 5.13(b) – Senior Leverage Ratio**

Actual	Required
________ to 1.00	________ to 1.00

(iii) **Section 5.13(c) – Total Leverage Ratio**

Actual	Required
________ to 1.00	________ to 1.00

EXHIBIT B

(iv) **Section 6.13 – Capital Expenditures**

Year to Date Actual	Year to Date Permitted
$ _____________	$ _____________

(c) There has been no change in GAAP or in the application thereof since the Effective Date which would reasonably be expected to affect the calculation of the financial covenants set forth in the Agreement or, if any such change has occurred, the effects of such change on the financial statements of the respective Loan Parties are specified on an attachment hereto.

DATED as of _____________, 20___.

____
[SIGNATURE OF AUTHORIZED OFFICER]

COMPLIANCE CERTIFICATE

For the Fiscal Quarter(s) Ended: ____________

		In Compliance? (Yes or No)
I. Fixed Charge Coverage Ratio:		
A. Company EBITDA calculated on a year-to-date basis ending on above date ("Subject Period"):		
1) Company Net Income for Subject Period:	$ -	
2) Company Interest Expense for Subject Period:	$ -	
3) Company Income Taxes for Subject Period (including state franchise taxes based on income or similar taxes based on income):	$ -	
4) Company Depreciation, Depletion, and Amortization expenses for Subject Period:	$ -	
5) Non-Cash Stock Based Compensation	$ -	
6) Other Non-Cash Adjustments (extraordinary, unusual or non-recurring gains or losses)	$ -	
7) Less permitted tax distributions	$ -	
8) Less restricted payments (including actual payments made in connection with the tax receivable agreement)	$ -	
9) Less maintenance and replacement CapEx not financed with equity or capital	$ -	
10) Total Adjusted EBITDA	$ -	
B. Fixed Charges and interest expense		
1) Actual Company Principal and Interest Payments (including subordinated debt) for Subject Period:	$ -	
C. **Fixed Charge Coverage Ratio (I.A / (I.B):**	#DIV/0!	____
Minimum Required:	*1.25 to 1*	
II. Senior Debt to EBITDA:		
A. Funded Senior Debt, capital leases, and issued letters of credit net of 50% cash and cash equivalents (not to exceed $10MM)	$ -	
B. Total EBITDA	$ -	
C. **Senior Debt to EBITDA Ratio:**	#DIV/0!	____
Maximum Allowed:	*2.50 to 1*	
II. Total Debt to EBITDA:		
A. Funded Total Debt, capital leases, and issued letters of credit net of 50% cash and cash equivalents (not to exceed $10MM)	$ -	
B. Total EBITDA	$ -	
C. **Total Debt to EBITDA Ratio:**	#DIV/0!	____
Maximum Allowed:	*3.50 to 1*	

The undersigned represents and warrants that the financial covenant analyses and information set forth on this Compliance Certificate are true, complete and correct on and as of the date of this Certificate and complies with representations set forth in the Loan Agreement between the undersigned and the Lender.

In Witness Whereof, the undersigned has completed this certificate as of ____________

Borrower Name: Solaris Oilfield Infrastructure, LLC

By: ____________

Title: ____________

NOTE
(Revolving Loans)

$ ________________________ Houston, Texas ____________ 20 ____

FOR VALUE RECEIVED, SOLARIS OILFIELD INFRASTRUCTURE, LLC, a Delaware limited liability company (together with permitted successors, herein collectively called " Maker "), promises to pay to ____________________________________ (" Payee "), at the office of WOODFOREST NATIONAL BANK, at Woodforest National Bank-Loan Operations, P.O. Box 7889, The Woodlands, TX 77387-7889, in immediately available funds and in lawful money of the United States of America, the principal sum of ____________________________ dollars ($___________) (or the unpaid balance of all principal advanced against this note, if that amount is less), together with interest on the unpaid principal balance of this note from time to time outstanding at the rate or rates provided in that certain Credit Agreement (as amended, supplemented, restated or replaced from time to time, the " Credit Agreement ") dated as of January 19, 2018 among Maker, certain signatory banks named therein (including the Payee) and WOODFOREST NATIONAL BANK, as Administrative Agent; provided , that for the full term of this note the interest rate produced by the aggregate of all sums paid or agreed to be paid to the holder of this note for the use, forbearance or detention of the debt evidenced hereby shall not exceed the Ceiling Rate. Any term defined in the Credit Agreement which is used in this note and which is not otherwise defined in this note shall have the meaning ascribed to it in the Credit Agreement.

