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, 2023

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.)
9651 Katy Freeway, Suite 300 **Houston, Texas** (Address of principal executive offices)	**77024** (Zip code)

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

9811 Katy Freeway, Suite 700, Houston, Texas 77024
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, $0.01 par value	"SOI"	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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 ☒
	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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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, 2023: $212,866,528

As of February 21, 2024, the registrant had 29,339,077 shares of Class A common stock, $0.01 par value per share, and 13,671,971 shares of Class B common stock, $0.00 par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement relating to the Registrant's 2024 Annual Meeting of Shareholders, which will be filed with the U.S. Securities and Exchange Commission within 120 days of December 31, 2023, are incorporated by reference into Part III of this Annual Report on Form 10-K.

SOLARIS OILFIELD INFRASTRUCTURE, INC.
TABLE OF CONTENTS

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this “Annual Report”) includes “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, management changes, current and potential future long-term contracts, the costs of being a publicly traded corporation, our capital programs and our future business and financial performance. In addition, our forward-looking statements address the various risks and uncertainties associated with extraordinary market environments, and the expected impact on our businesses, results of operations and earnings.

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 and access to capital markets by the oil and natural gas industry and uncertainty regarding the future actions of oil producers, including the members of the Organization of the Petroleum Exporting Countries and Russia (OPEC) and the actions taken to set, maintain or cut production levels;

- developments and uncertainty in the global economy and the resulting impacts to the demand and supply for crude oil and natural gas or volatility of oil and natural gas prices, and therefore the demand for the service we provide and the commercial opportunities available to us;

- geopolitical risks, including the war between Russia and Ukraine, the Israel and Hamas conflict and continued hostilities in the Middle East which could each affect the stability and continued recovery of oil and gas markets;

- consolidation amongst current or potential customers that could affect demand for our products and services;

- inflationary risks, increased interest rates, central bank policy, bank failures and associated liquidity risks and supply chain constraints, including changes in market price and availability of materials and labor;

- significant changes in the transportation industries or fluctuations in transportation costs or the availability or reliability of transportation that service our business;

- large or multiple customer defaults, including defaults resulting from actual or potential insolvencies;

- epidemics or pandemics, including the effects of related public health concerns and the impact of continued actions taken by governmental authorities and other third parties in response to pandemics and their impact on commodity prices, supply and demand considerations and storage capacity;

- technological advancements in well completion technologies and our ability to expand our product and service offerings;

- competitive conditions in our industry;

- inability to fully protect our intellectual property rights;
- actions taken by our customers, competitors and third-party operators;
- changes in the availability and cost of capital;
- our ability to successfully implement our business strategy;
- increases in tax rates or the enactment of taxes that specifically impact exploration and production related operations resulting in an increase in the amount of taxes owed by us;
- the effects of existing and future laws, rulings, governmental regulations and accounting standards and statements (or the interpretation thereof) on us and our customers;
- cyber-attacks targeting systems and infrastructure used by the oil and natural gas industry;
- the effects of future litigation;
- credit markets;
- business acquisitions;
- natural or man-made disasters and other external events that may disrupt our manufacturing operations;
- uncertainty regarding our future operating results; 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 I

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. Except as otherwise indicated or required by the context, all references in this Annual Report to the "Company," "Solaris," "we," "us" and "our" refer to Solaris Oilfield Infrastructure, Inc. ("Solaris Inc.") and its consolidated subsidiaries, including Solaris Oilfield Infrastructure, LLC ("Solaris LLC"), our operating subsidiary.

Item 1. Business

Our Company

We are a Houston, Texas based business. We design and manufacture specialized equipment, which combined with field technician support, last mile and mobilization logistics services and our software solutions, enables us to provide a service offering that helps oil and natural gas operators and their suppliers drive efficiencies that reduce operational footprint and costs during the completion phase of well development. We service most active oil and natural gas basins in the United States.

We believe our continual innovation is one of our main competitive advantages. We specialize in developing all-electric equipment that automates the low pressure section of oil and gas well completion sites. We believe all-electric equipment operates more efficiently than traditional equipment, is more reliable, safer and lowers the environmental and operating footprint required to develop oil and gas. We also believe that automation improves operational efficiency by reducing errors, waste and headcount required on well sites, which lowers costs and improves safety.

We manage and report our operations as a single business. Our sand handling service offering has grown from utilizing our legacy mobile proppant management systems to multiple types of all-electric, automated systems designed to efficiently store, move and blend sand and fluids on the low pressure side of well completion sites. We measure our activity based on the number of our fully utilized systems. Typically, one to several systems could follow one hydraulic fracturing (frac) crew.

Our Properties

We own or lease various facilities including our corporate headquarters in Houston, Texas, a repair and maintenance facility in Monahans, Texas, and a manufacturing facility in Early, Texas.

Suppliers

We have built long-term relationships with third-party suppliers to both transport equipment and products and provide certain materials used in the manufacturing and maintenance of our systems. During the years ended December 31, 2023 and 2022, no supplier accounted for more than 10% of our total spending.

To date, we have been able to obtain the third party-trucking services necessary to support our 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 third-party trucking services by one or more of our suppliers, we may not always be able to do so. We do not currently have long-term agreements with third-party trucking suppliers and could experience shortages and price increases in the future.

Our Customers and Contracts

Our primary 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. For the years ended December 31, 2023 and 2022, Liberty Oilfield Services, LLC accounted for approximately 12% and 22%, respectively, of our total revenue. For the year ended December 31, 2023, EOG Resources, Inc. accounted for approximately 12% of our total revenue.

Competition

The oil and natural gas services industry is highly competitive. We have numerous types of competitors, including logistics companies, equipment manufacturers, hydraulic fracturing service companies and sand mining companies. Some of these companies could be customers of ours on certain jobs while also utilizing their own equipment and integrated service offerings on other jobs.

We believe that the principal competitive factors in the markets we serve are equipment reliability, technical expertise, patent-protected technology, ability to offer unique and/or bundled services offerings, equipment capacity, transportation and storage, work force competency, efficiency, safety record, reputation, experience and price. We seek to differentiate ourselves from our competitors by delivering the highest-quality services and equipment possible, coupled with superior execution and operating efficiency in a safe working environment.

Seasonality

Our business is not significantly impacted by seasonality, although our business may be impacted by holidays, inclement weather, and our clients' budget cycles, during which we may experience declines in our operating results.

For a discussion of the impact of weather on our operations, please see Item 1A. "Risk Factors—Seasonal weather conditions and natural disasters could severely disrupt normal operations and harm our business."

Human Capital

We believe that our employees are the foundation to fostering an innovative culture, the safe operation of our assets and delivery of services to our customers. We foster a collaborative and inclusive work environment, focused on working safely every day. We seek to identify qualified internal and external talent for our organization, enabling us to execute on our strategic objectives.

As of December 31, 2023, we employed 338 employees overall, who were employed pursuant to an administrative services agreement that primarily supports our operations. None of our employees are subject to collective bargaining agreements. We consider our employee relations to be good.

We continually strive to attract and retain talented individuals. Our employee demographic profile aids us in promoting inclusion of thought, skill, knowledge, and culture across our operations to drive enhanced decision making and execution for the business. We are proud of the diversity of our workforce and the inclusion of our employees at all levels of our organization. As of December 31, 2023:

- 22% of our supervisory or managerial roles were filled by women;
- 14% of our total workforce consisted of women;
- 25% of our supervisory or managerial roles were filled by racially or ethnically diverse individuals; and
- 38% of our total workforce was racially or ethnically diverse.

Health and Safety

Safety is a core value of ours and begins with the protection of our employees. We value people above all else and remain committed to making their safety and health our top priority. To protect our employees, contractors, and surrounding community from workplace hazards and risks, we implement and maintain an integrated system of policies, practices, and controls, including requirements to complete detailed safety and regulatory compliance training on a regularly scheduled basis for all applicable individuals.

Recruiting

In order to recruit and maintain a workforce that is talented and qualified, we have personnel devoted to recruiting and retention, online job postings and recruiting programs, such as job fairs and other recruiting events, which we have established at academic and professional institutions for roles at all levels.

Environmental and Occupational Health and Safety Regulations

Our business operations are subject to stringent federal, tribal, state and local laws and regulations governing occupational health and safety, the discharge of materials into the environment and environmental protection. Numerous governmental entities, including the U.S. Environmental Protection Agency ("EPA"), the U.S. Occupational Safety and Health Administration ("OSHA") 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, including the incurrence of potentially significant capital or operating expenditures to mitigate or prevent releases of materials from our equipment, facilities or from customer locations where we provide products and services. These laws and regulations may, among other things, require the acquisition of permits to conduct regulated activities; restrict the types, quantities and concentration of various substances that can be released into the environment; require remedial measures to mitigate pollution from former and ongoing operations; impose specific safety and health criteria addressing worker protection; and impose substantial liabilities for pollution resulting from operations and support services.

The more significant of these existing environmental and occupational health and safety laws and regulations include the following U.S. legal standards, as amended from time to time:

(1) the Clean Air Act ("CAA"), which restricts the emission of air pollutants from many sources and imposes various pre-construction, operational, monitoring, and reporting requirements, and that the EPA has relied upon as authority for adopting climate change regulatory initiatives relating to greenhouse gas ("GHG") emissions;

(2) the Federal Water Pollution Control Act, also known as the Clean Water Act, which regulates discharges of pollutants from facilities to state and federal waters, including wetlands, and establishes the extent to which waterways are subject to federal jurisdiction and rulemaking as protected waters of the United States;

(3) the Oil Pollution Act of 1990, which, among other things, subjects owners and operators of onshore facilities to liability for removal costs and damages arising from an oil spill in waters of the United States;

(4) the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), which imposes liability on generators, transporters, disposers and arrangers of hazardous substances at sites where hazardous substance releases have occurred or are threatening to occur;

(5) the Resource Conservation and Recovery Act ("RCRA"), which governs the generation, treatment, storage, transport, and disposal of solid wastes, including hazardous wastes;

(6) the Safe Drinking Water Act ("SDWA"), which ensures the quality of the nation's public drinking water through adoption of drinking water standards and controlling the injection of waste fluids into below-ground formations that may adversely affect drinking water sources;

(7) the Occupational Safety and Health Act, which establishes workplace standards for the protection of the health and safety of employees, including the implementation of hazard communications programs designed to inform employees about hazardous substances in the workplace, potential harmful effects of these substances, and appropriate control measures;

(8) the Endangered Species Act, which restricts activities that may affect existing or previously unidentified federally listed endangered and threatened species or their habitats by the implementation of new or existing operating restrictions or a temporary, seasonal, or permanent ban in affected areas; and

(9) the U.S. Department of Transportation ("DOT") regulations, which relate to advancing the safe transportation of energy and hazardous materials and emergency response preparedness.

Certain of these federal environmental laws such as CERCLA and the RCRA, as well as analogous state laws impose joint and several strict liability for costs required to clean up and restore properties where pollutants have been released regardless of whom may have caused the harm or whether the activity was performed in compliance with all applicable laws. States also adopt and implement their own environmental laws and regulations, which may be more stringent than federal requirements. Many of the properties owned or leased by us were previously operated by third parties whose management, disposal or release of materials and wastes was not under our control. Private parties, including the owners of properties that we lease or upon which we conduct our services for our customers as well as facilities where our materials or wastes are taken for recycling or disposal, 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 or natural resource damages. We have incurred and will continue to incur operating and capital expenditures, some of which may be material, to comply with environmental and occupational health and safety laws and regulations and such costs may have a material adverse effect on our business and operational results in the future.

The trend in environmental regulation is to place more restrictions and limitations on activities that may affect the environment and we or our customers may be required to make significant, unanticipated capital and operating expenditures. Examples of regulatory initiatives to which we are subject to include the following:

(1) Hydraulic Fracturing. At the federal level, the EPA has asserted federal regulatory authority under the SDWA over certain hydraulic fracturing activities involving the use of diesel fuels and published permitting guidance for such activities. Additionally, the EPA issued a final regulation under the Clean Water Act prohibiting discharges to publicly owned treatment works of wastewater from onshore unconventional oil and gas extraction facilities and 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 certain circumstances. Notwithstanding these legal developments, further administrative and regulatory restrictions may be adopted by the Biden Administration that could restrict hydraulic fracturing activities on federal lands and waters. For example, the Bureau of Land Management has recently proposed a rule to update the fiscal terms of federal oil and gas leases, which, if finalized as proposed, would increase the costs associated with such leases and add additional criteria for the Bureau of Land Management to consider when deciding whether to lease nominated land. At the state level, many states have adopted legal requirements that have imposed new or more stringent permitting, public disclosure or well construction requirements on hydraulic fracturing activities, including states where our customers operate. States could also elect to place prohibitions on hydraulic fracturing and local governments may seek to adopt ordinances within their jurisdictions regulating the time, place or manner of hydraulic fracturing activities. 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.

(2) Induced Seismicity. In recent years, wells used for the disposal by injection of flowback water or certain other oilfield fluids below ground into non-producing formations have been associated with an increased number of seismic events, with research suggesting that the link between seismic events and wastewater disposal may vary by region and local geology. In response to these concerns, regulators in some of the states in which our customers operate have adopted additional requirements related to seismicity and its potential association with hydraulic fracturing. Moreover, states may issue orders to temporarily shut down or to curtail the injection depth of existing wells in the vicinity of seismic events, as was the case in recent years in the Permian Basin of Texas and has been the case over the past several years in central Oklahoma. Another consequence of seismic events may be lawsuits alleging that disposal well operations have caused damage to neighboring properties or otherwise violated state and federal rules regulating waste disposal.

(3) Ground-Level Ozone Standards. In 2015, the EPA issued a final rule under the CAA, making the National Ambient Air Quality Standard ("NAAQS") for ground-level ozone and, in December 2020, published notice of a final action, upon conducting a periodic review of the ozone standard, electing to retain the 2015 ozone NAAQS in 2020 without revision on a going-forward basis. However, several groups have filed litigation over this December 2020 decision, and the Biden Administration has announced plans to reconsider the December 2020 final action in favor of a more stringent ground-level ozone NAAQS. This reconsideration remains ongoing. State implementation of the revised NAAQS 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.

(4) Climate Change. In the United States, no comprehensive climate change legislation has been implemented at the federal level, but President Biden has made combating climate change a priority in his Administration and has issued, and may continue to issue, executive orders or other regulatory initiatives in pursuit of his regulatory agenda. Federal regulatory initiatives have focused on establishing rules impacting the oil and gas sector and relating to permitting, monitoring, reporting or restricting GHG emissions, such as methane. Since 2016, there has been considerable uncertainty surrounding regulation of the emissions of methane, with the Obama, Trump and Biden Administrations each implementing or, in the case of the Biden Administration, proposing to implement, versions of performance standards with varying restrictions on methane emissions from sources in the oil and gas industry. In January 2021, President Biden issued an executive order calling on the EPA to revisit federal regulations regarding methane and establish new or more stringent standards for existing or new sources in the oil and gas sector. In response to President Biden's executive order, in December 2023, the EPA issued a final rule that established Quad Ob more stringent new source and Quad Oc first-time existing source standards of performance for methane and volatile organic compound emissions in the crude oil and natural gas source category. This rule would apply to upstream and midstream facilities at oil and natural gas well sites, natural gas gathering and boosting compressor stations, natural gas processing plants, and transmission and storage facilities. Under the final rule, states will have two years to prepare and submit their plans to impose methane emission controls on existing sources. The rule's requirements are generally the same for both new and existing sources. The rule revises requirements for fugitive emissions monitoring and repair and establishes a "super-emitter" response program to timely mitigate emissions events as detected by governmental agencies or qualified third parties, triggering certain investigation and repair requirements. Additionally, in August 2022 the Inflation Reduction Act was passed, which imposes the first ever federal methane fee on certain oil and gas operations, the first payments for which will be due 2024 for emissions over certain thresholds in calendar year 2023. For more information, see our Risk Factor titled "Our and our customers' operations are subject to a number of risks arising out of the threat of climate change, energy conservation measures or initiatives that stimulate demand for alternative forms of energy that could result in increased operating and capital costs for our customers and reduced demand for the products and services we provide." Separately, various states and groups of states have adopted or are considering adopting legislation, regulations or other regulatory initiatives that are focused on such areas as GHG cap and trade programs, climate-related disclosure requirements, carbon taxes, reporting and tracking programs, climate-related disclosure requirements, and restriction of emissions.

At the international level, there exists the United Nations-sponsored "Paris Agreement," which is a non-binding agreement among participating nations to limit their GHG emissions through individually-determined reduction goals every five years after 2020. President Biden announced in April 2021 a new, more rigorous nationally determined emissions reduction level of 50%-52% reduction from 2005 levels in economy-wide net GHG emissions by 2030. Moreover, the international community gathered again in Glasgow in November 2021 at the 26th Conference of the Parties ("COP26"), during which multiple announcements (not having the effect of law) were made, including a call for parties to eliminate certain fossil fuel subsidies and pursue further action on non-CO2 GHGs. Relatedly, the United States and European Union jointly announced at COP26 the launch of a Global Methane Pledge, an initiative which over 100 countries joined, committing to a collective goal of reducing global methane emissions by at least 30 percent from 2020 levels by 2030, including "all feasible reductions" in the energy sector. At the 28th Conference of the Parties ("COP28") in 2023, the parties signed onto an agreement to transition away from fossil fuels in energy systems and increase renewable energy capacity, though no timeline for doing so was set. The impacts of these orders, pledges, agreements and any legislation or regulation promulgated to fulfill the United States' commitments under the Paris Agreement, COP26, COP28 or other international conventions cannot be predicted at this time. In other political actions, President Biden issued an executive order in January 2021 suspending new leasing activities for oil and gas exploration and production on non-Indian federal lands and offshore waters pending completion of a comprehensive review and reconsideration of federal oil and gas permitting and leasing practices that take into consideration potential climate and other impacts associated with oil and gas activities on such lands and waters. While this suspension was halted by legal action in 2022, the Biden Administration may pursue other measures, such as more restrictive requirements for the establishment of pipeline infrastructure or the permitting of liquefied natural gas export facilities. For example, in January 2024, the Biden Administration announced a temporary pause on pending decisions on new exports of liquefied natural gas to countries that the United States does not have free trade agreements with, pending Department of Energy review of the underlying analyses for such authorizations. Litigation risks are also increasing, as a number of states, municipalities and other plaintiffs have sought to bring suit against the largest oil and natural gas exploration and production companies in state or federal court, alleging, among other things, that such companies created public nuisances by producing fuels that contributed to global warming effects and therefore are responsible for roadway and infrastructure damages as a result, or alleging that the companies have been aware of the adverse effects of climate change for some time but defrauded their investors by failing to adequately disclose those impacts.

Moreover, our and our customers' access to capital may be impacted by climate change policies. Stockholders and bondholders currently invested in fossil fuel energy companies but concerned about the potential effects of climate change may elect in the future to shift some or all of their investments into non-fossil fuel energy-related sectors. Institutional investors who provide financing to fossil fuel energy companies also have become more attentive to sustainability lending practices that favor "clean" power sources such as wind and solar and some of them may elect not to provide funding for fossil fuel energy companies. Many of the largest U.S. banks have made "net zero" carbon emission commitments and have announced that they will be assessing financed emissions across their portfolios and taking steps to quantify and reduce those emissions. At COP26, the Glasgow Financial Alliance for Net Zero ("GFANZ") announced that commitments from over 450 firms across 45 countries had resulted in over $130 trillion in capital committed to net zero goals. The various sub-alliances of GFANZ generally require participants to set short-term, sector-specific targets to transition their financing, investing, and/or underwriting activities to net zero emissions by 2050. These and other developments in the financial sector could lead to some lenders restricting or eliminating access to capital for or divesting from certain industries or companies, including the oil and natural gas sector, or requiring that borrowers take additional steps to reduce their GHG emissions. Additionally, there is the possibility that financial institutions will be pressured or required to adopt policies that limit funding to the fossil fuel sector. In late 2020, the Federal Reserve announced that it had joined the Network for Greening the Financial System ("NGFS"), a consortium of financial regulators focused on addressing climate-related risks in the financial sector. In November 2021, the Federal Reserve issued a statement in support of the efforts of the NGFS to identify key issues and potential solutions for the climate-related challenges most relevant to central banks and supervisory authorities. The Federal Reserve has also announced that six of the largest U.S. banks will participate in a pilot climate scenario analysis, expected to conclude at the end of 2023. While we cannot predict what policies may result from this, a material reduction in the capital available to the fossil fuel industry could make it more difficult to secure funding for acquisition, exploration, development, production, transportation, and processing activities, which could impact our service-related business and operations. To the extent the rules impose additional reporting obligations, we and our customers could incur increased costs. Furthermore, the SEC proposed rules that, amongst other matters, will require climate-related disclosures from registrants, including data on Scope 1 and 2 and, in some cases, Scope 3 GHG emissions. Additionally, certain states have enacted or are considering similar climate-related disclosure requirements. Enhanced climate-related disclosure requirements could increase operating costs and lead to reputational or other harm with customers, regulators, or other stakeholders to the extent that our disclosures do not meet their own standards or expectations. Consequently, we are also exposed to increased litigation risks relating to alleged climate-related damages resulting from our operations, statements alleged to have been made by us or others in our industry regarding climate change risks, or in connecting with any future disclosures we may make regarding reported emissions, particularly given the inherent uncertainties and estimation required with respect to calculating and reporting GHG emissions. While we cannot predict the final form and substance of such rules, to the extent the rules impose additional reporting obligations, we and our customers could incur increased costs. Separately, the U.S. Securities and Exchange Commission (the "SEC") has also announced from time to time that it may apply additional scrutiny to existing climate-change related disclosures in public filings, increasing the potential for enforcement if the SEC was to allege that an issuer's existing climate disclosures were misleading or deficient.

