

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, 2020

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File No. 001-38081



Liberty Oilfield Services Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

**950 17th Street, Suite 2400
Denver, Colorado**

(Address of Principal Executive Offices)

81-4891595

(I.R.S. Employer Identification No.)

80202

(Zip Code)

(303) 515-2800

(Registrant's Telephone Number, Including Area Code)

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, par value \$0.01	LBRT	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 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 and post 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 (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

As of June 30, 2020, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of voting and non-voting common stock held by non-affiliates of the registrant was approximately \$356.7 million, determined using the per share closing price on the New York Stock Exchange on that date of \$5.48. Shares of common stock held by each director and executive officer (and their respective affiliates) and each person who owns 10 percent or more of the outstanding common stock or who is otherwise believed by the registrant to be in a control position have been excluded. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

At February 19, 2021 the Registrant had 165,068,515 shares of Class A Common Stock and 14,472,440 shares of Class B Common Stock outstanding.

Documents Incorporated by Reference: Part III of this Annual Report on Form 10-K incorporates certain information by reference from the registrant's proxy statement for the 2021 annual meeting of stockholders to be filed no later than 120 days after the end of the registrant's fiscal year.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K and certain other communications made by us contain 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 of 1934, as amended (the “Exchange Act”), including statements about our growth including from the OneStim Acquisition (as defined below), expected performance, future operating results, oil and natural gas demand and prices, future global economic conditions, the impacts of the COVID-19 pandemic, improvements in operating procedures and technology, the business strategies of our customers, in addition to other estimates, and beliefs. For this purpose, any statement that is not a statement of historical fact should be considered a forward-looking statement. We may use the words “estimate,” “outlook,” “project,” “position,” “potential,” “likely,” “believe,” “anticipate,” “plan,” “expect,” “intend,” “achievable,” “anticipate,” “may,” “will,” “continue,” “should,” “could” and similar expressions to help identify forward-looking statements. We cannot assure you that our assumptions and expectations will prove to be correct. Important factors could cause our actual results to differ materially from those indicated or implied by forward-looking statements, including but not limited to the risks described in this Annual Report on Form 10-K (“Annual Report”) and other filings that we make with the U.S. Securities Exchange Commission (the “SEC”). We undertake no intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise and readers should not rely on the forward-looking statements as representing the Company’s views as of any date subsequent to the date of the filing of this Annual Report. These forward-looking statements are based on management’s current belief, based on currently available information, as to the outcome and timing of future events.

All forward-looking statements, expressed or implied, included in this Annual Report are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue.

This Annual Report includes market and industry data and certain other statistical information based on third-party sources including independent industry publications, government publications and other publish independent sources, such as content and estimates provided by Coras Research, LLC as of December 31, 2020. Coras Research, LLC (“CORAS”) is not a member of the Financial Industry Regulator Authority (FINRA) or the Securities Investor Protection Corporation (SIPC) and is not a registered broker dealer or investment advisor. Although we believe these third-party sources are reliable as of their respective dates, we have not independently verified the accuracy or completeness of this information. Some data is also based on our own good faith estimates, which are supported by our management’s knowledge of and experience in the markets and business in which we operate.

PART I

As used in this Annual Report on Form 10-K, unless the context otherwise requires, references to the terms “Company,” “we,” “us” and “our” refer to, collectively, Liberty Oilfield Services LLC and LOS Acquisition Co I LLC and its subsidiaries (collectively, the “Predecessor”) for periods prior to the IPO (as defined herein), and, for periods as of and following the IPO, Liberty Oilfield Services Inc. and its consolidated subsidiaries. References to “Liberty LLC” refer to Liberty Oilfield Services New HoldCo LLC. References to “Liberty Holdings” refer to Liberty Oilfield Services Holdings LLC.

Item 1. Business

Our Company

We are an independent provider of hydraulic fracturing and wireline services and related goods to onshore oil and natural gas exploration and production (“E&P”) companies in North America. We provide our services primarily in the Permian Basin, the Eagle Ford Shale, the Denver-Julesburg Basin (the “DJ Basin”), the Williston Basin, the San Juan Basin and the Powder River Basin. Following the completion of the OneStim Acquisition (as defined below) we now also provide services in the Haynesville Shale, the South Central Oklahoma Oil Province and Sooner Trend Anadarko Canadian Kingfisher (collectively the “SCOOP/STACK”), the Marcellus Shale, Utica Shale, and the Western Canadian Sedimentary Basin.

The process of hydraulic fracturing involves pumping a pressurized stream of fracturing fluid—typically a mixture of water, chemicals and proppant—into a well casing or tubing in order to cause the underground formation to fracture or crack. These fractures release trapped hydrocarbon particles and provide a conductive channel for the oil or natural gas to flow freely to the wellbore for collection. The propping agent, or proppant,—typically sand—becomes lodged in the cracks created by the hydraulic fracturing process, “propping” them open to facilitate the flow of hydrocarbons from the reservoir to the well. The fracturing fluid is engineered to lose viscosity, or “break,” and is subsequently flowed back from the formation, leaving the proppant suspended in the formation fractures. Once our customer has flushed the fracturing fluids from the well using a controlled flow-back process, the customer manages fluid and water recycling or disposal.

Our hydraulic fracturing fleets consist of mobile hydraulic fracturing units and other auxiliary heavy equipment to perform fracturing services. Our hydraulic fracturing units consist primarily of high-pressure hydraulic pumps, engines, transmissions, radiators and other supporting equipment that are typically mounted on trailers. We refer to the group of units and other equipment, such as blenders, data vans, sand storage, tractors, manifolds and high pressure fracturing iron, which are necessary to perform a typical hydraulic fracturing job, as a “fleet,” and the personnel assigned to each fleet as a “crew,” the size of each fleet and crew can vary depending on the requirements of each job design.

We have wireline operations after December 31, 2020 as a result of the OneStim Acquisition (as defined below). Our wireline units consist of a truck equipped with a spool of wireline that is lowered into wells to convey specialized tools or equipment necessary to connect the wellbore with the target formation. This operation is performed between each hydraulic fracturing stage. We offer our wireline service on a stand alone basis or alongside our hydraulic fracturing services. When offered along side our hydraulic fracturing services, we are able to maximize efficiency for our customers through optimized coordination of the wireline and hydraulic fracturing services.

Our operations are organized into a single business segment, which consists of hydraulic fracturing services, including wireline, and goods, including our Permian sand mines, and we have one reportable geographical segment, North America. We have grown from one active hydraulic fracturing fleet in December 2011 to approximately 30 fleets in the first quarter of 2021, including the addition of active fleets as a result of the OneStim Acquisition (as defined below).

Our founders and existing management were pioneers in the development of data-driven hydraulic fracturing technologies for application in shale plays. Prior to founding the Company, the majority of our management team founded and built Pinnacle Technologies, Inc. (“Pinnacle Technologies”) into a leading fracturing technology company. In 1992, Pinnacle Technologies developed the first commercial hydraulic fracture mapping technologies, analytical tools that played a major role in launching the shale revolution. Our extensive experience with fracture technologies and customized fracture design has enabled us to develop new technologies and processes that provide our customers with real time solutions that significantly enhance their completions. These technologies include hydraulic fracture propagation models, reservoir engineering tools, large, proprietary shale production databases and multi-variable statistical analysis techniques. Taken together, these technologies have enabled us to be a leader in hydraulic fracture design innovation and application.

We believe the following characteristics distinguish us from our competitors and are the foundations of our business: forming ongoing partnerships of trust and innovation with our customers; developing and utilizing technology to maximize well performance; and promoting a people-centered culture focused on our employees, customers and suppliers. We have developed strong relationships with our customers by investing significant time in fracture design collaboration, which substantially

enhances their production economics. Our technological innovations have become even more critical as E&P companies have increased the completion complexity and fracture intensity of horizontal wells. We are proactive in developing innovative solutions to industry challenges, including developing: (i) our databases of U.S. unconventional wells to which we apply our proprietary multi-variable statistical analysis technologies to provide differential insight into fracture design optimization; (ii) our Liberty Quiet Fleet® design which significantly reduces noise levels compared to conventional hydraulic fracturing fleets; (iii) hydraulic fracturing fluid systems tailored to the specific reservoir properties in the basins in which we operate; and (iv) our dual fuel dynamic gas blending fleets that allow our engines to run diesel or a combination of diesel and natural gas, to optimize fuel use, reduce emissions and lower costs. We foster a people-centered culture built around honoring our commitments to customers, partnering with our suppliers and hiring, training and retaining people that we believe to be the best talent in our field, enabling us to be one of the safest and most efficient hydraulic fracturing companies in North America.

Recent Developments

On December 31, 2020, the Company acquired certain assets and liabilities of Schlumberger Limited's ("Schlumberger") OneStim® business, which provides hydraulic fracturing pressure pumping services in onshore United States and Canada, including its pressure pumping, pumpdown perforating and Permian frac sand business (such entire business of Schlumberger, "OneStim," and the portion of OneStim acquired pursuant by the Company, the "Transferred Business") in exchange for consideration resulting in a total of 66,326,134 shares of Class A common stock, par value \$0.01 per share, of the Company (the "Class A Common Stock") being issued in connection with the transaction (such transaction, the "OneStim Acquisition"; see Note 3—The OneStim Acquisition to the consolidated and combined financial statements included in "Item 8. Financial Statements and Supplementary Data"). Effective December 31, 2020, Schlumberger owned 37% of the issued and outstanding shares of our combined Class A Common Stock and our Class B common stock, par value \$0.01 per share (the "Class B Common Stock" and, together with the Class A Common Stock, the "Common Stock").

The OneStim Acquisition substantially increased the Company's geographical reach and expanded operations, allowing the Company to serve a broader range of customers and utilize the increase in scale, vertical integration and technological know-how to better serve new and existing customers. The Transferred Business includes over 500 fully operational hydraulic fracturing pumps, district facilities, pumpdown perforating wireline units, two state-of-the-art sand mines in the Permian Basin and a highly experienced team of employees. Additionally, the Company added over 400 owned and licensed patents, significant internally developed software intellectual property and a strategic alliance agreement, which increases access to technology portfolios and advances the technological collaborations we are able to offer our customers. The combined company offers best-in-class completion services for the sustainable development of unconventional resource plays in the United States and Canada onshore markets.

Cyclical Nature of Industry

We operate in a highly cyclical industry. The key factor driving demand for our services is the level of drilling activity by E&P companies, which in turn depends largely on the current and anticipated economics of new well completions. Global supply and demand for oil and the domestic supply and demand for natural gas are critical in assessing industry outlook. Demand for oil and natural gas is cyclical and subject to large, rapid fluctuations, such as those experienced in 2020. E&P companies tend to increase capital expenditures in response to increases in oil and natural gas prices, which generally results in greater revenues and profits for oilfield service companies such as ours. Increased capital expenditures also ultimately lead to greater production, which historically has resulted in increased supplies of hydrocarbons and reduced prices which in turn tend to drive a future reduction in E&P companies capital expenditures and reduce demand for oilfield services. For these reasons, the results of our operations may fluctuate from quarter to quarter and from year to year, and these fluctuations may distort comparisons of results across periods.

Seasonality

Our results of operations have historically reflected seasonal tendencies relating to holiday seasons, inclement weather and the conclusion of our customers' annual drilling and completion capital expenditure budgets. Our most notable declines typically occur in the fourth quarter of the year for the reasons described above. Additionally, some of the areas in which we have operations, including Canada, the DJ Basin, Powder River Basin and Williston Basin, are adversely affected by seasonal weather conditions, primarily in the winter and spring. During periods of heavy snow, ice, rain, or frost, and related road restrictions, we may be unable to move our equipment between locations, thereby reducing our ability to provide services and generate revenues. The exploration activities of our customers may also be affected during such periods of adverse weather conditions. Additionally, extended drought conditions in our operating regions could impact our ability or our customers' ability to source sufficient water or increase the cost for such water.

Intellectual Property

Over the last several years and in connection with the OneStim Acquisition, we have significantly invested in our research and technology capabilities. Our efforts to date have been focused on developing innovative, fit-for-purpose solutions designed to enhance our core service offerings, increase completion efficiencies, provide cost savings to our operations and add value for our customers.

We seek patent and trademark protections for our technology when we deem it prudent, and we aggressively pursue protection of these rights when warranted. 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.

Human Capital Management

As of December 31, 2020, we had 1,946 employees and no unionized labor. We believe we have good relations with our employees. We promote a people-centered culture focused heavily on our employees and believe that the strength of our workforce is critical to our success as a company. We consistently assess the current business environment and labor market to refine our compensation and benefits programs in order to attract and retain top talent in our industry. We generally strive to hire people with integrity, a positive attitude and hunger to learn and contribute to a team. In response to the COVID-19 pandemic, we reduced our headcount and implemented a company-wide employee furlough plan in order to align with the uncertain level of frac demand we experienced during the second and third quarters of 2020. As of September 30, 2020, all furloughed employees had returned from furlough. We have implemented and continue to implement safety measures in all of our facilities to address the COVID-19 pandemic.

Additionally, as a result of the OneStim Acquisition, we expect to hire approximately 800 employees following a brief transition period during which their continuing service is provided while on secondment from Schlumberger.

Health and Safety

Our people are our most important asset and ensuring their safety and the safety of those around them is the most important thing we do. Making certain that the Liberty team is well trained to handle the complexities of daily field operations, and that their training and competency remains current with the latest technology and standards is a key component. In order to facilitate this training, we have developed the Liberty Frac Academy, a thorough program where employees are trained on various aspects of the Company, from safety in equipment operation to leadership skills. The Liberty Frac Academy not only ensures dissemination of high-quality training material, but also provides a forum for sharing best practices and lessons learned across the Company.

Programs and Benefits

One way we have demonstrated a history of investing in our workforce is by offering competitive salaries and wages. To foster a strong sense of ownership, restricted stock units are provided to eligible non-executive employees under our stock incentive program. Furthermore, we offer innovative benefits to all eligible employees, including, among others, comprehensive health insurance coverage, parental leave to all new parents, for birth or adoption, financial support for child adoption, leave to care for partners with serious health conditions, 401(k) savings plan and educational tuition assistance for both bachelor's degree and master's degree programs. We are also passionate about community investment and, in 2019, we joined the Ban the Box initiative which provides work opportunities for formerly incarcerated individuals.

Properties

Properties

Our corporate headquarters are located at 950 17th Street, Suite 2400, Denver, Colorado 80202. We lease our general office space at our corporate headquarters. The lease expires in December 2027. We currently own or lease the following additional principal properties:

District Facility Location	Size	Leased or Owned
Midland, TX	160,000 sq. ft on 147 acres	Owned
Odessa, TX	77,500 sq. ft on 47 acres	Owned
Cibolo, TX	90,000 sq. ft on 34 acres	Owned
Kermit, TX	5,000 acres	Owned
Monahans, TX	3,200 acres	Owned
Shreveport, LA	225,000 sq ft. on 50 acres	Owned
Cheyenne, WY	115,000 sq. ft on 60 acres	Owned
Gillette, WY	32,757 sq. ft on 15 acres	Leased (through December 31, 2034)
Henderson, CO	50,000 sq. ft on 13 acres	Leased (through December 31, 2034)
Williston, ND	30,000 sq. ft on 15 acres	Owned
El Reno, OK	80,000 sq. ft on 33 acres	Owned
Red Deer, AB	170,000 sq. ft on 42 acres	Owned
Grand Prairie, AB	135,000 sq. ft on 40 acres	Owned
Huallen, AB	80 acres	Owned

We also lease several smaller facilities, which leases generally have terms of one to six years. We believe that our existing facilities are adequate for our operations and their locations allow us to efficiently serve our customers. We do not believe that any single facility is material to our operations and, if necessary, we could readily obtain a replacement facility.

Marketing and Customers

Our sales and marketing activities typically are performed through our local sales representatives in each geographic region, and are supported by our corporate headquarters. For the years ended December 31, 2020, 2019 and 2018, our top five customers collectively accounted for approximately 48%, 35% and 42% of our revenues, respectively. For the year ended December 31, 2020, PDC Energy Inc., ConocoPhillips Company, Parsley Energy Operations, LLC, and WPX Energy each accounted for more than 10% of our revenues. No customer accounted for more than 10% of our revenues for the year ended December 31, 2019. For the year ended December 31, 2018, Extraction Oil & Gas, Inc. accounted for more than 10% of our revenues.

Suppliers and Raw Materials

We have a dedicated supply chain team that manages sourcing and logistics to ensure flexibility and continuity of supply in a cost effective manner across our areas of operation. We have built long-term relationships with multiple industry leading suppliers of proppant, chemicals and hydraulic fracturing equipment and have started to internally design and assemble key pump and maintenance parts. In addition, we have built a strong relationship with the assembler of our custom-designed hydraulic fracturing fleets and believe we will continue to have timely access to new, high capability fleets as we continue to grow. In 2018, we also vertically integrated a supplier of certain major components through the acquisition of ST9 Gas and Oil LLC.

We purchase a wide variety of raw materials, parts and components that are manufactured and supplied for our operations. We are not dependent on any single source of supply for those parts, supplies or materials. To date, we have generally been able to obtain the equipment, parts and supplies 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 these materials and/or products by one of our suppliers, we may not always be able to do so. In addition, certain materials for which we do not currently have long-term supply agreements could experience shortages and significant price increases in the future. As a result, we may be unable to mitigate any future supply shortages and our results of operations, prospects and financial condition could be adversely affected. The OneStim Acquisition included two state-of-the-art sand mines in the Permian Basin, which further alleviates the risk of potential future material supply shortages.

Competition

The markets in which we operate are highly competitive. We provide services in various geographic regions across the United States and Canada, and our competitors include many large and small oilfield service providers, including some of the largest integrated service companies. Our hydraulic fracturing services compete with large, integrated companies such as Halliburton Company as well as other companies including Calfrac Well Services Ltd., FTS International, Inc., NexTier Oilfield Solutions Inc., Universal Pressure Pumping, Inc., ProPetro Services, Inc., RPC, Inc., STEP Energy Services and U.S. Well Services, Inc. In addition, our industry is highly fragmented and we compete regionally with a significant number of smaller service providers.

We believe that the principal competitive factors in the markets we serve are technical expertise, equipment capacity, work force competency, efficiency, safety record, reputation, experience and price. Additionally, projects are often awarded on a bid basis, which tends to create a highly competitive environment. 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.