1. Credit Agreement; Advances; Security . This note has been issued pursuant to the terms of the Credit Agreement, is one of the Notes referred to in the Credit Agreement and is subject to all of the terms and provisions of the Credit Agreement including, without limiting the generality of the foregoing, Section 9.12 thereof, which is incorporated herein by reference as if first set forth herein upon the execution of the Credit Agreement. Advances against this note by Payee or other holder hereof shall be governed by the terms and provisions of the Credit Agreement. Payee is entitled to the benefits of and security provided for in the Credit Agreement. The unpaid principal balance of this note at any time shall be the total of all amounts lent or advanced against this note less the amount of all payments or permitted prepayments made on this note and by or for the account of Maker. All loans and advances and all payments and permitted prepayments made hereon may be endorsed by the holder of this note on a schedule which may be attached hereto (and thereby made a part hereof for all purposes) or otherwise recorded in the holder's records; provided , that any failure to make notation of (a) any advance shall not cancel, limit or otherwise affect Maker's obligations or any holder's rights with respect to that advance, or (b) any payment or permitted prepayment of principal shall not cancel, limit or otherwise affect Maker's entitlement to credit for that payment as of the date received by the holder.

2. Mandatory Payments of Principal and Interest.

(a) Accrued and unpaid interest on the unpaid principal balance of this note shall be due and payable as provided in the Credit Agreement.

(b) On the Revolving Maturity Date, the entire unpaid principal balance of this note and all accrued and unpaid interest on the unpaid principal balance of this note shall be finally due and payable.

(c) All payments hereon made pursuant to this paragraph shall be applied first to accrued interest, the balance to principal.

(d) If any payment provided for in this note shall become due on a day other than a Business Day, such payment may be made on the next succeeding Business Day (unless the

result of such extension of time would be to extend the date for such payment into another calendar month or beyond the Revolving Maturity Date, and in either such event such payment shall be made on the Business Day immediately preceding the day on which such payment would otherwise have been due), and such extension of time shall in such case be included in the computation of interest on this note.

(e) The Credit Agreement provides for required prepayments of the indebtedness evidenced hereby upon terms and conditions specified therein.

3. Default. The Credit Agreement provides for the acceleration of the maturity of this note and other rights and remedies upon the occurrence of certain events specified therein.

4. Waivers by Maker and Others. Except to the extent, if any, that notice of default is expressly required herein or in any of the other Loan Documents, Maker and any and all comakers, endorsers, guarantors and sureties severally waive notice (including, but not limited to, notice of intent to accelerate and notice of acceleration, notice of protest and notice of dishonor), demand, presentment for payment, protest, diligence in collecting and the filing of suit for the purpose of fixing liability and consent that the time of payment hereof may be extended and reextended from time to time without notice to any of them. Each such person agrees that his, her or its liability on or with respect to this note shall not be affected by any release of or change in any guaranty or security at any time existing or by any failure to perfect or to maintain perfection of any lien against or security interest in any such security or the partial or complete unenforceability of any guaranty or other surety obligation, in each case in whole or in part, with or without notice and before or after maturity.

5. Paragraph Headings. Paragraph headings appearing in this note are for convenient reference only and shall not be used to interpret or limit the meaning of any provision of this note.

6. Choice of Law. **THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE APPLICABLE LAWS OF THE STATE OF TEXAS AND THE UNITED STATES OF AMERICA FROM TIME TO TIME IN EFFECT.**

7. Successors and Assigns. This note and all the covenants and agreements contained herein shall be binding upon, and shall inure to the benefit of, the respective legal representatives, heirs, successors and permitted assigns of Maker and Payee.