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, rising sea levels and other climatic events, as well as chronic shifts in temperature and precipitation patterns. These climatic developments have the potential to cause physical damage to our assets and thus could have an adverse effect on our exploration and production operations. Additionally, changing meteorological conditions, particularly temperature, may result in changes to the amount, timing, or location of demand for energy or our production. While our consideration of changing climatic conditions and inclusion of safety factors in design is intended to reduce the uncertainties that climate change and other events may potentially introduce, our ability to mitigate the adverse impacts of these events depends in part on the effectiveness of our facilities and our disaster preparedness and response and business continuity planning, which may not have considered or be prepared for every eventuality.

We are also subject to the requirements of the federal Occupational Safety and Health Act and comparable state statutes whose purpose is to protect the health and safety of workers. The OSHA's hazard communication standard, the EPA's Emergency Planning and Community Right-to-Know Act and comparable state regulations and any implementing regulations require that we organize and/or disclose information about hazardous materials used or produced in our operations and that this information be provided to employees, state and local governmental authorities and citizens. We have an internal program of inspection designed to monitor and enforce compliance with worker safety requirements. Additionally, there are legal requirements relating to human exposure to crystalline silica that are applicable to certain of our operations. For example, OSHA has implemented rules establishing a more stringent permissible exposure limit for exposure to respirable crystalline silica as well as other regulatory initiatives protective of our employees, including in connection with hydraulic fracturing-related activities. These workplace legal requirements remain subject to future change, including in respect of permissible exposure limits, required controls and personal protective equipment. Further, the inhalation of respirable crystalline silica is associated with health risks including, for example, the lung disease silicosis and 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 the filing of lawsuits naming us as a defendant, increased scrutiny by federal, state and local regulatory authorities of us and our customers or reduced financing sources available to the hydraulic fracturing industry.

Additionally, as part of the services we provide, we engage third parties that operate as motor carriers and therefore, are subject to regulation by the DOT and analogous state agencies. These regulatory authorities exercise broad powers, governing activities such as the authorization to engage in motor carrier operations, regulatory 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, including increased costs, 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. 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.

Intellectual Property

We continuously seek to innovate our product and service offerings to improve our operations and deliver increased value to our customers and our software team is constantly designing and building increased software capabilities to enable efficient supply chain planning and management for our customers. As such, 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, 2023, we had seven issued patents in the United States, nine corollary patents issued in Canada and two corollary patents issued in Mexico; four pending utility patent applications in the United States, none in Canada, and two in Mexico. Each patent and patent application relates to our systems, services and other technologies. Our issued patents expire between 2032 and 2043, provided all of the maintenance fees are paid. We cannot make any assurances that any of our currently pending patent applications will result in the issuance of a granted patent, or whether the examination process will require us to narrow the present claims. Additionally, any issued patents may be contested, circumvented, found unenforceable or invalid, and we may not be able to prevent third parties from infringing them.

Available Information

We are required to file any annual, quarterly and current reports, proxy statements and certain other information with the SEC.

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, can be downloaded from the SEC's website.

Our principal executive offices are located at 9651 Katy Freeway, Suite 300, 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, pursuant to Section 13(a) or 15(d) of the Exchange Act, including Annual Reports on Form 10-K and 10-K/A, quarterly reports on Form 10-Q and Form 10-Q/A, current reports on Form 8-K, and amendments to those reports 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 and does not constitute a part of this Annual Report.

Board of Directors and Executive Officers

Set forth below are the name, age and business experience of the Board of Directors of the company as of February 27, 2024.

William A. Zartler, 58, is our Chairman and has served as a member of the Board since February 2017 and a manager of our predecessor since October 2014. Mr. Zartler was also appointed Chief Executive Officer by the Board in July 2018. Mr. Zartler founded Loadcraft Site Services, LLC and served as its Executive Chairman from February 2014 to September 2014. Mr. Zartler served as our predecessor's Chief Executive Officer and Chairman from October 2014 through our IPO in May 2017. Mr. Zartler also currently serves as Executive Chairman of Aris Water Solutions, Inc. ("ARIS") (NYSE: ARIS), a role he has held since its initial public offering in October 2021, and previously served as Chairman and Chief Executive Officer of the predecessor to ARIS from its inception in 2014 through its initial public offering in October 2021. Mr. Zartler has extensive experience in both energy industry investing and managing growth businesses. Prior to founding our predecessor, in January 2013 Mr. Zartler founded Solaris Energy Capital, LLC, a private investment firm focused on investing in and managing emerging, high growth potential businesses primarily in midstream energy and oilfield services, including Solaris LLC, and Mr. Zartler continues to serve as the sole member and manager of Solaris Energy Capital, LLC, a related party of the Company. Prior to founding Solaris Energy Capital, LLC, Mr. Zartler was a founder and Managing Partner of Denham Capital Management ("Denham"), a $7 billion global energy and commodities private equity firm, from its inception in 2004 to January 2013. Mr. Zartler led Denham's global investing activity in the midstream and oilfield services sectors and served on the firm's Investment and Executive Committees. Previously, Mr. Zartler held the role of Senior Vice President and General Manager at Dynegy Inc., building and managing the natural gas liquids business. Mr. Zartler also served as a director of the general partner of NGL Partners LP (NYSE: NGL) from its inception in September 2012 to August 2013. Mr. Zartler began his career at Dow Hydrocarbons and Resources. Mr. Zartler received a Bachelor of Science in Mechanical Engineering from the University of Texas at Austin and a Master of Business Administration from Texas A&M University. Mr. Zartler serves on the Engineering Advisory Board of the Cockrell School of Engineering at the University of Texas at Austin.

Laurie H. Argo, 52, has served as a member of the Board since March 2022. Ms. Argo became a member of the board of directors of the general partner of Viper Energy (NASDAQ: VNOM) effective January 1, 2023. Ms. Argo served on the board of the general partner of Ratter Midstream, LP (NASDAQ: RTLR) as well as the Audit and Conflicts Committees, from May 2019 until August 2023, at which time Rattler was acquired by Diamondback Energy. From August 2018 through June 2021, Ms. Argo served as a director on the board of EVRAZ plc (EVR.L), a multinational, vertically integrated steel making and mining company and was a member of the Audit Committee and the Remuneration Committee. Since October 2017, Ms. Argo has performed consulting services for clients within the energy industry. From March 2005 until September 2017, Ms. Argo served in various capacities of leadership and senior management within Enterprise Products Holdings LLC, the general partner of Enterprise Products Partners L.P., a midstream natural gas and crude oil pipeline company, including as Senior Vice President and President and Chief Executive Officer of OTLP GP, LLC, the general partner of Oiltanking Partners, L.P., an affiliate of Enterprise Products Partners L.P. From 2001 to 2004, Ms. Argo worked for San Diego Gas and Electric Company in San Diego, California and PG&E Gas Transmission, a subsidiary of PG&E Corporation, in Houston, Texas from 1997 to 2000. Ms. Argo earned an MBA from National University in La Jolla, California and graduated from St. Edward's University in Austin, Texas with a degree in accounting. Ms. Argo has over 25 years of experience in the energy industry and maintains multiple organizational memberships including the National Association of Corporate Directors ("NACD")..

James R. Burke, 86, has served as a member of the Board since May 2017 and served as a manager of our predecessor from October 2014 to May 2017 and currently serves as Chairman of our Nominating & Governance Committee. From July 2013 until January 2018 Mr. Burke served on the board of Centurion, a private equity sponsored oilfield services company based in Aberdeen, Scotland. Mr. Burke served as the Chief Executive Officer and President of Forum Energy Technologies ("Forum") from May 2005 to October 2007 and as Chairman of Forum from 2007 to 2010. Mr. Burke retired from his position as Chairman of Forum in 2010, subsequent to which he evaluated potential opportunities prior to becoming a director of Centurion. Prior to joining Forum, Mr. Burke served as Chief Executive Officer of Access Oil Tools Inc. ("Access") from April 2000 to May 2005. Before joining Access, Mr. Burke held various positions with Weatherford International Ltd. ("Weatherford") from January 1991 to August 1999, including Executive Vice President responsible for all manufacturing operations and engineering at its Compressor Division. Prior to joining Weatherford, Mr. Burke was employed by Cameron Iron Works ("Cameron") from 1967 to 1989, where he held positions of increasing seniority, including Vice President of Cameron's Ball Valve division. Mr. Burke holds a Bachelor of Science in Electrical Engineering from University College, Dublin, Ireland, and a Master of Business Administration from Harvard University.

Cynthia M. Durrett, 59, has served as a member of the Board since March 2019 and as our Chief Administrative Officer since March 2017. Ms. Durrett was previously our Vice President of Business Operations from October 2014 to February 2017 and the Vice President of Business Operations of Solaris Energy Capital, LLC from October 2013 to September 2014, a related party of the Company. From July 2013 to September 2013, Ms. Durrett served as an independent consultant in the proppant industry. From 2007 to June 2013, Ms. Durrett was the Director of Business Planning and Capital Projects for Cadre Proppants. Ms. Durrett previously served as Managing Director of Dynegy Midstream Services, where she provided leadership to several sectors of the organization including information technology, regulated energy delivery, natural gas liquids and midstream. Ms. Durrett began her career at Ferrell North America, where she managed operations for the energy commodities trading business, including natural gas liquids and refined products. Ms. Durrett received a Bachelor of Science in Business Administration from Park University in Kansas City, Missouri, where she graduated with distinction.

Edgar R. Giesinger, 67, has served as a member of the Board since May 2017 and currently serves on our Nominating & Governance Committee and as Chairman of our Audit Committee. Mr. Giesinger retired as a managing partner from KPMG LLP in 2015. Since November 2015, Mr. Giesinger has served on the board of directors of Geospace Technologies Corporation (NASDAQ: GEOS), a publicly traded company primarily involved in the design and manufacture of instruments and equipment utilized in oil and gas industries. Mr. Giesinger served on the board of directors of Newfield Exploration Company, a publicly traded crude oil and natural gas exploration and production company, from August 2017 until February 2019 when it was sold to Encana Corporation. He has 35 years of accounting and finance experience working mainly with publicly traded corporations. Over the years, he has advised a number of clients in accounting and financial matters, capital raising, international expansions and in dealings with the SEC. While working with companies in a variety of industries, his primary focus has been energy and manufacturing clients. Mr. Giesinger is a certified public accountant in the State of Texas and member of the American Institute of Public Accountants. He has lectured and led seminars on various topics dealing with financial risks, controls and financial reporting.

W. Howard Kennan, Jr., 73, has served as a member of the Board since May 2017 and served as a manager of our predecessor from November 2014 to May 2017 and currently serves on our Nominating & Governance Committee. Mr. Keenan has over 45 years of experience in the financial and energy businesses. Since 1997, he has been a Member of Yorktown Partners LLC, a private investment manager focused on the energy industry. From 1975 to 1997, he was in the Corporate Finance Department of Dillon, Read & Co. Inc. and active in the private equity and energy areas, including the founding of the first Yorktown Partners fund in 1991. Mr. Keenan also serves on the boards of directors of the following public companies:

Antero Resources Corporation (NYSE: AR), Antero Midstream Corporation (NYSE: AM) and Aris Water Solutions, Inc. (NYSE: ARIS). In addition, he is currently serving, and has previously served, as a director of multiple Yorktown Partners portfolio companies. Mr. Keenan holds a Bachelor of Arts degree cum laude from Harvard College and a Master of Business Administration degree from Harvard University.

F. Gardner Parker, 82, F. Gardner Parker has served as a member of the Board since May 2017 and currently serves on our Audit Committee and as Chairman of our Compensation Committee. Mr. Parker has been a private investor since 1984. Mr. Parker served as a director of Carrizo Oil & Gas, Inc. ("Carrizo") (NASDAQ: CRZO), including Chairman of its Audit Committee and as Lead Independent Director, from 2000 until 2019 when Carrizowas sold to Callon Petroleum Company (NYSE: CPE). Mr. Parker also served on the board and as Chairman of the Audit Committee of Sharps Compliance Corp. (NASDAQ: SMED), a medical waste management services provider from February 2003 until September 2019. Mr. Parker served as a Trust Director of Camden Property Trust ("Camden") (NYSE: CPT) from 1993 until his mandatory retirement in 2017. Previously, Mr. Parker was a director of Triangle Petroleum Corporation from November 2009 to July 2015 and a director of Hercules Offshore Inc. from 2005 to November 2015. Mr. Parker was a founding director for Camden in 1993 and also served as the Lead Independent Trust Manager from 1998 to 2008. In the private sector, Mr. Parker is Chairman of the boards of directors of Edge Resources LTD, Enterprise Offshore Drilling and Norton Ditto. He was a partner at Ernst & Ernst (now Ernst & Young LLP) from 1978 to 1984. Mr. Parker is a graduate of the University of Texas and is a certified public accountant in Texas. Mr. Parker is board certified by the NACD, where he serves as a NACD Board Leadership Fellow.

A. James Teague, 79, A. James Teague has served as a member of the Board since May 2017 and currently serves on our Audit and Compensation Committees. Mr. Teague has served as the Co-Chief Executive Officer of Enterprise Products Holdings LLC ("Enterprise") since January 2020, has been a Director of Enterprise since July 2008 and serves as Co-Chairman of the Capital Projects Committee of Enterprise since November 2016. Mr. Teague previously served as the Chief Executive Officer of Enterprise from January 2016 to January 2020, Chief Operating Officer of Enterprise from November 2010 to December 2015 and served as an Executive Vice President of Enterprise from November 2010 until February 2013. Mr. Teague joined Enterprise in connection with its purchase of certain midstream energy assets from affiliates of Shell Oil Company in 1999. From 1998 to 1999, Mr. Teague served as President of Tejas Natural Gas Liquids, LLC, then an affiliate of Shell. From 1997 to 1998, he was President of Marketing and Trading for MAPCO, Inc. Prior to 1997 he spent 22 years with Dow Inc. (NYSE: DOW) in various roles including Vice President, Hydrocarbon Feedstocks.

Ray N. Walker, Jr., 66, Ray N. Walker, Jr. has served as a member of the Board since August 2018 and currently serves on our Compensation Committee. Mr. Walker has served as the Chief Operating Officer of Encino Energy, a private oil and gas acquisition and development company, since September 2018. Mr. Walker retired as executive vice president and chief operating officer of Range Resources Corporation ("Range Resources") (NYSE: RRC) in April 2018. Range Resources is a publicly traded, independent natural gas, natural gas liquids and oil company engaged in the exploration, development and acquisition of natural gas and crude oil properties. Mr. Walker joined Range Resources in 2006 and was elected to the role of executive vice president and chief operating officer in January 2014. Previously, Mr. Walker served as Senior Vice President – Chief Operating Officer, Senior Vice President-Environment, Safety and Regulatory and Senior Vice President-Marcellus Shale for Range Resources where he led the development of Range Resources' Marcellus Shale division. Mr. Walker is a petroleum engineer with more than 43 years of oil and gas operations and management experience having previously been employed by Halliburton Company (NYSE: HAL) in various technical and management roles, Union Pacific Resources Group, Inc. and several private companies in which Mr. Walker served as an officer. Mr. Walker holds a Bachelor of Science degree in Agricultural Engineering with honors from Texas A&M University.

Set forth below are the name, age, position and description of the business experience of our executive officers (other than those who are also Directors and included above) as of February 27, 2024.

Kyle S. Ramachandran, 39 – President and Chief Financial Officer. Kyle S. Ramachandran joined Solaris at its founding in 2014, was named Chief Financial Officer in 2017 and President in 2018. Prior to joining Solaris, Mr. Ramachandran was a member of the Barra Energia management team, an independent exploration and production company based in Rio de Janeiro, Brazil. Mr. Ramachandran was previously an investor at First Reserve Corporation, a global energy-focused private equity firm. Mr. Ramachandran began his career as an investment banker in the Mergers & Acquisitions Group at Citigroup. Mr. Ramachandran received a Bachelor of Science in Finance and Accounting from the Carroll School of Management Honors Program at Boston College, where he graduated cum laude. Mr. Ramachandran is a member of the Board of Regents of Boston College.

Kelly L. Price, 65 – Chief Operating Officer. Kelly L. Price was named our Chief Operating Officer in March 2017. Mr. Price served as an operations consultant to us from January 2017 to February 2017. Mr. Price was previously a consultant for Accendo Services LLC from August 2016 to December 2016. From September 2015 to July 2016, Mr. Price pursued entrepreneurial opportunities in the pressure pumping industry. From January 2014 to August 2015, Mr. Price served as Senior Vice President of Pumping Services, Wireline and Logistics for FTS International, the then-largest private oilfield service company in North America. From August 2010 to October 2013, Mr. Price served as President, U.S. for Trican Well Service, subsequent to which he evaluated potential opportunities prior to joining FTS International. Mr. Price began his career at BJ Services, where he spent 32 years, including senior roles such as Vice President of Global Sales and Marketing, Vice President of West Division Sales and Rocky Mountain Regional Manager. Mr. Price began his career as field operator in Alberta, Canada.

Christopher P. Wirtz, 50 – Chief Accounting Officer. Christopher P. Wirtz was named our Chief Accounting Officer in June 2023. Prior to joining Solaris, Christopher served as the Controller, Proppant Segment for ProFrac Holding Corp. from December 2022 to May 2023. During that time, the Proppant Segment grew from two sand mines to eight, largely through acquisitions. Christopher joined ProFrac via its acquisition of US Well Services where he served as Corporate Controller from April 2017 to November 2020 and as VP of Internal Audit & Process Controls from September 2021 through November 2022. US Well Services was a provider of high-pressure, hydraulic fracturing services in US unconventional oil and natural gas basins. Mr. Wirtz was also Chief Financial Officer for ADS Services, LLC, a privately held managed pressure drilling company, from November 2022 until September 2021. Prior to joining US Well Services, Christopher held management and senior level positions at BJ Services Company, Superior Energy Services, Ernst & Young, and Broussard, Poche, Lewis and Breaux. His accounting experience spans both public and private companies within the energy industry for over 20 years. Christopher obtained his Bachelor of Business Administration degree in Accounting from the University of Louisiana at Lafayette and is a Certified Public Accountant.

Christopher M. Powell, 49 – Chief Legal Officer and Corporate Secretary. Christopher M. Powell was named our Chief Legal Officer and Corporate Secretary in August 2017. From 2009 to August 2017, Mr. Powell served in various roles of responsibility, including Vice President, General Counsel, Corporate Secretary and Chief Compliance Officer for CARBO Ceramics Inc., a leading technology and services company providing products and services to the global oil and gas and industrial markets. Prior thereto, Mr. Powell served in various legal roles at Baker Hughes Incorporated. Mr. Powell began his career with the international law firm of Norton Rose Fulbright (formerly Fulbright & Jaworski L.L.P.). Mr. Powell obtained his Doctor of Jurisprudence from the University of Houston Law Center, where he graduated magna cum laude. Mr. Powell received a Bachelor of Business Administration in Accounting from Texas A&M University, where he graduated cum laude and was selected as a member of the Mays Business School Fellows Program. Mr. Powell is also a licensed Certified Public Accountant and worked as an auditor with Arthur Andersen LLP prior to obtaining his law degree.

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. 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 Operations and Industry:

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

The demand for our products 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. Among other factors, increased production from major oil producing nations and decreasing availability of crude oil storage and geopolitical issues can contribute to volatility or weakness in oil prices or natural gas prices (or the perception that oil prices or natural gas prices will decrease or remain stagnant) and affect the spending patterns of our customers resulting in the drilling of fewer new wells. As a result, demand for proppants or chemicals may decrease, which could, in turn, lead to lower demand for our products and services and may cause lower prices and lower utilization of our assets. We have, and may in the future, experienced significant fluctuations in operating results as a result of the reactions of our customers to changes in oil and natural gas prices.

We face significant competition, as well as the propsect of further consolidation in the industry and amongst current and potential customers, either of which may impede our ability to gain market share or cause us to lose market share, or that could make adoption of new product offerings or services difficult.

The market for supply chain management and well site logistic services is becoming increasingly competitive. We face competition from proppant producers, pressure pumping companies 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 and handling delivery, while 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 and for our products is thus based on price, consistency and quality of products, distribution capability, customer service, reliability, 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, or if we are unable to gain market acceptance of new product offerings, 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.

Additionally, the market in which we operate is experiencing increased vertical and horizontal integration both amongst peers as well as customers and suppliers. Consolidation amongst current or potential customers could affect demand for our products and services if those customers utilize competing solutions and services or gain their own capabilities through the consolidation itself. It is not certain that we will be able to maintain the same relationships or ability to offer our products and services in the wake of consolidation, which could have an adverse effect on our business, results of operations or financial condition.

Continuing or worsening inflationary issues and associated changes in monetary policy may result in increases to the cost of our goods, services and personnel, which in turn could cause our capital expenditures and operating costs to rise.

Inflationary pressures have resulted in and may result in additional increases to the costs of our goods, services and personnel, which would in turn cause our capital expenditures and operating costs to rise. Due to the high levels of inflation in the U.S., the Federal Reserve and other central banks increased interest rates multiple times in 2022 and 2023, and although the Federal Reserve has indicated that such increases have ceased going into 2024, uncertainty remains as to when or if such elevated rates may be decreased. To the extent rates remain high, this could have the effects of raising the cost of capital and depressing economic growth, either of which – or the combination thereof – could hurt the financial and operating results of our business. To the extent elevated inflation remains, we may experience further cost increases for our operations, including services, labor costs and equipment if our drilling activity increases. Furthermore, higher crude oil and natural gas prices may cause the costs of materials and services to continue to rise. We cannot predict any future trends in the rate of inflation, and a significant increase in inflation, to the extent we are unable to recover higher costs through higher crude oil and natural gas prices and revenues, would negatively impact our business, financial condition and results of operations.