Governmental Regulation

As a company with operations in both the United States and Canada, we are subject to the laws of both jurisdictions in which we operate and the rules and regulations of various governing bodies, which may differ among those jurisdictions. Compliance with these laws, rules and regulations has not had, and is not expected to have, a material effect on our capital expenditures, results of operations and competitive position as compared to prior periods. We are also subject to numerous environmental and regulatory requirements related to our operations. For further information related to such regulation, see “Item 1A. Risk Factors.”

Available Information

We file or furnish annual, quarterly and current reports, proxy statements and other documents with the SEC under the Exchange Act. The SEC also maintains an internet website at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers, including us, that file electronically with the SEC.

We also make available free of charge through our website, www.libertyfrac.com, electronic copies of certain documents that we file with the SEC, including our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

Item 1A. Risk Factors

Described below are certain risks that we believe apply to our business and the industry in which we operate. You should carefully consider each of the following risk factors in conjunction with other information provided in this Annual Report on Form 10-K and in our other public disclosures. The risks described below highlight potential events, trends or other circumstances that could adversely affect our business, financial condition, results of operations, cash flows, liquidity or access to sources of financing, and consequently, the market value of our Class A Common Stock. These risks could cause our future results to differ materially from historical results and from guidance we may provide regarding our expectations of future financial performance. The risks described below are those that we have identified as material and is not an exhaustive list of all the risks we face. There may be other risks that we have not identified or that we have deemed to be immaterial. Please refer to the explanation of the qualifications and limitation on forward-looking statements set forth on page ii hereof.

Risks Related to the COVID-19 Pandemic

The COVID-19 pandemic has significantly reduced demand for our services, and has had, and may continue to have, a material adverse effect on our operations, business and financial results.

We face risks related to public health crises, including the ongoing COVID-19 pandemic. Although our operations have been deemed essential by the Department of Homeland Security, the effects of the COVID-19 pandemic, including travel bans, prohibitions on group events and gatherings, shutdowns of certain businesses, curfews, shelter-in-place orders and recommendations to practice social distancing in addition to other actions taken by both businesses and governments, have resulted in a significant and swift reduction in international and U.S. economic activity. The collapse in the demand for oil caused by this unprecedented global health and economic crisis, coupled with the current oil oversupply, has had, and may continue to have, a material adverse impact on the demand for our services. The decline in our customers' demand for our services has had, and is likely to continue to have, a material adverse impact on our financial condition, results of operations and cash flows.

We are closely monitoring the effects of the pandemic on our customers, operations, and employees. These effects have included, and may continue to include, adverse revenue and net income effects, financial health of our customers and therefore their ability to drill and complete wells or pay for services provided, financial health of our suppliers and therefore their ability to deliver necessary goods and services, disruptions to our operations, and ultimately the financial health and results of the Company. As we cannot predict the duration or scope of the COVID-19 pandemic, the anticipated negative financial impact to our operating results cannot be reasonably estimated, but it may last for an extended period of time.

The extent to which our operating and financial results are affected by COVID-19 will depend on various factors and consequences beyond our control, such as the duration and scope of the pandemic, additional actions by businesses and governments in response to the pandemic, and the speed and effectiveness of responses to combat the virus. COVID-19, and the volatile regional and global economic conditions stemming from the pandemic, could also aggravate the other risk factors that we identify herein. COVID-19 may also materially adversely affect our operating and financial results in a manner that is not currently known to us or that we do not currently consider to present significant risks to our operations.

We are exposed to counterparty credit risk. Nonpayment and nonperformance by our customers, suppliers or vendors could adversely impact our operations, cash flows and financial condition.

Weak economic conditions and widespread financial distress, including the significantly reduced global and national economic activity caused by the COVID-19 pandemic, could reduce the liquidity of our customers, suppliers or vendors, making it more difficult for them to meet their obligations to us. We are therefore subject to heightened risks of loss resulting from nonpayment or nonperformance by our customers, suppliers and vendors. Severe financial problems encountered by our customers, suppliers and vendors could limit our ability to collect amounts owed to us, or to enforce the performance of obligations owed to us under contractual arrangements. In the event that any of our customers was to enter into bankruptcy, we could lose all or a portion of the amounts owed to us by such customer, and we may be forced to cancel all or a portion of our service contracts with such customer at significant expense to us.

In addition, nonperformance by suppliers or vendors who have committed to provide us with critical products or services could raise our costs or interfere with our ability to successfully conduct our business. All of the above may be exacerbated in the future as the COVID-19 outbreak and the governmental responses to the outbreak continue. These factors, combined with volatile prices of oil and natural gas, may precipitate a continued economic slowdown and/or a recession.

Risks Related to the OneStim Acquisition

The integration of the Transferred Business may not be as successful as anticipated, and the Company may not achieve the intended benefits or do so within the intended timeframe.

The OneStim Acquisition involves numerous operational, strategic, financial, accounting, legal, tax and other risks. Difficulties in integrating the Transferred Business, particularly during the COVID-19 pandemic, may result in the Company performing differently than expected, in operational challenges or in the delay or failure to realize anticipated expense-related efficiencies, and could have an adverse effect on the Company's financial condition, results of operations or cash flows. Potential difficulties that may be encountered in the integration process include, among other factors:

- the inability to successfully integrate the Transferred Business, operationally and culturally, in a manner that permits the Company to achieve the full revenue anticipated from the OneStim Acquisition;
- performance shortfalls due to COVID-19 pandemic and related decline in demand for our services;
- complexities associated with managing a larger, more complex, integrated business, including the potential diversion of management's attention;
- not realizing anticipated operating synergies;
- potential unknown liabilities and unforeseen expenses, delays or regulatory conditions associated with the OneStim Acquisition;
- integrating relationships with customers, vendors and business partners;
- performance shortfalls as a result of the diversion of management's attention caused by completing the OneStim Acquisition and integrating the Transferred Business operations; and
- the disruption of, or the loss of momentum in, the Company's ongoing business or inconsistencies in standards, controls, procedures and policies.

Additionally, the success of the OneStim Acquisition will depend, in part, on the Company's ability to realize the anticipated benefits from combining the Transferred Business and the Company's business, including operational and other synergies that the Company believes we will achieve. The anticipated benefits of the OneStim Acquisition may not be realized fully or at all, may take longer to realize than expected or could have other adverse effects that the Company does not currently foresee. Some of the assumptions that the Company has made, such as the achievement of operating synergies, may not be realized.

The Company's results may suffer if it does not effectively manage its expanded operations following the OneStim Acquisition.

Since the OneStim Acquisition, the size of the Company's business has increased significantly. In addition, we now own and operate two sand mines. While we have retained qualified personnel to operate the mines, we have not undertaken mining operations in the past. The Company's future success will depend, in part, on the Company's ability to manage this expanded business, which poses numerous risks and uncertainties, including the need to integrate the Transferred Business and their operations into the Company's existing business in an efficient and timely manner, to combine systems and management controls and to integrate relationships with customers, vendors and business partners. Failure to successfully manage the Transferred Business may have an adverse effect on the Company's financial condition, results of operations or cash flows.

The Schlumberger Parties now have significant influence over us.

As of December 31, 2020, Schlumberger owned approximately 37% of the outstanding shares of Common Stock. As long as Schlumberger owns or controls a significant percentage of the Company's outstanding voting power, they will have the ability to significantly influence corporate actions requiring stockholder approval, including the election and removal of directors and the size of the board of directors (the "Board"), any amendment to the Company's certificate of incorporation or bylaws, or the approval of any merger or other significant corporate transaction, including a sale of substantially all of the Company's assets. Schlumberger's influence over our management could have the effect of delaying or preventing a change in control or otherwise discouraging a potential acquirer from attempting to obtain control of us, which could cause the market price of the shares of Class A Common Stock to decline or prevent stockholders from realizing a premium over the market price for the shares of Class A Common Stock.

Pursuant to the A&R Stockholders Agreement, Schlumberger has designated two directors to the Company's board of directors. Schlumberger's right to designate directors to our Board is subject to the Schlumberger's ownership percentage of the total outstanding shares of Common Stock. If Schlumberger and its affiliates collectively beneficially own: (a) 20% or greater of the outstanding shares of Common Stock, they will have the right to appoint two directors or (b) at least 10% but less than 20% of the outstanding shares of Common Stock, they will have the right to appoint one director.

Schlumberger's interests may not align with the Company's interests or the interests of the Company's other stockholders.

Sales of substantial amounts of shares of Class A Common Stock in the open market by Schlumberger could depress the Company's stock price.

Shares of Class A Common Stock that were issued to Schlumberger in the OneStim Acquisition will become freely tradable once registered pursuant to the amended and restated registration rights agreement entered into in connection with the OneStim Acquisition ("A&R Registration Rights Agreement"). As a result, the shares of Class A Common Stock held by Schlumberger will have no restrictions other than described below or require further registration under the Securities Act, provided, however, that any stockholders, including Schlumberger, who are deemed the Company's affiliates will be subject to the resale restrictions of Rule 144 under the Securities Act.

Pursuant to the A&R Stockholders Agreement, Schlumberger is subject to certain lock-up and transfer restrictions. Schlumberger will not, (a) for a period of nine months from December 31, 2020 (the "Closing"), transfer or dispose of (or take other analogous actions in accordance with the terms of the A&R Stockholders Agreement) any economic, voting or other rights in or to their shares of Class A Common Stock, other than certain permitted transfers, and (b) for a period of four years from the Closing, make any transfer of shares of Class A Common Stock to any direct competitor of the Company or to any person that is subject to, or by virtue of such transfer would become subject to, the reporting obligations under Schedule 13D under the Exchange Act, with respect to shares of Common Stock.

Following the lock-up and transfer restrictions period described above, Schlumberger may wish to dispose of some or all of its interests in the Company, and as a result may seek to sell its shares of Class A Common Stock. These sales (or the perception that these sales may occur), coupled with the increase in the outstanding number of shares of Class A Common Stock, may affect the market for, and the market price of, shares of Class A Common Stock in an adverse manner.

If Schlumberger sells substantial amounts of Class A Common Stock in the public market, the market price of the Class A Common Stock may decrease.

Following the OneStim Acquisition, we expanded our operations to Canada and may be subject to increased business and economic risks.

The Company has historically owned and operated its assets exclusively within the United States. In connection with the OneStim Acquisition, we acquired certain Canadian assets and liabilities, which marked our entry into a new geographical territory where we have limited or no experience in owning and operating assets and providing our services. As a result, we are subject to a variety of risks inherent in doing business internationally, including: risks related to the legal and regulatory environment in foreign jurisdictions; fluctuations in currency exchange rates; complying with multiple tax jurisdictions; difficulties in staffing and managing international operations and the increased travel, infrastructure and compliance costs associated with international locations and employees; regulations that might add difficulties in repatriating cash earned outside the United States and otherwise preventing us from freely moving cash; complying with statutory equity requirements; and complying with the U.S. Foreign Corrupt Practices Act and similar laws in Canada. If we fail to manage our operations in Canada successfully, our business may suffer.

Risks Related to the Oil and Natural Gas Industry

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

Various federal, state and local legislative and regulatory initiatives have been, or could be undertaken which could result in additional requirements or restrictions being imposed on hydraulic fracturing operations. Currently, hydraulic fracturing is generally exempt from federal regulation under the Safe Drinking Water Act Underground Injection Control (the "SDWA UIC") program and is typically regulated by state oil and gas commissions or similar agencies but increased scrutiny and regulation, by federal agencies does occur. For example, in late 2016, the Environmental Protection Agency (the "EPA") released a 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. Additionally, the EPA has asserted regulatory authority pursuant to the SDWA UIC program over hydraulic fracturing activities involving the use of diesel fuel in the fracturing fluid and issued guidance of such activities. Furthermore, the U.S. Bureau of Land Management (the "BLM") published a final rule in 2015 that established stringent standards relating to hydraulic fracturing on federal and Native American lands. The rule was since rescinded, but the rescission is currently on appeal to the U.S. Court of Appeals for the Ninth Circuit. Similarly, the EPA has adopted rules on the capture of methane and other emissions released during hydraulic fracturing. These rules have been the subject of ongoing legal challenges. Notwithstanding these legal challenges, President Biden issued an executive order in January 2021 that called for issuance of proposed rules by no later than September 2021 that would restore rules for methane standards applicable to new, modified, and reconstructed sources and establish new methane and volatile organic compound standards applicable to existing oil and gas operations, including the production, transmission,

processing and storage segments. In addition to federal regulatory actions, legislation has been introduced, but not enacted, in Congress to provide for federal regulation of hydraulic fracturing and to require disclosure of the chemicals used in the hydraulic fracturing process.

The Biden Administration is expected to place significant emphasis on steps to address climate change. Although the U.S. had withdrawn from the Paris Agreement, which requested that nations limit their greenhouse gas emissions through individually-determined reduction goals every five years after 2020, President Biden issued an executive order in January 2021 recommitting the United States to the Paris Agreement. With this recommitment, executive orders may be issued or federal legislation or regulatory initiatives may be adopted to achieve the agreement's goals, including additional restrictions on hydraulic fracturing or related oil and gas development activities. Additionally, in January 2021, the U.S. Department of the Interior issued an order that effectively suspends new oil and gas leases and drilling permits on non-Indian federal lands and waters for a period of 60 days, but the suspension does not limit existing operations under valid leases. President Biden followed with an executive order that ordered the Secretary of the Interior to pause the issuance of new oil and gas leases on federal public lands and offshore waters pending completion of a comprehensive review of federal oil and gas permitting and leasing practices that take into consideration potential climate and other impacts associated with oil and gas activities. This order further directs agencies to identify fossil fuel subsidies provided by such agencies and take measures to ensure that federal funding is not directly subsidizing fossil fuels, with an objective of eliminating fossil fuel subsidies from federal budget requests beginning in 2022. This order is currently being challenged by industry groups. It remains to be seen to what extent the Biden Administration will pursue legislation, additional executive actions, regulations or other regulatory initiatives to limit, delay or prohibit hydraulic fracturing or other aspects of oil and gas development. In the event that these or other new federal restrictions, delays or prohibitions relating to the hydraulic fracturing process are adopted in areas where we or our customers conduct business, we or our customers may incur additional costs or permitting requirements to comply with such federal requirements that may be significant and, in the case of our customers, also could result in added restrictions or delays in the pursuit of exploration, development, or production activities, which would in turn reduce the demand for our services and have a material adverse effect on our results of operations.

Moreover, many states and local governments have adopted regulations that impose more stringent permitting, disclosure, disposal and well-construction requirements on hydraulic fracturing operations, including states where we or our customers operate, such as Texas, Colorado and North Dakota. States could also elect to place prohibitions on hydraulic fracturing, as several states have already done. In addition, some states have adopted broader sets of requirements related to oil and gas development more generally that could impact hydraulic fracturing activities. For example, in 2019 the Colorado legislature adopted SB 19-181, which gave greater regulatory authority to local jurisdictions. In response, the Colorado Oil and Gas Conservation Commission modified its rules to address the requirements of the legislation, adopting increased setback requirements and provisions for assessing alternative sites for well pads to minimize environmental impacts. Environmental groups, local citizens groups and others continue to seek to use a variety of means to force action on additional restrictions on hydraulic fracturing and oil and gas development generally.

A theme of avoiding or limiting investment in companies that engage in hydraulic fracturing has entered into capital markets. For example, in July 2020, Deutsche Bank announced that it would no longer finance oil and gas projects that use hydraulic fracturing in countries with scarce water supplies. Moreover, BlackRock recently affirmed its commitment to divest from investments in fossil fuels due to concerns over climate change. While a substantial number major banks and financing sources remain active in investments related to hydraulic fracturing, it is possible that the investment avoidance or limitation theme could expand in the future and restrict access to capital for companies like us.

Increased regulation and attention given to the hydraulic fracturing process could lead to greater opposition to, and litigation concerning, oil and natural gas production activities using hydraulic fracturing techniques. Additional legislation or regulation could also lead to operational delays for our customers or increased operating costs in the production of oil and natural gas, including from the developing shale plays, or could make it more difficult for us and our customers to perform hydraulic fracturing. The adoption of any additional laws or regulations regarding hydraulic fracturing or a furtherance of themes of investment avoidance or limitation in hydraulic fracturing could potentially cause a decrease in the completion of new oil and natural gas wells and an associated decrease in demand for our services and increased compliance costs and time. Such a decrease could have a material adverse effect on our liquidity, consolidated results of operations, and consolidated financial condition. Moreover, the increased competitiveness of alternative energy sources (such as wind, solar, geothermal, tidal and biofuels) or increased focus on reducing the use of combustion engines in transportation (such as governmental mandates that ban the sale of new gasoline-powered automobiles) could reduce demand for hydrocarbons and therefore for our services, which would lead to a reduction in our revenues.

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 our customers' capital spending to explore for, develop and produce oil and natural gas in the United States. In addition, certain of our customers could become unable to pay their vendors and service providers, including us, as a result of a decline in commodity prices. Reduced discovery rates of new oil and natural gas reserves in our areas of operation as a result of decreased capital spending may also have a negative long-term impact on our business, even in an environment of stronger oil and natural gas prices. Any of these conditions or events could adversely affect our operating results. If current activity levels decrease or our customers further reduce their capital spending, it could have a material adverse effect on our liquidity, results of operations and financial condition.

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

- expected economic returns to E&P companies of new well completions;
- domestic and foreign economic conditions and supply of and demand for oil and natural gas;
- the level of prices, and expectations about future prices, of oil and natural gas;
- the level of global oil and natural gas exploration and production;
- the level of domestic and global oil and natural gas inventories;
- the supply of and demand for hydraulic fracturing services and equipment in the United States;
- federal, tribal, state and local laws, regulations and taxes, including the policies of governments regarding hydraulic fracturing and oil and natural gas exploration, development and production activities as well as non-U.S. governmental regulations and taxes;
- governmental regulations, including the policies of governments regarding the exploration for and production and development of their oil and natural gas reserves;
- political and economic conditions in oil and natural gas producing countries;
- actions by the members of the Organization of Petroleum Exporting Countries with respect to oil production levels and potential changes in such levels;
- global weather conditions and natural disasters;
- worldwide political, military and economic conditions;
- the cost of producing and delivering oil and natural gas;
- lead times associated with acquiring equipment and products and availability of qualified personnel;
- the discovery rates of new oil and natural gas reserves;
- stockholder activism or activities by non-governmental organizations to limit certain sources of funding for the energy sector or to restrict the exploration, development and production of oil and natural gas;
- the availability of water resources, suitable proppant and chemical additives in sufficient quantities for use in hydraulic fracturing fluids;
- advances in exploration, development and production technologies or in technologies affecting energy consumption;
- the availability, proximity and capacity of oil and natural gas pipelines and other transportation facilities;
- merger and divestiture activity among oil and natural gas producers;
- the price and availability of alternative fuels and energy sources; and
- uncertainty in capital and commodities markets and the ability of oil and natural gas companies to raise equity capital and debt financing.