8. Records of Payments. The records of Payee shall be prima facie evidence of the amounts owing on this note.

9. Severability. If any provision of this note is held to be illegal, invalid or unenforceable under present or future laws, the legality, validity and enforceability of the remaining provisions of this note shall not be affected thereby, and this note shall be liberally construed so as to carry out the intent of the parties to it.

10. Revolving Loan. Subject to the terms and provisions of the Credit Agreement, Maker may use all or any part of the credit provided to be evidenced by this note at any time before the Revolving Maturity Date. Maker may borrow, repay and reborrow hereunder, and except as set forth in the Credit Agreement there is no limitation on the number of advances made hereunder.

11. Business Loans . Maker warrants and represents to Payee and all other holders of this note that all loans evidenced by this note are and will be for business, commercial, investment or other similar purpose and not primarily for personal, family, household or agricultural use, as such terms are used in the Texas Finance Code.

SOLARIS OILFIELD INFRASTRUCTURE, LLC,
a Delaware limited liability company

By: ___________________________
Name: ___________________________
Title: ___________________________

NOTE
(Advance Loans)

$ ________________________ Houston, Texas ____________ 20 ____

FOR VALUE RECEIVED, SOLARIS OILFIELD INFRASTRUCTURE, LLC, a Delaware limited liability company (together with permitted successors, herein collectively called " Maker "), promises to pay to ___________________________________ (" Payee "), at the office of WOODFOREST NATIONAL BANK, at Woodforest National Bank-Loan Operations, P.O. Box 7889, The Woodlands, TX 77387-7889, in immediately available funds and in lawful money of the United States of America, the principal sum of ____________________________ dollars ($___________) (or the unpaid balance of all principal advanced against this note, if that amount is less), together with interest on the unpaid principal balance of this note from time to time outstanding at the rate or rates provided in that certain Credit Agreement (as amended, supplemented, restated or replaced from time to time, the " Credit Agreement ") dated as of January 19, 2018 among Maker, certain signatory banks named therein (including the Payee) and WOODFOREST NATIONAL BANK, as Administrative Agent; provided , that for the full term of this note the interest rate produced by the aggregate of all sums paid or agreed to be paid to the holder of this note for the use, forbearance or detention of the debt evidenced hereby shall not exceed the Ceiling Rate. Any term defined in the Credit Agreement which is used in this note and which is not otherwise defined in this note shall have the meaning ascribed to it in the Credit Agreement.

1. Credit Agreement; Advances; Security . This note has been issued pursuant to the terms of the Credit Agreement, is one of the Notes referred to in the Credit Agreement and is subject to all of the terms and provisions of the Credit Agreement including, without limiting the generality of the foregoing, Section 9.12 thereof, which is incorporated herein by reference as if first set forth herein upon the execution of the Credit Agreement. Advances against this note by Payee or other holder hereof shall be governed by the terms and provisions of the Credit Agreement. Payee is entitled to the benefits of and security provided for in the Credit Agreement. The unpaid principal balance of this note at any time shall be the total of all amounts lent or advanced against this note less the amount of all payments or permitted prepayments made on this note and by or for the account of Maker. All loans and advances and all payments and permitted prepayments made hereon may be endorsed by the holder of this note on a schedule which may be attached hereto (and thereby made a part hereof for all purposes) or otherwise recorded in the holder's records; provided , that any failure to make notation of (a) any advance shall not cancel, limit or otherwise affect Maker's obligations or any holder's rights with respect to that advance, or (b) any payment or permitted prepayment of principal shall not cancel, limit or otherwise affect Maker's entitlement to credit for that payment as of the date received by the holder.

2. Mandatory Payments of Principal and Interest .

(a) Accrued and unpaid interest on the unpaid principal balance of this note shall be due and payable as provided in the Credit Agreement.