Changes in the transportation industry, including the availability or reliability of transportation to supply our products and services, fluctuations in transportation costs, or changes in the way in which proppant or chemicals are transported to the well site, could impair the ability of our customers to take delivery of proppant or chemicals or make our products and services less attractive and thereby adversely impact our business.

The transportation industry is subject to possible legislative and regulatory changes that may affect the economics of the industry by requiring changes in operating practices or by changing the demand for common or contract carrier services or the cost of providing truckload services, whether due in part to insufficient availability of workers to provide adequate levels of staffing, insufficient replacement vehicles, parts or other commodities from our third-party vendors in the supply chain, or otherwise. Disruption of transportation services due to factors outside of our control, including shortages of rail cars or trucks, insufficient available workforce or supply chain-provided commodities, increased costs associated with transportation services, extreme weather-related events, accidents, strikes, lockouts, increased regulation, more stringent railcar or safety regulatory initiatives, or other events could temporarily impair the ability of our customers to take delivery of our systems and proppant or chemicals at the well site or affect the provision of last mile services. Accordingly, if there are disruptions of the products or services utilized by our customers (whether these products or services are provided by us or a third party vendor), and they are unable to find alternative transportation providers, our business could be adversely affected. Additionally, alternative transportation methods for transporting and delivering proppant or chemicals to the well site could make our product offerings and services less attractive than those of our competitors and affect our results of operations.

Our business is subject to inherent risks some of which are beyond our control such as disasters and extreme or seasonal weather events. These risks may be self-insured or may not be fully covered under our insurance policies.

Our assets and operations may be affected by natural or man-made disasters and other external events such as extreme weather events associated with tornados, extreme periods of drought or otherwise that may disrupt our business, including manufacturing and field operations. Further, because our operations are located in different regions of the United States, there exists variability in seasonal weather events, which may include periods of heavy snow, ice or rain. 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 by us or our customers, thereby reducing the demand for our systems and services and our ability to generate revenues. 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.

We do not have insurance against all foreseeable risks and we may not be able to maintain adequate insurance in the future at rates we consider reasonable. 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.

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

We derive, and may continue to derive, a significant portion of our revenue from a relatively small number of customers and the operations of our customers have and may continue to experience delays or disruptions and temporary suspensions of operations. 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.

Events outside of our control, including a pandemic or outbreak of an infectious disease, political unrest, armed conflicts and economic recessions occurring around the globe, could materially adversely affect our business, liquidity, results of operations and financial condition.

We face risks that are outside of our control which could significantly disrupt the demand for oil and natural gas and our products and services, and adversely impact our operations and financial condition. These risks include, but are not limited to:

- (i) epidemics or pandemics, including the effects of related public health concerns that may cause business disruptions, disrupt the oil and gas industry and global supply chains, negatively impact the global economy, reduce global demand for oil and gas and create significant volatility and disruption of financial and commodity markets; and

- (ii) 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 around the globe, such as the war between Ukraine and Russia, the conflict between Israel and Hamas, and the regional conflict in the Middle East..

The degree to which events outside of our control adversely impact our results will also depend on future developments, which are highly uncertain and cannot be predicted. These and other factors can, individually or collectively contribute to unprecedented negative global economic impacts, including a significant decrease in demand.

While we expect these matters discussed above will continue to disrupt our operations in some way, the degree of the adverse financial impact cannot be reasonably estimated at this time.

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 and integrations effectively to achieve revenue growth and maintain profitability in our evolving market. If we fail to manage acquisitions and integrations effectively, our results of operations could be adversely affected.

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 13. “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, or a committee thereof, 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 failure to protect our proprietary information and intellectual property rights, or any successful intellectual property challenges or infringement proceedings against us, could result in a loss in our competitive advantage or market share.

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. We also rely on third-party intellectual property licenses in connection with our business. We may not be able to successfully preserve these intellectual property rights in the future or they may be invalidated. Third parties may knowingly or unknowingly infringe our patents 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. It is possible that our competitors or others could independently develop the same or similar technologies or otherwise obtain access to our unpatented technologies. Policing unauthorized use of intellectual property rights can be difficult and expensive, and adequate remedies may not be available. Alternatively, third parties may initiate litigation against us by asserting that the conduct of our business infringes, misappropriates or otherwise violates intellectual property rights and we may be required to obtain necessary licenses or substantially re-engineer our products in order to avoid infringement. Failure to protect, monitor and control the use of our existing intellectual property rights or any successful intellectual property challenges or infringement proceedings against us could materially and adversely affect our competitive advantage and result in us being enjoined from using or offering such products or technology and cause us to incur significant expenses.

Technological advancements in well service products and technologies, including those that reduce the amount of proppant or chemicals 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. 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 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 perform many of our services and to process and record financial and operating data and to collect and store sensitive data, including our proprietary business information and personally identifiable information of our employees. 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 in the future 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 and insurance coverage for protecting against cyber security risks, including cyberattacks, may not be sufficient and may not protect against or cover all of the losses (including potential reputational loss) we may experience as a result of the realization of such risks. As cyber incidents continue to evolve, we may 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. Our insurance coverage for cyberattacks may not be sufficient to cover all the losses we may experience as a result of such cyberattacks.

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, whether permanently or temporarily could adversely affect our business. We do not have any written employment agreements 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, or are required to significantly increase wages to attract or retain such 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. Increased competition for their services could result in a loss of available, skilled workers or at a price that is not as advantageous to our business, both of which could negatively affect our operating results. 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 are subject to extensive government laws and regulations concerning our employees, and the cost of compliance with such laws and regulations could be material.

Regulations related to wages and other compensation affect our business. Any appreciable increase in applicable employment laws and regulations, including the statutory minimum wage, exemption levels, or overtime regulations, could result in an increase in labor costs. Such cost increases, or the penalties for failing to comply with such statutory minimums, could adversely affect our business, financial condition, results of operations and cash available for distribution to our shareholders. Additionally, any changes in employment, benefit plan, tax or labor laws or regulations or new regulations proposed from time to time, could have a material adverse effect on our employment practices, our business, financial condition, results of operations and cash available for distribution to our shareholders.

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. Multiple or particularly severe accidents and high employee turnover can contribute to a deterioration of our safety record. 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 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.

Risks Related to Financial Condition:

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 oil and natural gas industry is cyclical and historically has experienced periodic downturns in activity. 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 activity 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.

Industry conditions are influenced by numerous factors over which we have no control, including, but not limited to:

- expected economic returns to E&P companies of new well completions;
- global political and economic conditions and supply of and demand for oil and natural gas;
- the level of prices, and expectations about future prices, of oil and natural gas;
- the level of global oil and natural gas exploration and production, and inventories;
- the supply of and demand for hydraulic fracturing equipment and consumables in the United States, including the supply and demand for lower emissions hydraulic fracturing equipment;
- the supply of consumables used in hydraulic fracturing, including proppant and water;
- federal, state and local regulation of hydraulic fracturing and exploration and production activities;
- laws, regulations and taxes, including the policies of governments regarding the exploration for and production and development of their oil and natural gas reserves;
- the supply and demand dynamics for crude oil and natural gas, which may be impacted by actions of global hydrocarbon producers, including members of OPEC;
- global or national health concerns including health epidemics;
- political or civil unrest in the United States or elsewhere;
- advances in exploration, development and production technologies or in technologies affecting energy consumption; and
- the potential acceleration of development of alternative fuels or sources of energy.

We may be adversely affected by uncertainty in the global financial markets or the deterioration of the financial condition, and resulting credit risk, of our customers.

Our future results may be impacted by the uncertainty caused by an economic downturn, weak economic conditions and widespread financial distress, 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, increased interest rates, whether resulting from inflationary concerns or otherwise, may prevent our customers from being able to obtain debt financing at favorable rates, or at all. Our credit procedures and policies may not be adequate to fully reduce customer credit risk. If we are unable to adequately assess the creditworthiness of existing or future customers or unanticipated deterioration in their creditworthiness, any resulting bankruptcy or 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.

Our 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 Credit Agreement.

Our Credit Agreement subjects us to significant financial and other restrictive covenants, including, but not limited to, restrictions on incurring additional debt and certain distributions, as well as a certain leverage ratio and minimum fixed charge coverage ratio we must maintain. Please see Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operation—Debt Agreements.” Our ability to comply with these financial condition tests can be affected by events beyond our control. If we are unable to remain in compliance with the financial covenants of our Credit Agreement, then amounts outstanding thereunder may be accelerated and become due immediately or we may be unable to access the funds available. Any such acceleration could have a material adverse effect on our financial condition and results of operations.

Our ability to use our net operating loss (“NOL”) carryovers may be limited.

As of December 31, 2023, the Company had approximately $226.0 million of U.S. federal NOL carryovers and $49.4 million of state NOL carryovers. $169.9 million of our U.S. federal NOL carryovers have no expiration date and the remaining U.S. federal NOL carryovers expire in 2037. $26.1 million of our state NOL carryovers will expire in varying amounts beginning in 2037. Utilization of our NOLs depends on many factors, including our future income, which cannot be assured. In addition, Section 382 of the Internal Revenue Code of 1986, as amended (the “Code”), generally imposes an annual limitation on the amount of NOLs that may be used to offset taxable income when a corporation has undergone an “ownership change” (as determined under Section 382 of the Code). In the event that an ownership change has occurred, or were to occur, with respect to us, utilization of our NOLs would be subject to an annual limitation under Section 382 of the Code. Any unused annual limitation may be carried over to later years. If we were to undergo an ownership change, some of our U.S. federal NOLs could expire before they can be used. In addition, future ownership changes or changes to the U.S. tax laws could limit our ability to utilize our NOLs. To the extent we are not able to offset our future income with our NOLs, this could adversely affect our operating results and cash flows.

Risks Related to Regulatory Matters

Laws, regulations, executive orders and other regulatory initiatives relating to hydraulic fracturing could increase our and our customers’ costs of doing business and result in restrictions, delays or cancellations that may serve to limit future oil and natural gas exploration and production activities and could have a material adverse effect on our business, results of operations and financial condition.

Although we do not directly engage in hydraulic fracturing, our operational services support our E&P customers in such activities. The practice continues to be controversial, resulting in increased scrutiny and regulation of the hydraulic fracturing process, including by federal and state agencies and local municipalities. Additionally, with concerns about seismic activity being triggered by the injection of produced wastewaters into underground disposal wells, certain regulators are also considering or have adopted additional requirements related to seismic safety for hydraulic fracturing activities. Our customers' inability to locate or contractually acquire and sustain the receipt of sufficient amounts of water could also adversely impact their exploration and production operations and result in a corresponding reduction in demand for our services. See Part I, Item 1. “Business – Environmental and Occupational Health and Safety Regulations” for more discussion on these hydraulic fracturing, seismicity and water availability matters. The adoption of any federal, state or local laws or the implementation of regulations or issuance of executive orders regarding hydraulic fracturing, seismic activities, or leasing activities on federal properties, or the inability of our customers to maintain adequate water supplies could potentially cause a decrease in the completion of new oil and gas wells and an associated decrease in demand for our services and increased compliance costs and time, which could have a material adverse effect on our business, results of operations, and financial condition.

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 stringent federal, tribal, state and local laws and regulations governing worker health and safety, protection of the environment, including natural resources, endangered or threatened species or their habitat and migratory birds, and the management, transportation and disposal of wastes and other materials. In addition, our business activities present risks of incurring significant environmental costs and liabilities, including costs and liabilities resulting from our management, transportation and disposal 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. Additionally, our operations are subject to legal requirements whose purpose is to protect the health and safety of our workers including, for example, standards relating to human exposure to crystalline silica as a result of hydraulic fracturing-related activities. Failure to comply with environmental and occupational safety laws and regulations may trigger a variety of administrative, civil and criminal enforcement measures, including the assessment of monetary penalties, the imposition of investigatory, remedial and curative requirements or the occurrence of restrictions, delays or cancellations in the permitting, development or expansion of projects and the issuance of orders enjoining future operations in affected areas. See Part I, Item 1. “Business – Environmental and Occupational Health and Safety Regulations” for more discussion on these matters.

Our costs to comply with existing or any new environmental or occupational health and safety laws, regulations and executive actions could impact us and our customers, increase the costs associated with our business or reduce demand for our services, any of which could have a material adverse effect on our business, results of operations and financial condition.

Our and our customers' operations are subject to a number of risks arising out of the threat of climate change, energy conservation measures or initiatives that stimulate demand for alternative forms of energy that could result in increased operating and capital costs for our customers and reduced demand for the products and services we provide.

The threat of climate change continues to attract considerable attention in the United States and foreign countries. 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 related to the production and processing of fossil fuels and to monitor and limit emissions of GHGs as well as to eliminate such future emissions. For example, the Inflation Reduction Act, signed into law in August 2022, appropriates significant federal funding for renewable energy initiatives and incentives, and imposes the first-ever federal fee on excess methane emissions from certain oil and gas facilities. These and other actions could accelerate the transition away from fossil fuels and reduce demand for hydrocarbons, therefore reducing demand for our products and services. Moreover, climate change-related regulatory initiatives to reduce carbon-based emissions may result in fuel conservation measures, alternative fuel requirements and increasing consumer demand for alternatives to oil and natural gas, which could reduce demand for the oil and natural gas our customers produce and reduce the demand for our products and services. The SEC has additionally proposed a new rule that would require certain climate-related disclosures from registrants, which is expected to be finalized in 2024. Certain states have also enacted or are otherwise considering climate-related disclosure requirements. To the extent that provisions of this rule are finalized, we could face increased costs associated with making the disclosures, and we cannot predict how any information disclosed may be considered by investors or financial institutions, which could impact costs of, or restrictions on, our or our customers’ access to capital. See Part I, Item 1. “Business – Environmental and Occupational Health and Safety Regulations” for more discussion on the threat of climate and restriction of GHG emissions. The adoption and implementation of any international, federal, regional or state legislation, executive actions, regulations or other regulatory initiatives that impose more stringent standards that restrict the areas in which this sector may produce oil and natural gas or generate GHG emissions could result in increased compliance costs or costs of consuming fossil fuels, which could reduce demand for our products and services and could have a material adverse effect on our business, financial condition, results of operations and cash flows and revenues.

Increasing attention to environmental, social and governance ("ESG") matters may impact our business.

Increasing attention to climate change, increasing societal expectations on companies to address climate change, and potential consumer use of substitutes to fossil-fuel energy commodities may result in increased costs, reduced demand for our customers' hydrocarbon products and our products and services, reduced profits, increased governmental investigations and private litigation against us, and negative impacts on our stock price and access to capital markets. Increasing attention to climate change and environmental conservation, for example, may result in demand shifts for our customers' hydrocarbon products and additional governmental investigations and private litigation against those customers. To the extent that societal pressures or political or other factors are involved, it is possible that such liability could be imposed without regard to our causation of or contribution to the asserted damage, or to other mitigating factors.

As part of our ongoing effort to enhance our ESG practices, management regularly reports to our Board of Directors regarding our ESG policies. The goal is to integrate actions taken currently by us regarding ESG issues, to assure corporate governance for a complex assessment of the environmental impact of our products and activities, and to set a framework for the identification of sustainable development risks. While we may elect to seek out various voluntary ESG targets now or in the future, such targets are aspirational. We may not be able to meet such targets in the manner or on such a timeline as initially contemplated, including as a result of unforeseen costs or technical difficulties associated with achieving such results. To the extent we elected to pursue such targets and were able to achieve the desired target levels, such achievement may have been accomplished as a result of entering into various contractual arrangements, including the purchase of various credits or offsets that may be deemed to mitigate our ESG impact instead of actual changes in our ESG performance. Notwithstanding our election to pursue aspirational targets now or in the future, we may receive pressure from investors, lenders or other groups to adopt more aggressive climate or other ESG-related goals, but we cannot guarantee that we will be able to implement such goals because of potential costs or technical or operational obstacles.

In addition, organizations that provide information to investors on corporate governance and related matters have developed ratings processes for evaluating companies on their approach to ESG matters. Such ratings are used by some investors to inform their investment and voting decisions. Unfavorable ESG ratings may lead to increased negative investor sentiment toward us or our customers and to the diversion of investment to other industries which could have a negative impact on our stock price and/or our access to and costs of capital. Also, institutional lenders may decide not to provide funding for fossil fuel energy companies or the corresponding infrastructure projects based on climate change related concerns, which could affect our or our customers' access to capital for potential growth projects, which can adversely affect our business. Further, while we may participate in various voluntary frameworks and certification programs to improve the ESG profile of our operations and products, we cannot guarantee that such participation or certification will have the intended results on our or our products' ESG profile. Such ESG matters may also impact our customers, which may adversely impact our business, financial condition or results of operations.

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.

Changes to applicable tax laws and regulations or exposure to additional income tax liabilities could affect our business and future profitability.

We are subject to various complex and evolving U.S. federal, state and local taxes. U.S. federal, state and local tax laws, policies, statutes, rules, regulations or ordinances could be interpreted, changed, modified or applied adversely to us, in each case, possibly with retroactive effect. Any significant variance in our interpretation of current tax laws or a successful challenge of one or more of our tax positions by the Internal Revenue Service or other tax authorities could increase our future tax liabilities and have an adverse effect on our business and future profitability.

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 that Solaris Inc. needs funds, including to make payments under the Tax Receivable Agreement, and Solaris LLC or its subsidiaries are restricted from making such distributions or payments under applicable law or regulation or under the terms of the Credit Agreement or any future financing arrangements, or are otherwise unable to provide such funds, Solaris Inc.'s liquidity and financial condition could be materially adversely affected.

Our stock price could be volatile, and you may not be able to resell shares of your Class A common stock at or above the price you paid.

The stock markets in general have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our Class A common stock. In addition, the market price of our Class A common stock may fluctuate significantly in response to a number of factors outside of our control, including public reaction to our releases and filings, actions by our competitors and actions by our stockholders. Additionally, if our results fail to meet analyst expectations or if analysts cease coverage of our Company, fail to publish reports on us regularly, or downgrade our Class A common stock, our stock price or trading volume could decline. Volatility in the market price of our Class A common stock may prevent you from being able to sell your Class A common stock at or above the price at which you purchased the stock. As a result, you may suffer a loss on your investment. Securities class action litigation has often been instituted against companies following periods of volatility in the overall market and in the market price of a company's securities. Such litigation, if instituted against us, could result in substantial costs, divert our management's attention and resources and harm our business, operating results and financial condition.

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 holders of interest in Solaris LLC may redeem their non-controlling interest related to the portion of the units in Solaris LLC ("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. 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.

Holders of our Class A common stock may not receive dividends on our Class A common stock.

We declared our first dividend to Class A stockholders in the fourth quarter of 2018 and have continued to declare dividends on a quarterly basis. See Part II, Item 5. "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities" of this Annual Report. We are not required to declare future dividends and holders of our Class A common stock are entitled to receive only such dividends as our board of directors may declare. Any determination to pay dividends and other distributions in cash, stock or property by us in the future will be dependent on then-existing conditions, including business conditions, our financial condition, results of operations, liquidity, capital requirements, contractual restrictions including restrictive covenants contained in debt agreements and other factors.

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. Our two largest beneficial owners, Yorktown Energy Partners X, L.P. and William A. Zartler own a substantial majority of our Class B common stock, which represents approximately 32% of our combined economic interest and voting power. Although our largest investors are entitled to act separately in their own respective interests with respect to their ownership in us, if they 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. 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 large stockholder.

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, our Chief Executive Officer and 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 or become more expensive for us to pursue.

Certain of our directors, including our Chairman and Chief Executive Officer, have significant duties with, and spend significant time serving, entities that may or may not compete with us and, accordingly, may have conflicts of interest in allocating time or pursuing business opportunities.

Certain of our executive officers and directors, who are responsible for managing the direction of our operations, hold positions of responsibility with other entities (including affiliated entities) that are in the oil and natural gas industry. These executive officers and directors may have conflicts of interest in allocating their time between these entities or whether to 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 executive officers and directors' business affiliations and the potential conflicts of interest of which our stockholders should be aware, see Note 13. "Related Party Transactions" under Part II, Item 8. "Financial Statements and Supplementary Data."

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 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, voting rights, rights and terms of redemption, redemption price or prices and liquidation preferences of such series 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. 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.

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, among other things: a staggered, or classified, board of directors; permitting the majority of directors then in office, even if less than a majority, the right to fill vacancies; restricting the ability of stockholders to act by written consent or call special meetings of stockholders; supermajority requirements (75%) to remove directors from office; prohibitions on cumulative voting of directors; advance notice requirements for stockholders proposals; and express power to our board of directors to adopt, or alter or repeal our bylaws.

In addition, certain change of control events have the effect of accelerating the payments 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, Solaris Inc. realizes 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, 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. Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations promulgated thereunder. As a result, the exclusive forum provision will not apply to actions arising under the Exchange Act or the rules and regulations promulgated thereunder. However, Section 22 of the Securities Act provides for concurrent federal and state court jurisdiction over actions under the Securities Act and the rules and regulations promulgated thereunder, subject to a limited exception for certain "covered class actions" as defined in Section 16 of the Securities Act and interpreted by the courts. Accordingly, we believe that the exclusive forum provision would apply to actions arising under the Securities Act or the rules and regulations promulgated thereunder, except to the extent a particular action fell within the exception for covered class actions or the exception in the certificate of incorporation described above otherwise applied to such action, which could occur if the action also involved claims under the Exchange Act. Stockholders will not be deemed, by operation of Article 14 of the certificate of incorporation alone, to have waived claims arising under the federal securities laws and the rules and regulations promulgated thereunder.