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

The demand for our hydraulic fracturing services is primarily determined by current and anticipated oil and natural gas prices and the related levels of capital spending and drilling activity in the areas in which we have operations. Volatility or weakness in oil prices or natural gas prices (or the perception that oil prices or natural gas prices will decrease) affects the spending patterns of our customers and may result in the drilling of fewer new wells. This, in turn, could lead to lower demand for our services and may cause lower utilization of our assets. We have experienced, and may in the future experience significant fluctuations in operating results as a result of the reactions of our customers to changes in oil and natural gas prices.

Prices for oil and natural gas historically have been extremely volatile and are expected to continue to be volatile. During the year 2020, the posted West Texas Intermediate (“WTI”) price traded at an average of \$39.16 per barrel (“Bbl”), well below the 2019 average of \$56.99 per Bbl. As discussed elsewhere, the combined impact of the COVID-19 pandemic and the breakdown of the Organization of the Petroleum Exporting Countries (“OPEC”) and non-OPEC suppliers (collectively, “OPEC+”) production cut negotiations in the spring caused oil prices to drop to historical lows in April 2020. Prices have started to recover, and averaged \$53.93 per Bbl since the beginning of 2021 through February 16, 2021. If the prices of oil and natural gas continue to be volatile, our operations, financial condition, cash flows and level of expenditures may be materially and adversely affected.

Delays or restrictions in obtaining permits by us for our operations or by our customers for their operations could impair our business.

In most states, our operations and the operations of our oil and natural gas producing customers require permits from one or more governmental agencies in order to perform drilling and completion activities, secure water rights, or other regulated activities. Such permits are typically issued by state agencies, but federal and local governmental permits may also be required. The requirements for such permits vary depending on the location where such regulated activities will be conducted. As with all governmental permitting processes, there is a degree of uncertainty as to whether a permit will be granted, the time it will take for a permit to be issued, and the conditions that may be imposed in connection with the granting of the permit. In addition, some of our customers’ drilling and completion activities may take place on federal land or Native American lands, requiring leases and other approvals from the federal government or Native American tribes to conduct such drilling and completion activities or other regulated activities. Under certain circumstances, federal agencies may cancel proposed leases for federal lands and refuse to grant or delay required approvals. Therefore, our customers’ operations in certain areas may be interrupted or suspended for varying lengths of time, causing a loss of revenue to us and adversely affecting our results of operations in support of those customers.

Oil and natural gas companies’ operations using hydraulic fracturing are substantially dependent on the availability of water. Restrictions on the ability to obtain water for E&P activities and the disposal of flowback and produced water may impact their operations and have a corresponding adverse effect on our business, results of operations and financial condition.

Water is an essential component of shale oil and natural gas production during both the drilling and hydraulic fracturing processes. Our oil and natural gas producing customers’ access to water to be used in these processes may be adversely affected due to reasons such as periods of extended drought, privatization, 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. The occurrence of these or similar developments may result in limitations being placed on allocations of water due to needs by third party businesses with more senior contractual or permitting rights to the water. Our customers’ inability to locate or contractually acquire and sustain the receipt of sufficient amounts of water could adversely impact their E&P operations and have a corresponding adverse effect on our business, results of operations and financial condition.

Moreover, the imposition of new environmental regulations and other regulatory initiatives could include increased restrictions on our producing customers’ ability to dispose of flowback and produced water generated in hydraulic fracturing or other fluids resulting from E&P activities. Applicable laws impose restrictions and strict controls regarding the discharge of pollutants into waters of the United States and require that permits or other approvals be obtained to discharge pollutants to such waters. Additionally, regulations implemented under both federal and state laws prohibit the discharge of produced water and sand, drilling fluids, drill cuttings and certain other substances related to the natural gas and oil industry into coastal waters. These laws provide for civil, criminal and administrative penalties for any unauthorized discharges of pollutants and unauthorized discharges of reportable quantities of oil and hazardous substances. Compliance with current and future environmental regulations and permit requirements governing the withdrawal, storage and use of surface water or groundwater necessary for hydraulic fracturing of wells and any inability to secure transportation and access to disposal wells with sufficient capacity to accept all of our flowback and produced water on economic terms may increase our customers’ operating costs and could result in restrictions, delays, or cancellations of our customers’ operations, the extent of which cannot be predicted.

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

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

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

Our operations are subject to significant hazards often found in the oil and natural gas industry, such as, but not limited to, accidents, including accidents related to trucking operations provided in connection with our services, blowouts, explosions, craterings, fires, natural gas leaks, oil and produced water spills and releases of hydraulic fracturing fluids or other well fluids into the environment. These conditions can cause:

- disruption in operations;
- substantial repair or remediation costs;
- personal injury or loss of human life;
- significant damage to or destruction of property, and equipment;
- environmental pollution, including groundwater contamination;
- unusual or unexpected geological formations or pressures and industrial accidents;
- impairment or suspension of operations; and
- substantial revenue loss.

In addition, our operations are subject to, and exposed to, employee/employer liabilities and risks such as wrongful termination, discrimination, labor organizing, retaliation claims and general human resource related matters.

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

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

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

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

In addition, our customers usually assume responsibility for, including control and removal of, all other pollution or contamination which may occur during operations, including that which may result from seepage or any other uncontrolled flow of drilling and completion fluids. We may have liability in such cases if we are grossly negligent or commit willful acts. Our customers generally agree to indemnify us against claims arising from their employees' personal injury or death to the extent that, in the case of our hydraulic fracturing operations, their employees are injured by such operations, unless resulting from our gross negligence or willful misconduct. Our customers also generally agree to indemnify us for loss or destruction of customer-owned property or equipment. In turn, we agree to indemnify our customers for loss or destruction of property or

equipment we own and for liabilities arising from personal injury to or death of any of our employees, unless resulting from gross negligence or willful misconduct of the customer. However, we might not succeed in enforcing such contractual liability allocation or might incur an unforeseen liability falling outside the scope of such allocation. As a result, we may incur substantial losses which could materially and adversely affect our financial condition and results of operation.

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

Our operations and the operations of our customers are subject to numerous federal, tribal, regional, state and local laws and regulations relating to protection of the environment including natural resources, health and safety aspects of our operations and waste management, including the transportation and disposal of waste and other materials. These laws and regulations may impose numerous obligations on our operations and the operations of our customers, including the acquisition of permits or other approvals to conduct regulated activities, the imposition of restrictions on the types, quantities and concentrations of various substances that may be released into the environment or injected in non-productive formations below ground in connection with oil and natural gas drilling and production activities, the incurrence of capital expenditures to mitigate or prevent releases of materials from our equipment, facilities or from customer locations where we are providing services, the imposition of substantial liabilities for pollution resulting from our operations, and the application of specific health and safety criteria addressing worker protection. Any failure on our part or the part of our customers to comply with these laws and regulations could result in assessment of sanctions including administrative, civil and criminal penalties; imposition of investigatory, remedial or corrective action obligations or the incurrence of capital expenditures; the occurrence of restrictions, delays or cancellations in the permitting, performance or development of projects or operations; and the issuance of orders enjoining performance of some or all of our operations in a particular area.

Our business activities present risks of incurring significant environmental costs and liabilities, including costs and liabilities resulting from our handling of 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. Moreover, accidental releases or spills may occur in the course of our operations or at facilities where our wastes are taken for reclamation or disposal, and we cannot assure you that we will not incur significant costs and liabilities as a result of such releases or spills, including any third-party claims for injuries to persons or damages to properties or natural resources. Some environmental laws and regulations may impose strict liability, which means that in some situations we could be exposed to liability as a result of our conduct that was lawful at the time it occurred or the conduct of, or conditions caused by, prior operators or other third parties. Remedial costs and other damages arising as a result of environmental laws and costs associated with changes in environmental laws and regulations could be significant and have a material adverse effect on our liquidity, consolidated results of operations and financial condition.

Laws and regulations protecting the environment generally have become more stringent in recent years and are expected to continue to do so, which could lead to material increases in costs for future environmental compliance and remediation. In particular, the federal Endangered Species Act (“ESA”) restricts activities that may result in a “take” of endangered or threatened species and provides for substantial penalties in cases where listed species are taken by being harmed. The dunes sagebrush lizard is one example of a species that, if listed as endangered or threatened under the ESA, could impact our operations and the operations of our customers. The dunes sagebrush lizard is found in the active and semi-stable shinnery oak dunes of southeastern New Mexico and adjacent portions of Texas, including areas where our customers operate and our frac sand facilities are located. The U.S. Fish and Wildlife Service is currently conducting a thorough review to determine whether listing the dunes sagebrush lizard as endangered or threatened under the ESA is warranted. If the dunes sagebrush lizard is listed as an endangered or threatened species, our operations and the operations of our customers in any area that is designated as the dunes sagebrush lizard’s habitat may be limited, delayed or, in some circumstances, prohibited, and we and our customers could be required to comply with expensive mitigation measures intended to protect the dunes sagebrush lizard and its habitat. Furthermore, new laws and regulations, amendment of existing laws and regulations, reinterpretation of legal requirements or increased governmental enforcement with respect to environmental matters could restrict, delay or curtail exploratory or developmental drilling for oil and natural gas by our customers and could limit our well servicing opportunities.

Oilfield 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 provision of our 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 Texas, New Mexico 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.

Technology advancements in well service technologies, including those involving hydraulic fracturing, could have a material adverse effect on our business, financial condition and results of operations.

The hydraulic fracturing 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 before we can. Additionally, we may be unable to implement new technologies or services at all, on a timely basis or at an acceptable cost. New technology could also make it easier for our customers to vertically integrate their operations, thereby reducing or eliminating the need for our services. Limits on our ability to effectively use or implement new technologies may have a material adverse effect on our business, financial condition and results of operations.

Risks Related to our Mines and Wireline Service

The sand mining operations are subject to a number of risks relating to the proppant industry.

In connection with the OneStim Acquisition, we acquired two state-of-the-art sand mines in the Permian Basin. Sand mining operations are subject to risks normally encountered in the proppant industry. These risks include, among others: unanticipated ground, grade or water conditions; inability to acquire or maintain, or public or nongovernmental organization opposition to, necessary permits for mining, access or water rights; our ability to timely obtain necessary authorizations, approvals and permits from regulatory agencies (including environmental agencies, such as the U.S. Fish and Wildlife Service, where our operations in West Texas may be slowed, limited or halted due to conservation efforts targeted at the habitat of the dunes sagebrush lizard); pit wall or pond failures, and sluffing events; costs associated with environmental compliance or as a result of unauthorized releases into the environment; restrictions imposed on our operations related to the protection of natural resources, including plant and animal species; and reduction in the amount of water available for processing. Any of these risks could result in delays, limitations or cancellations in mining or processing activities, losses or possible legal liability.

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

We are subject to laws and regulations relating to human exposure to crystalline silica. Historically, our environmental compliance costs with respect to existing crystalline silica requirements have not had a material adverse effect on our results of operations; however, federal regulatory authorities and analogous state agencies may continue to propose changes in their regulations regarding workplace exposure to crystalline silica, such as permissible exposure limits, required controls and personal protective equipment. We may not be able to comply with any new laws and regulations that are adopted, and any new laws and regulations could have a material adverse effect on our operating results by requiring us to modify or cease our operations.

In addition, the inhalation of respirable crystalline silica is associated with the lung disease silicosis. There is evidence of an association between crystalline silica exposure or silicosis and lung cancer and a possible association with other diseases, including immune system disorders such as scleroderma. The actual or perceived health risks of handling hydraulic fracture sand could materially and adversely affect hydraulic fracturing service providers, including us, through reduced use of hydraulic fracture sand, the threat of product liability or employee lawsuits, increased scrutiny by federal, state and local regulatory authorities of us and our customers or reduced financing sources available to the industry. Furthermore, we may incur additional costs with respect to purchasing specialized equipment designed to reduce exposure to crystalline silica in connection with our operations or invest capital in new equipment.

We are subject to the Federal Mine Safety and Health Act of 1977, which imposes stringent health and safety standards on numerous aspects of its operations.

Our operations are subject to the Federal Mine Safety and Health Act of 1977, as amended by the Mine Improvement and New Emergency Response Act of 2006, which imposes stringent health and safety standards on numerous aspects of mineral extraction and processing operations, including the training of personnel, operating procedures, operating equipment, and other matters. Our failure to comply with such standards, or changes in such standards or the re-interpretation or more stringent enforcement thereof, could have a material adverse effect on our business and financial condition or otherwise impose significant restrictions on its ability to conduct mineral extraction and processing operations.

The occurrence of explosive incidents could disrupt our operations and could adversely affect our business, financial condition and results of operations.

The wireline service we provide to oil and natural gas E&P customers involves the storage and handling of explosive materials. Despite the use of specialized facilities to store explosive materials and intensive employee training programs, the handling of explosive materials could result in incidents that temporarily shut down or otherwise disrupt our or E&P customers' operations or could cause restrictions, delays or cancellations in the delivery of services. It is possible that an explosion could result in death or significant injuries to employees and other persons. Material property damage to us, E&P customers and third parties could also occur. Any explosive incident could expose us to adverse publicity or liability for damages or cause production restrictions, delays or cancellations, any of which developments could have a material adverse effect on our ability to compete, business, financial condition and results of operations.

Risks Related to the TRAs

The Company is required to make payments under the TRAs for certain tax benefits that it may claim, and the amounts of such payments could be significant.

In connection with the Company's initial public offering (the "IPO"), on January 17, 2018, the Company entered into two Tax Receivable Agreements (the "TRAs") with R/C Energy IV Direction Partnership, L.P. and the then-existing owners of Liberty Holdings that continued to own Liberty LLC Units (the "Legacy Owners" and each such person and any permitted transferee, a "TRA Holder"). The TRAs generally provide for the payment by the Company to each TRA Holder of 85% of the net cash savings, if any, in U.S. federal, state, and local income tax and franchise tax (computed using simplifying assumptions to address the impact of state and local taxes) that the Company actually realizes (or is deemed to realize in certain circumstances) as a result of certain increases in tax basis, net operating losses available to the Company as a result of the corporate reorganization performed in connection with the IPO ("Corporate Reorganization"), and certain benefits attributable to imputed interest. The Company will retain the benefit of the remaining 15% of these cash savings.

The Company is a holding company and has no material assets other than its equity interest in Liberty LLC. Because the Company has no independent means of generating revenue, its ability to make payments under the TRAs is dependent on the ability of Liberty LLC to make distributions to the Company in an amount sufficient to cover its obligations under the TRAs. To the extent that the Company is unable to make payments under the TRAs for any reason, such payments will be deferred and will accrue interest until paid.

The term of each of the TRAs continues until all tax benefits that are subject to such TRAs have been utilized or expired, unless the Company experiences a change of control (as defined in the TRAs, which includes certain mergers, asset sales and other forms of business combinations) or the TRAs are terminated early (at the Company's election or as a result of its breach), and the Company makes the termination payments specified in such TRAs. In addition, payments the Company makes under the TRAs will be increased by any interest earned from the due date (without extensions) of the corresponding tax return. Payments under the TRAs commenced in 2020 and so long as the TRAs are not terminated, are anticipated to continue for 15 years after the date of the last redemption of the Liberty LLC Units.

In certain cases, if the Company experiences a change of control (as defined under the TRAs, which includes certain mergers, asset sales and other forms of business combinations) or the TRAs terminate early (at the Company's election or as a result of its breach), the Company would be required to make a substantial, immediate lump-sum payment. As a result, the Company's obligations under the TRAs could have a substantial negative impact on its 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. There can be no assurance that we will be able to finance our obligations under the TRAs. Furthermore, as a result of this payment obligation, holders of our Class A Common Stock could receive substantially less consideration in connection with a change in control transaction than they would receive in the absence of such obligation. Since our payment obligations under the TRAs will not be conditioned upon the TRA Holders' having continued interest in the Company or Liberty LLC, the TRA Holders' interests may conflict with those of the holders of our Class A Common Stock.

Payments under the TRAs are based on the tax reporting positions that we will determine. The TRA Holders will not reimburse us for any payments previously made under the TRAs if any tax benefits that have given rise to payments under the TRAs are subsequently disallowed, except that excess payments made to any TRA Holder will be netted against payments that would otherwise be made to such TRA Holder, if any, after our determination of such excess. As a result, in such circumstances the Company could make payments that are greater than its actual cash tax savings, if any, and may not be able to recoup those payments, which could adversely affect the Company's liquidity. Furthermore, the payments under the TRAs will not be conditioned upon a holder of rights under each of the TRAs having a continued ownership interest in the Company or Liberty LLC. For further details of the TRAs, see Note 11—Income Taxes to the consolidated and combined financial statements included in "Item 8. Financial Statements and Supplementary Data."

General Risks Related to our Business

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

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

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

Our top five customers represented approximately 48%, 35%, and 42%, of our consolidated and combined revenue for the years ended December 31, 2020, 2019, and 2018, respectively. It is possible that we will derive a significant portion of our revenue from a concentrated group of customers in the future. If a major customer fails to pay us, revenue would be impacted and our operating results and financial condition could be materially harmed. Additionally, if we were to lose any material customer or our customers were to consolidate or merger with other operators, we may not be able to redeploy our equipment at similar utilization or pricing levels or within a short period of time and such loss could have a material adverse effect on our business until the equipment is redeployed at similar utilization or pricing levels.

We are 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. 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. In early 2020, we experienced a denial of service cyberattack that targeted a portion of our non-financial data. We immediately shutdown critical systems, diagnosed the root cause of the attack and then methodically returned systems online. This cyberattack disrupted certain non-financial aspects of our internal system for a period of less than one day, while limited and non-critical portions of our systems were kept offline for up to one week in order to properly evaluate the breach. We determined that this cyberattack did not materially affect any of our operations. We engaged in extensive data evaluation for potential damage and concluded that minimal to no data loss had occurred as a result of this cyberattack. 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 may not be sufficient. As cyber incidents continue to evolve, we will likely be required to expend additional resources to continue to modify or enhance our protective measures or to investigate and remediate any vulnerability to cyber incidents. Our insurance coverage for cyberattacks may not be sufficient to cover all the losses we may experience as a result of such cyberattacks.