(b) Section 2.09(a) of the Credit Agreement provides for periodic installments of principal which shall be due and payable on this note. On the Advance Loan Maturity Date, the entire unpaid principal balance of this note and all accrued and unpaid interest on the unpaid

principal balance of this note shall be finally due and payable.

(c) All payments hereon made pursuant to this paragraph shall be applied first to accrued interest, the balance to principal.

(d) If any payment provided for in this note shall become due on a day other than a Business Day, such payment may be made on the next succeeding Business Day (unless the result of such extension of time would be to extend the date for such payment into another calendar month or beyond the Advance Loan Maturity Date, and in either such event such payment shall be made on the Business Day immediately preceding the day on which such payment would otherwise have been due), and such extension of time shall in such case be included in the computation of interest on this note.

(e) The Credit Agreement provides for required prepayments of the indebtedness evidenced hereby upon terms and conditions specified therein.

3. Default. The Credit Agreement provides for the acceleration of the maturity of this note and other rights and remedies upon the occurrence of certain events specified therein.

4. Waivers by Maker and Others. Except to the extent, if any, that notice of default is expressly required herein or in any of the other Loan Documents, Maker and any and all comakers, endorsers, guarantors and sureties severally waive notice (including, but not limited to, notice of intent to accelerate and notice of acceleration, notice of protest and notice of dishonor), demand, presentment for payment, protest, diligence in collecting and the filing of suit for the purpose of fixing liability and consent that the time of payment hereof may be extended and reextended from time to time without notice to any of them. Each such person agrees that his, her or its liability on or with respect to this note shall not be affected by any release of or change in any guaranty or security at any time existing or by any failure to perfect or to maintain perfection of any lien against or security interest in any such security or the partial or complete unenforceability of any guaranty or other surety obligation, in each case in whole or in part, with or without notice and before or after maturity.

5. Paragraph Headings. Paragraph headings appearing in this note are for convenient reference only and shall not be used to interpret or limit the meaning of any provision of this note.

6. Choice of Law. **THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE APPLICABLE LAWS OF THE STATE OF TEXAS AND THE UNITED STATES OF AMERICA FROM TIME TO TIME IN EFFECT.**

7. Successors and Assigns. This note and all the covenants and agreements contained herein shall be binding upon, and shall inure to the benefit of, the respective legal representatives, heirs, successors and permitted assigns of Maker and Payee.

8. Records of Payments. The records of Payee shall be prima facie evidence of the amounts owing on this note.

9. Severability. If any provision of this note is held to be illegal, invalid or unenforceable under present or future laws, the legality, validity and enforceability of the remaining provisions of this note shall not be affected thereby, and this note shall be liberally construed so as to carry out the intent of the parties to it.

10. Business Loans. Maker warrants and represents to Payee and all other holders of this note that all loans evidenced by this note are and will be for business, commercial, investment or other similar purpose and not primarily for personal, family, household or agricultural use, as such terms are used in the Texas Finance Code.

SOLARIS OILFIELD INFRASTRUCTURE, LLC,
a Delaware limited liability company

By: ____________________________
Name: ____________________________
Title: ____________________________

BORROWING BASE CERTIFICATE

The undersigned hereby certifies that he or she is the ____________________________ of SOLARIS OILFIELD INFRASTRUCTURE, LLC, a Delaware limited liability company (the " Borrower "), and that as such he or she is authorized to execute this Borrowing Base Certificate on behalf of the Borrower pursuant to the Credit Agreement (as it may be amended, supplemented or restated from time to time, the " Credit Agreement ") dated as of January 19, 2018, by and among the Borrower, WOODFOREST NATIONAL BANK, as Administrative Agent, and the Lenders therein named. The undersigned further certifies, represents and warrants that (i) Schedule 1 attached hereto sets forth a detailed calculation of Eligible Accounts, Eligible Inventory and the Borrowing Base, and (ii) to his or her knowledge, after due inquiry, that Schedule 1 has been duly completed and is true and correct in all material respects:

Terms used herein with their initial letters capitalized which are not otherwise defined herein shall have the meanings ascribed to such terms in the Credit Agreement.