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. 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.

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 the Tax Receivable Agreement with members of Solaris LLC (each such person and any permitted transferee, a “TRA Holder,” and together, the “TRA Holders”). For additional information, see “Payables Related to the Tax Receivable Agreement” in Note 10. “Income Taxes” and Note 13. “Related Party Transactions” under Part II, Item 8. “Financial Statements and Supplementary Data.” 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 or other forms of business combinations or other changes of control), and Solaris Inc. makes the termination payment specified in the Tax Receivable Agreement.

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 United States 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 United States 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 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. 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. Solaris LLC may make tax distributions to Solaris Inc. in order for Solaris Inc. to satisfy its obligations under the Tax Receivable Agreement and will be required to distribute cash pro rata to each of the other members of Solaris LLC, in accordance with the number of Solaris LLC Units owned by each member at that time. For additional information regarding the Tax Receivable Agreement, see Note 10. “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 in the Tax Receivable Agreement), which includes certain mergers, asset sales and other forms of business combinations, or the Tax Receivable Agreement terminates early, 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 equal to the 12-month term Secured Overnight Financing Rate ("SOFR") published by CME Group Benchmark Administration Limited plus 71.513 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 NOL 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, such potential termination payment 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 the estimated termination payments would, in the aggregate, be approximately $69.9 million (calculated using a discount rate equal to the 12-month term SOFR published by CME Group Benchmark Limited plus 71.513 basis points, applied against an undiscounted liability of $88.6 million, based upon the last reported closing sale price of our Class A common stock on December 31, 2023). 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 10. "Income Taxes" under Part II, Item 8. "Financial Statements and Supplementary Data" for additional information.

Additionally, 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.

Finally, 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. 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.

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, 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 laws, regulations and requirements, certain corporate governance provisions of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") and related regulations of the SEC and the requirements of the New York Stock Exchange (the "NYSE"). Complying with these statutes, regulations and requirements occupies a significant amount of time of our board of directors and management and significantly increases our costs and expenses.

Under Section 404(a) of the Sarbanes-Oxley Act, our management is required to assess and report annually on the effectiveness of our internal control over financial reporting and identify any material weaknesses in our internal control over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs and significant management oversight. In compliance with the Sarbanes-Oxley Act, we are required to have our independent registered public accounting firm attest to the effectiveness of our internal controls. 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.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Weaknesses in our disclosure controls and internal control over financial reporting may also be discovered in the future. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our results of operations or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting. If material weaknesses are discovered in the future, the Company’s financial statements could contain additional errors which, in turn, could lead to errors in our financial reports and/or delays in our financial reporting, which could require us to further restate our operating results. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our Class A Common Stock. In addition, 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.

Additionally, as a public company, we are required to: (i) comply with any new requirements if adopted by the Public Company Accounting Oversight Board (United States) 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; (ii) provide certain disclosures regarding executive compensation required of larger public companies; or (iii) hold nonbinding advisory votes on executive compensation.

We previously identified a material weakness in our internal control related to ineffective information technology general controls which has been remediated as of December 31, 2023. Additional material weaknesses in internal control could arise in the future and, if not remediated appropriately or timely, could result in loss of investor confidence and adversely impact our stock price.

Internal controls related to the operation of technology systems are critical to maintaining adequate internal control over financial reporting. As disclosed in Part II, Item 9A Management’s Annual Report on Internal Control over Financial Reporting, management previously identified a material weakness in internal control related to ineffective information technology general controls in the areas of user access, application change management, operating system and logical access controls, and segregation of duties for a third-party information technology system that supports the Company’s financial reporting process for its last mile logistics services, which includes the costs of providing that service and the associated pass through revenues. As a result, management concluded that our internal control over financial reporting was not effective as of December 31, 2022. During the year ended December 31, 2023, we executed a remediation plan which is described in Part II, Item 9A “Remediation of Previously Reported Material Weakness,” and, as a result determined that, as of December 31, 2023, the material weakness has been remediated.

We can give no assurance that additional material weaknesses in internal control will not arise in the future. If we are unable to remediate the development of new material weaknesses in internal control, or are otherwise unable to maintain effective internal control over financial reporting or disclosure controls and procedures, our ability to record, process and report financial information accurately, and to prepare financial statements within required time periods, could be adversely affected, which could subject us to litigation or investigations requiring management resources and payment of legal and other expenses, negatively affect investor confidence in our financial statements and adversely impact our stock price.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Description of Processes for Assessing, Identifying, and Managing Cybersecurity Risks

In the normal course of business, we collect and store certain sensitive Company information, including proprietary and confidential business information, trade secrets, intellectual property, sensitive third party information and employee information, and certain personal identifiable information. To manage the risks associated with cybersecurity threats, we are continually assessing, reviewing and adopting new processes, systems and resources in an effort to protect the information in our possession. We have endeavored to implement policies, standards, and technical controls based on the National Institute of Standards and Technology (NIST) framework with the aim of protecting our networks and applications. We seek to assess, identify and manage cybersecurity risks through the processes described below:

- *Risk Assessment:*
  A multi-layered system designed to protect and monitor data and cybersecurity risk has been implemented. Regular assessments of our cybersecurity safeguards are conducted periodically. Management conducts regular evaluations designed to assess, identify and manage material cybersecurity risks, and we endeavor to update cybersecurity infrastructure, procedures, policies, and education programs in response. We use firewalls and protection software, and we additionally rely on a third-party vendor for alerts regarding suspicious activity. We also incorporate external resources to aid in reviews of our cybersecurity program.
- *Incident Identification and Response:*
  A monitoring and detection system has been implemented to help promptly identify cybersecurity incidents. In the event of a breach or cybersecurity incident, we have an incident response plan that is designed to provide for action to contain the incident, mitigate the impact, and restore normal operations efficiently. We conduct periodic incident response tabletop exercises and planned incident response drills to refine and update incident response processes.
- *Cybersecurity Training and Awareness:*
  All employees and contractors are required to receive bi-annual cybersecurity awareness training, and have deployed internal phishing campaigns to measure the effectiveness of the training program. New hires also receive training in response to drills and simulated attacks.
- *Access Controls:*
  Users are provided with access consistent with the principle of least privilege, which requires that users be given no more access than necessary to complete their job functions. A multi-factor authentication process has been implemented for employees accessing company information.
- *Encryption and Data Protection:*
  Encryption methods are used to protect sensitive data in transit and at rest. This includes the encryption of customer data, financial information, and other confidential data. We also have programs in place to monitor our retained data with the goal of identifying personal identifiable information and taking appropriate actions to secure the data.

We recognize that third-party service providers introduce cybersecurity risks to our business. In an effort to mitigate these risks, before engaging with any third-party service provider, we conduct due diligence to evaluate their cybersecurity capabilities. Additionally, we endeavor to include cybersecurity requirements in our contracts with these providers and endeavor to require them to adhere to security standards and protocols, as applicable.

The above cybersecurity risk management processes are integrated into the Company's overall enterprise risk management activities. Cybersecurity risks are understood to be significant business risks, and as such, are considered an important component of our enterprise-wide risk management approach.

Impact of Risks from Cybersecurity Threats

As of the date of this Annual Report, we are not aware of any previous cybersecurity threats that have materially affected or are reasonably likely to materially affect the Company. However, we acknowledge that cybersecurity threats are continually evolving, and the possibility of future cybersecurity incidents remains and recognize cybersecurity measures have become more critical due to remote work, and we continuously evaluate improvements and new measures to protect our information and computing systems. Despite the implementation of our cybersecurity processes, our security measures cannot guarantee that a significant cyberattack will not occur. A successful attack on our information technology ("IT") systems could have significant consequences to the business. While we devote resources to our security measures to protect our systems and information, these measures cannot provide absolute security or eliminate all risks associated with cyberattacks to us or third parties with whom we do business. No security measure is infallible. See Item 1A. "Risk Factors" for additional information about the risks to our business associated with a breach or compromise to our IT systems.

Board of Directors' Oversight of Risks from Cybersecurity Threats and Management's Role

The Audit Committee of our Board of Directors is responsible for overseeing cybersecurity, information security and information technology risks, as well as management's actions to identify, assess, mitigate and remediate those risks. The Audit Committee assists our Board of Directors in exercising oversight of the Company's cybersecurity, information security and information technology risks. At least annually, the Audit Committee reviews and discusses with management the Company's policies, procedures and practices with respect to cybersecurity, information security and information and operational technology, including related risks. In addition, our Chief Administrative Officer ("CAO") is responsible for upward reporting of emerging cybersecurity incidents to our Audit Committee, who in turn reports to our Board of Directors.

Recognizing the importance of cybersecurity to the success and resilience of our business, our Board of Directors considers cybersecurity to be a vital aspect of corporate governance. To facilitate effective oversight, our CAO meets regularly with management to proactively review current cybersecurity threats as well as our potential exposure. Our CAO, supported by members of our management team and information technology group, briefs the Audit Committee on cybersecurity matters as needed and holds discussions on cybersecurity risks, incident trends and the effectiveness of cybersecurity measures as necessitated by emerging material cyber risks.

Item 2. Properties

Our principal properties are described in Item 1. "Business" under the caption "—Our Properties."

Item 3. Legal Proceedings

Disclosure concerning legal proceedings is incorporated by reference to "Part II. Item 8. "Financial Statements and Supplementary Data—Note 12. Commitments and Contingencies" in this Annual Report.

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

Market Information

Shares of our Class A common stock trade on the NYSE under the symbol "SOI."

As of February 21, 2024, we had approximately 4 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 February 21, 2024, we had 13 holders of record of our Class B common stock.

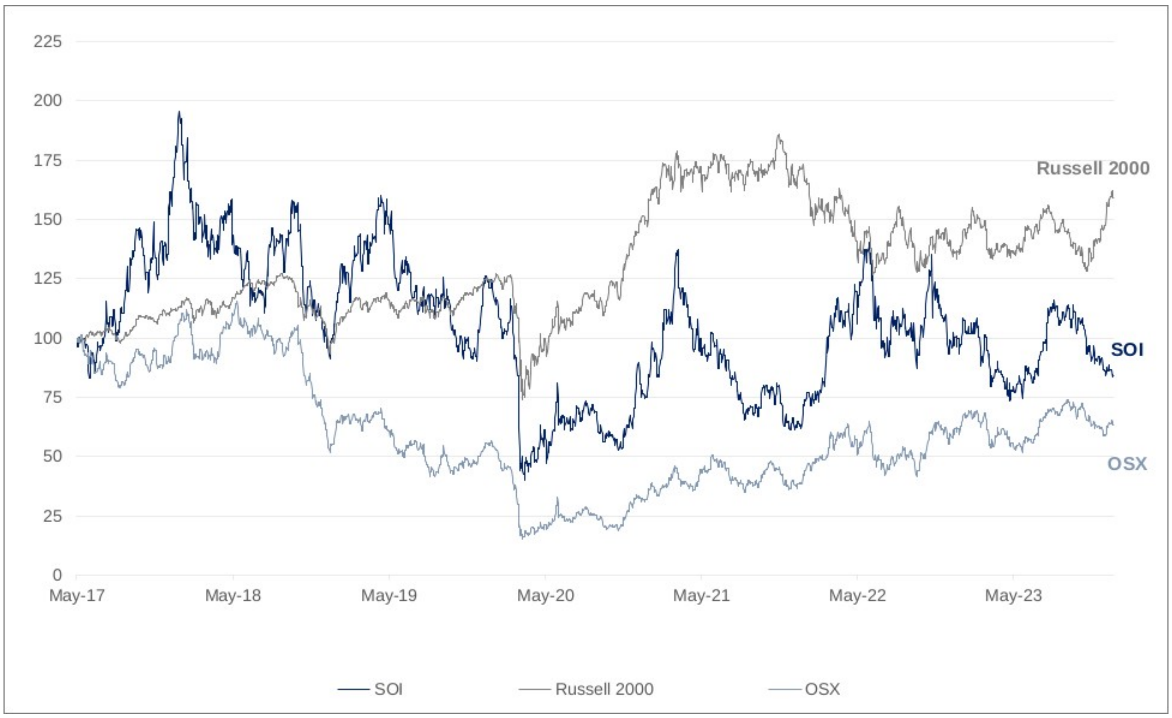
Dividend Policy

For the year ended December 31, 2023, the Company paid quarterly cash dividends totaling $0.45 per share of Class A common stock, compared to $0.42 per share paid in 2022. We currently intend to continue paying a quarterly dividend, which is currently $0.12 per share quarterly or $0.48 per share annually, while retaining the balance of future earnings, if any, to finance the growth of our business. However, 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 Credit Agreement contains certain restrictions on our ability to pay cash dividends to holders of our Class A common stock.

Stock Performance Graph

The graph below compares the cumulative total shareholder return on our common stock with the cumulative total return on the Russell 2000 Index and the Oilfield Service Index since May 11, 2017.

The graph assumes $100 was invested in our common stock on May 11, 2017 and in each of the indexes and further assumes the reinvestment of dividends. We elected to include the Oilfield Service Index as our published industry or line-of-business index as we believe it is an appropriate benchmark for our line of business/industry.



Source: Bloomberg. Assumes dividend reinvestment on pay date.

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

The following table presents the total number of shares of our Class A common stock that we purchased during the year ended December 31, 2023 and the average price paid per share:

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan (2)	Maximum Dollar Value of Shares that May Yet be Purchased Under the Plan (2)
January 1 - January 31	—	$ —	—	50,000,000
February 1 - February 28	—	—	—	50,000,000
March 1 - March 31	1,788,838	8.82	1,641,000	35,557,509
April 1 - April 30	1,957	8.75	—	35,557,509
May 1 - May 31	1,144,100	7.81	1,144,100	26,627,518
June 1 - June 30	294,146	8.23	293,400	24,212,452
July 1 - July 31	876	8.72	—	24,212,452
August 1 - August 31	884	10.57	—	24,212,452
September 1 - September 30	—	—	—	24,212,452
October 1 - October 31	—	—	—	24,212,452
November 1 - November 30	—	—	—	24,212,452
December 1 - December 31	85,278	7.97	85,278	23,532,857
Total	3,316,079	$ 8.40	3,163,778	

(1) Includes 3,163,778 shares repurchased as part of the share repurchase plan and 152,301 shares purchased to satisfy tax withholding obligations upon the vesting of restricted stock awarded to certain of our employees.

(2) In March 2023, the Company's board of directors authorized a plan to repurchase up to $50 million of our Class A common stock.

Sales of Unregistered Equity Securities

None.

Item 6. Reserved

Reserved.

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

Unless the context requires otherwise, references in this Annual Report to the "Company," "Solaris," "we," "us" and "our" refer to Solaris Oilfield Infrastructure, Inc. ("Solaris Inc.") and its consolidated subsidiaries, including Solaris Oilfield Infrastructure, LLC ("Solaris LLC"), our operating subsidiary. 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. This section of this Annual Report generally discusses 2023 and 2022 items and year-to-year comparisons between 2023 and 2022. Discussions of 2021 items and year-to-year comparisons between 2022 and 2021 that are not included in this Annual Report can be found in "Part II, Item 7. "Management's Discussion and Analysis of Financial Conditions and Results of Operations" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022. 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, 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.

Overview

We design and manufacture specialized equipment, which combined with field technician support, last mile and mobilization logistics services and our software solutions, enables us to provide a service offering that helps oil and natural gas operators and their suppliers drive efficiencies that reduce operational footprint and costs during the completion phase of well development. We service most active oil and natural gas basins in the United States.

Recent Trends and Outlook

Demand for our services is predominantly influenced by the level of oil and natural gas well drilling and completion activity in the U.S. During 2023, U.S. drilling and completion activity, as measured by the Baker Hughes U.S. Land Rig Count, declined 5% on a full year average basis and over 20% from the start to the end of the year. This activity decline was primarily driven by a decrease in commodity prices. Average WTI oil prices declined over 20% from the mid-$90s per barrel range in 2022 to the mid-$70s per barrel range in 2023. Average Henry Hub natural gas prices remained in a range between $2 and $3 per MMBtu for most of 2023, which reflected a 50-70% decrease from price levels in 2022.

During 2023, our fully utilized total system count grew from 95 systems for the year ended December 31, 2022 to 109 systems for the year ended December 31, 2023 outpacing the Baker Hughes rig count trend due primarily to new technology-led growth with new and existing customers. An increase in pricing at the start of 2023 and incremental earnings from our new services also allowed us to grow earnings despite a decline in drilling and completion activity during the year. As a result, our operating profit grew over 19% despite the industry activity decline.

In 2024, we expect the Company’s revenue and profitability to track closer to the overall direction of U.S. drilling and completion activity. Oil prices currently remain in the mid-$70s per barrel range in 2024, which we believe should support a sustained level of oil-directed U.S. drilling and completion activity. Today oil-directed drilling activity comprises approximately 80% of the total Baker Hughes U.S. Land rig count.

Our 2023 capital expenditures of approximately $64 million were down compared to full year 2022. Following the completion of our prior growth capital program in 2023, capital expenditure spending is expected to decline. The Company expects full year 2024 capital expenditures to be below $15 million, which reflects an over 75% decrease from total capital expenditures in 2023. This reduction in capital expenditures combined with a relatively stable market should allow us to generate significantly increased cash flow in 2024.

The sustainability of favorable supply-demand dynamics and a strong commodity environment will depend on multiple factors, including any supply chain disruptions, potential regulatory changes, uncertainty around a potential economic slowdown and potential impacts from geopolitical disruptions, including the war in Ukraine and the Israel and Hamas conflict. Additionally, consolidation can drive procurement strategy changes, which has historically resulted in both market share gains and losses for the Company. We expect both consolidation and financial discipline will likely continue to be important themes for the energy industry going forward.

Results of Operations

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

	Year Ended December 31, 2023	Year Ended December 31, 2022	Change
	(in thousands)		
Revenue	$ 292,947	$ 320,005	$ (27,058)
Operating costs and expenses:			
Cost of services (excluding depreciation)	177,847	219,775	(41,928)
Depreciation and amortization	36,185	30,433	5,752
Property tax contingency	—	3,072	(3,072)
Selling, general and administrative	26,951	23,074	3,877
Impairment losses	1,423	—	1,423
Other operating expense, net	639	1,847	(1,208)
Total operating costs and expenses	243,045	278,201	(35,156)
Operating income	49,902	41,804	8,098
Interest expense, net	(3,307)	(489)	(2,818)
Total other expense	(3,307)	(489)	(2,818)
Income before income tax expense	46,595	41,315	5,280
Provision for income taxes	(7,820)	(7,803)	(17)
Net income	38,775	33,512	5,263
Less: net income related to non-controlling interests	(14,439)	(12,354)	(2,085)
Net income attributable to Solaris	$ 24,336	$ 21,158	$ 3,178

Revenue

Revenue decreased $27.1 million, or 8%, to $292.9 million for the year ended December 31, 2023 compared to $320.0 million for the year ended December 31, 2022. Revenue decreased mainly due to a decrease in last mile logistics services activity. The decrease in revenue was partially offset by an increase in fully utilized systems and increased pricing. As our new technology introductions allowed us to provide more systems per location serviced, total fully utilized systems increased from 95 systems for the year ended December 31, 2022 to 109 systems for the year ended December 31, 2023.

Cost of Services

Cost of services, excluding depreciation and amortization expense, decreased $41.9 million, or 19%, to $177.8 million for the year ended December 31, 2023 compared to $219.8 million for the year ended December 31, 2022. The decrease was primarily due to a decrease in last mile and mobilization logistics services activity, partially offset by increased systems costs in line with the increase in fully utilized systems discussed above. Cost of services as a percentage of revenue was 61% and 69% for the year ended December 31, 2023 and 2022, respectively.

Property Tax Contingency

We are subject to a number of state and local taxes that are not income-based. As many of these taxes are subject to assessment and audit by the taxing authorities, it is possible that an assessment or audit could result in additional taxes due. We accrue for additional taxes when we determine that it is probable that we will have incurred a liability and we can reasonably estimate the amount of the liability. On June 16, 2022, Cause Number CV20-09-372, styled Solaris Oilfield Site Services v. Brown County Appraisal District, was presented to the 35th District Court of Brown County, Texas. The 35th District Court of Brown County ruled in favor of Brown County Appraisal District regarding the disqualification of our equipment for certain property tax exemptions. On July 20, 2022, we filed an appeal with the Eleventh District of Texas – Eastland Court of Appeals, and an appellate hearing relating thereto was held on April 13, 2023. We anticipate that a final ruling from the Eastland Court of Appeals will be delivered sometime in the first half of 2024. In connection therewith, we have recognized $3.1 million in Accrued Liabilities as of December 31, 2023. No additional contingencies were recognized during the year ended December 31, 2023. If this litigation is ultimately resolved against us, in whole or in part, it is possible that the resolution of this matter could be material to our consolidated results of operations or cash flows.

Selling, General and Administrative Expenses

Selling, general and administrative expenses, excluding depreciation and amortization, increased $3.9 million, or 17%, to $27.0 million for the year ended December 31, 2023 compared to $23.1 million for the year ended December 31, 2022. The increase is primarily due to increases in headcount and professional fees.