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

Our hydraulic fracturing fleets and other completion service-related equipment require significant capital investment in maintenance, upgrades and refurbishment to maintain their competitiveness. For example, since January 1, 2011 through December 31, 2020, we have deployed over 30 hydraulic fracturing fleets to service customers at a total cost to deploy of approximately \$1.3 billion. The costs of components and labor have increased in the past and may increase in the future with increases in demand, which will require us to incur additional costs for any fleets we may acquire in the future. Our fleets and other equipment typically do not generate revenue while they are undergoing maintenance, upgrades or refurbishment. Any maintenance, upgrade or refurbishment project for our assets could increase our indebtedness or reduce cash available for other opportunities. Furthermore, such projects may require proportionally greater capital investments as a percentage of total asset value, which may make such projects difficult to finance on acceptable terms. To the extent we are unable to fund such projects, we may have less equipment available for service or our equipment may not be attractive to potential or current customers. Additionally, competition or advances in technology within our industry may require us to update or replace existing fleets or build or acquire new fleets. Such demands on our capital or reductions in demand for our hydraulic fracturing fleets and the increase in cost of labor necessary for such maintenance and improvement, in each case, could have a material adverse effect on our business, liquidity position, financial condition, prospects and results of operations and may increase our costs.

We rely on certain third parties for proppant and chemical additives, and delays in deliveries of such materials, increases in the cost of such materials or our contractual obligations to pay for materials that we ultimately do not require could harm our business, results of operations and financial condition.

We have established relationships with certain suppliers of our raw materials (such as proppant and chemical additives). Delays or shortages in raw materials can result from a variety of reasons, including those caused by weather and natural disasters. Even once the root cause of a shortage or delay has passed, it can take time for our supply chain to recover and run in a regular fashion. Should any of our current suppliers be unable to provide the necessary materials or otherwise fail to deliver the materials in a timely manner and in the quantities required, any resulting delays in the provision of services could have a material adverse effect on our business, results of operations and financial condition. Additionally, increasing costs of such materials may negatively impact demand for our services or the profitability of our business operations. In the past, our industry faced sporadic proppant shortages associated with hydraulic fracturing operations requiring work stoppages, which are believed to have adversely impacted the operating results of several competitors. We may not be able to mitigate any future shortages of materials, including proppant. Furthermore, to the extent our contracts require us to purchase more materials, including proppant, than we ultimately require, we may be forced to pay for the excess amount under “take or pay” contract provisions.

We currently utilize one preferred assembler and a limited number of suppliers for major equipment to both build new fleets and upgrade any fleets we acquire to our preferred specifications, and our reliance on these vendors exposes us to risks including price and timing of delivery.

We currently utilize one preferred assembler and a limited number of suppliers for major equipment to both build our new fleets and upgrade any fleets we may acquire to our custom design. If demand for hydraulic fracturing fleets or the components necessary to build such fleets increases or these vendors face financial distress or bankruptcy, these vendors may not be able to provide the new or upgraded fleets on schedule or at the current price. If this were to occur, we could be required to seek another assembler or other suppliers for major equipment to build or upgrade our fleets, which may adversely affect our revenues or increase our costs.

Interruptions of service on the rail lines by which we receive proppant could adversely affect our results of operations.

We receive a portion of the proppant used in our hydraulic fracturing services by rail. Rail operations are subject to various risks that may result in a delay or lack of service, including lack of available capacity, mechanical problems, extreme weather conditions, work stoppages, labor strikes, terrorist attacks and operating hazards. Additionally, if we increase the amount of proppant we require for delivery of our services, we may face difficulty in securing rail transportation for such additional amount of proppant. Any delay or failure in the rail services on which we rely could have a material adverse effect on our financial condition and results of operations.

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

We are subject to various transportation regulations including as a motor carrier by the DOT and by various federal, state and tribal agencies, whose regulations include certain permit requirements of highway and safety authorities. These regulatory authorities exercise broad powers over our equipment transportation operations, generally governing such matters as the authorization to engage in motor carrier operations, safety, equipment testing, driver requirements and specifications and insurance requirements. The trucking industry is subject to possible regulatory and legislative changes that may impact our operations, such as changes in fuel emissions limits, hours of service regulations that govern the amount of time a driver may

drive or work in any specific period and requiring onboard electronic logging devices or limits on vehicle weight and size. As the federal government continues to develop and propose regulations relating to fuel quality, engine efficiency and greenhouse gasses emissions, we may experience an increase in costs related to truck purchases and maintenance, impairment of equipment productivity, a decrease in the residual value of vehicles, unpredictable fluctuations in fuel prices and an increase in operating expenses. Additionally, we rely on third parties to provide trucking services, including hauling proppant to our customer work sites, and these third parties may fail to comply with various transportation regulations, resulting in our inability to use such third party providers. Increased truck traffic may contribute to deteriorating road conditions in some areas where our operations are performed. Our operations, including routing and weight restrictions, could be affected by road construction, road repairs, detours and state and local regulations and ordinances restricting access to certain roads. Proposals to increase federal, state or local taxes, including taxes on motor fuels, are also made from time to time, and any such increase would increase our operating costs. Also, state and local regulation of permitted routes and times on specific roadways could adversely affect our operations. We cannot predict whether, or in what form, any legislative or regulatory changes or municipal ordinances applicable to our logistics operations will be enacted and to what extent any such legislation or regulations could increase our costs or otherwise adversely affect our business or operations.

Our current and future indebtedness could adversely affect our financial condition.

As of February 19, 2021, we had \$108.2 million outstanding under our Term Loan Facility and no borrowings outstanding under our ABL Facility (defined herein) with a borrowing base of \$130.7 million, except for a letter of credit in the amount of \$0.8 million. Please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Debt Agreements.”

Moreover, subject to the limits contained in our ABL Facility and Term Loan Facility (collectively, the “Credit Facilities”), we may incur substantial additional debt from time to time. Any borrowings we may incur in the future would have several important consequences for our future operations, including that:

- covenants contained in the documents governing such indebtedness may require us to meet or maintain certain financial tests, which may affect our flexibility in planning for, and reacting to, changes in our industry, such as being able to take advantage of acquisition opportunities when they arise;
- our ability to obtain additional financing for working capital, capital expenditures, acquisitions, general corporate and other purposes may be limited;
- we may be competitively disadvantaged to our competitors that are less leveraged or have greater access to capital resources; and
- we may be more vulnerable to adverse economic and industry conditions.

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

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

Our ability to retain existing customers and attract new business is dependent on many factors, including our ability to demonstrate that we can reliably and safely operate our business in a manner that is consistent with applicable laws, rules and permits, which legal requirements are subject to change. Existing and potential customers consider the safety record of their third-party service providers to be of high importance in their decision to engage such providers. If one or more accidents were to occur at one of our operating sites, the affected customer may seek to terminate or cancel its use of our equipment or services and may be less likely to continue to use 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. In addition, it is possible that we will experience multiple or particularly severe accidents in the future, causing our safety record to deteriorate. This may be more likely as we continue to grow, if we experience high employee turnover or labor shortage, or hire inexperienced personnel to bolster our staffing needs.

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

We do not have patents or patent applications relating to many of our key processes and technology. If we are not able to maintain the confidentiality of our trade secrets, or if our competitors are able to replicate our technology or services, our competitive advantage would be diminished. We also cannot ensure that any patents we may obtain in the future would provide us with any significant commercial benefit or would allow us to prevent our competitors from employing comparable technologies or processes.

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

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

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

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

Seasonal weather conditions, natural disasters, public health crises, and other catastrophic events outside of our control could severely disrupt normal operations and harm our business.

Our operations are located in different regions of the United States. Some of these areas, including the DJ Basin, Powder River Basin, Williston Basin and our Canadian operations, are adversely affected by seasonal weather conditions, primarily in the winter and spring. However, as evidenced by the severe winter weather experienced in the southern United States and Canada during February 2021, weather-related hazards can exist in almost all the areas where we operate. During periods of heavy snow, ice or rain, we may be unable to move our equipment between locations or obtain adequate supplies of raw material or fuel, thereby reducing our ability to provide services and generate revenues. The exploration activities of our customers may also be affected during such periods of adverse weather conditions. Additionally, extended drought conditions in our operating regions could impact our ability or our customers' ability to source sufficient water or increase the cost for such water. As a result, a natural disaster or inclement weather conditions could severely disrupt the normal operation of our business and adversely impact our financial condition and results of operations. Furthermore, if the area in which we operate or the market demand for oil and natural gas is affected by a public health crises, such as the coronavirus, or other similar catastrophic event outside of our control, our business and results of operations could suffer.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Information regarding our properties is contained in “Item 1. Business” and is incorporated by reference herein.

Item 3. Legal Proceedings

The information with respect to this Item 3. Legal Proceedings is set forth in Note 14—Commitments and Contingencies included in “Item 8. Financial Statements and Supplementary Data.”

Item 4. Mine Safety Disclosures

Information concerning mine safety violations or other regulatory matters required by section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95 to this Form 10-K.

PART II

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

Market Information

On January 17, 2018, we consummated an initial public offering of our Class A Common Stock at a price of \$17.00 per share. Our Class A Common Stock is traded on the NYSE under the symbol “LBRT.” Prior to that time, there was no public market for our Class A Common Stock. There is no public market for our Class B Common Stock.

Holders of our Common Stock

As of February 19, 2021, there were 33 stockholders of record of our Class A Common Stock and 8 stockholders of record of our Class B Common Stock. The number of record holders is based upon the actual number of holders registered on the books of the Company at such date and does not include holders of shares in “street names” or persons, partnerships, associations, corporations or other entities identified in security position listings maintained by depositories.

Dividend Policy

The Company paid quarterly cash dividends of \$0.05 per share of Class A Common Stock on March 20, 2020 to shareholders of record as of March 6, 2020, respectively. The declaration of dividends is subject to approval by the Board and to the Board’s continuing determination that such declaration of dividends is in the best interests of the Company and its stockholders. Future dividends may be adjusted at the Board’s discretion based on market conditions and capital availability. We are not required to pay dividends, and our stockholders will not be guaranteed, or have contractual or other rights to receive, dividends. On April 2, 2020 the Company suspended future quarterly dividends until business conditions warrant reinstatement.

Recent Sales of Unregistered Equity Securities

We had no sales of unregistered equity securities during the period covered by this Annual Report that were not previously reported in a Current Report on Form 8-K.

Purchase of Equity Securities By the Issuer and Affiliated Purchasers

On September 10, 2018 the Board authorized a share repurchase plan to repurchase up to \$100.0 million of the Company’s Class A Common Stock through September 30, 2019. On January 22, 2019, the Board authorized an additional \$100.0 million under the share repurchase plan through January 31, 2021. During the year ended December 31, 2020, the Company did not purchase any shares of Class A Common Stock.

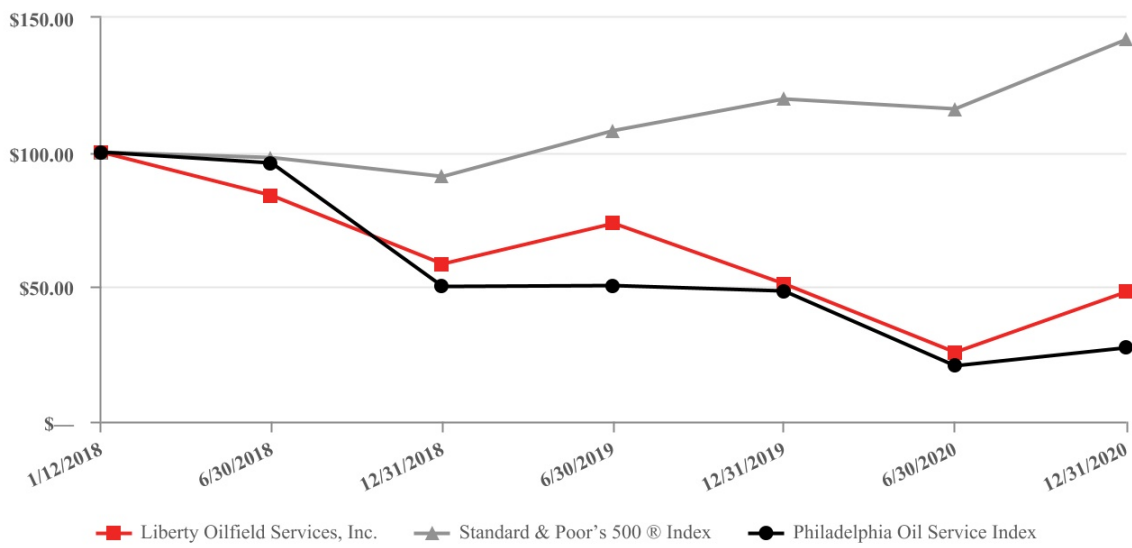
As of December 31, 2020, \$98.7 million remained authorized for future repurchases of Class A Common Stock under the share repurchase program, however effective February 1, 2021, no amounts are authorized for future repurchases.

Stock Performance Graph

The following graph and table compares the cumulative total return on our Class A Common Stock with the cumulative total return on the Standard & Poor’s 500 ® Index and the Philadelphia Oil Service Index, since January 12, 2018, the first day on which shares of our Common Stock issued in our IPO commenced trading on the NYSE and each semi-annual period thereafter through December 31, 2020. The graph assumes that \$100 was invested in our Class A Common Stock in each index on January 12, 2018 and that any dividends were reinvested on the last day of the month in which they were paid. The cumulative total return set forth is not necessarily indicative of future performance.

The following graph and related information shall not be deemed “soliciting material” or to be “filed” with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that we specifically incorporate it by reference into such filing.

Comparison of Cumulative Total Return



	For Year Ended 2018			For the Year Ended 2019		For the Year Ended 2020	
	January 12,	June 30,	December 31,	June 30,	December 31,	June 30,	December 31,
Liberty Oilfield Services, Inc.	\$ 100.00	\$ 83.87	\$ 58.38	\$ 73.40	\$ 50.91	\$ 25.55	\$ 48.08
Standard & Poor's 500 Index	100.00	97.97	91.03	108.02	119.66	115.59	141.70
Philadelphia Oil Service Index	100.00	95.91	49.91	50.37	48.48	20.67	27.45

Item 6. Selected Consolidated Financial Data

The selected financial data set forth below was derived from our audited consolidated and combined financial statements and should be read in conjunction with “Item 1A. Risk Factors,” “Item 7. Management Discussion and Analysis of Financial Condition and Results of Operations” and our audited consolidated and combined financial statements included in “Item 8. Financial Statements and Supplementary Data.”

	Years Ended December 31,				
	2020	2019	2018	2017	2016
(in thousands, except per share and fleet data)					
Statement of Operations Data:					
Revenue:					
Revenue	\$ 965,787	\$ 1,972,073	\$ 2,132,032	\$ 1,465,133	\$ 356,890
Revenue—related parties	—	18,273	23,104	24,722	17,883
Total revenue	<u>965,787</u>	<u>1,990,346</u>	<u>2,155,136</u>	<u>1,489,855</u>	<u>374,773</u>
Operating costs and expenses:					
Cost of services (exclusive of depreciation and amortization shown separately below)	857,981	1,621,180	1,628,753	1,147,008	354,729
General and administrative	84,098	97,589	98,420	80,089	35,789
Transaction, severance and other costs	21,061	—	632	—	—
Depreciation and amortization of intangible assets	180,084	165,379	125,110	81,473	41,362
(Gain) loss on disposal of assets	(411)	2,601	(4,342)	148	(2,673)
Total operating costs and expenses	<u>1,142,813</u>	<u>1,886,749</u>	<u>1,848,573</u>	<u>1,308,718</u>	<u>429,207</u>
Operating (loss) income	(177,026)	103,597	306,563	181,137	(54,434)
Interest expense, net	14,505	14,681	17,145	12,636	6,126
Net (loss) income before income taxes	(191,531)	88,916	289,418	168,501	(60,560)
Income tax (benefit) expense	(30,857)	14,052	40,385	—	—
Net (loss) income	(160,674)	74,864	249,033	168,501	(60,560)
Less: Net income (loss) attributable to Predecessor, prior to Corporate Reorganization	—	—	8,705	168,501	(60,560)
Less: Net (loss) income attributable to non-controlling interests	(45,091)	35,861	113,979	—	—
Net (loss) income attributable to Liberty Oilfield Services Inc. stockholders	<u>\$ (115,583)</u>	<u>\$ 39,003</u>	<u>\$ 126,349</u>	<u>\$ —</u>	<u>\$ —</u>
Net Income Per Share Data (1):					
Net (loss) income attributable to Liberty Oilfield Services Inc. stockholders per common share					
Basic	\$ (1.36)	\$ 0.54	1.84		
Diluted	\$ (1.36)	\$ 0.53	1.81		
Weighted average common shares outstanding					
Basic	85,242	72,334	68,838		
Diluted (2)	85,242	105,256	117,838		
Statement of Cash Flows Data:					
Cash flows provided by (used in) operating activities	\$ 85,425	\$ 261,100	\$ 351,258	\$ 195,109	\$ (40,708)
Cash flows used in investing activities	(100,269)	(194,347)	(255,492)	(310,043)	(96,351)
Cash flows (used in) provided by financing activities	(28,868)	(57,375)	(8,775)	119,771	148,543
Other Financial Data:					
Capital expenditures	\$ 103,637	\$ 195,173	\$ 258,835	\$ 311,794	\$ 102,428
EBITDA (3)	\$ 3,058	\$ 268,976	\$ 431,673	\$ 262,610	\$ (13,072)
Adjusted EBITDA (3)	\$ 57,899	\$ 290,741	\$ 443,684	\$ 280,728	\$ (5,588)
Average Active Fleets (4)	13.2	22.8	21.3	15.1	7.4
Adjusted EBITDA per Average Active Fleet (5)	\$ 4,386	\$ 12,752	\$ 20,830	\$ 18,591	\$ (755)
Balance Sheet Data (at end of period):					
Total assets	\$ 1,889,942	\$ 1,283,429	\$ 1,116,501	\$ 852,103	\$ 451,845
Long-term debt (including current portion)	105,775	106,140	106,524	196,357	103,805
Total liabilities	579,899	501,937	375,687	416,851	222,873
Redeemable common units (6)	—	—	—	42,486	—
Total equity or member equity	1,310,043	781,492	740,814	392,766	228,972

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- (1) Net Income Per Share Data above reflects the net income to Class A Common Stock and net income per share for the period indicated based on a weighted average number of Class A Common Stock outstanding for period subsequent to the Corporate Reorganization on January 17, 2018.
 - (2) In accordance with generally accepted accounting principals in the United States ("GAAP"), diluted weighted average common shares outstanding for the year ended December 31, 2020, diluted weighted average common shares outstanding exclude 27,427 weighted average shares of Class B Common Stock, 207 weighted average shares of restricted stock, and 2,460 weighted average shares of restricted stock units. For the year ended December 31, 2019, excludes 9,057 weighted average shares of Class B Common Stock exchanged during the period (share counts presented in 000's).
 - (3) EBITDA and Adjusted EBITDA are non-GAAP financial measures. For definitions of EBITDA and Adjusted EBITDA and a reconciliation of each to our most directly comparable financial measure calculated and presented in accordance with GAAP, please read "Item 7. Management's Discussion and Analysis of Financial Conditions and Results of Operations—Comparison of Non-GAAP Financial Measures."
 - (4) Average Active Fleets is calculated as the daily average of the active fleets for the period presented.
 - (5) Adjusted EBITDA per Average Active Fleet is calculated as Adjusted EBITDA for the period divided by the Average Active Fleets, as defined above.
 - (6) The redeemable common units were deemed extinguished and satisfied in full in the Corporate Reorganization.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with "Item 6. Selected Financial Data" and our audited consolidated and combined financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. The following discussion contains "forward-looking statements" that reflect our future plans, estimates, beliefs and expected performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a variety of risks and uncertainties, including those described in this Annual Report on Form 10-K under "Cautionary Note Regarding Forward-Looking Statements" and "Item 1A. Risk Factors." We assume no obligation to update any of these forward-looking statements. This section of this Annual Report on Form 10-K generally discusses 2020 and 2019 items and year-to-year comparisons between 2020 and 2019. For discussion of year ended December 31, 2018, as well as the year ended 2019 compared to the year ended December 31, 2018, refer to Part II, Item 7— "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2019 Annual Report on Form 10-K.