Dated ________________, 20____.

____
[SIGNATURE OF AUTHORIZED OFFICER]

EXHIBIT D

Borrowing Base Certificate

ACCOUNTS RECEIVABLE

1	**Total Book Value of Receivables as of:**		$ -
	Less ineligibles (enter as negative numbers)		
2	Accounts 90 or more past invoice date		$ -
3	U.S. Government accounts. Less portion over 90		
4	Foreign accounts. Less portion over 90		$ -
5	Entire amount of cross-aged accounts with 20% >90 days		
6	Inter-company and Other. Less accounts over 90. Attach explanation		$ -
7	**Gross Eligible Receivables** (sum of lines 1 through 6)		$ -
	Ineligible portion of concentrated accounts (if an account is listed in line 3, 4, 5, or 6 do not list the account in line 7)		
8	Total value of concentrated accounts (less portion over 90)	$ -	
9	Number of concentrated accounts	0 account(s)	
10	Line 1 x line 9 x 20%	$ -	
11	Value of concentrated accounts (Greater of zero OR line 8 - line 10)		$ -
12	**Net Eligible Receivables** (line 7 less line 11)		$ -
13	**Discounted Value of Receivables (line 12 multiplied by 80%)**		$ -

INVENTORY

14	**Total Book Value of Inventory as of:**		$ -
15	Work-in-Process and Other Deductions (explain, enter as negative)		$ -
16	Net Eligible Inventory (line 14 minus line 15)		$ -
17	**Discounted Value of Inventory (line 16 multiplied by 65%)**		$ -
18	**Discounted Value of AR plus Discounted Value of Inventory (Borrowing Base)**		$ -
19	**35% of borrowing base**		$ -
20	**Line 13 plus (Lesser of line 17 and line 19)**		$ -

BALANCES

21	Total Commitment Amount		$ -
22	Total Discounted Collateral (line 20)		$ -
23	Borrowing Base (lesser of line 22 or 23)		$ -
24	Less outstanding balance on line of credit (enter as negative)		$ -
25	Less balance on other loans tied to this borrowing base (explain, enter as negative)		$ -
26	Net available for advance -- if negative value, that amount is due Lender (line 23 minus the sum of line 24 plus line 25)		$ -

CROSS-AGED RULE: The entire amount 20% of an account greater than 90 delinquent, then entire amount must be deducted in line 2

CONCENTRATION: If a single account represents 20% or more of borrower's A/R, that portion over 20% of all borrower's A/R is ineligible)

The undersigned represents and warrants that the foregoing is true, complete and correct, and that the information reflected in this Borrowing Base Certificate complies with the representations and warranties set forth in the Security Agreement and in the Loan Agreement between the undersigned and the Lender.

Borrower: Solaris Oilfield Infrastructure, LLC

By: ______________________

Its: ______________________

U.S. TAX COMPLIANCE CERTIFICATE
(For Foreign Lenders That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Credit Agreement dated as of January 19, 2018 (as amended, supplemented or otherwise modified from time to time, the " Credit Agreement "), among SOLARIS OILFIELD INFRASTRUCTURE, LLC, a Delaware limited liability company (the " Borrower "), the Lenders named therein, and WOODFOREST NATIONAL BANK, as Administrative Agent.

Pursuant to the provisions of Section 2.16 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of Borrower within the meaning of Section 871(h)(3)(B) of the Code, and (iv) it is not a controlled foreign corporation related to Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished Administrative Agent and Borrower with a certificate of its non-U.S. Person status on IRS Form W-8BEN-E or IRS Form W-8BEN. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform Borrower and Administrative Agent and (2) the undersigned shall have at all times furnished Borrower and Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By: ______________________________________
Name:
Title:

Date: ______________, 201____

U.S. TAX COMPLIANCE CERTIFICATE
(For Foreign Participants That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Credit Agreement dated as of January 19, 2018 (as amended, supplemented or otherwise modified from time to time, the " Credit Agreement "), among SOLARIS OILFIELD INFRASTRUCTURE, LLC, a Delaware limited liability company (the " Borrower "), the Lenders named therein, and WOODFOREST NATIONAL BANK, as Administrative Agent.