Impairment of Fixed Assets

During the year ended December 31, 2023, we entered into a non-binding sale agreement with a third party to sell certain fixed assets. These fixed assets met the criteria as assets held for sale and are included as such on the consolidated balance sheet as of December 31, 2023. As the carrying value of the fixed assets classified as held for sale exceeded their fair value less estimated costs to sell, we recorded an impairment loss of $1.4 million in the consolidated statement of operations for the year ended December 31, 2023.

Other Operating Expense, Net

Other operating expense decreased $1.2 million, or 67%, to $0.6 million for the year ended December 31, 2023 compared to $1.8 million for the year ended December 31, 2022. Other operating expense in the year ended December 31, 2023 primarily relate to credit losses and loss on disposal of assets, partially offset by sales tax rebates. Other operating expense in the year ended December 31, 2022 primarily relate to loss on disposal of assets, change in the TRA liability, credit losses, gain on insurance claims and other settlements, and costs related to the evaluation of potential acquisitions.

Interest Expense, Net

Interest expense increased $2.8 million, or 560%, to $3.3 million for the year ended December 31, 2023 compared to $0.5 million for the year ended December 31, 2022. The increase was primarily due to an increase in average borrowings outstanding and effective interest rates on the senior secured credit facility.

Provision for Income Taxes

During the year ended December 31, 2023, we recognized a combined United States federal and state expense for income taxes of $7.8 million, which is flat compared to the $7.8 million income tax expense we recognized during the year ended December 31, 2022. The effective combined United States federal and state income tax rates were 16.8% and 18.9% for the year ended December 31, 2023 and 2022, respectively. The effective tax rate differed from the statutory rate primarily due to Solaris LLC’s treatment as a partnership for United States federal income tax purposes.

Comparison of Non-GAAP Financial Measures

We view EBITDA and Adjusted EBITDA as important indicators of performance. We use them to assess our results of operations because it allows us, our investors and our lenders to compare our operating performance on a consistent basis across periods by removing the effects of varying levels of interest expense due to our capital structure, depreciation and amortization due to our asset base and other items that impact the comparability of financial results from period to period. We present EBITDA and Adjusted EBITDA because we believe they provide useful information regarding trends and other factors affecting our business in addition to measures calculated under generally accepted accounting principles in the United States (“GAAP”).

We define EBITDA as net income, 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 items and any extraordinary, unusual or non-recurring gains, losses or expenses.

EBITDA and Adjusted EBITDA should not be considered in isolation or as substitutes for an analysis of our results of operation and financial condition as reported in accordance with GAAP. 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 to EBITDA and Adjusted EBITDA for each of the periods indicated.

	Year Ended December 31, 2023	Year Ended December 31, 2022	Change
	(in thousands)		
Net income	$ 38,775	$ 33,512	$ 5,263
Depreciation and amortization	36,185	30,433	5,752
Interest expense, net	3,307	489	2,818
Income taxes (1)	7,820	7,803	17
EBITDA	$ 86,087	$ 72,237	$ 13,850
Property tax contingency (2)	—	3,072	(3,072)
Stock-based compensation expense (3)	7,732	6,092	1,640
Loss on disposal of assets	386	3,754	(3,368)
Impairment on fixed assets (4)	1,423	—	1,423
Change in payables related to Tax Receivable Agreement (5)	—	(663)	663
Credit losses	810	(420)	1,230
Other (6)	255	(290)	545
Adjusted EBITDA	$ 96,693	$ 83,782	$ 12,911

(1) Federal and state income taxes.

(2) Property tax contingency represents a reserve related to an unfavorable Texas District Court ruling related to prior period property taxes. The ruling is currently under appeal and we anticipate a ruling to be delivered sometime in the first half of 2024.

(3) Represents stock-based compensation expense related to restricted stock and performance-based restricted stock units.

(4) Impairment recorded on certain fixed assets classified as assets held for sale during the year ended December 31, 2023.

(5) Reduction in liability due to state tax rate change.

(6) Other includes gain on insurance claims and other settlements.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022: EBITDA and Adjusted EBITDA

EBITDA increased $13.9 million to $86.1 million for the year ended December 31, 2023 compared to $72.2 million for the year ended December 31, 2022. Adjusted EBITDA increased $12.9 million to $96.7 million for the year ended December 31, 2023 compared to $83.8 million for the year ended December 31, 2022. The increases in EBITDA and Adjusted EBITDA were primarily due to the changes in revenues and expenses, discussed above.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity to date have been cash flows from operations, borrowings under our credit agreements and proceeds from equity offerings. Our primary uses of capital have been to fund ongoing operations, capital expenditures to support organic growth, including our system development and related maintenance and system upgrades, repurchase shares of Class A common stock in the open market, and pay dividends. Although no assurance can be given, depending upon market conditions and other factors, we may also have the ability to issue additional equity and debt if needed.

As of December 31, 2023, cash and cash equivalents totaled $5.8 million. We have $30.0 million in borrowings outstanding under our Credit Agreement and have $41.3 million of available borrowing capacity. We believe that our cash on hand, operating cash flow and available borrowings under our Credit Agreement will be sufficient to fund our operations for the next 12 months and beyond. See Note 8. “Senior Secured Credit Facility” under Item 8. “Financial Statements and Supplementary Data” for additional information regarding our Credit Facility.

Cash Flows

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

	Year Ended December 31, 2023	Year Ended December 31, 2022	Change 2023 vs. 2022
		(in thousands)	
Net cash provided by operating activities	$ 89,924	$ 67,996	$ 21,928
Net cash used in investing activities	(62,003)	(79,539)	17,536
Net cash used in financing activities	(30,923)	(16,119)	(14,804)
Net change in cash	$ (3,002)	$ (27,662)	$ 24,660

Analysis of Cash Flow Changes for Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Operating Activities. Net cash provided by operating activities was $89.9 million for the year ended December 31, 2023, compared to net cash provided by operating activities of $68.0 million for the year ended December 31, 2022. The increase of $21.9 million in operating cash flow was primarily attributable to increased profitability from operations.

Investing Activities. Net cash used in investing activities was $62.0 million for the year ended December 31, 2023, compared to $79.5 million for the year ended December 31, 2022. The decrease in investing activities of $17.5 million is primarily due to a reduction in capital expenditures as the build out of our new service lines was largely completed during 2023.

Financing Activities. Net cash used in financing activities for the year ended December 31, 2023 was $30.9 milion. The Company repurchased shares of $26.4 million and distributed a total of $20.7 million to shareholders in the form of dividends. Net borrowings under the Credit Agreement for the year ended December 31, 2023 were $22.0 million. Net cash used in financing activities of $16.1 million for the year ended December 31, 2022 was primarily related to dividends of $19.6 million, partially offset by net borrowings under the credit agreement of $8.0 million.

Future sources and uses of cash

Our material cash commitments consist primarily of obligations under our Credit Agreement, Tax Receivable Agreement, finance and operating leases for property and equipment, and purchase obligations as a part of normal operations. We have no material off balance sheet arrangements as of December 31, 2023, except for purchase commitments under supply agreements disclosed below.

In 2024, we expect to pay approximately $0.2 million in commitment fees on our Credit Agreement, calculated based on the unused portion of lender commitments as of December 31, 2023, at the applicable commitment fee rate of 0.375%. As of December 31, 2023, if our borrowings under the Credit Agreement remain at $30.0 million, we expect to pay approximately $2.5 million in interest within the next twelve months, calculated based on the weighted average interest rate on the borrowings outstanding as of December 31, 2023 of approximately 8.38%.

We made payments of $1.1 million in January 2023 under the Tax Receivable Agreement. Solaris LLC made a tax distribution to Solaris Inc. of $1.1 million in order to satisfy these obligations and concurrently made a cash distribution on a pro rata basis to each of the other members of Solaris LLC of $0.4 million. Future amounts payable under the Tax Receivable Agreement are dependent upon future events. See Note 10. “Income Taxes” under Item 8. “Financial Statements and Supplementary Data” for additional information regarding the Tax Receivable Agreement.

See Note 7. “Leases” under Item 8. “Financial Statements and Supplementary Data” for additional information regarding scheduled maturities of finance and operating leases.

As of December 31, 2023, we had purchase obligations of approximately $3.5 million payable within the next twelve months. See Note 12. “Commitments and Contingencies” under Item 8. “Financial Statements and Supplementary Data” for information regarding scheduled contractual obligations.

Critical Accounting 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.

Value of Long-Lived Assets, Definite-Lived Intangible Assets and Goodwill

We carry a variety of long-lived assets on our balance sheet including property, plant and equipment, goodwill and other intangibles. Impairment is the condition that exists when the carrying amount of a long-lived asset exceeds its fair value, and any impairment charge that we record reduces our operating income. Goodwill is the excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired and liabilities assumed. We conduct impairment tests on goodwill annually, on October 31, or more frequently whenever events or changes in circumstances indicate an impairment may exist. We conduct impairment tests on long-lived assets, other than goodwill, whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Key estimates relate to the fair value and recoverability of carrying values of long-lived assets, definite-lived intangible assets and goodwill. These estimates include management’s short-term and long-term forecast of operating performance, including revenue growth rates and expected profitability margins, estimates of the remaining useful life and service potential of the assets, a discount rate based on our weighted average cost of capital, forecasted capital expenditures and the timing of expected future cash flows based on market conditions. Impairment assessments also incorporate inherent uncertainties, including projected commodity pricing, supply and demand for our services and future market conditions, which are difficult to predict in volatile economic and actual results could materially differ from the estimated assumptions utilized in our forecasts.

If market conditions deteriorate, including crude oil prices significantly declining and remaining at low levels for a sustained period of time, we could be required to record impairments of the carrying value of our long-lived assets, definite-lived intangible assets or goodwill in the future which could have a material adverse impact on our operating results.

Income Taxes

Solaris Inc. is a corporation and, as a result, is subject to United States federal, state and local income taxes. For the years ended December 31, 2023 and 2022 we recognized a combined United States federal and state expense for income taxes of $7.8 million. Solaris LLC is treated as a partnership for United States 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' United States federal income tax returns.

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 routinely evaluate the realizability of our deferred tax assets by assessing the likelihood that our deferred tax assets will be recovered based on all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, estimates of future taxable income, tax planning strategies and results of operations. Estimating future taxable income is inherently uncertain and requires judgment. In projecting future taxable income, we consider our historical results and incorporate certain assumptions, including revenue growth and operating margins, among others. As of December 31, 2023 and 2022, we had $48.0 million and $55.4 million of deferred tax assets, respectively.

See Note 10. "Income Taxes" under Part II, Item 8. "Financial Statements and Supplementary Data." for additional information.

Tax Receivable Agreement

As described in Note 10. "Income Taxes" under Part II, Item 8. "Financial Statements and Supplementary Data," Solaris Inc. is a party to the Tax Receivable Agreement under which it is contractually committed to pay the TRA Holders 85% of the net cash savings, if any, in United States federal, state and local income tax and franchise tax that Solaris Inc. actually realizes or is deemed to realize in certain circumstances in periods after our initial public offering as a result of certain increases in tax basis, and certain tax benefits attributable to imputed interest as a result of Solaris Inc.'s acquisition (or deemed acquisition for United States federal income tax purposes) of Solaris LLC Units in connection with the initial public offering ("IPO") or pursuant to an exercise of the Redemption Right or the Call Right (each as defined in the Solaris LLC Agreement) and additional tax basis arising from any payments Solaris Inc. makes under the Tax Receivable Agreement.

The projection of future taxable income involves estimates which require significant judgment. Actual taxable income may differ from our estimates, which could significantly impact the liability relating to the Tax Receivable Agreement. The Company accounts for amounts payable under the Tax Receivable Agreement in accordance with Accounting Standard Codification ("ASC") Topic 450, *Contingencies*.

Recent Accounting Pronouncements

See Note 2. "Summary of Significant Accounting Policies — Accounting Standards Recently Issued But Not Yet Adopted" under Item 8. "Financial Statements and Supplementary Data" for a discussion of recent accounting pronouncements.

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-lived assets and 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. Please see Part I, Item 1A. "Risk Factors" for more information regarding market risks.

Commodity Price Risk

The market for our services is indirectly exposed to fluctuations in the price 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 Credit Agreement. At December 31, 2023, we had $30.0 million of debt outstanding, with a weighted average interest rate of 8.38%. Interest is calculated under the terms of our Credit Agreement based on our selection, from time to time, of one of the index rates available to us plus an applicable margin that varies based on certain factors. See Note 8. "Senior Secured Credit Facility" under Item 8. "Financial Statements and Supplementary Data" for further discussion. Assuming no change in the amount outstanding, the impact on interest expense of a 1% increase or decrease in the weighted average interest rate would be approximately $0.3 million per year. We do not currently have or intend to enter into any derivative arrangements to protect against fluctuations in interest rates applicable to our outstanding indebtedness.

Credit Risk

The majority of our accounts receivable have payment terms of 60 days or less. As of December 31, 2023, two customers accounted for 12% and 10% of our total accounts receivable. A concentration of counterparties operating in the oil and natural gas industry may increase our overall exposure to credit risk in that the counterparties may be similarly affected by changes in economic, regulatory or other conditions. If a customer defaults, our gross profit and cash flows may be adversely affected. We mitigate the associated credit risk by performing credit evaluations, monitoring the payment patterns of our customers, and pursuing legal remedies, such as the filing of liens, when applicable.

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

Stockholders 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. (the "Company") as of December 31, 2023, and 2022, the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2023, 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 at December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and our report dated February 27, 2024, expressed an unqualified opinion thereon.

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 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.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Income Taxes – Estimation of Future Taxable Income

As discussed in Notes 2 and 10 to the Company's consolidated financial statements, the Company recorded net deferred tax assets totaling $48 million as of December 31, 2023. As of December 31, 2023, the Company used forecasted future taxable income to determine if it is more likely than not that deferred tax assets will be realized. 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. In assessing the realizability of deferred tax assets, the Company makes estimates and assumptions regarding projected future taxable income.

We identified the estimation of future taxable income as a critical audit matter. The principal consideration for our determination is the projection of future taxable income used in the determination of the recoverability of deferred tax assets require significant judgment. Auditing these judgments involved especially challenging auditor effort due to the nature of audit evidence available and the extent of specialized skills or knowledge needed to address this matter.

How We Addressed the Matter in Our Audit

The primary procedures we performed to address this critical audit matter included:

- Evaluating the reasonableness of the Company's estimation of future taxable income by: (i) comparing future revenues and expenses to historical data (ii) assessing forecasts of future revenues and expenses against industry metrics as well as historical data, and (iii) evaluating the rate of continued growth.
- Utilizing professionals with specialized knowledge and skill in auditing income taxes to assist in the evaluation of the Company's conclusions with respect to the forecasts of future taxable income used in the determination of the realizability of the deferred tax assets, including the need for a valuation allowance.

Remediation of prior year material weakness in internal control over financial reporting impacting last mile service revenue

As disclosed in management's report on internal control over financial reporting, the Company executed certain procedures to remediate prior year's material weakness related to ineffective information technology general controls ("ITGCs") in the areas of user access, application change management, operating system and logical access controls, and segregation of duties for a third-party information technology system that supports the Company's financial reporting process for its last mile logistics services, which includes the costs of providing that service and the associated pass through revenues. As a result, the remediation of this material weakness resulted in a critical audit matter that require us to modify the nature and timing of our procedures and increase the extent of our testing to be performed over the last mile services.

We identified remediation of prior year material weakness impacting the last mile service revenue as a critical audit matter. The principal consideration for determination that performing procedures relating to remediation of prior year material weakness is a critical audit matter was the significant audit effort required in performing our procedures and evaluating audit evidence obtained related to last mile services.

How We Addressed the Matter in Our Audit

The primary procedures we performed to address this critical audit matter included:

- Engaging our IT professionals to test the implementation of the new system developed by the Company.
- Confirming the existence of last mile services or alternative procedures in the event of no responses for our sample selections,
- Increasing the number of sampling selections for last mile service revenue,
- Testing the completeness and accuracy of system reports or other information generated by the Company's impacted IT systems.

/s/ BDO USA, P.C.

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

Houston, Texas
February 27, 2024

Report of Independent Registered Public Accounting Firm

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

Opinion on Internal Control over Financial Reporting

We have audited Solaris Oilfield Infrastructure, Inc. (the "Company's") internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2023 and 2022, the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2023, and the related notes and our report dated February 27, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, P.C.

Houston, Texas
February 27, 2024

SOLARIS OILFIELD INFRASTRUCTURE, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands except share and per share amounts)

	December 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 5,833	$ 8,835
Accounts receivable, net of allowances of $104 and $385, respectively	44,916	64,543
Accounts receivable - related party	2,378	4,925
Prepaid expenses and other current assets	4,342	5,151
Inventories	6,672	5,289
Assets held for sale	3,000	—
Total current assets	67,141	88,743
Property, plant and equipment, net	325,121	298,160
Non-current inventories	1,593	1,569
Non-current receivables, net of allowance of $862	1,663	—
Operating lease right-of-use assets	10,721	4,033
Goodwill	13,004	13,004
Intangible assets, net	702	1,429
Deferred tax assets, net	48,010	55,370
Other assets	342	268
Total assets	$ 468,297	$ 462,576
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 12,654	$ 25,934
Accrued liabilities	20,292	25,252
Current portion of payables related to Tax Receivable Agreement	—	1,092
Current portion of operating lease liabilities	1,385	917
Current portion of finance lease liabilities	2,462	1,924
Other current liabilities	408	790
Total current liabilities	37,201	55,909
Operating lease liabilities, net of current	11,541	6,212
Credit agreement	30,000	8,000
Finance lease liabilities, net of current	2,401	3,429
Payables related to Tax Receivable Agreement	71,530	71,530
Other long-term liabilities	44	367
Total liabilities	152,717	145,447
Commitments and contingencies (Note 12)		
Stockholders' equity:		
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 and 28,967 shares issued and outstanding as of December 31, 2023 and 31,641 shares issued and outstanding as of December 31, 2022	290	317
Class B common stock, $0.00 par value, 180,000 shares authorized, 13,674 shares issued and outstanding as of December 31, 2023 and December 31, 2022	—	—
Additional paid-in capital	188,379	202,551
Retained earnings	17,314	12,847
Total stockholders' equity attributable to Solaris Oilfield Infrastructure, Inc.	205,983	215,715
Non-controlling interest	109,597	101,414
Total stockholders' equity	315,580	317,129
Total liabilities and stockholders' equity	$ 468,297	$ 462,576

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

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

	For the Years Ended December 31, 2023	2022	2021
Revenue	$ 269,474	$ 300,000	$ 145,723
Revenue - related parties	23,473	20,005	13,466
Total revenue	292,947	320,005	159,189
Operating costs and expenses:			
Cost of services (exclusive of depreciation)	177,847	219,775	115,459
Depreciation and amortization	36,185	30,433	27,210
Property tax contingency	—	3,072	—
Selling, general and administrative	26,951	23,074	19,264
Impairment losses	1,423	—	—
Other operating (income) expenses, net	639	1,847	(2,357)
Total operating costs and expenses	243,045	278,201	159,576
Operating income (loss)	49,902	41,804	(387)
Interest expense, net	(3,307)	(489)	(247)
Total other income (expense)	(3,307)	(489)	(247)
Income (loss) before income tax expense	46,595	41,315	(634)
Provision for income taxes	(7,820)	(7,803)	(626)
Net income (loss)	38,775	33,512	(1,260)
Less: net (income) loss related to non-controlling interests	(14,439)	(12,354)	392
Net income (loss) attributable to Solaris Oilfield Infrastructure, Inc.	$ 24,336	$ 21,158	$ (868)
Earnings (loss) per share of Class A common stock - basic	$ 0.78	$ 0.64	$ (0.04)
Earnings (loss) per share of Class A common stock - diluted	$ 0.78	$ 0.64	$ (0.04)
Basic weighted-average shares of Class A common stock outstanding	29,693	31,479	30,786
Diluted weighted-average shares of Class A common stock outstanding	29,693	31,479	30,786

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

SOLARIS OILFIELD INFRASTRUCTURE, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands, except per share amounts)