Overview

We are an independent provider of hydraulic fracturing services and goods to onshore oil and natural gas E&P companies in North America.

We have grown from one active hydraulic fracturing fleet in December 2011 to approximately 30 active fleets in the first quarter of 2021, including the addition of fleets from the OneStim Acquisition in December 2020. We are an independent provider of hydraulic fracturing and wireline services and related goods to onshore oil and natural gas exploration and production ("E&P") companies in North America. We provide our services primarily in the Permian Basin, the Eagle Ford Shale, the Denver-Julesburg Basin (the "DJ Basin"), the Williston Basin, the San Juan Basin and the Powder River Basin. Following the completion of the OneStim Acquisition (as defined below) we now also provide services in the Haynesville Shale, the SCOOP/STACK, the Marcellus Shale, Utica Shale, and the Western Canadian Sedimentary Basin. Additionally, we operate two sand mines in the Permian Basin.

In response to market conditions described below, in April 2020, we reduced our headcount consistent with the temporary idling of approximately half of our frac fleets that were operating during the first quarter of 2020, while further temporary reductions in active fleets were managed through employee furloughs. As of December 31, 2020, no employees remained on furlough, and with the completion of the OneStim Acquisition we had a total of approximately 30 active frac fleets and 20 active wireline units.

On December 31, 2020, the Company acquired certain assets and liabilities of Schlumberger Limited's ("Schlumberger") OneStim® business, which provides hydraulic fracturing pressure pumping services in onshore United States and Canada, including its pressure pumping, pumpdown perforating and Permian frac sand business (such entire business of Schlumberger, "OneStim," and the portion of OneStim acquired pursuant by the Company, the "Transferred Business") in exchange for consideration resulting in a total of 66,326,134 shares of Class A common stock, par value \$0.01 per share, of the Company (the "Class A Common Stock") being issued in connection with the transaction (such transaction, the "OneStim Acquisition"; see Note 3—The OneStim Acquisition to the consolidated and combined financial statements included in "Item 8. Financial Statements and Supplementary Data"). Effective December 31, 2020, Schlumberger owned 37% of the issued and outstanding shares of our Common Stock. The combined company will deliver best-in-class completion services for the sustainable development of unconventional resource plays in the United States and Canada onshore markets.

We believe the following characteristics both distinguish us from our competitors and are the foundations of our business: forming ongoing partnerships of trust and innovation with our customers; developing and utilizing technology to maximize well performance; and promoting a people-centered culture focused on our employees, customers and suppliers. We have developed strong relationships with our customers by investing significant time in fracture design collaboration, which substantially enhances their production economics. Our technological innovations have become even more critical as E&P companies have increased the completion complexity and fracture intensity of horizontal wells. We are proactive in developing innovative solutions to industry challenges, including developing: (i) our proprietary databases of U.S. unconventional wells to which we apply our proprietary multi-variable statistical analysis technologies to provide differential insight into fracture design optimization; (ii) our Liberty Quiet Fleet® design which significantly reduces noise levels compared to conventional hydraulic fracturing fleets; (iii) hydraulic fracturing fluid systems tailored to the specific reservoir properties in the basins in which we operate; and (iv) our dual fuel dynamic gas blending fleets that allow our engines to run diesel or a combination of diesel and natural gas, to optimize fuel use, reduce emissions and lower costs. We foster a people-centered culture built around honoring our commitments to customers, partnering with our suppliers and hiring, training and retaining people that we believe to be the best talent in our field to drive innovation, enabling us to be one of the safest and most efficient hydraulic fracturing companies in the United States.

Recent Trends and Outlook

During the first quarter of 2020, the emergence of the COVID-19 pandemic placed significant downward pressure on the global economy and oil demand and prices, leading North America operators to announce significant cuts to planned 2020 capital expenditures. Reduced activity levels led to a plunging rig count and an abrupt curtailment of frac activity. As a result, OPEC, coupled with production curtailment and a drop in frac activity amongst North America operators, removed significant oil supply from and eased pressure on the market. During the second half of 2020, OPEC+ suppliers worked to maintain oil production through an agreed upon quota, and North America operators largely remained disciplined in capital spending. Many operators have announced that they are targeting oil and gas production at the end of 2021 to be consistent with production at the end of 2020.

Early signs of a potential global economic recovery have emerged, driven by the rollout of COVID-19 vaccines, fiscal and monetary stimulus policies, and pent-up demand for goods and services. These factors support continued improvement in energy demand, while controlled OPEC+ production and discipline amongst E&P operators are supporting oil and gas prices. WTI prices that have largely stabilized in the second half of 2020, relative to the volatility observed during the second quarter of 2020. In the fourth quarter of 2020, the price of WTI averaged \$42.52 compared with an average of \$40.89 for the third quarter of 2020, which was much improved from an average of \$27.96 for the second quarter of 2020. Subsequent to December 31, 2020, the price of WTI has averaged \$53.93 through February 16, 2021. The recovery of energy demand is also reflected in incremental improvement to rig count, as the most recent domestic onshore rig count for North America was 381 rigs reported on February 19, 2021, up from the average in the fourth quarter of 2020 of 297, according to a report by Baker Hughes, a GE company.

The number of total marketable frac fleets has declined significantly from 2019 as the pandemic accelerated the pace of rationalization and cannibalization of frac equipment. As customer demand is shifting towards next generation technologies that support their emissions and efficiency goals, attrition of older equipment is expected to continue. This supply shrinkage is a necessary part of moving the market towards balance. The current pricing dynamic remains challenging, but the Company is having many productive discussions with customers to phase in modest price improvements throughout the year. The Company was proactive in working with customers as oil prices collapsed, and that partnership works both ways.

With continued uncertainty surrounding the magnitude and timing of oil demand recovery, OPEC+ supply concerns, and ongoing investor pressure for better returns by E&P companies than those achieved over the last decade, we are unable to predict the degree and duration of many factors that may impact our future operating results. The volatile global economic conditions stemming from the pandemic, the liquidity situation for North American oil producers and the reaction of international oil producers could also exacerbate the risk factors identified in this Annual Report, see also the risk factor relating to COVID-19 disclosed in “Item 1A.—Risk Factors” of this Annual Report.

In response to these developments, the continued duration and ultimate severity of which is unknown, we have taken the following steps to protect our employees, customers and business. During February 2020, we formed a COVID-19 response team to implement safety procedures and contingency plans at both our customer locations and in our facilities to ensure our ability to continue providing safe and efficient services to our customers, while protecting the health of both employees and customers.

We have been proactive in protecting our business during these unprecedented events. During the second quarter, we moved quickly to preserve cash and protect our balance sheet and announced strategic actions to align our cost structure with demand for frac services. Regrettably, for the first time in the Company’s history we undertook a reduction of our personnel and staffed fleet count by approximately 50% and implemented a company-wide furlough plan. We also suspended variable compensation plans and our 401(k) match, implemented base salary reductions, executive and director compensation reductions, operating cost rationalization, reduction of planned 2020 capital expenditures, and suspended our quarterly dividend. Further, we implemented a company-wide employee furlough plan that flexes our cost structure to align with the uncertain level of frac demand we experienced during the second and third quarters of 2020. As of September 30, 2020 all employees were returned from furlough, additionally, effective January 1, 2021 the Company restored 401(k) match and base salaries.

E&P operators are navigating through significant challenges, including industry consolidation, a change in the political climate and capital constraints while maintaining general commitments to flat production with 2021 levels relative to 2020 exit rates. Dedicated fleet negotiations for 2021, which started in the fall of 2020, saw continued pricing pressure. However, WTI crude oil prices have improved since the fall bid season.

We believe the frac market will probably experience flat to slightly rising demand for frac services in 2021, based on current visibility into customer plans. Demand of publicly-traded operators is expected to be relatively level during the year, whereas private operator demand is more likely to be focused on the second half of the year. Against this backdrop, the Company expects to maintain approximately 30 active frac fleets in the first quarter of 2021, with the potential of adding more

fleets later in the year if the economics improve. Increased efficiencies that lower our cost of delivery coupled with a gradual, modest rise in frac pricing are the factors that can drive improved fleet profitability.

Increase in Drilling Efficiency and Service Intensity of Completions

Over the past decade, E&P companies have focused on exploiting the vast resource potential available across many of North America's unconventional resource plays through the application of horizontal drilling and completion technologies, including the use of multi-stage hydraulic fracturing, in order to increase recovery of oil and natural gas. As E&P companies have improved drilling and completion techniques to maximize return and efficiency, we believe that their "break-even oil prices" continue to decline. These improvements in well economics have kept American Shale oil and gas production competitive even as oil and gas prices have declined. Liberty has been a significant partner with our customers in driving these continued improvements.

Improved drilling economics from horizontal drilling and greater rig efficiencies. Unconventional resources are increasingly being targeted through the use of horizontal drilling. According to Baker Hughes, as reported on February 19, 2021, horizontal rigs accounted for approximately 90% of all rigs drilling in the United States, up from 74% as of December 31, 2014. Over the past several years, North American E&P companies have benefited from improved drilling economics driven by technologies that reduce the number of days, and the cost, of drilling wells. North American drilling rigs have incorporated newer technologies, which allow them to drill rock more effectively and quickly, meaning each rig can drill more wells in a given period. These include improved drilling technologies and the incorporation of geosteering techniques which allow better placement of the wellbore. Drilling rigs have also incorporated new technology which allows fully-assembled rigs to automatically "walk" from one location to the next without disassembling and reassembling the rig, greatly reducing the time it takes to move from one drilling location to the next. Today the majority of E&P drilling is on multi-well pad development, allowing efficient drilling of multiple horizontal wellbores from the same pad or location. The aggregate effect of these improved techniques and technologies have reduced the average days required to drill a well, which according to Coras, has dropped from 28 days in 2014 to 20 days in 2020.

Increased complexity and service intensity of horizontal well completions. In addition to improved rig efficiencies discussed above, E&P companies are also improving the subsurface techniques and technologies used to exploit unconventional resources. These improvements have targeted increasing the exposure of each wellbore to the reservoir by drilling longer horizontal lateral sections of the wellbore. To complete the well, hydraulic fracturing is applied in stages along the wellbore to break-up the resource so that oil and gas can be produced. As wellbores have increased in length, the number of frac stages and/or the number of perf clusters (frac initiation points) has also increased. Further, E&P companies have improved production from each stage by applying increasing amounts of proppant in each stage, which better connects the well to the resource. The aggregate effect of increased number of stages and the increasing amount of proppant in each stage has greatly increased the total amount of proppant used in each well, according to Coras, from six million pounds per well in 2014 to over 16 million pounds per well in 2020. Further efficiency gains are being sought via the "simul-frac" technique. Utilizing a larger frac fleet (1.25x to 2x the normal horsepower), operators are fracturing stages in two separate wells on a pad simultaneously as a single operation. When compared to typical zipper-frac operations, this new method allows for more lateral feet to be completed in a day. This emerging trend will allow operators to complete a pad of wells quicker, thereby shortening the time from spud to first production.

These industry trends continue to keep our customers as important suppliers to the global oil and natural gas markets, which directly benefit hydraulic fracturing companies like us that have the expertise and technological innovations to effectively service today's more efficient oilfield drilling activity and the increasing complexity and intensity of well completions. Given the expected returns that E&P companies have reported for new well development activities due to improved rig efficiencies and increasing well completion complexity and intensity, we expect these industry trends to continue.

How We Generate Revenue

We currently generate revenue through the provision of hydraulic fracturing and wireline services and goods, including sand from our Permian Basin sand mines. These services and goods are performed under a variety of contract structures, primarily master service agreements ("MSAs") as supplemented by statements of work, pricing agreements and specific quotes. A portion of our statements of work, under MSAs, include provisions that establish pricing arrangements for a period of up to one year in length. However, the majority of those agreements provide for pricing adjustments based on market conditions. The majority of our services are priced based on prevailing market conditions and changing input costs at the time the services are provided, giving consideration to the specific requirements of the customer.

Our hydraulic fracturing and wireline services are performed in sections, which we refer to as fracturing stages. The estimated number of fracturing stages to be completed for a particular horizontal well is determined by the customer's well completion design. We recognize revenue for each fracturing stage completed, although our revenue per completed fracturing

stage varies depending on the actual volumes and types of proppants, chemicals and fluid utilized for each fracturing stage. The number of fracturing stages that we are able to complete in a period is directly related to the number and utilization of our deployed fleets and size of stages.

Costs of Conducting Our Business

The principal expenses involved in conducting our business are direct cost of personnel, services and materials used in the provision of services, general and administrative expenses, and depreciation and amortization. A large portion of the costs we incur in our business are variable based on the number of hydraulic fracturing jobs and the requirements of services provided to our customers. We manage the level of our fixed costs, except depreciation and amortization, based on several factors, including industry conditions and expected demand for our services.

How We Evaluate Our Operations

We use a variety of qualitative, operational and financial metrics to assess our performance. First and foremost of these is a qualitative assessment of customer satisfaction because ensuring we are a valuable partner to our customers is the key to achieving our quantitative business metrics. Among other measures, management considers each of the following:

- Revenue;
- Operating Income;
- EBITDA;
- Adjusted EBITDA;
- Annualized Adjusted EBITDA per Average Active Fleet;
- Net Income Before Taxes; and
- Earnings per Share.

Revenue

We analyze our revenue by comparing actual monthly revenue to our internal projections for a given period and to prior periods to assess our performance. We also assess our revenue in relation to the number of fleets we have deployed (revenue per average active fleet) from period to period.

Operating Income

We analyze our operating income, which we define as revenues less direct operating expenses, depreciation and amortization and general and administrative expenses, to measure our financial performance. We believe operating income is a meaningful metric because it provides insight on profitability and true operating performance based on the historical cost basis of our assets. We also compare operating income to our internal projections for a given period and to prior periods.

EBITDA and Adjusted EBITDA

We view EBITDA and Adjusted EBITDA as important indicators of performance. We define EBITDA as net income (loss) before interest, income taxes, depreciation and amortization. We define Adjusted EBITDA as EBITDA adjusted to eliminate the effects of items such as non-cash stock based compensation expense, new fleet or new basin start-up costs, fleet lay-down costs, costs of asset acquisition, gain or loss on the disposal of assets, asset impairment charges, bad debt reserves, and non-recurring expenses that management does not consider in assessing ongoing operating performance. Annualized Adjusted EBITDA per Average Active Fleet is calculated as Adjusted EBITDA annualized, divided by the Average Active Fleets for the same period. See “—Comparison of Non-GAAP Financial Measures” for more information and a reconciliation of EBITDA and Adjusted EBITDA to net income, the most directly comparable financial measure calculated and presented in accordance with GAAP.

Results of Operations*Year Ended December 31, 2020, Compared to Year Ended December 31, 2019*

<u>Description</u>	<u>Years Ended December 31,</u>		
	<u>2020</u>	<u>2019</u>	<u>Change</u>
	(in thousands)		
Revenue	\$ 965,787	\$ 1,990,346	\$ (1,024,559)
Cost of services, excluding depreciation and amortization shown separately	857,981	1,621,180	(763,199)
General and administrative	84,098	97,589	(13,491)
Transaction, severance and other costs	21,061	—	21,061
Depreciation and amortization of intangible assets	180,084	165,379	14,705
(Gain) loss on disposal of assets	(411)	2,601	(3,012)
Operating (loss) income	(177,026)	103,597	(280,623)
Interest expense, net	14,505	14,681	(176)
Net (loss) income before taxes	(191,531)	88,916	(280,447)
Income tax (benefit) expense	(30,857)	14,052	(44,909)
Net (loss) income	(160,674)	74,864	(235,538)
Less: Net (loss) income attributable to non-controlling interests	(45,091)	35,861	(80,952)
Net (loss) income attributable to Liberty Oilfield Services Inc. stockholders	<u>\$ (115,583)</u>	<u>\$ 39,003</u>	<u>\$ (154,586)</u>

Revenue

Our revenue decreased \$1.0 billion, or 51.5%, to \$965.8 million for the year ended December 31, 2020 compared to \$2.0 billion for the year ended December 31, 2019. Average active fleets decreased 42.1% to 13.2 from 22.8 average active fleets deployed during the year ended December 31, 2020 and 2019, respectively, as the Company reduced the staffed fleets in April 2020 in response to market conditions, as discussed in “Recent Trends and Outlook” above. Further, revenue per average active fleet decreased 16.2% to \$73.2 million for the year ended December 31, 2020 compared to \$87.3 million for the year ended December 31, 2019, attributable to lower demand for frac services in the market as previously discussed.