Pursuant to the provisions of Section 2.16 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the participation in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of Borrower within the meaning of Section 871(h)(3)(B) of the Code, and (iv) it is not a controlled foreign corporation related to Borrower as described in Section 881(c)(3)(C) of the Code. The undersigned has furnished its participating Lender with a certificate of its non-U.S. Person status on IRS Form W-8BEN-E or IRS Form W-8BEN. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender in writing and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By: ____
Name:
Title:

Date: _______________, 201____

U.S. TAX COMPLIANCE CERTIFICATE
(For Foreign Participants That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Credit Agreement dated as of January 19, 2018 (as amended, supplemented or otherwise modified from time to time, the " Credit Agreement "), among SOLARIS OILFIELD INFRASTRUCTURE, LLC, a Delaware limited liability company (the " Borrower "), the Lenders named therein, and WOODFOREST NATIONAL BANK, as Administrative Agent.

Pursuant to the provisions of Section 2.16 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the participation in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such participation, (iii) with respect such participation, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a ten percent shareholder of Borrower within the meaning of Section 871(h)(3)(B) of the Code, and (v) none of its direct or indirect partners/members is a controlled foreign corporation related to Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN-E or IRS Form W-8BEN or (ii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN-E or IRS Form W-8BEN from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICPANT]

By: ____
Name:
Title:

Date: ______________, 201____

U.S. TAX COMPLIANCE CERTIFICATE
(For Foreign Lenders That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Credit Agreement dated as of January 19, 2018 (as amended, supplemented or otherwise modified from time to time, the " Credit Agreement "), among SOLARIS OILFIELD INFRASTRUCTURE, LLC, a Delaware limited liability company (the " Borrower "), the Lenders named therein, and WOODFOREST NATIONAL BANK, as Administrative Agent.

Pursuant to the provisions of Section 2.16 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such Loan(s) (as well as any Note(s) evidencing such Loan(s)), (iii) with respect to the extension of credit pursuant to this Credit Agreement or any other Loan Document, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a ten percent shareholder of Borrower within the meaning of Section 871(h)(3)(B) of the Code, and (v) none of its direct or indirect partners/members is a controlled foreign corporation related to Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished Administrative Agent and Borrower with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN-E or (ii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN-E or IRS Form W-8BEN from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent, and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By: ____
Name:
Title:

Date: ______________, 201____

Schedule 2.01A

Commitments

Lender	Revolving Commitments	Advance Loan Commitments
WOODFOREST NATIONAL BANK	$7,142,857.14	$17,857,142.86
CADENCE BANK, N.A.	$5,714,285.71	$14,285,714.29
COMMUNITYBANK OF TEXAS, N.A.	$5,714,285.71	$14,285,714.29
CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH	$1,428,571.44	$3,571,428.56

Schedule 2.01B

Letter of Credit Commitment

$5,000,000

Schedule 3.12

Subsidiaries

Solaris Oilfield Early Property, LLC, a Texas limited liability company

Solaris Oilfield Site Services Operating, LLC, a Texas limited liability company

Solaris Oilfield Site Services Personnel LLC, a Delaware limited liability company

Solaris Logistics, LLC, a Delaware limited liability company

Solaris Oilfield Technologies, LLC, a Delaware limited liability company

Immaterial Subsidiaries

Solaris Transportation, LLC, a Delaware limited liability company

Schedule 6.01

Existing Indebtedness

1. Capital lease of land and building at Early, Texas manufacturing facility - $210,592 balance at January 19, 2018.

2. Indebtedness related to that certain Guaranty of Lease Agreement dated as of November 3, 2016 made by Solaris Oilfield Infrastructure, LLC, as guarantor, in favor of Blex Exchange II LP, as Landlord, under that certain Lease Agreement dated November 3, 2016 among such landlord and Solaris Energy Management, LLC, as tenant.