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Retained Earnings (Deficit)	Non-controlling Interest	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at January 1, 2021	28,943	$ 290	15,685	$ —	$ 180,415	$ 20,549	$ 114,225	$ 315,479
Exchange of Solaris LLC Units and shares of Class B common stock for shares of Class A common stock	1,915	20	(1,915)	—	13,872	—	(13,892)	—
Deferred tax asset and payables related to parties pursuant to Tax Receivable Agreement from the exchange of Solaris LLC Units and shares of Class B common stock for shares of Class A common stock	—	—	—	—	(1,721)	—	—	(1,721)
Stock option exercises	5	—	—	—	20	—	(7)	13
Stock-based compensation	—	—	—	—	3,787	—	1,722	5,509
Vesting of restricted stock	353	3	—	—	656	—	(659)	—
Cancelled shares withheld for taxes from RSU vesting	(70)	(1)	—	—	(194)	(349)	(242)	(786)
Unitholder Distributions	—	—	—	—	—	—	(5,798)	(5,798)
Dividends paid ($0.42 per share of Class A common stock)	—	—	—	—	—	(13,407)	—	(13,407)
Solaris LLC distribution to unitholders for income tax withholding	—	—	—	—	77	—	(230)	(153)
Net loss	—	—	—	—	—	(868)	(392)	(1,260)
Balance at December 31, 2021	31,146	$ 312	13,770	$ —	$ 196,912	$ 5,925	$ 94,727	$ 297,876
Exchange of Solaris LLC Units and shares of Class B common stock for shares of Class A common stock	96	1	(96)	—	683	—	(684)	—
Net effect of deferred tax asset and payables related to Tax Receivable Agreement from the exchange of Solaris LLC Units and shares of Class B common stock for shares of Class A common stock and the vesting of restricted stock	—	—	—	—	(70)	—	—	(70)
Stock option exercises	2	—	—	—	9	—	(3)	6
Stock-based compensation	—	—	—	—	4,512	—	1,966	6,478
Vesting of restricted stock	503	5	—	—	842	—	(847)	—
Cancelled shares withheld for taxes from RSU vesting	(106)	(1)	—	—	(337)	(432)	(336)	(1,106)
Unitholder Distributions	—	—	—	—	—	—	(5,763)	(5,763)
Dividends paid ($0.42 per share of Class A common stock)	—	—	—	—	—	(13,804)	—	(13,804)
Net income	—	—	—	—	—	21,158	12,354	33,512
Balance at December 31, 2022	31,641	$ 317	13,674	$ —	$ 202,551	$ 12,847	$ 101,414	$ 317,129
Share and unit repurchases and retirements	(3,164)	(32)	—	—	(20,317)	(5,413)	(674)	(26,436)
Net effect of deferred tax asset and payables related to the vesting of restricted stock	—	—	—	—	(98)	—	—	(98)
Stock-based compensation	—	—	—	—	5,667	—	2,613	8,280
Vesting of restricted stock	642	6	—	—	1,128	—	(1,134)	—
Cancelled shares withheld for taxes from RSU vesting	(152)	(1)	—	—	(552)	(384)	(427)	(1,364)
Unitholder Distributions	—	—	—	—	—	—	(6,634)	(6,634)
Dividends paid ($0.45 per share of Class A common stock)	—	—	—	—	—	(14,072)	—	(14,072)
Net income	—	—	—	—	—	24,336	14,439	38,775
Balance at December 31, 2023	28,967	$ 290	13,674	$ —	$ 188,379	$ 17,314	$ 109,597	$ 315,580

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

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

	For the Year Ended December 31, 2023	2022	2021
Cash flows from operating activities:			
Net income (loss)	$ 38,775	$ 33,512	$ (1,260)
Adjustment to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	36,185	30,433	27,210
Impairment of fixed assets	1,423	—	—
Loss on disposal of asset	603	3,707	125
Stock-based compensation	7,741	6,092	5,210
Amortization of debt issuance costs	158	159	176
Allowance for credit losses	810	(420)	365
Deferred income tax expense	7,251	7,683	132
Change in payables related to parties pursuant to Tax Receivable Agreement	—	(663)	—
Other	(913)	(169)	(150)
Changes in assets and liabilities:			
Accounts receivable	17,155	(34,611)	(12,157)
Accounts receivable - related party	2,547	(1,318)	(3,085)
Prepaid expenses and other assets	2,363	6,394	(6,726)
Inventories	(6,186)	(4,622)	(978)
Accounts payable	(10,630)	13,337	2,959
Accrued liabilities	(6,266)	5,410	4,652
Payments pursuant to Tax Receivable Agreement	(1,092)	—	—
Property tax contingency	—	3,072	—
Net cash provided by operating activities	89,924	67,996	16,473
Cash flows from investing activities:			
Investment in property, plant and equipment	(64,388)	(81,411)	(19,638)
Cash received from insurance proceeds	122	1,463	34
Proceeds from disposal of assets	2,263	409	80
Net cash used in investing activities	(62,003)	(79,539)	(19,524)
Cash flows from financing activities:			
Share and unit repurchases and retirements	(26,436)	—	—
Distribution to unitholders (includes distribution of $6.2 million at $0.45/unit, $5.8 million at $0.42/unit and $5.8 million at $0.42/unit, respectively)	(6,634)	(5,763)	(5,798)
Dividend paid to Class A common stock shareholders	(14,072)	(13,804)	(13,407)
Payments under finance leases	(2,502)	(1,610)	(30)
Payments under insurance premium financing	(1,794)	(1,484)	(657)
Proceeds from stock option exercises	—	6	13
Cancelled shares withheld for taxes from RSU vesting	(1,364)	(1,106)	(786)
Borrowings under the credit agreement	35,000	11,000	—
Repayment of credit agreement	(13,000)	(3,000)	—
Payments related to debt issuance costs	(121)	(358)	—
Distribution to Solaris LLC unitholder for income tax withholding	—	—	(153)
Net cash used in financing activities	(30,923)	(16,119)	(20,818)
Net decrease in cash and cash equivalents	(3,002)	(27,662)	(23,869)
Cash and cash equivalents at beginning of period	8,835	36,497	60,366
Cash and cash equivalents at end of period	$ 5,833	$ 8,835	$ 36,497
Non-cash activities			
Operating:			
Employee retention credit	$ —	$ —	$ 1,900
Investing:			
Capitalized depreciation in property, plant and equipment	$ 432	$ 555	$ 582
Capitalized stock based compensation	539	386	299
Property and equipment additions incurred but not paid at period-end	1,284	3,173	206
Property, plant and equipment additions transferred from inventory	4,780	1,826	920
Additions to fixed assets through finance leases	2,012	6,863	—
Financing:			
Insurance premium financing	$ 1,520	$ 1,931	$ 246
Cash paid for:			
Interest	$ 2,958	$ 249	$ 132
Income taxes	478	370	325

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

SOLARIS OILFIELD INFRASTRUCTURE, INC.
Notes to the Consolidated Financial Statements
(Dollars in thousands)

1. Organization and Background of Business

Description of Business

We design and manufacture specialized equipment, which combined with field technician support, last mile and mobilization logistics services and our software solutions, enables us to provide a service offering that helps oil and natural gas operators and their suppliers drive efficiencies that reduce operational footprint and costs during the completion phase of well development. We service most active oil and natural gas basins in the United States.

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

Solaris Oilfield Infrastructure, Inc. (either individually or together with its subsidiaries, as the context requires "Solaris Inc." or the "Company") is 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 the units in Solaris LLC (the "Solaris LLC Units") not owned by Solaris Inc., which will reduce net income attributable to the holders of Solaris Inc.'s Class A common stock.

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. Actual results could differ from those estimates.

The most significant estimates relate to stock-based compensation, useful lives and salvage values of long-lived assets, future cash flows associated with goodwill and long-lived asset impairment evaluations, net realizable value of inventory, income taxes, Tax Receivable Agreement liability, collectability of accounts receivable and estimates of allowance for credit losses and determination of the present value of lease payments and right-of-use assets.

Cash and Cash Equivalents

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 and Allowance for Credit Losses

Accounts receivable consists of trade receivables recorded at the invoice amount, plus accrued revenue that is not yet billed, less an estimated allowance for credit losses (if any). The Company accounts for credit losses in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 326 ("ASC 326"), Financial Instruments – Credit Losses. Accounts receivable are generally due within 60 days or less, or in accordance with terms agreed with customers. We do not accrue interest on delinquent receivables. Total unbilled revenue included in accounts receivable as of December 31, 2023 and 2022 was $13,523 and $16,864, respectively. As of December 31, 2021, the Company had accounts receivable of $29,513 and accounts receivable from related parties of $3,607.

In our determination of the allowance for credit losses, we pool receivables with similar risk characteristics and consider a number of current conditions, past events and other factors, including the length of time trade accounts receivable are past due, previous loss history, and the condition of the general economy and the industry as a whole, and apply an expected loss percentage. The expected credit loss percentage is determined using historical loss data adjusted for current conditions and forecasts of future economic conditions. Along with the expected credit loss percentage approach, the Company applies a case-by-case review on individual trade receivables by customer when deemed appropriate. The related expense associated with the recognition of the allowance for credit losses was included in Other operating expense on our consolidated statements of operations. Adjustments to the allowance may be required depending on how potential issues are resolved and when receivables are collected. Accounts deemed uncollectible are reflected as a write-off applied against the allowance for credit losses and occur when the financial condition of our customers deteriorate and result in an impairment of their ability to make payments, including the impact of customer bankruptcies.

Inventories

Inventories consist of raw materials used in the manufacturing and maintenance of the Company's systems, which are stated at the lower of weighted average cost or net realizable value. Net realizable value is determined, giving consideration to quality, excessive levels, obsolescence and other factors. Consideration is also given to usage levels of inventory in our manufacturing and maintenance processes, and inventory on hand for longer than 12 months that is not determined to be obsolete is classified as non-current on our balance sheet. Adjustments that reduce stated amounts will be recognized as impairments in the consolidated statements of operations. There were no impairments recorded for the years ended December 31, 2023 and 2022.

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
Systems and related equipment	Up to 15 years
Machinery and equipment	3-10 years
Furniture and fixtures	5 years
Computer hardware and software	3-10 years
Vehicles	5 years
Buildings and leasehold improvements	15 years

Systems and equipment that are in the process of being manufactured are considered property, plant and equipment. However, the systems 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 expensed 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.

Definite-lived Intangible Assets

Identified intangible assets with determinable lives consist primarily of customer relationships and software acquired, as well as patents that were filed for our systems and other intellectual property. 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. The Company recorded amortization expense of $726, $774, and $779 for the years ended December 31, 2023, 2022 and 2021, respectively.

Identified intangible assets by major classification consist of the following:

	Gross	Accumulated Amortization	Net Book Value
As of December 31, 2023:			
Customer relationships	$ 4,703	$ (4,087)	$ 616
Software acquired in the acquisition of Railtronix	346	(301)	45
Patents and other	76	(35)	41
Total identifiable intangibles	$ 5,125	$ (4,423)	$ 702
As of December 31, 2022:			
Customer relationships	$ 4,703	$ (3,416)	$ 1,287
Software acquired in the acquisition of Railtronix	346	(251)	95
Patents and other	114	(67)	47
Total identifiable intangibles	$ 5,163	$ (3,734)	$ 1,429

Leases

The Company accounts for leases in accordance with FASB ASC Topic 842, Leases (“ASC Topic 842”). We determine if an arrangement is a lease at inception. Short-term leases (i.e., leases of twelve months or less) are recognized in profit or loss on a straight-line basis over the lease term.

ROU assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of the Company’s leases do not provide an implicit rate, we use our incremental borrowing rate in determining the present value of lease payments based on the information available at the commencement date. Our incremental borrowing rate reflects the estimated rate of interest that we would pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. We use the implicit rate when readily determinable. The ROU asset also includes any lease payments made and excludes lease incentives received. The Company’s lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. See Note 7.

The Company enters into contracts that contain both lease and non-lease components. Non-lease components, such as maintenance costs, are not included in the measurement of right-of-use assets and lease liabilities, but rather are expensed in the period in which the obligations for those payments are incurred. The Company’s lease agreements do not include residual value guarantees. Additionally, our lease agreements do not impose restrictions on our ability to pay dividends or incur financing obligations.

The Company subleases an office building to a third party that is classified as an operating lease. Sublease income for lease payments is recognized on a straight-line basis over the lease term in other operating income. The lease agreement contains non-lease components that are recognized in other operating income in the period in which the obligations for those payments are incurred.

Operating Leases

The Company leases land and buildings under operating leases which expire at various dates through February 2047. Upon completion of the primary term, both parties have substantive rights to terminate the leases. As a result, enforceable rights and obligations do not exist under the rental agreements subsequent to the primary term. Operating leases are included in operating lease ROU assets, current portion of operating lease liabilities, and operating lease liabilities, net of current in the Company's consolidated balance sheets.

Finance Leases

The Company leases property, vehicles and computer equipment under agreements classified as finance leases. Finance leases are included in property and equipment, current portion of finance lease liabilities, and finance lease liabilities, net of current in the Company's consolidated balance sheets.

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, 2023 and 2022, the Company reported $13,004 of goodwill related to the purchase of the silo manufacturing business from Loadcraft Industries Ltd. 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.

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. If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered impaired. If the carrying amount of a reporting unit exceeds its estimated fair value, an impairment loss is measured and recorded.

The Company did not recognize goodwill impairments during the years ended December 31, 2023, 2022 and 2021.

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

Long-lived assets, such as property, plant, equipment and definite-lived intangible assets and ROU 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. For assets classified as held for use, we first group individual assets based on the lowest level for which identifiable cash flows are largely independent of the cash flows from other assets. We then compare estimated future undiscounted cash flows expected to result from the use and eventual disposition of the asset group to its carrying amount. If the asset group's undiscounted cash flows are less than its carrying amount, we then determine the asset group's fair value by using a discounted cash flow analysis and recognize any resulting impairment. This analysis is based on estimates such as management's short-term and long-term forecast of operating performance, including revenue growth rates and expected profitability margins, estimates of the remaining useful life and service potential of the assets within the asset group, and a discount rate based on our weighted average cost of capital. An impairment loss is measured and recorded as the amount by which the asset group's carrying amount exceeds its fair value.

During the third quarter of 2023, certain systems and related equipment met the held for sale criteria upon entering into a non-binding sale agreement with a third party. These assets were recorded to assets held for sale at a total fair value of $3,000 in the consolidated balance sheet. The Company determined the fair value based on the sale price included in the non-binding sale agreement, which is a Level 3 input. As the carrying value of the fixed assets classified as held for sale exceeded their fair value less estimated costs to sell, we recorded an impairment of $1,423 in the consolidated statement of operations.

There were no impairments for the years ended December 31, 2022 and 2021.

Revenue Recognition

We design and manufacture specialized equipment, which combined with field technician support, last mile and mobilization logistics services and our software solutions, enables us to provide a service offering that helps oil and natural gas operators and their suppliers drive efficiencies that reduce operational footprint and costs during the completion phase of well development. The majority of our revenue is currently derived from providing services related to our mobile proppant and fluid management systems (“Systems”) and our last mile logistics management services.

The Company recognizes revenue in accordance with ASC Topic 606, Revenues from Contracts with Customers (“ASC Topic 606”). Under ASC Topic 606, revenue recognition is based on the transfer of control, or the customer’s ability to benefit from our services and products, in an amount that reflects the consideration expected to be received in exchange for those services and products. We assess our customers’ ability and intention to pay, which is based on a variety of factors, including historical payment experience and financial condition, and we typically charge our customers on a weekly or monthly basis. Contracts with customers are normally on thirty- to sixty-day payment terms.

Our contracts may contain bundled pricing covering multiple performance obligations, such as contracts containing a combination of systems, mobilization services and / or sand transportation coordination services. In these instances, we allocate the transaction price to each performance obligation identified in the contract based on relative stand-alone selling prices, or estimates of such prices, and recognize the related revenue as control of each individual product or service is transferred to the customer, in satisfaction of the corresponding performance obligations.

Variable consideration typically may relate to discounts, price concessions and incentives. The Company estimates variable consideration based on the amount of consideration we expect to receive. The Company accrues revenue on an ongoing basis to reflect updated information for variable consideration as performance obligations are met.

Wellsite Services

Wellsite Services consist of our Systems, mobilization and last mile logistics services, each of which is considered a performance obligation. Combined, these services provide our customers with an integrated solution that efficiently unloads, stores and delivers proppant, water and / or chemicals at oil and natural gas well sites.

System service revenues are primarily recognized over time based on the passage of time and are billed at fixed daily rates times the number of service days utilized in a calendar month (i.e. revenue days). Customers may be eligible for discounted rates based on the number of revenue days in a calendar month or the total number of systems deployed with a customer. Alternatively, Systems may be bundled with our last mile logistics services with revenue recognized over time using tons of proppant delivered to the wellsite as an output method to measure satisfaction of our performance obligation.

Mobilization logistics service revenues involve charging our customers to move our equipment to and from their wellsite(s) along with rig-up and rig-down of the equipment, as applicable. We charge our customers either a fixed or cost-plus rate per mobilization. We recognize revenue at the point in time that the equipment has reached its intended destination and has been rigged-up or at the point in time that the equipment has been rigged-down and moved off the customer's wellsite.

Last mile logistics services involve the transportation of proppant for our customers and is recognized over time based on the output method as proppant is transported from a sand mine or transloading facility to our customer's wellsite, which is considered to be our performance obligation. We charge our customers a fixed rate per ton of proppant transported.

Other

Revenues from inventory software services consist primarily of the fees charged to customers for the use of our Railtronix ® inventory management software, which is considered to be our performance obligation. Revenues are recognized over time based on a throughput fee to monitor proppant that is loaded into a railcar, stored at a transload facility or loaded into a truck.

Revenues from transloading services consist primarily of the fees charged to customers for transloading and storage of proppant or railcars at our transloading facility, which is considered to be our performance obligation. Revenues are typically recognized over time based on fixed railcar storage fees or a throughput fee per ton for proppant delivered to and transloaded at the facility.

Disaggregation of Revenue

The following table summarizes revenues from our contracts disaggregated by revenue generating activity contained therein for the years ended December 31, 2023, 2022, and 2021:

	Year Ended December 31,		
	2023	2022	2021
Wellsite services	$ 292,302	$ 318,977	$ 158,052
Other	645	1,028	1,137
Total revenue	$ 292,947	$ 320,005	$ 159,189

Stock-based Compensation

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. For options to purchase Class A common stock, 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 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. Forfeitures of stock-based compensation are recognized as they occur.

Financial Instruments

The carrying value of the Company's financial instruments, consisting of cash and cash equivalents, accounts receivable, notes payable, accounts payable, and insurance premium financing, approximates their fair value due to the short maturity of such instruments. 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 other than allowance for credit losses described in Accounts Receivable and Allowance for Credit Losses.

Fair Value Measurements

The Company's financial assets and liabilities, as well as other recurring and nonrecurring fair value measurements such as goodwill impairment and long lived assets impairment, 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.

The carrying amounts reported in the balance sheet for cash and cash equivalents, accounts receivable, prepaids and other current assets, accounts payable and accruals, and other current liabilities approximate their fair value due to their short-term nature. The carrying amounts of the Company's borrowings under the Credit Agreement approximate fair value based on their nature, terms, and variable interest rates.

Nonrecurring measurements

Certain assets are measured at fair value on a nonrecurring basis. These items are not measured at fair value on an ongoing basis but may be subject to fair value adjustments in certain circumstances. As of December 31, 2023, these assets include certain systems and related equipment that met the held for sale criteria upon entering into a non-binding sale agreement with a third party. These assets were recorded to assets held for sale at a total fair value of $3,000 in the consolidated balance sheet. The Company determined the fair value based on the sale price included in the non-binding sale agreement, which is a Level 3 input. As the carrying value of the fixed assets classified as held for sale exceeded their fair value less estimated costs to sell, we recorded an impairment of $1,423 in the consolidated statement of operations.

Income Taxes

Solaris Inc. is a corporation and, as a result, is subject to United States federal, state and local income taxes. For the year ended December 31, 2023, we recognized a combined United States federal and state expense for income taxes of $7,820. For the years ended December 31, 2022 and 2021, we recognized income tax expense of $7,803 and $626, respectively.

Solaris LLC is treated as a partnership for United States federal income tax purposes and therefore does not pay United States federal income tax on its taxable income. Instead, the Solaris LLC unitholders, including Solaris Inc., are liable for United States federal income tax on their respective shares of Solaris LLC's taxable income reported on the unitholders' United States federal income tax returns. Solaris LLC is liable for income taxes in those states not recognizing its status as a partnership for United States federal income tax purposes.

We recognize 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 (i) 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 (ii) 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.

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 10. “Income Taxes” for additional information regarding income taxes.

Payable Related to the Tax Receivable Agreement

Solaris Inc. entered into a Tax Receivable Agreement (the “Tax Receivable Agreement”) with the members of Solaris LLC (each such person and any permitted transferee, a “TRA Holder,” and together, 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 United States 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 United States federal income tax purposes) of all or a portion of such TRA Holder's Solaris LLC Units in connection with the IPO or pursuant to the exercise of the Redemption Right or the Call Right (each as defined in the Solaris LLC 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.

On June 27, 2023, the Tax Receivable Agreement was amended to replace the references to one year LIBOR with references to the 12-month term Secured Overnight Financing Rate (“SOFR”) published by CME Group Benchmark Administration Limited plus 71.513 basis points, which is the benchmark replacement rate and additional margin that, under the Adjustable Interest Rate (LIBOR) Act of 2021, would have otherwise been inserted in place of references to LIBOR in the Tax Receivable Agreement following June 30, 2023.

As of December 31, 2023 and 2022, Solaris Inc. recorded a payable related to the Tax Receivable Agreement of $71,530 and $72,622, respectively, $0 and $1,092 of which has been recorded as a current liability. If the Tax Receivable Agreement were terminated immediately after the filing of this Annual Report the estimated termination payments would, in the aggregate, be approximately $69,861 (calculated using a discount rate equal to the 12-month term SOFR published by CME Group Benchmark Administration Limited plus 71.513 basis points, applied against an undiscounted liability of $88,564, based upon the last reported closing sale price of our Class A common stock on December 31, 2023).

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, 2023 and 2022, no liabilities were recorded with respect to any environmental matters as no environmental costs were 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.

Accounting Standards Recently Issued But Not Yet Adopted

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which amends reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The guidance is effective for annual periods beginning after December 15, 2023 and interim periods beginning after December 15, 2024. The Company is currently evaluating the impact of this ASU on its consolidated financial statements and disclosures.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires dissagregation of information included in a reporting entity's income tax disclosures through effective tax rate reconciliation and information on income taxes paid. The guidance is effective for annual periods beginning after December 15, 2024. The Company is currently evaluating the impact of this ASU on its consolidated financial statements and disclosures.