Cost of Services

Cost of services (excluding depreciation and amortization) decreased \$763.2 million, or 47.1%, to \$858.0 million for the year ended December 31, 2020 compared to \$1.6 billion for the year ended December 31, 2019. The lower expense was primarily related to the reduced levels of activity from fewer average active fleets deployed during 2020, as described above, and to a lesser extent from cost-cutting measures related to personnel costs enacted during 2020 including reduction in headcount and furloughs, as well as a temporary suspension of bonus and 401(k) match programs.

General and Administrative Expenses

General and administrative expenses decreased by \$13.5 million, or 13.8%, to \$84.1 million for the year ended December 31, 2020 compared to \$97.6 million for the year ended December 31, 2019 primarily related to a decrease in personnel costs, excluding share based compensation, of \$15.1 million due to the reduction in headcount, furlough and flexible cost structure, as well as the temporary suspension of bonus and 401(k) match programs. Partially offsetting this decrease, general and administrative expense included \$12.9 million of share based compensation expense during the year ended December 31, 2020 compared to \$9.2 million for the year ended December 31, 2019.

Transaction, Severance and Other Costs

Transaction costs were \$8.5 million for the year ended December 31, 2020 compared to \$0 for the year ended December 31, 2019. Such costs were incurred in connection with the OneStim Acquisition and included investment banking, legal, accounting and other professional services provided in connection with closing the transaction.

Severance and other costs were \$12.6 million for the year ended December 31, 2020 compared to \$0 for the year ended December 31, 2019. The costs were primarily related to the reduction in our workforce in April 2020 and the commencement of furlough schedules for remaining employees in May 2020 during which the Company continued to pay insurance and other benefits. The Company did not lay-off or furlough any employees during 2019.

Depreciation and Amortization of Intangible Assets

Depreciation and amortization of intangible assets expense increased \$14.7 million, or 8.9%, to \$180.1 million for the year ended December 31, 2020 compared to \$165.4 million for the year ended December 31, 2019. The increase in 2020 was due to a full year of depreciation for one fleet deployed during 2019, as well as one additional fleet deployed during early 2020.

(Gain) Loss on Disposal of Assets

(Gain) loss on disposal of assets increased \$3.0 million to a gain of \$0.4 million for the year ended December 31, 2020 compared to a loss of \$2.6 million for the year ended December 31, 2019. During 2020, we reduced the number of light duty pick-ups in our fleet based on our lower levels of activity and realized gains upon sale commensurate with lease terminations.

Operating (Loss) Income

We realized an operating loss of \$177.0 million for the year ended December 31, 2020 compared to operating income of \$103.6 million for the year ended December 31, 2019. The decrease is primarily due to the \$1.0 billion, or 51.5%, decrease in total revenue only partially offset by a \$743.9 million decrease in total operating expenses, the significant components of which are discussed above. The decline in operating income was significantly impacted by reduced customer work as a result of the COVID-19 pandemic and steep decline in oil prices in March and April 2020.

Interest Expense, net

The decrease in interest expense, net of \$0.2 million, or 1.2%, to \$14.5 million during the year ended December 31, 2020 compared to \$14.7 million during the year ended December 31, 2019, was due to lower interest expense on credit facilities and from finance leases, largely offset by reduced interest income from excess cash on hand.

Net (Loss) Income Before Taxes

We realized a net loss before taxes of \$191.5 million for the year ended December 31, 2020 compared to net income before taxes of \$88.9 million for the year ended December 31, 2019. The decrease is primarily attributable to a decrease in revenue, as discussed above, related to the decrease in pricing and activity.

Income Tax (Benefit) Expense

We recognized a tax benefit of \$30.9 million for the year ended December 31, 2020, an effective rate of 16.1%, compared to expense of \$14.1 million for the year ended December 31, 2019, an effective rate of 15.8%. The decrease in tax expense is primarily attributable to a decrease in revenue, as discussed above, related to the decrease in pricing and activity.

Comparison of Non-GAAP Financial Measures

We view EBITDA and Adjusted EBITDA as important indicators of performance. We define EBITDA as net income before interest, income taxes, depreciation and amortization. We define Adjusted EBITDA as EBITDA adjusted to eliminate the effects of items such as non-cash stock based compensation, new fleet or new basin start-up costs, fleet lay-down costs, costs of asset acquisitions, gain or loss on the disposal of assets, asset impairment charges, bad debt reserves and non-recurring expenses that management does not consider in assessing ongoing performance.

Our Board, management, investors and lenders use EBITDA and Adjusted EBITDA to assess our financial performance because it allows them to compare our operating performance on a consistent basis across periods by removing the effects of our capital structure (such as varying levels of interest expense), asset base (such as depreciation and amortization) 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 the factors and trends affecting our business in addition to measures calculated under GAAP.

Note Regarding Non-GAAP Financial Measures

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

The following tables present a reconciliation of EBITDA and Adjusted EBITDA to our net income, which is the most directly comparable GAAP measure for the periods presented:

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019: EBITDA and Adjusted EBITDA

Description	Years Ended December 31,		
	2020	2019	Change
	(in thousands)		
Net (loss) income	\$ (160,674)	\$ 74,864	\$ (235,538)
Depreciation and amortization	180,084	165,379	14,705
Interest expense, net	14,505	14,681	(176)
Income tax (benefit) expense	(30,857)	14,052	(44,909)
EBITDA	\$ 3,058	\$ 268,976	\$ (265,918)
Stock based compensation expense	17,139	13,592	3,547
Fleet start-up and lay-down costs	12,175	4,519	7,656
Asset acquisition costs	8,497	—	8,497
(Gain) loss on disposal of assets	(411)	2,601	(3,012)
Provision for credit losses	4,877	1,053	3,824
Non-recurring payroll expense	2,398	—	2,398
Severance and related costs	10,166	—	10,166
Adjusted EBITDA	\$ 57,899	\$ 290,741	\$ (232,842)

EBITDA was \$3.1 million for the year ended December 31, 2020 compared to \$269.0 million for the year ended December 31, 2019. Adjusted EBITDA was \$57.9 million for the year ended December 31, 2020 compared to \$290.7 million for the year ended December 31, 2019. The decreases in EBITDA and Adjusted EBITDA resulted from the decreased revenue and other factors described above under the captions *Revenue*, *Cost of Services*, and *General and Administrative Expenses for Year Ended December 31, 2020, Compared to Year Ended December 31, 2019*.

Liquidity and Capital Resources**Overview**

Historically, our primary sources of liquidity to date have been cash flows from operations, proceeds from our IPO, and borrowings under our Credit Facilities. We expect to fund operations and organic growth with cash flows from operations and available borrowings under our Credit Facilities. We may incur additional indebtedness or issue equity in order to fund growth opportunities that we pursue via acquisition, such as with the OneStim Acquisition. Our primary uses of capital have been capital expenditures to support organic growth and funding ongoing operations, including maintenance and fleet upgrades.

Cash and cash equivalents decreased by \$43.7 million to \$69.0 million as of December 31, 2020 compared to \$112.7 million as of December 31, 2019. We believe that cash on hand, our operating cash flows and available borrowings under our Credit Facilities will be sufficient to fund our operations for at least the next twelve months.

Cash Flows

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

Description	Years Ended December 31,		
	2020	2019	Change
	(in thousands)		
Net cash provided by operating activities	\$ 85,425	\$ 261,100	\$ (175,675)
Net cash used in investing activities	(100,269)	(194,347)	94,078
Net cash used in financing activities	(28,868)	(57,375)	28,507
Net increase in cash and cash equivalents	\$ (43,712)	\$ 9,378	\$ (53,090)

Analysis of Cash Flow Changes Between the Years Ended December 31, 2020 and December 31, 2019

Operating Activities. Net cash provided by operating activities was \$85.4 million for the year ended December 31, 2020, compared to net cash provided by operating activities of \$261.1 million for the year ended December 31, 2019. The \$175.7 million decrease in cash from operating activities was primarily attributable to a \$1.0 billion decrease in revenues, offset by a \$743.9 million decrease in operating expenses and a \$63.3 million increase in cash from changes in working capital for the year ended December 31, 2020, compared to a \$21.6 million decrease in cash from changes in working capital for the year ended December 31, 2019.

Investing Activities. Net cash used in investing activities was \$100.3 million for the year ended December 31, 2020, compared to \$194.3 million for the year ended December 31, 2019. The \$94.1 million decrease in net cash used in investing activities is attributable to a decrease in capital expenditures in an effort to reduce spending and as a result of the lower fleet count in 2020.

Financing Activities. Net cash used in financing activities was \$28.9 million for the year ended December 31, 2020, compared to \$57.4 million for the year ended December 31, 2019. The \$28.5 million decrease in cash used in financing activities was primarily due to an \$18.4 million decrease in share repurchases and a \$16.6 million reduction in dividends and per unit distributions to non-controlling interest unitholders as a result of the suspension of the dividend in April 2020. Partially offsetting the decreases was a \$6.8 million increase in cash used in financing activities as a result of payments made to non-controlling interest unitholders under the TRAs as a result of the 2020 refund of a portion of cash taxes paid in 2018.

Debt Agreements

On September 19, 2017, the Company entered into two new credit agreements for a revolving line of credit up to \$250.0 million (the “ABL Facility”) and a \$175.0 million term loan (the “Term Loan Facility”, and together with the ABL Facility the “Credit Facilities”). Following is a description of the ABL Facility and the Term Loan Facility.

ABL Facility

Under the terms of the ABL Facility, up to \$250.0 million may be borrowed, subject to certain borrowing base limitations based on a percentage of eligible accounts receivable and inventory. On May 29, 2020 the Company amended the ABL Facility to allow accounts receivables that are more than 90 but less than 120 days past their original invoice date to be included in the determination of eligible accounts receivables, up to a limit of \$37.5 million when combined with receivable that are more than 60 but less than 90 days past their due date to be included in the borrowing base. The expanded borrowing base terms were in effect from May 1, 2020 through December 31, 2020.

As of December 31, 2020, the borrowing base was calculated to be \$115.1 million, and the Company had no borrowings outstanding, except for a letter of credit in the amount of \$0.8 million, with \$114.3 million of remaining availability. Borrowings under the ABL Facility bear interest at the London InterBank Offered Rate (“LIBOR”) or a base rate, plus an applicable LIBOR margin of 1.5% to 2.0% or base rate margin of 0.5% to 1.0%, as defined in the ABL Facility credit agreement. The unused commitment is subject to an unused commitment fee of 0.375% to 0.5%. Interest and fees are payable in arrears at the end of each month, or, in the case of LIBOR loans, at the end of each interest period. The ABL Facility matures on the earlier of (i) September 19, 2022 and (ii) to the extent the debt under the Term Loan Facility remains outstanding, 90 days prior to the final maturity of the Term Loan Facility, which matures on September 19, 2022. Borrowings under the ABL Facility are collateralized by accounts receivable and inventory, and further secured by the Company, Liberty LLC and R/C IV Non-U.S. LOS Corp., a Delaware corporation (“R/C IV”) and a subsidiary of the Company, as parent guarantors.

Term Loan Facility

The Term Loan Facility provides for a \$175.0 million term loan, of which \$108.2 million remained outstanding as of December 31, 2020. Amounts outstanding bear interest at LIBOR or a base rate, plus an applicable margin of 7.625% or 6.625%, respectively, and the weighted average rate on borrowings was 8.6% as of December 31, 2020. The Company is required to make quarterly principal payments of 1% per annum of the initial principal balance, commencing on December 31, 2017, with final payment due at maturity on September 19, 2022. The Term Loan Facility is collateralized by the fixed assets of LOS and its subsidiaries, and is further secured by the Company, Liberty LLC and R/C IV, as parent guarantors.

The Credit Facilities include certain non-financial covenants, including but not limited to restrictions on incurring additional debt and certain distributions. Moreover, the ability of the Company to incur additional debt and to make distributions is dependent on maintaining a maximum leverage ratio. The Term Loan Facility requires mandatory prepayments upon certain dispositions of property or issuance of other indebtedness, as defined, and annually a percentage of excess cash flow (25% to 50%, depending on leverage ratio, of consolidated net income less capital expenditures and other permitted payments, commencing with the year ending December 31, 2018). Certain mandatory prepayments and optional prepayments are subject to a prepayment premium of 3% of the prepaid principal declining annually to 1% during the first three years of the term of the Term Loan Facility.

The Credit Facilities are not subject to financial covenants unless liquidity, as defined in the respective credit agreements, drops below a specified level. Under the ABL Facility, the Company is required to maintain a minimum fixed charge coverage ratio, as defined in the credit agreement governing the ABL Facility, of 1.0 to 1.0 for each period if excess availability is less than 10% of the borrowing base or \$12.5 million, whichever is greater. Under the Term Loan Facility, the Company is required to maintain a minimum fixed charge coverage ratio, as defined, of 1.2 to 1.0 for each trailing twelve-month period if the Company's liquidity, as defined, is less than \$25.0 million for at least five consecutive business days. The Company was in compliance with these covenants as of December 31, 2020.

Contractual Obligations

The table below provides estimates of the timing of future payments that we are contractually obligated to make based on agreements in place at December 31, 2020.

	Payments Due by Period				
	(\$ in thousands)				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	More than 5 years
ABL Facility(1)	\$ —	\$ —	\$ —	\$ —	\$ —
Term Loan Facility(1)	108,215	1,750	106,465	—	—
Estimated interest payments(2)	16,062	9,406	6,656	—	—
Operating lease obligations(3)	85,628	26,546	27,197	9,905	21,980
Finance lease obligations(4)	33,731	21,270	12,461	—	—
Purchase commitments(5)	127,420	82,141	27,347	17,932	—
Obligations under the TRAs(6)	56,594	—	25,841	9,293	21,460
Total	\$ 427,650	\$ 141,113	\$ 205,967	\$ 37,130	\$ 43,440

(1) Payments on our ABL Facility and Term Loan Facility exclude interest payments. Payments are based on debt balances as of December 31, 2020.

(2) Estimated interest payments are based on debt balances as of December 31, 2020. Interest rates applied are based on the weighted average rate as of December 31, 2020.

(3) Operating lease obligations include payments for leased facilities, equipment and vehicles.

(4) Finance lease obligations include payments for leased vehicles.

(5) Purchase commitments represent payments under supply agreements for the purchase and transportation of proppants. Some of the agreements include minimum monthly purchase commitments, including agreements under which a shortfall fee may be applied. The shortfall fee may be offset by purchases in excess of the minimum requirement during future periods, as allowed for by each agreement.

(6) The timing and amount(s) of the aggregate payments due under the TRAs may vary based on a number of factors, including the timing and amount of the taxable income we generate each year and the tax rate then applicable.

Tax Receivable Agreements

In connection with the IPO, on January 17, 2018, the Company entered into two TRAs with the TRA Holders. The TRAs generally provide for the payment by the Company of 85% of the net cash savings, if any, in U.S. federal, state, and local income tax and franchise tax (computed using simplifying assumptions to address the impact of state and local taxes) that the Company actually realizes (or is deemed to realize in certain circumstances) in periods after the IPO as a result, as applicable to each of the TRA Holders, of (i) certain increases in tax basis that occur as a result of the Company's acquisition (or deemed acquisition for U.S. federal income tax purposes) of all or a portion of such TRA Holders' Liberty LLC Units in connection with the IPO or pursuant to the exercise of the right of each Liberty Unit Holder (the "Redemption Right"), subject to certain limitations, to cause Liberty LLC to acquire all or a portion of its Liberty LLC Units for, at Liberty LLC's election, (A) shares of our Class A Common Stock at the specific redemption ratio or (B) an equivalent amount of cash, or, upon the exercise of the Redemption Right, the right of the Company (instead of Liberty LLC) to, for administrative convenience, acquire each tendered Liberty LLC Unit directly from the redeeming Liberty Unit Holder (the "Call Right") for, at its election, (1) one share of Class A Common Stock or (2) an equivalent amount of cash, (ii) any net operating losses available to the Company as a result of the Corporate Reorganization, and (iii) imputed interest deemed to be paid by the Company as a result of, and additional tax basis arising from, any payments the Company makes under the TRAs.

With respect to obligations the Company expects to incur under the TRAs (except in cases where the Company elects to terminate the TRAs early, the TRAs are terminated early due to certain mergers, asset sales, or other changes of control or the Company has available cash but fails to make payments when due), generally the Company may elect to defer payments due under the TRAs if the Company does not have available cash to satisfy its payment obligations under the TRAs or if its contractual obligations limit its ability to make such payments. Any such deferred payments under the TRAs generally will accrue interest. In certain cases, payments under the TRAs may be accelerated and/or significantly exceed the actual benefits, if any, the Company realizes in respect of the tax attributes subject to the TRAs. The Company accounts for amounts payable under the TRAs in accordance with Accounting Standard Codification ("ASC") Topic 450, *Contingencies* ("ASC Topic 450").

If the Company experiences a change of control (as defined under the TRAs) or the TRAs otherwise terminate early, the Company's obligations under the TRAs could have a substantial negative impact on its 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. There can be no assurance that we will be able to finance our obligations under the TRAs.

Income Taxes

Following the IPO, the Company is a corporation and is subject to U.S. federal, state and local income tax on its share of Liberty LLC's taxable income. As a result of the IPO and Corporate Reorganization, the Company recorded deferred tax assets and liabilities for the difference between the book value of assets and liabilities for financial reporting purposes and those amounts applicable for income tax purposes.

The effective combined U.S. federal and state income tax rate applicable to the Company for the year ended December 31, 2020 and 2019 was 16.1% and 15.8%, respectively. The Company's effective tax rate is significantly less than the federal statutory income tax rate of 21.0% primarily because no taxes are payable by the Company for the non-controlling interest's share of Liberty LLC's pass-through income for federal, state and local income tax reporting. The Company recognized income tax benefit of \$30.9 million and income tax expense of \$14.1 million for the years ended December 31, 2020 and 2019, respectively.