3. Indebtedness related to that certain Guaranty of Lease Agreement dated as of January 9, 2018 made by Solaris Oilfield Infrastructure, LLC, as guarantor, in favor of Blex Exchange II LP, as Landlord, under that certain Lease Agreement dated January 9, 2018 among such landlord and Solaris Energy Management, LLC, as tenant.

4. Indebtedness related to that certain Commercial Ground Lease dated as of June 8, 2017 entered into by Ironhide, Inc., as lessee, and Commissioners of the Land Office of the State of Oklahoma Trustees of the Land Office Trust, as lessor, and assigned to Solaris Oilfield Infrastructure, LLC by Ironhide, Inc. pursuant to that certain Assignment of Oklahoma School Land Long Term Commercial Lease, dated as of July 25, 2017.

5. Indebtedness related to that certain Commercial Lease in Monahans, Texas, commencing on November 1, 2017 and ending on October 31, 2010 entered into by Solaris Oilfield Infrastructure, LLC, as tenant, and Steeple O Development, LP, as landlord.

Schedule 6.02

Existing Liens

1. Lien related to capital lease of land and building at Early, Texas manufacturing facility - $210,592 balance at January 19, 2018.

Schedule 6.04

Existing Investments

$25,274 Certificate of Deposit with Wells Fargo Account #9905084845

$50,325 Certificate of Deposit with Wells Fargo Account #9593401988

$75,178 Certificate of Deposit with Wells Fargo Accounting #8214091574

Exhibit 21.1

Solaris Oilfield Infrastructure, Inc.

List of Subsidiaries

Name	Jurisdiction of Organization
Solaris Oilfield Infrastructure, LLC	Delaware
Solaris Oilfield Site Services Operating, LLC	Texas
Solaris Oilfield Early Property, LLC	Texas
Solaris Oilfield Site Services Personnel LLC	Delaware
Solaris Logistics, LLC	Delaware
Solaris Oilfield Technologies LLC	Delaware
Solaris Transportation LLC	Delaware

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

Solaris Oilfield Infrastructure, Inc.
Houston, Texas

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-216721) of Solaris Oilfield Infrastructure, Inc. of our report dated March 6, 2018, relating to the consolidated financial statements, which appear in this Form 10- K.

/s/ BDO USA, LLP

Houston, Texas
March 6, 2018

EXHIBIT 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES OXLEY ACT OF 2002

I, Gregory A. Lanham, certify that:

1. I have reviewed this annual report on Form 10-K of Solaris Oilfield Infrastructure, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 6, 2018

/s/ Gregory A. Lanham
Gregory A. Lanham
Chief Executive Officer (Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES OXLEY ACT OF 2002

I, Kyle S. Ramachandran, certify that:

1. I have reviewed this annual report on Form 10-K of Solaris Oilfield Infrastructure, Inc. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 6, 2018

/s/ Kyle S. Ramachandran
Kyle S. Ramachandran
Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (SUBSECTIONS (a) AND (b) OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Gregory A. Lanham, Chief Executive Officer of Solaris Oilfield Infrastructure, Inc. (the "Company"), hereby certify, to my knowledge, that:

(1) the Company's Annual Report on Form 10-K for the year ended December 31, 2017 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated:	March 6, 2018	/s/ Gregory A. Lanham
		Gregory A. Lanham
		Chief Executive Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the U.S. Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (SUBSECTIONS (a) AND (b) OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Kyle S. Ramachandran, Chief Financial Officer of Solaris Oilfield Infrastructure, Inc. (the "Company"), hereby certify, to my knowledge, that:

(1) the Company's Annual Report on Form 10-K for the year ended December 31, 2017 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated:	March 6, 2018	/s/ Kyle S. Ramachandran
		Kyle S. Ramachandran
		Chief Financial Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the U.S. Securities and Exchange Commission or its staff upon request.