3. Allowance for Credit Losses

The following activity related to our allowance for credit losses on customer receivables for the year ended December 31, 2023 and 2022 reflects the estimated impact of the current economic environment on our receivable balance:

Balance, December 31, 2021	$ 746
Credit losses	330
Adjustments	(691)
Balance, December 31, 2022	$ 385
Credit losses	2,221
Adjustments	(1,411)
Less write-offs	(229)
Balance, December 31, 2023	$ 966

4. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets were comprised of the following at December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
Prepaid purchase orders	$ —	$ 25
Prepaid insurance	1,166	964
Deposits	123	122
Employee retention credit	958	1,900
Other assets	2,095	2,140
Prepaid expenses and other current assets	$ 4,342	$ 5,151

5. Property, Plant and Equipment

Property, plant and equipment was comprised of the following at December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
Systems and related equipment	$ 434,386	$ 369,352
Systems in process	21,130	30,110
Vehicles	13,527	13,211
Machinery and equipment	5,762	5,414
Buildings	4,877	4,595
Computer hardware and software	3,866	1,670
Land	612	612
Furniture and fixtures	1,342	357
Property, plant and equipment, gross	485,502	425,321
Less: accumulated depreciation	(160,381)	(127,161)
Property, plant and equipment, net	$ 325,121	$ 298,160

The Company recorded depreciation expense of $35,459, $29,659, and $26,431 for the years ended December 31, 2023, 2022 and 2021, respectively.

6. Accrued Liabilities

Accrued liabilities were comprised of the following at December 31, 2023 and 2022:

	2023	2022
Property, plant and equipment	$ 761	$ —
Employee related expenses	7,580	6,913
Selling, general and administrative	1,337	876
Cost of revenue	3,421	11,598
Excise, franchise and sales taxes	1,525	1,317
Ad valorem taxes (1)	5,626	4,448
Interest payable	42	71
Other	—	29
Accrued liabilities	$ 20,292	$ 25,252

(1) Ad valorem taxes as of December 31, 2023 and December 31, 2022, includes a property tax contingency related to an unfavorable Texas District Court ruling related to prior period property taxes. The ruling is currently under appeal. Refer to Note 12. “Commitments and Contigencies” for additional information.

7. Leases

The Company leases offices and storage from third-parties for our corporate and field locations under operating leases, which include commitments related to the guarantee of lease agreement with Solaris Energy Management, LLC, a related party of the Company, related to the rental of the office space. Refer to Note 13. “Related Party Transactions” for additional information regarding related party transactions recognized. We also sublease this office space to a third party that is classified as an operating lease. Upon completion of the primary term, both parties have substantive rights to terminate the leases. As a result, enforceable rights and obligations do not exist under the rental agreements subsequent to the primary term.

As of December 31, 2023 and 2022, the Company had property, plant and equipment under finance leases with a cost of $9,189 and $7,157, respectively, and accumulated depreciation of $3,364 and $917, respectively.

The components of lease expense were as follows:

	December 31, 2023	December 31, 2022	December 31, 2021
Operating lease cost (1)	$ 2,471	$ 1,254	$ 1,187
Finance lease cost:			
Amortization of ROU assets	2,452	775	26
Interest on lease liabilities	327	115	4
Sublease income	(50)	—	—
Total lease cost	$ 5,200	$ 2,144	$ 1,217

(1) Includes short term leases.

Future minimum lease payments under non-cancellable operating leases as of December 31, 2023 were as follows:

Year Ending December 31,	Operating Leases	Finance Leases
2024	$ 2,267	2,673
2025	2,096	1,998
2026	1,949	498
2027	1,848	—
2028	1,663	—
Thereafter	9,514	—
Total future minimum lease payments	19,337	5,169
Less: effects of discounting	(6,411)	(306)
Total lease liabilities	$ 12,926	$ 4,863

Future minimum lease payments due to us under the sublease as of December 31, 2023 were as follows:

Year Ending December 31,	Sublease Income
2024	$ 203
2025	230
2026	351
2027	358
2028	303
Total minimum future rental income	$ 1,445

Supplemental cash flow information related to leases were as follows:

	December 31, 2023	December 31, 2022	December 31, 2021
Supplemental Cash Flows Information			
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	$ 2,474	$ 1,219	$ 1,138
Financing cash flows from finance leases	2,502	1,610	30

Other information related to leases was as follows:

	December 31, 2023	December 31, 2022
Weighted Average Remaining Lease Term		
Operating leases	10.8 years	11.9 years
Finance leases	2.5 years	2.9 years
Weighted Average Discount Rate		
Operating leases	7.1%	6.3%
Finance leases	5.7%	5.7%

8. Senior Secured Credit Facility

On April 28, 2023, Solaris LLC executed Amendment No. 2 to the Amended and Restated Credit Agreement, by and among Solaris LLC, as borrower, each of the guarantors party thereto, each of the lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent (the "2023 Amendment") to the Amended and Restated Credit Agreement (the "Credit Agreement"), which was entered into on April 26, 2019, by and among Solaris LLC, as borrower, each of the guarantors party thereto, each of the lenders party thereto and Wells Fargo Bank, National Association, as administrative agent, and contained an initial $50,000 borrowing facility. The 2023 Amendment introduced an additional $25,000 facility (the "Additional Facility") to increase available borrowings under the Credit Agreement from $50,000 to $75,000 (the "Loan") while preserving the original accordion feature, to provide for a maximum of $100,000 of total available capacity under the Credit Agreement. As more fully described in the 2023 Amendment, certain covenant requirements were also modified. The 2023 Amendment contains a reducing revolver feature whereby the Additional Facility will reduce 15% beginning in the first quarter of 2024 through the fourth quarter of 2024 and 20% thereafter with the balance due at maturity. The Credit Agreement continues to have a maturity date of April 26, 2025.

As of December 31, 2023, we had $30,000 borrowings outstanding under the Credit Agreement and have the ability to draw up to an additional $41,250. As of December 31, 2022, we had $8,000 borrowings under the Credit Agreement.

Our obligations under the Loan are generally secured by a pledge of substantially all the assets of Solaris LLC and its subsidiaries, and such obligations are guaranteed by Solaris LLC's domestic subsidiaries other than Immaterial Subsidiaries (as defined in the Credit Agreement). We are obligated to repay the $30,000 borrowings by April 26, 2025. We have the option to prepay the loans at any time without penalty.

Borrowings under the Credit Agreement bear interest at either SOFR or an alternate base rate plus an applicable margin, and interest is payable quarterly for alternate base rate loans or the last business day of the interest period applicable to SOFR loans. The applicable margin ranges from 2.75% to 3.75% for SOFR loans and 1.75% to 2.75% for alternate base rate loans, in each case depending on our total leverage ratio and loan tranche. The Credit Agreement requires that we pay a quarterly commitment fee on undrawn amounts of the Loan, ranging from 0.375% to 0.5% depending upon the total leverage ratio. The weighted average interest rate on the borrowings outstanding as of December 31, 2023 was approximately 8.38%.

The Credit Agreement requires that we maintain ratios of (i) consolidated EBITDA to interest expense of not less than 2.75 to 1.00, (ii) senior indebtedness to consolidated EBITDA of not more than 2.50 to 1.00 and (iii) the sum of 100% of eligible accounts, inventory and fixed assets to the total revolving exposure of not less than 1.00 to 1.00 when the total leverage ratio is greater than 2.00 to 1.00 and total revolving exposure under the Loan exceeds $3,000. For the purpose of these tests, certain items are subtracted from indebtedness and senior indebtedness. EBITDA, as defined in the Credit Agreement, excludes certain noncash items and any extraordinary, unusual or nonrecurring gains, losses or expenses.

The Credit Agreement also requires that we prepay any outstanding borrowings in the event our total consolidated cash balance exceeds $20,000 on the last business day of every other calendar week, taking into account certain adjustments. Capital expenditures are not restricted unless borrowings under the Loan exceed $5,000 for any 180 consecutive day period, in which case capital expenditures will be permitted up to $100,000 plus any unused availability for capital expenditures from the immediately preceding fiscal year.

As of December 31, 2023 we were in compliance with all covenants in accordance with the Credit Agreement.

9. Equity

Dividends

Solaris LLC paid distributions totaling $20,706 and $19,567 to all Solaris LLC unitholders in the years ended December 31, 2023 and 2022, respectively, of which $14,072 and $13,804 was paid to Solaris Inc. Solaris Inc. used the proceeds from the distributions to pay quarterly cash dividends to all holders of shares of Class A common stock totaling $14,072 and $13,804 in the years ended December 31, 2023 and 2022, including $684 and $563 related to shares of restricted stock, respectively.

Share Repurchase Program

On March 1, 2023, the Company's board of directors authorized a share repurchase plan to repurchase up to $50,000 of the Company's Class A common stock until the plan terminates pursuant to its provisions. During the year ended December 31, 2023, Solaris Inc. purchased and retired 3,163,778 shares of the Company's Class A common stock at an aggregate cost of $26,467, or $8.37 per share, under the share repurchase program. As of December 31, 2023, $23,533 remains available for future repurchases authorized under the share repurchase plan.

The Inflation Reduction Act of 2022 provides for, among other things, the imposition of a new 1% U.S. federal excise tax on certain repurchases of stock by publicly traded U.S. corporations such as us after December 31, 2022. Accordingly, this excise tax applied to our share repurchase program in 2023 and will apply in subsequent taxable years. The Biden administration has proposed increasing the amount of the excise tax from 1% to 4%; however, it is unclear whether such a change in the amount of the excise tax will be enacted and, if enacted, how soon any such change could take effect. The Company has accrued stock repurchase excise tax of $265 for the year ended December 31, 2023.

Stock-based compensation

The Company's long-term incentive plan for 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: (i) incentive stock options qualified as such under United States federal income tax laws; (ii) stock options that do not qualify as incentive stock options; (iii) stock appreciation rights; (iv) restricted stock awards; (v) restricted stock units; (vi) bonus stock; (vii) performance awards; (viii) dividend equivalents; (ix) other stock-based awards; (x) cash awards; and (xi) substitute awards.

Subject to adjustment in accordance with the terms of the LTIP, 5,118,080 shares of Solaris Inc.'s Class A common were originally reserved for issuance pursuant to awards under the LTIP. The First Amendment to the LTIP (the "First Amendment"), which was approved by the Company's stockholders and became effective as of May 17, 2023, reserved for an additional 4,700,000 shares of Solaris Inc.'s Class A common stock for issuance pursuant to awards under the LTIP. As of December 31, 2023, 5,328,470 shares of Solaris Inc.'s Class A common stock remained available for issuance pursuant to awards under the LTIP out of the total of 9,818,080 shares authorized under the LTIP (after giving effect to the First Amendment). Class A common stock withheld to satisfy exercise prices or tax withholding obligations will be available for delivery pursuant to other awards. The LTIP is to be administered by the Company's Board of Directors (the "Board"), the Compensation Committee of the Board or an alternative committee appointed by the Board.

Stock Options. A total of 591,261 options to purchase Class A common stock of the Company have been issued to employees, directors and consultants under the LTIP at an exercise price of $2.87 per option, and a weighted average grant date fair value of $12.04 per option. All options were vested by November 13, 2017. There were no options exercised during the year ended December 31, 2023 and during the years ended December 31, 2022 and 2021, 2,000 and 4,600 options were exercised, respectively, in exchange for an equal number of shares of Class A common stock. As of December 31, 2023, 551,306 options have been exercised, 33,350 forfeited and 6,605 remain outstanding.

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 United States treasury yield curve in effect at the time of grant.

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, 2023, 2022 and 2021, the Company did not recognize stock-based compensation expense on options.

The following is a summary of the option activity under the LTIP for the years ended December 31, 2023, 2022 and 2021:

	Options Outstanding			
	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Balance, January 1, 2021	13,205	$ 2.87	4.92	$ 70
Exercised	(4,600)	2.87		—
Balance, December 31, 2021	8,605	$ 2.87	3.92	$ 30
Exercised	(2,000)	2.87		—
Balance, December 31, 2022	6,605	$ 2.87	2.92	$ 47
Balance, December 31, 2023	6,605	$ 2.87	1.92	$ 34
Exercisable, December 31, 2023	6,605	$ 2.87	1.92	$ 34

As of December 31, 2023, the Company had no unvested options outstanding.

Restricted Stock. The Company accounts for its stock-based compensation including grants of restricted stock in the consolidated statements of operations based on their estimated fair values on the date of grant. The following table further summarizes activity related to restricted stock for the years ended December 31, 2023, 2022 and 2021:

	Restricted Stock Awards	
	Number of Shares	Weighted Average Grant Date Fair Value ($)
Unvested at January 1, 2021	703,115	$ 12.33
Awarded	522,794	10.98
Vested	(353,307)	12.17
Forfeited	(25,287)	10.46
Unvested at December 31, 2021	847,315	$ 11.62
Awarded	992,960	9.87
Vested	(502,652)	11.58
Forfeited	(41,895)	10.57
Unvested at December 31, 2022	1,295,728	$ 10.33
Awarded	944,408	9.34
Vested	(641,758)	9.87
Forfeited	(117,267)	9.98
Unvested at December 31, 2023	1,481,111	$ 9.93

As of December 31, 2023, total unrecognized compensation cost related to non-vested restricted stock was $8,742 which is expected to be recognized over a weighted-average period of 0.88 years. 724,445 shares, 512,946 shares and 243,720 shares of restricted stock vest in 2024, 2025 and 2026, respectively. The total fair value of shares vested during the years ended December 31, 2023, 2022, and 2021 was $6,334, $5,821, and $4,300, respectively.

PSU's. The following table summarizes activity related to PSUs for the year ended December 31, 2023:

	Number of Units	Weighted-Average Grant Date Fair Value ($)
Outstanding at January 1, 2023	—	$ —
Granted	176,898	11.92
Forfeited	(4,686)	11.92
Outstanding at December 31, 2023	172,212	$ 11.92

Of the 172,212 performance-based restricted stock units ("PSUs") that remained outstanding as of December 31, 2023, such PSUs had a weighted average grant date fair value of $11.92 per share. The performance criteria for the PSUs are split as follows:

- Relative PSUs: 50% of the PSUs are based on total shareholder return relative to the total shareholder return of a predetermined group of peer companies. This relative total shareholder return is calculated at the end of the performance periods stipulated in the PSU agreement.

- Absolute PSUs: 50% of the PSUs have a performance criteria of absolute total shareholder return calculated at the end of the performance period stipulated in the PSU agreement.

The vesting and payout of the PSUs occur when the related service condition is completed, which is approximately one to three years after the grant date depending on the stipulated performance period. The PSUs can be paid out in either Class A common stock or cash, at our election. Dividends accrue on PSUs and are paid upon vesting. As of December 31, 2023, $1,252 of compensation cost related to unvested PSUs remained to be recognized. The cost is expected to be recognized over a weighted-average period of 2.0 years.

The grant date fair value was determined using the Monte Carlo simulation method and is expensed ratably over the service period. Expected volatilities used in the fair value simulation were estimated using historical periods consistent with the remaining performance periods. The risk-free rate was based on the U.S. Treasury rate for a term commensurate with the expected life of the grant. We used the following assumptions to estimate the fair value of such PSUs (which, for purposes of clarity, were granted during the three months ended March 31, 2023):

	Assumptions
Risk-free interest rate	4.6%
Volatility	58.93%

Earnings (Loss) Per Share

Basic earnings (loss) per share of Class A common stock is computed by dividing net income attributable to Solaris by the weighted-average number of shares of Class A common stock outstanding during the same period. Diluted earnings (loss) per share is computed giving effect to all potentially dilutive shares.

The following table sets forth the calculation of earnings (loss) per share, or EPS, for the years ended December 31, 2023, 2022 and 2021:

Basic net income (loss) per share:	Year Ended December, 2023	2022	2021
Numerator			
Net income (loss) attributable to Solaris Oilfield Infrastructure Inc.	$ 24,336	$ 21,158	$ (868)
Less income attributable to participating securities (1)	(1,169)	(847)	(365)
Net income (loss) attributable to common stockholders	$ 23,167	$ 20,311	$ (1,233)
Denominator			
Weighted average number of unrestricted outstanding common shares used to calculate basic net income per share	29,693	31,479	30,786
Diluted weighted-average shares of Class A common stock outstanding used to calculate diluted net income per share	29,693	31,479	30,786
Earnings (loss) per share of Class A common stock - basic	$ 0.78	$ 0.64	$ (0.04)
Earnings (loss) per share of Class A common stock - diluted	$ 0.78	$ 0.64	$ (0.04)

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

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, 2023	2022	2021
Class B common stock	13,672	13,717	14,035
Restricted stock awards	1,478	583	282
Performance-based restricted stock awards	118	—	—
Stock options	7	7	8
Total	15,275	14,307	14,325

Table of Contents

10. Income Taxes

Income Tax Expense

The components of the income tax expense are:

	Year Ended December 31, 2023	2022	2021
Current:			
Federal	$ —	$ —	$ —
State	569	120	494
	569	120	494
Deferred:			
Federal	6,424	6,167	(20)
State	827	1,516	152
	7,251	7,683	132
Income tax expense	$ 7,820	$ 7,803	$ 626

Income tax expense differs from the amount computed by applying the statutory federal income tax rate of 21% to income (loss) before taxes as follows:

	Year Ended December 31, 2023	2022	2021
Income (loss) before income taxes	$ 46,595	$ 41,315	$ (634)
Less: net income (loss) before income taxes attributable to noncontrolling interest	14,439	12,354	(392)
Income (loss) attributable to Solaris Oilfield Infrastructure, Inc. stockholders before income taxes	32,156	28,961	(242)
Income tax expense (benefit) at the federal statutory rate	6,753	6,082	(70)
State income taxes, net of federal benefit	962	485	465
Remeasurement of deferred taxes	(35)	828	139
Other	140	408	92
Income tax expense	$ 7,820	$ 7,803	$ 626

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, 2023	December 31, 2022
Deferred Tax Assets:		
Investments in subsidiaries	$ —	$ 2,050
Imputed interest	2,464	2,663
Net operating loss carryforward	49,095	50,657
Other	66	—
Total deferred tax assets	51,625	55,370
Deferred Tax Liabilities:		
Investments in subsidiaries	(3,615)	—
Total deferred tax liabilities	(3,615)	—
Net deferred tax asset	$ 48,010	$ 55,370

As of December 31, 2023, the Company had approximately $225,954 of federal net operating loss carryovers and $49,399 of state net operating loss carryovers. $169,925 of such federal net operating loss carryovers have no expiration date and the remaining federal net operating loss carryovers expire in 2037. $26,106 of such state net operating loss carryovers will expire in varying amounts between the period of 2037 to 2042. The statute of limitations with respect to the U.S. federal income tax returns of the Company for years ending on or before December 31, 2019, are closed, except to the extent of any federal net operating loss carryovers. States often follow the federal statue of limitation, but some state jurisdictions may vary.

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 this position in the future, changes in cumulative earnings history, excluding non-recurring charges, or 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.

Section 382 of the Internal Revenue Code of 1986, contains rules that limit the ability of a company that undergoes an "ownership change" to utilize its net operating loss and tax credit carryovers and certain built-in losses recognized in years after the "ownership change." An "ownership change" is generally defined as any change in ownership of more than 50% of a corporation's stock over a rolling three-year period by stockholders that own (directly or indirectly) 5% or more of the stock of a corporation, or arising from a new issuance of stock by a corporation. If an ownership change occurs, Section 382 generally imposes an annual limitation on the use of pre-ownership change net operating loss carryovers to offset taxable income earned after the ownership change. We do not believe the Section 382 annual limitation related to historical ownership changes impacts our ability to utilize our net operating losses; however, if we were to experience a future ownership change our ability to use net operating losses may be impacted.

The Company qualified for federal government assistance through employee retention credit provisions of the Consolidated Appropriations Act of 2021. During the year ended December 31, 2021, the Company recorded $3,117 of employee retention credits in other income on its consolidated income statements. As of December 31, 2023, $2,159 of the credits have been received and $958 is included in prepaid expenses and other current assets on the consolidated balance sheet. The calculation of the credit is based on employees' continued employment and represents a portion of the wages paid to them. For income tax purposes, the credit will result in decreased expense related to the wages it offsets in the period received. The Company accounted for the employee retention credit as a government grant in accordance with ASU Topic 832, Disclosures by Business Entities about Government Assistance.

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. As of December 31, 2023 and 2022, the Company's uncertain tax benefits totaling $802 and $807, respectively, are reported as a component of the net deferred tax asset in the consolidated balance sheets. The full balance of unrecognized tax benefits as of December 31, 2023, 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 the fact that, as of December 31, 2023, the Company has not accrued any penalties or interest. Our uncertain tax benefits originated in tax year 2018 and relates to the treatment of certain costs incurred in connection with the IPO and November Offering. Changes in the Company's gross unrecognized tax benefits are as follows:

	Year Ended December 31,		
	2023	**2022**	**2021**
Balance, January 1,	$ 807	$ 816	$ 816
Additions for the current year tax	—	—	—
Additions related to prior years	—	—	—
State rate change	(5)	(9)	—
Balance, December 31,	$ 802	$ 807	$ 816

Payables Related to the Tax Receivable Agreement

As of December 31, 2023, our liability under the Tax Receivable Agreement was $71,530, representing 85% of the net cash savings in United States federal, state and local income tax or franchise tax that Solaris Inc. anticipates realizing in future years from certain increases in tax basis and certain tax benefits attributable to imputed interest as a result of Solaris Inc.'s acquisition (or deemed acquisition for United States federal income tax purposes) of Solaris LLC Units in connection with the IPO or pursuant to an exercise of the Redemption Right or the Call Right (each as defined in the Solaris LLC Agreement) and additional tax basis arising from any payments Solaris Inc. makes under the Tax Receivable 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. Therefore, in accordance with ASC 450, Contingencies, we have recorded a liability under the Tax Receivable Agreement related to the tax savings we may realize from certain increases in tax basis and certain tax benefits attributable to imputed interest as a result of Solaris Inc.'s acquisition (or deemed acquisition for United States federal income tax purposes) of Solaris LLC Units in connection with the IPO or pursuant to an exercise of the Redemption Right or the Call Right (each as defined in the Solaris LLC Agreement) and additional tax basis arising from any payments Solaris Inc. makes under the Tax Receivable Agreement. Solaris LLC may make tax distributions to Solaris Inc. in order for Solaris Inc. to satisfy its obligations under the Tax Receivable Agreement and will be required to distribute cash pro rata to each of the other members of Solaris LLC, in accordance with the number of Solaris LLC Units owned by each member at that time.