Critical Accounting Policies and Estimates

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

We base our estimates on historical experience and on various other assumptions we believe to be reasonable according to the current facts and circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We believe the following are the critical accounting policies used in the preparation of our combined financial statements, as well as the significant estimates and judgments affecting the application of these policies. This discussion and analysis should be read in conjunction with our combined financial statements and related notes included in "Item 8. Financial Statements and Supplementary Data."

Business Combinations: Business combinations are accounted for using the acquisition method of accounting in accordance with the *ASC Topic 805 - Business Combinations*, as amended by Accounting Standards Update ("ASU") 2017-01, *Business Combinations (Topic 805), Clarifying the Definition of a Business*. The purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values. Fair value of the acquired assets and liabilities is measured

in accordance with the guidance of *ASC 850 - Fair Value Measurements*, using discounted cash flows and other applicable valuation techniques. Any acquisitions related costs incurred by the Company are expensed as incurred. Any excess purchase price over the fair value of the net identifiable assets acquired is recorded as goodwill if the definition of a business is met. Operating results of an acquired business are included in our results of operations from the date of acquisition.

Revenue Recognition: Revenue from hydraulic fracturing services is recognized as specific services are provided in accordance with contractual arrangements. If our assessment of performance under a particular contract changes, our revenue and / or costs under that contract may change. In connection with *ASC Topic 842 - Leases* (“Topic 842”), the Company determined that certain of its service revenue contracts contain a lease component. The Company elected to adopt a practical expedient available to lessors, which allows the Company to combine the lease and service component for certain of the Company’s service contracts when the service component is the predominant component and continues to account for the combined component under *ASC Topic 606 - Revenue from Contracts with Customers*.

Accounts Receivable: On January 1, 2020, the Company adopted ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”), which changes the impairment model for most financial assets and certain other instruments. Specifically, this new guidance requires using a forward looking, expected loss model for trade and other receivables, held-to-maturity debt securities, loans, and other instruments. Under ASU 2016-13, a company recognizes as an allowance, the estimate of lifetime expected credit losses, which is expected to result in more timely recognition of such losses.

The Company applies historic loss factors to its receivable portfolio segments that were not expected to be further impacted by current economic developments, and an additional economic conditions factor to portfolio segments anticipated to experience greater losses in the current economic environment. The Company continuously evaluates customers based on risk characteristics, such as historical losses and current economic conditions. Due to the cyclical nature of the oil and gas industry, the Company often evaluates its customers’ estimated losses on a case-by-case basis. It is reasonably possible that our estimates of the allowance for doubtful accounts will change and that losses ultimately incurred could differ materially from the amounts estimated in determining the allowance.

Inventory: Inventory consists of raw materials used in the hydraulic fracturing process, such as proppants, chemicals and field service equipment maintenance parts, and is stated at the lower of cost or net realizable value, determined using the weighted average cost method. Net realizable value is determined based on our estimates of selling prices in the ordinary course of business, less reasonably predictable cost of completion, disposal, and transportation, each of which require us to apply judgment.

Property and Equipment: We calculate depreciation and amortization on our assets based on the estimated useful lives and estimated salvage values that we believe are reasonable. The estimated useful lives and salvage values are subject to key assumptions such as maintenance, utilization and job variation. These estimates may change due to a number of factors such as changes in operating conditions or advances in technology.

We incur maintenance costs on our major equipment. The determination of whether an expenditure should be capitalized or expensed requires management judgment in the application of how the costs benefit future periods, relative to our capitalization policy. Costs that either establish or increase the efficiency, productivity, functionality or life of a fixed asset are capitalized and depreciated over the remaining useful life of the asset.

Impairment of long-lived and other intangible assets: Long-lived assets, such as property and equipment, right-of-use lease assets and intangible assets, are evaluated for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Recoverability is assessed using undiscounted future net cash flows of assets grouped at the lowest level for which there are identifiable cash flows independent of the cash flows of other groups of assets. When alternative courses of action to recover the carrying amount of the asset group are under consideration, estimates of future undiscounted cash flows take into account possible outcomes and probabilities of their occurrence, which require us to apply judgment. If the carrying amount of the asset is not recoverable based on its estimated undiscounted cash flows expected to result from the use and eventual disposition, an impairment loss is recognized in an amount by which its carrying amount exceeds its estimated fair value. The inputs used to determine such fair value are primarily based upon internally developed cash flow models. Our cash flow models are based on a number of estimates regarding future operations that may be subject to significant variability, are sensitive to changes in market conditions, and are reasonably likely to change in the future.

During the year ended December 31, 2020, as a result of negative market indicators including the COVID-19 pandemic, the increased supply of low-priced oil, and customer cancellations, the Company concluded these triggering events could indicate possible impairment of property and equipment. The Company performed a quantitative and qualitative impairment analysis and determined that no impairment had occurred as of March 31, 2020. As of December 31, 2020, the Company concluded that no additional triggering events occurred and the conclusion reached at March 31, 2020 is still appropriate. Such analysis required management to make estimates and assumptions based on historical data and consideration of future market conditions. Given the uncertainty inherent in any projection, heightened by the possibility of unforeseen additional effects of COVID-19, actual results may differ from the estimates and assumptions used, or conditions may change, which could result in impairment charges in the future.

No impairment was recognized during the years ended December 31, 2020, 2019 and 2018.

Leases: The Company adopted Accounting Standards Update (“ASU”) No. 2016-02, *Leases ASC Topic 842* effective January 1, 2019. We elected the modified retrospective transition method under ASC Topic 842 and as such information prior to January 1, 2019 has not been restated and continues to be reported under the accounting standards in effect for the period (*ASC Topic 840-Leases*). We carried forward the historical lease classifications and assessment of initial direct costs, account for lease and non-lease components as a single component, and exclude leases with an initial term of less than 12 months in the lease assets and liabilities. For leases entered into after January 1, 2019, the Company determines if an arrangement is a lease at inception and evaluates identified leases for operating or finance lease treatment. Operating or finance lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. We use our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. Lease terms may include options to renew; however, we typically cannot determine our intent to renew a lease with reasonable certainty at inception.

Tax Receivable Agreements: In connection with the IPO, on January 17, 2018, the Company entered into two TRAs with the TRA Holders. The TRAs generally provide for the payment by the Company of 85% of the net cash savings, if any, in U.S. federal, state, and local income tax and franchise tax that the Company actually realizes in periods after the IPO as a result of certain tax attributes applicable to each TRA Holder. The Company accounts for amounts payable under the TRAs in accordance with ASC Topic 450, *Contingencies*.

Share Repurchases: The Company accounts for the purchase price of repurchased Class A Common Stock in excess of par value (\$0.01 per share of Class A Common Stock) as a reduction of additional paid-in capital, and will continue to do so until additional paid-in capital is reduced to zero. Thereafter, any excess purchase price will be recorded as a reduction to retained earnings.

Recent Accounting Pronouncements

See Note 2—Significant Accounting Policies—*Recently Issued Accounting Standards* to the consolidated and combined financial statements included in “Item 8. Financial Statements and Supplementary Data” for a discussion of recent accounting pronouncements.

Off Balance Sheet Arrangements

We have no material off balance sheet arrangements as of December 31, 2020, except for purchase commitments under supply agreements as disclosed above under “—Contractual Obligations.” As such, we are not materially exposed to any other financing, liquidity, market or credit risk that could arise if we had engaged in such financing arrangements.

Item 7A. Quantitative and Qualitative Disclosure about Market Risk

Industry Risk

The demand, pricing and terms for hydraulic fracturing services and related goods provided by us are largely dependent upon the level of drilling activity in the U.S. oil and natural gas industry, as well as the available supply of hydraulic fracturing equipment. These activity levels are influenced by numerous factors over which we have no control, including, but not limited to: the supply of and demand for oil and natural gas; the level of prices, and expectations about future prices of oil and natural gas; the cost of exploring for, developing, producing and delivering oil and natural gas; the expected rates of declining current production; the discovery rates of new oil and natural gas reserves; supply of actively marketed and staffed fracturing fleets; available rail and other transportation capacity; weather conditions; domestic and worldwide economic conditions; political instability in oil-producing countries; environmental regulations; technical advances affecting energy consumption; the price and availability of alternative fuels; the ability of E&P companies to raise equity capital and debt financing; and merger and divestiture activity among E&P companies.

The level of U.S. oil and natural gas drilling is volatile. Expected trends in oil and natural gas production activities may not materialize and demand for our services may not reflect the level of activity in the industry. Any prolonged and substantial reduction in oil and natural gas prices would likely affect oil and natural gas production levels and therefore affect demand for our services. A material decline in oil and natural gas prices or U.S. activity levels could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Interest Rate Risk

At December 31, 2020, we had \$108.2 million of debt outstanding, with a weighted average interest rate of 8.6%. Interest is calculated under the terms of our Credit Facilities 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 “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Debt Agreements.” 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 \$1.1 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.

Commodity Price Risk

Our material and fuel purchases expose us to commodity price risk. Material costs primarily include inventory consumed while performing hydraulic fracturing services. Fuel costs consist of diesel fuel used by trucks and other motorized equipment used for hydraulic fracturing services. At times, we have been able to pass along price increases for material costs and fuel costs to customers and conversely have been required to pass along price decreases for material costs to our customers, depending on market conditions. Further, we have purchase commitments with certain vendors to supply proppant inventory used in our operations at a fixed purchase price, including certain commitments which include minimum purchase obligations. Refer to Note 14, “Commitments and Contingencies” included in “Item 8. Financial Statements and Supplementary Data” for further discussion regarding purchase commitments.

Item 8. Financial Statements and Supplementary Data

Our financial statements and supplementary data are included in this Annual Report on Form 10-K beginning on page F-1 and incorporated by reference herein.

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 the Securities Exchange Act of 1934 Rules 13a-15 and 15d-15, we carried out an evaluation, under the supervision and with the participation of management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2020 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Our disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted 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 disclosures.

As noted in Management's Report on Internal Control Over Financial Reporting, management's evaluation of, and conclusion on, the effectiveness of internal control over financial reporting did not include the internal controls of the entities acquired in the OneStim Acquisition, as defined herein, on December 31, 2020. Under guidelines established by the SEC, companies are permitted to exclude acquisitions from their assessment of internal control over financial reporting during the first year of an acquisition while integrating the acquired company. The Company is in the process of integrating OneStim's and our internal controls over financial reporting. As a result of these integration activities, certain controls will be evaluated and may be changed. Except as noted above, there were no changes to our internal control over financial reporting during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

See page F-1 for Management's Report on Internal Control Over Financial Reporting and page F-4 for Report of Independent Registered Public Accounting Firm on its assessment of our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item concerning our executive officers, directors and corporate governance is incorporated herein by reference to our definitive proxy statement for our 2021 annual meeting of shareholders, which will be filed with the SEC no later than 120 days after December 31, 2020, under the captions “Proposal 1 — Election of Directors,” “The Board and its Committees,” “Executive Officers” and “Delinquent Section 16(a) Reports.”

Item 11. Executive Compensation

The information required by this item concerning executive compensation is incorporated herein by reference to our definitive proxy statement for our 2021 annual meeting of shareholders, which will be filed with the SEC no later than 120 days after December 31, 2020, under the captions “The Board and its Committees,” “Compensation Discussion & Analysis,” “Compensation Committee Report,” “Executive Compensation Tables,” “Director Compensation” and “CEO Pay Ratio.”

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

The information required by this item concerning the security ownership of certain beneficial owners and management and related stockholder matters are incorporated herein by reference to our definitive proxy statement for our 2021 annual meeting of shareholders, which will be filed with the SEC no later than 120 days after December 31, 2020, under the captions “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information.”

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

The information required by this item concerning certain relationships and related person transactions and director independence is incorporated herein by reference to our definitive proxy statement for our 2021 annual meeting of shareholders, which will be filed with the SEC no later than 120 days after December 31, 2020, under the captions “Certain Relationships and Related Party Transactions” and “the Board and its Committees.”

Item 14. Principal Accountant Fees and Services

The information required by this item concerning principal accounting fees and services is incorporated herein by reference to our definitive proxy statement for our 2021 annual meeting of shareholders, which will be filed with the SEC no later than 120 days after December 31, 2020, under the caption “Proposal 2 — Ratification of Appointment of the Company’s Independent Registered Public Accounting Firm.”

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Financial Statements and Financial Statement Schedules

Refer to Index to Financial Statements on page 46.

All schedules are omitted as information required is inapplicable or the information is presented in the consolidated and combined financial statements and the related notes.

(b) Exhibits

The documents listed in the Index to Exhibits are filed, furnished or incorporated by reference as part of this Annual Report on Form 10-K, and such Index to Exhibits are incorporated herein by reference.

Item 16. Form 10-K Summary

None.

INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
2.1	Master Reorganization Agreement, dated as of January 11, 2018, by and among Liberty Oilfield Services Inc., Liberty Oilfield Services Holdings LLC, Liberty Oilfield Services New HoldCo LLC, and the other parties named therein (2)
2.2	Master Transaction Agreement, dated as of August 31, 2020, by and among Schlumberger Technology Corporation, Schlumberger Canada Limited, Liberty Oilfield Services Holdings LLC, Liberty Canada Operations Inc. and Liberty Oilfield Services Inc. (11)
3.1	Amended and Restated Certificate of Incorporation of Liberty Oilfield Services Inc. (2)
3.2	Amended and Restated Bylaws of Liberty Oilfield Services Inc. (3)
4.1	Amended and Restated Stockholders Agreement, dated as of December 13, 2020, by and among Liberty Oilfield Services Inc., Riverstone and the Schlumberger Parties (12)
4.2	Description of the Registrant's Securities Registered pursuant to Section 12 of the Securities Exchange Act of 1934. (8)
10.1	Second Amended and Restated Limited Liability Company Operating Agreement of Liberty Oilfield Services New HoldCo LLC (2)
10.2	Tax Receivable Agreement, dated January 17, 2018, by and among Liberty Oilfield Services Inc., R/C Energy IV Direct Partnership, L.P., and R/C Energy IV Direct Partnership, L.P., as agent (2)
10.3	Tax Receivable Agreement, dated January 17, 2018, by and among Liberty Oilfield Services Inc., and the other parties named therein (2)
10.4	Amended and Restated Registration Rights Agreement, dated as of December 31, 2020, by and among Liberty Oilfield Services Inc., the Schlumberger Parties, and the Holders (12)
10.5	Liberty Oilfield Services Inc. Long Term Incentive Plan (2)†
10.6	Liberty Oilfield Services Inc. Legacy Restricted Stock Plan (2)†
10.7	Form of Restricted Stock Grant Notice and Restricted Stock Agreement under the Legacy Restricted Stock Plan (1)†
10.8	Credit Agreement, dated September 19, 2017, by and among Wells Fargo Bank, National Association, as Administrative Agent, Wells Fargo Bank, National Association, JPMorgan Chase Bank, N.A. and Citibank, N.A., as Joint Lead Arrangers, Wells Fargo Bank, National Association, as Book Runner, JPMorgan Chase Bank, N.A. and Citibank, N.A., as Syndication Agents, the lender parties thereto, Liberty Oilfield Services Holdings LLC, as Parent and Liberty Oilfield Services LLC and LOS Acquisition Co I LLC, each as a Borrower (1)
10.9	Amendment and Parent Joinder to Credit Agreement, dated January 17, 2018, by and among Liberty Oilfield Services Holdings LLC, Liberty Oilfield Services LLC, LOS Acquisition Co I LLC, Liberty Oilfield Services Inc., Liberty Oilfield Services New Holdco LLC, Wells Fargo Bank, National Association, as Administrative Agent, and the lenders signatory thereto (4)
10.10	Second Amendment and Parent Joinder to Credit Agreement, dated March 21, 2018, by and among Liberty Oilfield Services LLC, LOS Acquisition Co I LLC, Liberty Oilfield Services Inc., Liberty Oilfield Services New Holdco LLC, R/C IV Non-U.S. LOS Corp, Wells Fargo Bank, National Association, as Administrative Agent, and the lenders signatory thereto (4)
10.11	Third Amendment to Credit Agreement, dated May 29, 2020, by and among Liberty Oilfield Services LLC, Liberty Oilfield Services Inc., Liberty Oilfield Services New Holdco LLC, R/C IV Non-U.S. LOS Corp, and Wells Fargo Bank, National Association as Administrative Agent, and the lenders signatory thereto (9)
10.12	Fourth Amendment to Credit Agreement, dated August 12, 2020, by and among Liberty Oilfield Services LLC, Liberty Oilfield Services Inc., Liberty Oilfield Services New Holdco LLC, R/C IV Non-U.S. LOS Corp, Wells Fargo Bank, National Association, as Administrative Agent, and the lenders signatory thereto (10)
10.13	Consent and Fifth Amendment to Credit Agreement, dated December 29, 2020, by and among Liberty Oilfield Services LLC, Liberty Oilfield Services Inc., Liberty Oilfield Services New Holdco LLC, R/C IV Non-U.S. LOS Corp, LOS Cibolo RE Investments, LLC, LOS Odessa RE Investments, LLC, ST9 Gas and Oil LLC, Wells Fargo Bank, National Association, as Administrative Agent, and the lenders signatory thereto *

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10.14	Credit Agreement, dated September 17, 2017, by and among Liberty Oilfield Services LLC and LOS Acquisition CO I LLC, each as Borrower, Liberty Oilfield Services Holdings LLC, as Parent Guarantor and U.S. Bank National Association as Agent (1)
10.15	Amendment and Joinder to Credit Agreement, dated January 17, 2018, by and among Liberty Oilfield Services Holdings LLC, Liberty Oilfield Services LLC, LOS Acquisition Co I LLC, Liberty Oilfield Services Inc., Liberty Oilfield Services New Holdco LLC, U.S. Bank National Association, as Administrative Agent, and the lenders signatory thereto (4)
10.16	Second Amendment and Joinder to Credit Agreement, dated March 21, 2018, by and among Liberty Oilfield Services LLC, LOS Acquisition Co I LLC, Liberty Oilfield Services Inc., Liberty Oilfield Services New Holdco LLC, R/C IV Non-U.S. LOS Corp, U.S. Bank National Association, as Administrative Agent, and the lenders signatory thereto (4)
10.17	Third Amendment to Credit Agreement, dated August 12, 2020, by and among Liberty Oilfield Services LLC, Liberty Oilfield Services Inc., Liberty Oilfield Services New Holdco LLC, R/C IV Non-U.S. LOS Corp, U.S. Bank National Association, as Administrative Agent, and the lenders signatory thereto (10)
10.18	Waiver, Consent and Fourth Amendment to Credit Agreement and First Amendment to Guaranty and Security Agreement, dated December 29, 2020, by and among Liberty Oilfield Services LLC, Liberty Oilfield Services Inc., Liberty Oilfield Services New Holdco LLC, R/C IV Non-U.S. LOS Corp, LOS Cibolo RE Investments, LLC, LOS Odessa RE Investments, LLC, ST9 Gas and Oil LLC, U.S. Bank National Association, as Administrative Agent, and the lenders signatory thereto *
10.19	Liberty Oilfield Services 401(k) Savings Plan *†
10.20	Form of Restricted Stock Unit Grant Notice and Restricted Stock Unit Award Agreement under the Long Term Incentive Plan (5)†
10.21	Form of Restricted Stock Unit Grant Notice under the Long Term Incentive Plan *†
10.22	Form of Performance Restricted Stock Unit Grant Notice and Performance Restricted Stock Unit Agreement under the Liberty Oilfield Services Inc. Long Term Incentive Plan (6)†
10.23	Form of Change in Control Agreement (7)†
10.24	Form of Indemnification Agreement between the Company and each of its Directors and Executive Officers (8)
21.1	List of subsidiaries of Liberty Oilfield Services Inc. *
23.1	Consent of Deloitte & Touche LLP *
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *
31.2	Certification of Chief Financial Officer pursuant to 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 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. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 **
95	Mine Safety Disclosure *
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Extension Schema Document *
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document *
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document *
101.LAB	XBRL Taxonomy Extension Label Linkbase Document *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document *
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)*

(1) Incorporated by reference to the exhibits to the registrant's Registration Statement on Form S-1, as amended (SEC File 333-216050).