11. Concentrations

For the year ended December 31, 2023, two customers accounted for 12% and 12% of the Company's revenue. For the year ended December 31, 2022, one customer accounted for 22% of the Company's revenue. For the year ended December 31, 2021, one customer accounted for 26% of the Company's revenue. As of December 31, 2023, two customers accounted for 12% and 10% of the Company's accounts receivable. As of December 31, 2022, one customer accounted for 22% of the Company's accounts receivable.

For the years ended December 31, 2023, 2022 and 2021, no supplier accounted for more than 10% of the Company's total purchases. As of December 31, 2023, two suppliers accounted for 17% and 12% of the Company's accounts payable. As of December 31, 2022, one supplier accounted for 13% of the Company's accounts payable.

12. Commitments and Contingencies

State and Local Tax Matters

We are subject to a number of state and local taxes that are not income-based. As many of these taxes are subject to assessment and audit by the taxing authorities, it is possible that an assessment or audit could result in additional taxes due. We accrue additional taxes when we determine that it is probable that we will have incurred a liability and we can reasonably estimate the amount of the liability. On June 16, 2022, Cause Number CV20-09-372, styled Solaris Oilfield Site Services v. Brown County Appraisal District, was presented to the 35th District Court of Brown County, Texas. The 35th District Court of Brown County ruled in favor of Brown County Appraisal District regarding the disqualification of our equipment for certain property tax exemptions. On July 20, 2022, we filed an appeal with the Eleventh District of Texas – Eastland Court of Appeals, and an appellate hearing relating thereto was held on April 13, 2023. We anticipate that a final ruling from the Eastland Court of Appeals will be delivered sometime in the first half of 2024. In connection therewith, we have recognized $3,072 in accrued liabilities as of December 31, 2023. No additional contingencies were recognized during the year ended December 31, 2023. If this litigation is ultimately resolved against us, in whole or in part, it is possible that the resolution of this matter could be material to our consolidated results of operations or cash flows.

Litigation and Claims

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.

Purchase Obligations

In the normal course of business, the Company enters into purchase obligations for products and services, primarily related to equipment or parts for manufacturing equipment. As of December 31, 2023, we had purchase obligations of approximately $3,468 payable within the next twelve months.

Other Commitments

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. The total future guaranty under the guarantee of lease agreement with Solaris Energy Management, LLC is $2,840 as of December 31, 2023. Refer to Note 13. "Related Party Transactions" for additional information regarding related party transactions recognized and Note 7. "Leases" for operating lease discussion.

13. Related Party Transactions

The Company recognizes certain costs incurred in relation to transactions with entities owned or partially owned by William A. Zartler, the Chief Executive Officer and Chairman of the Board. These costs include rent paid for office space, travel services, personnel, consulting and administrative costs. For the years ended December 31, 2023, 2022 and 2021, Solaris LLC paid $1,209, $941 and $823, respectively, for these services, included in selling, general and administrative costs in the consolidated statement of operations. As of December 31, 2023 and 2022, the Company included $136 and $100, respectively, in prepaid expenses and other current assets on the consolidated balance sheets. Additionally, as of December 31, 2023 and 2022, the Company included $18 and $72, respectively, of accruals to related parties in accrued liabilities on the consolidated balance sheet.

These costs are primarily incurred in connection with the administrative services agreement, dated May 17, 2017, between Solaris LLC and Solaris Energy Management, LLC, a company partially owned by William A. Zartler.

As of December 31, 2023, THRC Holdings, LP, an entity managed by THRC Management, LLC (collectively "THRC"), held shares representing an 11.0% ownership of the Company's Class A common stock and 7.5% total shares outstanding. THRC is affiliated with certain of the Company's customers, including ProFrac Services, LLC ("ProFrac") and certain of the Company's suppliers including Automatize Logistics, LLC, IOT-EQ, LLC and Cisco Logistics, LLC ("Cisco") (together the "THRC Affiliates"). For the years ended December 31, 2023, 2022 and 2021, the Company recognized revenues related to our service offering provided to the THRC Affiliates of $23,473, $20,005 and $13,466, respectively. Accounts receivable related to THRC Affiliates as of December 31, 2023 and 2022 was $2,378 and $4,925, respectively. For the years ended December 31, 2023, 2022 and 2021, the Company recognized cost of services provided by THRC Affiliates of $2,072, $3,718 and $3,649, respectively. There was $0 and $302, respectively, in accounts payable related to THRC Affiliates as of December 31, 2023 and 2022.

Solaris is the dedicated wellsite sand storage provider ("Services") to certain THRC Affiliates. Solaris provides volume-based pricing for the Services and may be required to pay up to $4,000 in payments throughout a term ending in 2024, contingent upon the ability of these affiliates to meet minimum Services revenue thresholds. As of December 31, 2023 and 2022, there was no accounts payable to THRC Affiliates related to these services.

On January 31, 2023, the Company made payments totaling $1,092 under the Tax Receivable Agreement. Solaris LLC made a cash distribution to Solaris Inc. of $1,092 to satisfy these obligations and concurrently made a cash distribution on a pro rata basis to each of the other members of Solaris LLC of $433.

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, 2023. Disclosure controls refer to controls and procedures 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 on the evaluation of our disclosure controls and procedures, as well as the remediation of our previously identified material weakness, as further described below, as of December 31, 2023, our principal executive officer and principal financial officer have concluded that, as of such date, our disclosure controls and procedures were effective in our internal control over financial reporting.

Management's Annual Report on Internal Control over Financial Reporting

Management, including the principal executive officer and principal financial officer, is responsible for establishing and maintaining adequate internal control over financial reporting for the registrant, as defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with GAAP.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2023, using the criteria in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2023.

Remediation of Previously Reported Material Weakness

In response to the previously reported material weakness relating to information technology general controls (ITGCs), management, with oversight of the Audit Committee of the Board of Directors, has completed its design and implementation of what we believe are effective measures to strengthen our internal controls over financial reporting and remediate the material weakness. Our executed internal control remediation efforts included:

- developed and implemented an internal use application to replace the third-party IT system that supports the Company's financial reporting process for its last mile logistics services, which includes the costs of providing that service and the associated pass through revenues;
- enhanced risk assessment procedures and controls related to information systems used by the Company; and
- implemented an information technology management review and testing plan to monitor ITGCs with a specific focus on systems supporting our financial reporting process.

During the quarter ended December 31, 2023, we completed our testing of the operating effectiveness of internal controls impacted by these remediation efforts and determined that as a result of the measures described above, the material weakness has been effectively remediated as of December 31, 2023.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2023, has been audited by BDO USA, P.C., an independent registered public accounting firm, as stated in its report included herein.

Changes in Internal Control Over Financial Reporting

Except for the changes discussed above as a result of remediation of the previously reported material weakness, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Trading Plans

None of our directors of executive officers adopted or terminated a Rule 10b5-1 trading arrangement or adopted or terminated a non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K) during the quarter ended December 31, 2023.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

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, 2024 (the "Annual Meeting") and is incorporated herein by reference.

The Company's Code of Business Conduct and Ethics ("Code of Conduct") can be found on the Company's website located at www.solarisoilfield.com, under the "Governance Documents" tab within the "Investor Relations" tab. Any shareholder may request a printed copy of the Code of Conduct by submitting a written request to the Company's Chief Legal Officer. If the Company amends the Code of Conduct or grants a waiver, including an implicit waiver, on behalf of the Chief Executive Officer, Chief Financial Officer or Chief Accounting Officer from the Code of Conduct, the Company will disclose the information on its website. The waiver information will remain on the website for at least 12 months after the initial disclosure of such waiver.

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

Our independent registered public accounting firm is BDO USA, P.C., Houston, Texas, Auditor Firm ID: PCAOB ID 243.

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 "Financial Statements and Supplementary Data" of this Annual 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	Certificate of Amendment of the 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 22, 2023).
3.3	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).
4.1	Form of Indenture for Senior Debt Securities (incorporated by reference to Exhibit 4.1 to the Registrant's Form S-3 (File No. 333-260289) filed with the Commission on October 15, 2021).
4.2	Form of Indenture for Subordinated Debt Securities (incorporated by reference to Exhibit 4.2 to the Registrant's Form S-3 (File No. 333-260289) filed with the Commission on October 15, 2021).
4.3	Description of Securities Registered under Section 12(b) of the Act (incorporated by reference to Exhibit 4.3 to the Registrant's Form 10-K (File No. 001-38090) filed with the Commission on February 23, 2021).
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. 333-218043) 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 10.2 to the Registrant's Annual Report on Form 10-K (File No. 001-38090) filed with the Commission on February 24, 2022).
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. 333-218043) 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 (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).
10.7	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).
10.8	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).

10.9	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).
10.10	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).
10.11	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).
10.12	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).
10.13	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).
10.14	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).
10.15	Indemnification Agreement (Ray N. Walker, Jr.) (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K (File No. 001 38090) filed with the Commission on August 14, 2018).
10.16	Indemnification Agreement (Laurie H. Argo) (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K (File No. 001-38090) filed with the Commission on March 21, 2022).
10.17	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).
10.18	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).
10.19	Amended Credit Agreement, dated as of February 24, 2022, by and among Solaris Oilfield Infrastructure, Inc., as borrower, each of the lenders party thereto and Wells Fargo Bank, as administrative agent (incorporated by reference to Exhibit 10.20 to the Registrant's Annual Report on Form 10-K (File No. 001-38090) filed with the Commission on February 24, 2022).
10.20	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).
10.21†	Form of Solaris Oilfield Infrastructure, Inc. Executive Change in Control Severance Plan, effective as of March 1, 2023 (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K (File No. 001-38090) filed with the Commission on March 7, 2023).
10.22†	Form of Performance-Based Restricted Stock Unit (PSU) Agreement under the Solaris Oilfield Infrastructure, Inc. Long Term Incentive Plan (incorporated by reference to Exhibit 10.2 to the Registrant's Form 10-Q (File No. 001-38090) filed with the Commission on May 4, 2023).
10.23#	Amendment No. 2 to Amended and Restated Credit Agreement, dated as of April 28, 2023, by and among Solaris Oilfield Infrastructure, LLC, as borrower, each of the guarantors party thereto, each of the lenders party thereto and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.3 to the Registrant's Form 10-Q (File No. 001-38090) filed with the Commission on May 4, 2023).
10.24	Amendment No. 1 to Tax Receivable Agreement, dated as of June 27, 2023, by and among Solaris Oilfield Infrastructure, Inc., the TRA Holders and the Agents included therein (incorporated by reference to Exhibit 10.2 to the Registrant's Form 10-Q (File No. 001-38090) filed with the Commission on July 27, 2023).
10.25†	First Amendment to the Solaris Oilfield Infrastructure, Inc. Long Term Incentive 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 22, 2023).
10.26	Indemnification Agreement (Christopher P. Wirtz) (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K (File No. 001-38090) filed with the Commission on June 1, 2023).
21.1	List of Subsidiaries of Solaris Oilfield Infrastructure, Inc. (incorporated by reference to Exhibit 21.1 to the Registrant's Form 10-K (File No. 001-038090) filed with the Commission on February 27, 2019).
23.1*	Consent of BDO USA, P.C.
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.
97.1*	Solaris Oilfield Infrastructure, Inc. Clawback Policy, dated November 15, 2023.

101.INS*	Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Data File – the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

* Filed herewith

** Furnished herewith. Pursuant to SEC Release No. 33 8212, this certification will be treated as "accompanying" this Annual Report 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 schedules, annexes or exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K, but will be supplementally furnished to the SEC upon request.

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/ William A. Zartler
William A. Zartler
Chairman and Chief Executive Officer
Date: February 27, 2024

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 February 27, 2024.

Signature	Title
/s/ William A. Zartler William A. Zartler	Chairman and Chief Executive Officer (Principal Executive Officer)
/s/ Kyle S. Ramachandran Kyle S. Ramachandran	President and Chief Financial Officer (Principal Financial Officer)
/s/ Christopher P. Wirtz Christopher P. Wirtz	Chief Accounting Officer (Principal Accounting Officer)
/s/ James R. Burke James R. Burke	Director
/s/ Cynthia M. Durrett Cynthia M. Durrett	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
/s/ Ray N. Walker, Jr. Ray N. Walker, Jr.	Director
/s/ Laurie H. Argo Laure H. Argo	Director

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-260289), Form S-8 (No. (333-218043) and Form S-8 (No. 333-276682) of Solaris Oilfield Infrastructure, Inc. (the Company) of our reports dated February 27, 2024, relating to the consolidated financial statements, and the effectiveness of the Company's internal control over financial reporting, which appear in this Annual Report on Form 10-K.

/s/ BDO USA, P.C.

Houston, Texas

February 27, 2024

EXHIBIT 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES OXLEY ACT OF 2002

I, William A. Zartler, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) 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;

   d) 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: February 27, 2024

/s/ William A. Zartler
William A. Zartler
Chairman and 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) 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;

   d) 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: February 27, 2024

/s/ Kyle S. Ramachandran

Kyle S. Ramachandran
President and 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, William A. Zartler, Chairman and 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, 2023 (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: February 27, 2024

/s/ William A. Zartler
William A. Zartler
Chairman and 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, President and 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, 2023 (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: February 27, 2024

/s/ Kyle S. Ramachandran
Kyle S. Ramachandran
President and 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.

Exhibit 97.1

Solaris Oilfield Infrastructure, Inc.
Clawback Policy
(this "**Policy**")

Adopted by the Board of Directors (the "**Board**") of Solaris Oilfield Infrastructure, Inc. (the "**Company**") on November 15, 2023.

1. Recoupment. If the Company is required to prepare a Restatement, the Compensation Committee of the Board (the "**Committee**") shall, unless determined to be Impracticable, take reasonably prompt action to recoup all Recoverable Compensation from any Covered Person. This Policy is in addition to (and not in lieu of) any right of repayment, forfeiture or off-set against any Covered Person that may be available under applicable law or otherwise (whether implemented prior to or after adoption of this Policy). The Committee may, in its sole discretion and in the exercise of its business judgment, determine whether and to what extent additional action is appropriate to address the circumstances surrounding any recovery of Recoverable Compensation tied to a Restatement and to impose such other discipline as it deems appropriate.

2. Method of Recoupment. Subject to applicable law, the Committee may seek to recoup Recoverable Compensation by (i) requiring a Covered Person to repay such amount to the Company; (ii) offsetting a Covered Person's other compensation; or (iii) such other means or combination of means as the Committee, in its sole discretion, determines to be appropriate. To the extent that a Covered Person fails to repay all Recoverable Compensation to the Company as determined pursuant to this Policy, the Company shall take all actions reasonable and appropriate to recover such amount, subject to applicable law. The applicable Covered Person shall be required to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering such amount.

3. Administration of Policy. The Committee shall have full authority to administer, amend or terminate this Policy. The Committee shall, subject to the provisions of this Policy, make such determinations and interpretations and take such actions in connection with this Policy as it deems necessary, appropriate or advisable. All determinations and interpretations made by the Committee shall be final, binding and conclusive. Notwithstanding anything in this Section 3 to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any federal securities laws, rules of the U.S. Securities and Exchange Commission (the "**SEC**") or the rules of any national securities exchange or national securities association (as applicable, the "**Exchange**") on which the Company's securities are then listed. The Committee shall consult with the Company's Audit Committee of the Board (the "**Audit Committee**"), the Company's Chief Financial Officer or Chief Accounting Officer, as applicable, as needed in order to properly administer and interpret any provision of this Policy.

4. Acknowledgement by Executive Officers. The Committee may provide notice to and seek written acknowledgement of this Policy from each Executive Officer; provided that the failure to provide such notice or obtain such acknowledgement shall not affect the applicability or enforceability of this Policy. For purposes of clarity, such notice and acknowledgement may be contained within a separate agreement (such as an employment, severance, retention, bonus, incentive compensation, equity award or similar agreement) that may, in whole or in part, be subject to this Policy.

5. No Indemnification. Notwithstanding the terms of any of the Company's organizational documents, any corporate policy or any contract, the Company shall not indemnify any Covered Person against the loss of any Recoverable Compensation.

6. Disclosures and Record Keeping. The Company shall make all disclosures and filings with respect to this Policy and maintain all documents and records that are required by the applicable rules and forms of the SEC (including, without limitation, Rule 10D-1 under the Securities Exchange Act of 1934 (the "**Exchange Act**")) and any applicable exchange listing standard.

7. Governing Law. The validity, construction, and effect of this Policy and any determinations relating to this Policy shall be construed in accordance with the laws of the State of Delaware without regard to its conflicts of laws principles.

8. Successors. This Policy shall be binding and enforceable against all Covered Persons and their beneficiaries, heirs, executors, administrators or other legal representatives.

9. Definitions. In addition to terms otherwise defined in this Policy, the following terms, when used in this Policy, shall have the following meanings:

"Applicable Period" means the three completed fiscal years preceding the earlier of: (i) the date that the Audit Committee, or the officer or officers of the Company authorized to take such action if Audit Committee action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare a Restatement; or (ii) the date a court, regulator, or other legally authorized body directs the Company to prepare a Restatement. The Applicable Period shall also include any transition period (that results from a change in the Company's fiscal year) of less than nine months within or immediately following the three completed fiscal years; provided that, a transition period of nine to 12 months shall be treated as a completed fiscal year.

"Covered Person" means an Executive Officer who receives Recoverable Compensation.

"Effective Date" means October 2, 2023.

"Executive Officer" includes the Company's current and former president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person (including any executive officer of the Company's controlled affiliates) who performs similar policy-making functions for the Company. For purposes of clarity, the term "Executive Officer" shall include, at a minimum, any executive officers of the Company identified pursuant to 17 CFR § 229.401(b).

"Financial Reporting Measure" means a measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements (including "non-GAAP" financial measures, such as those appearing in earnings releases), and any measure that is derived wholly or in part from such measure. Stock price and total shareholder return ("**TSR**") are Financial Reporting Measures. Examples of additional Financial Reporting Measures include, but are not limited to, measures based on: revenues, net income, operating income, financial ratios, EBITDA, liquidity measures, return measures (such as return on assets), or profitability of one or more segments. For the avoidance of doubt, a Financial Reporting Measure need not be presented within the Company's financial statements or included in a filing made by the Company with the SEC.

"Impracticable" means, after exercising a normal due process review of all the relevant facts and circumstances and taking all steps required by Exchange Act Rule 10D-1 and any applicable exchange listing standard, the Committee determines that recovery of the Incentive-Based Compensation is impracticable because: (i) it has determined that the direct expense that the Company would pay to a third party to assist in recovering the Incentive-Based Compensation would exceed the amount to be recovered; (ii) it has concluded that the recovery of the Incentive-Based Compensation would violate home country law adopted prior to November 28, 2022; or (iii) it has determined that the recovery of Incentive-Based Compensation would cause a tax-qualified retirement plan, under which benefits are broadly available to the Company's employees, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

"Incentive-Based Compensation" includes any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure; however it does not include: (i) base salaries; (ii) discretionary cash bonuses; (iii) awards (either cash or equity) that are based upon subjective, strategic or operational standards; and (iv) equity awards that vest solely on the passage of time.

"Received" – Incentive-Based Compensation is deemed "Received" in any Company fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of the Incentive-Based Compensation occurs after the end of that period.

"Recoverable Compensation" means all Incentive-Based Compensation (calculated on a pre-tax basis) Received on or after the Effective Date by a person: (i) after beginning service as an Executive Officer; (ii) who served as an Executive Officer at any time during the performance period for that Incentive-Based Compensation; (iii) while the Company has or had a class of securities listed on the Exchange; and (iv) during the Applicable Period, that exceeds or exceeded the amount of Incentive-Based Compensation that otherwise would have been Received had the amount been determined based on the Financial Reporting Measures, as reflected in the Restatement. With respect to Incentive-Based Compensation based on stock price or TSR, when the amount of Recoverable Compensation is not subject to mathematical recalculation directly from the information in a Restatement, the amount must be based on a reasonable estimate of the effect of the Restatement on the stock price or TSR upon which the Incentive-Based Compensation was Received (in which case, the Company shall maintain documentation of such determination of such reasonable estimate and provide such documentation to the Exchange).

"Restatement" means an accounting restatement of any of the Company's financial statements due to the Company's material noncompliance with any financial reporting requirement under U.S. securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (often referred to as a "Big R" restatement), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (often referred to as a "little r" restatement). As of the Effective Date (but subject to changes that may occur in accounting principles and rules following the Effective Date), a Restatement does not include situations in which financial statement changes did not result from material non-compliance with financial reporting requirements, such as, but not limited to retrospective: (i) application of a change in accounting principles; (ii) revision to reportable segment information due to a change in the structure of the Company's internal organization; (iii) reclassification due to a discontinued operation; (iv) application of a change in reporting entity, such as from a reorganization of entities under common control; (v) adjustment to provision amounts in connection with a prior business combination; and (vi) revision for stock splits, stock dividends, reverse stock splits or other changes in capital structure.