(2) Incorporated by reference to the exhibits to the registrant's Current Report on Form 8-K, filed on January 18, 2018.

- (3) Incorporated by reference to the exhibits to the registrant's Amendment No. 1 to the Current Report on Form 8-K/A, filed on January 22, 2018.
- (4) Incorporated by reference to the exhibits to the registrant's Annual Report on Form 10-K, filed on March 23, 2018.
- (5) Incorporated by reference to the exhibits to the registrant's Quarterly Report on Form 10-Q, filed on May 10, 2018.
- (6) Incorporated by reference to the exhibits to the registrant's Quarterly Report on Form 10-Q, filed on May 3, 2019.
- (7) Incorporated by reference to the registrant's Current Report on Form 8-K, filed on August 30, 2019.
- (8) Incorporated by reference to the exhibits to the registrant's Annual Report on Form 10-K, filed on February 27, 2020.
- (9) Incorporated by reference to the registrant's Current Report on Form 8-K, filed on June 3, 2020.
- (10) Incorporated by reference to the registrant's Quarterly Report on Form 8-K, filed on October 30, 2020.
- (11) Incorporated by reference to the registrant's Current Report on Form 8-K, filed on September 1, 2020.
- (12) Incorporated by reference to the registrant's Current Report on Form 8-K, filed on January 4, 2021.
- * Filed herewith.
- ** Furnished herewith.
- † Denotes a management contract or compensatory plan or arrangement.

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Liberty Oilfield Services Inc.

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Liberty Oilfield Services Inc. is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act.

Internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, because of changes in conditions, effectiveness of internal controls over financial reporting may vary over time.

Under the supervision of, and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2020 based on the framework and criteria established in *Internal Control-Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this evaluation, management concluded that, as of December 31, 2020, our internal control over financial reporting was effective. Management's evaluation of, and conclusion on, the effectiveness of internal control over financial reporting did not include the internal controls of the entities acquired in the OneStim Acquisition, as defined herein, on December 31, 2020. The acquired business' financial statements constitute 52% and 43% of net and total assets as of December 31, 2020.

The effectiveness of Liberty Oilfield Services Inc.'s internal control over financial reporting as of December 31, 2020 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report that is included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Liberty Oilfield Services Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Liberty Oilfield Services Inc. and subsidiaries (the “Company”) as of December 31, 2020 and 2019, the related consolidated and combined statements of operations, changes in equity, and cash flows, for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also 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, 2020, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2021, expressed an unqualified opinion on the Company’s internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Company changed its method of accounting for leases effective January 1, 2019 due to the adoption of Accounting Standards Codification Topic 842—Leases.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s 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 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 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 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the 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 financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Income Taxes — Tax Receivable Agreements — Refer to Note 11 to the financial statements

Critical Audit Matter Description

The amounts payable, as well as the timing of such payments, under the tax receivable agreements (“TRA”) are dependent upon significant future events and assumptions, including among others: (i) the amount of the redeeming unit holder’s tax basis in its Liberty Oilfield Services New HoldCo LLC class B units at the time of the relevant redemption, (ii) the characterization of the tax basis step-up, (iii) the depreciation and amortization periods that apply to the increase in tax

basis (iv), the amount and timing of taxable income the Company generates in future periods until the TRA payable is settled, and (v) the portion of the Company's payments under the TRA that constitute imputed interest or give rise to depreciable or amortizable tax basis.

During the year ended December 31, 2020, exchanges of Liberty Oilfield Services New HoldCo LLC class B units and shares of Class B Common Stock resulted in an increase of \$13.1 million in amounts payable pursuant to tax receivable agreements ("TRA payable"), and a net increase of \$15.5 million in deferred tax assets, all of which were recorded as equity transactions, with no impact to the statement of operations. At December 31, 2020, the Company's TRA payable was \$56.6 million, all of which is presented as a component of long-term liabilities.

We identified the computation of adjustments to the TRA payable as a critical audit matter because of the multiple owners and complex calculations required to arrive at the correct tax basis upon which to calculate the corresponding TRA payable adjustment. This involved complexity in applying relevant tax law and an increased extent of effort, including the need to involve income tax specialists, when performing audit procedures to evaluate the reasonableness of management's calculation of tax basis, iterative impact of the computation of adjustments to the TRA payable, and TRA payable as of year end.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the computation of adjustments to the TRA payable included the following, among others:

- We tested the effectiveness of controls over the computation of adjustments to the TRA payable, including management's calculation of the step-up in tax basis that serves as the basis for the computation of adjustments to the TRA payable.
- With the assistance of our income tax specialists, we read the individual TRAs and compared the terms in the agreements for consistency with the mathematical model used by management to calculate the adjustments to the TRA payable.
- With the assistance of our income tax specialists, we evaluated management's computation of adjustments to the TRA payable, and the TRA payable as of year end that is payable over the contractual period by comparing to our independently recalculated value, taking into account the various class B unit exchanges for Class B Common Stock occurring during the year as well as the adjustments in the TRA payable for each exchange.

/s/ DELOITTE & TOUCHE LLP

Denver, Colorado
February 24, 2021

We have served as the Company's auditor since 2016.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Liberty Oilfield Services Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Liberty Oilfield Services Inc. and subsidiaries (the “Company”) as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2020, of the Company and our report dated February 24, 2021, expressed an unqualified opinion on those financial statements.

As described in Management's Report on Internal Control Over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Schlumberger's OneStim® business (“OneStim”), which was acquired on December 31, 2020 and whose financial statements constitute 52% and 43% of net and total assets, respectively of the consolidated financial statement amounts as of and for the year ended December 31, 2020. Accordingly, our audit did not include the internal control over financial reporting at OneStim.

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 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 the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit 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, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and 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/ DELOITTE & TOUCHE LLP

Denver, Colorado
February 24, 2021

LIBERTY OILFIELD SERVICES INC.
Consolidated Balance Sheets
As of December 31, 2020 and 2019
(Dollars in thousands, except share data)

Assets	2020	2019
Current assets:		
Cash and cash equivalents	\$ 68,978	\$ 112,690
Accounts receivable—trade, net of provisions for credit losses of \$773 and \$1,053, respectively	244,433	204,413
Accounts and notes receivable—related party	—	9,629
Unbilled revenue	69,516	38,868
Inventories	118,568	88,547
Prepaid and other current assets (including receivables from related parties of \$24,708 and \$0, respectively)	65,638	34,827
Total current assets	567,133	488,974
Property and equipment, net	1,120,950	651,703
Finance lease right-of-use assets	38,733	55,337
Operating lease right-of-use assets	75,878	53,076
Other assets	81,888	34,339
Deferred tax asset	5,360	—
Total assets	\$ 1,889,942	\$ 1,283,429
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 193,338	\$ 117,613
Accrued liabilities:		
Accrued vendor invoices	61,210	42,753
Operational accruals	28,932	26,753
Accrued benefits and other (including payables to related parties of \$0 and \$1,329, respectively)	28,241	39,448
Current portion of long-term debt, net of discount of \$1,386 and \$1,341, respectively	364	409
Current portion of finance lease liabilities	20,580	23,646
Current portion of operating lease liabilities	23,481	15,873
Total current liabilities	356,146	266,495
Long-term debt, net of discount of \$1,054 and \$2,485, respectively, less current portion	105,411	105,731
Deferred tax liability	—	19,659
Payable pursuant to tax receivable agreements, including payables to related parties of \$27,173 and \$23,797, respectively	56,594	48,481
Noncurrent portion of finance lease liabilities	11,318	24,884
Noncurrent portion of operating lease liabilities	50,430	36,687
Total liabilities	579,899	501,937
Commitments & contingencies (Note 14)		
Stockholders' equity:		
Preferred Stock, \$0.01 par value, 10,000 shares authorized and none issued and outstanding	—	—
Common Stock:		
Class A, \$0.01 par value, 400,000,000 shares authorized and 157,952,213 issued and outstanding as of December 31, 2020 and 81,885,384 issued and outstanding as of December 31, 2019	1,579	819
Class B, \$0.01 par value, 400,000,000 shares authorized and 21,550,282 issued and outstanding as of December 31, 2020 and 30,638,960 issued and outstanding as of December 31, 2019	216	307
Additional paid in capital	1,125,554	410,596
Retained earnings	23,288	143,105
Total stockholders' equity	1,150,637	554,827
Non-controlling interest	159,406	226,665
Total equity	1,310,043	781,492
Total liabilities and equity	\$ 1,889,942	\$ 1,283,429

See Notes to Consolidated and Combined Financial Statements.

LIBERTY OILFIELD SERVICES INC.
Consolidated and Combined Statements of Operations
For the Years Ended December 31, 2020, 2019, and 2018
(In thousands, except per share data)

	2020	2019	2018
Revenue:			
Revenue	\$ 965,787	\$ 1,972,073	\$ 2,132,032
Revenue—related parties	—	18,273	23,104
Total revenue	965,787	1,990,346	2,155,136
Operating costs and expenses:			
Cost of services (exclusive of depreciation and amortization shown separately below)	857,981	1,621,180	1,628,753
General and administrative	84,098	97,589	98,420
Transaction, severance and other costs	21,061	—	632
Depreciation and amortization of intangible assets	180,084	165,379	125,110
(Gain) loss on disposal of assets	(411)	2,601	(4,342)
Total operating costs and expenses	1,142,813	1,886,749	1,848,573
Operating (loss) income	(177,026)	103,597	306,563
Other (income) and expense:			
Interest income	(297)	(983)	(382)
Interest expense	15,065	17,485	17,527
Interest income—related party	(263)	(1,821)	—
Total interest expense	14,505	14,681	17,145
Net (loss) income before income taxes	(191,531)	88,916	289,418
Income tax (benefit) expense	(30,857)	14,052	40,385
Net (loss) income	(160,674)	74,864	249,033
Less: Net (loss) income attributable to Predecessor, prior to Corporate Reorganization	—	—	8,705
Less: Net (loss) income attributable to non-controlling interests	(45,091)	35,861	113,979
Net (loss) income attributable to Liberty Oilfield Services Inc. stockholders	\$ (115,583)	\$ 39,003	\$ 126,349
Net (loss) income attributable to Liberty Oilfield Services Inc. stockholders per common share:			
Basic	\$ (1.36)	\$ 0.54	\$ 1.84
Diluted	\$ (1.36)	\$ 0.53	\$ 1.81
Weighted average common shares outstanding:			
Basic	85,242	72,334	68,838
Diluted	85,242	105,256	117,838

See Notes to Consolidated and Combined Financial Statements.

LIBERTY OILFIELD SERVICES INC.
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2020 and 2019
(In thousands, except share and per unit data)

	Shares of Class A Common Stock	Shares of Class B Common Stock	Class A Common Stock, Par Value	Class B Common Stock, Par Value	Additional Paid in Capital	Retained Earnings	Total Stockholders' equity	Non-controlling Interest	Total Equity
Balance—December 31, 2019	81,885	30,639	\$ 819	\$ 307	\$ 410,596	\$ 143,105	\$ 554,827	\$ 226,665	\$ 781,492
Exchange of Class B Common Stock for Class A Common Stock	9,089	(9,089)	91	(91)	59,474	—	59,474	(59,474)	—
Effect of exchange on deferred tax asset, net of liability under tax receivable agreements	—	—	—	—	2,430	—	2,430	—	2,430
Issuance of Class A Common Stock, net of issuance costs	66,326	—	663	—	599,618	—	600,281	81,900	682,181
Impact of ownership changes from issuance of Class A Common Stock	—	—	—	—	46,400	—	46,400	(46,400)	—
Deferred tax impact of ownership changes from issuance of Class A Common Stock	—	—	—	—	(6,337)	—	(6,337)	—	(6,337)
\$0.05/share of Class A Common Stock dividend	—	—	—	—	—	(4,244)	(4,244)	—	(4,244)
\$0.05/unit distribution to non-controlling unitholders	—	—	—	—	—	—	—	(1,532)	(1,532)
Other distributions and advance payments to non-controlling interest unitholders	—	—	—	—	(1)	—	(1)	569	568
Stock based compensation expense	—	—	—	—	12,976	—	12,976	4,163	17,139
Vesting of Restricted Stock Units	657	—	7	—	407	—	414	(1,402)	(988)
Restricted stock forfeited	(5)	—	(1)	—	(9)	10	—	8	8
Net loss	—	—	—	—	—	(115,583)	(115,583)	(45,091)	(160,674)
Balance—December 31, 2020	157,952	21,550	\$ 1,579	\$ 216	\$ 1,125,554	\$ 23,288	\$ 1,150,637	\$ 159,406	\$ 1,310,043

	Shares of Class A Common Stock	Shares of Class B Common Stock	Class A Common Stock, Par Value	Class B Common Stock, Par Value	Additional Paid in Capital	Retained Earnings	Total Stockholders' equity	Non-controlling Interest	Total Equity
Balance - December 31, 2018	68,360	45,207	\$ 684	\$ 452	\$ 312,659	\$ 119,274	\$ 433,069	\$ 307,745	\$ 740,814
Exchange of Class B Common Stock for Class A Common Stock	14,568	(14,568)	145	(145)	110,852	—	110,852	(110,852)	—
Offering Costs	—	—	—	—	(1,012)	—	(1,012)	(504)	(1,516)
Effect of exchange on deferred tax asset, net of liability under tax receivable agreements	—	—	—	—	5,930	—	5,930	—	5,930
Deferred tax impact of ownership changes from exchanges and repurchases	—	—	—	—	(11,130)	—	(11,130)	—	(11,130)
\$0.20/share of Class A Common Stock dividend	—	—	—	—	—	(15,177)	(15,177)	—	(15,177)
\$0.20/unit distributions to non-controlling unitholders	—	—	—	—	—	—	—	(7,747)	(7,747)
Other distributions and advance payments to non-controlling interest unitholders	—	—	—	—	—	—	—	(6)	(6)
Share repurchases	(1,303)	—	(13)	—	(13,017)	—	(13,030)	(4,068)	(17,098)
Stock based compensation expense	—	—	—	—	6,638	—	6,638	6,954	13,592
Vesting of restricted stock units	268	—	3	—	(302)	—	(299)	(740)	(1,039)
Restricted Stock and RSU Forfeitures	(8)	—	—	—	(22)	5	(17)	22	5
Net income	—	—	—	—	—	39,003	39,003	35,861	74,864
Balance - December 31, 2019	81,885	30,639	\$ 819	\$ 307	\$ 410,596	\$ 143,105	\$ 554,827	\$ 226,665	\$ 781,492

See Notes to Consolidated and Combined Financial Statements.

LIBERTY OILFIELD SERVICES INC.
Consolidated and Combined Statements of Cash Flows
For the Years Ended December 31, 2020, 2019, and 2018
(Dollars in thousands)

	2020	2019	2018
Cash flows from operating activities:			
Net (loss) income	\$ (160,674)	\$ 74,864	\$ 249,033
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	180,084	165,379	125,110
(Gain) loss on disposal of assets	(411)	2,601	(4,342)
Loss (gain) on tax receivable agreements	543	(122)	—
Amortization of debt issuance costs	2,232	2,205	4,031
Inventory write down	1,087	1,953	3,389
Non-cash lease expense	3,668	3,192	—
Stock based compensation expense	17,139	13,592	5,450
Deferred income tax (benefit) expense	(25,546)	23,408	20,488
Bad debt provision	4,877	1,053	—
Changes in operating assets and liabilities:			
Accounts receivable and unbilled revenue	53,057	(11,512)	23,074
Accounts receivable and unbilled revenue—related party	9,629	5,510	(11,096)
Inventories	2,137	(30,476)	(4,610)
Other assets	13,780	(6,464)	(32,771)
Accounts payable and accrued liabilities	(15,282)	22,386	(26,798)
Accounts payable and accrued liabilities—related party	—	(1,000)	300
Payment of operating lease liability	(895)	(5,469)	—
Net cash provided by operating activities	<u>85,425</u>	<u>261,100</u>	<u>351,258</u>
Cash flows from investing activities:			
Capital expenditures	(103,637)	(195,173)	(258,835)
Proceeds from disposal of assets	3,368	826	3,343
Net cash used in investing activities	<u>(100,269)</u>	<u>(194,347)</u>	<u>(255,492)</u>
Cash flows from financing activities:			
Proceeds from issuance of Class A Common Stock, net of underwriter discount	—	—	230,174
Redemption of LLC Units from Legacy Owners	—	—	(25,897)
Repayments of borrowings on term loan	(1,750)	(1,750)	(62,847)
Repayments of borrowings on line-of-credit	—	—	(30,000)
Proceeds from Liberty Oilfield Services Holdings LLC	—	—	2,115
Payments on finance lease obligations	(11,663)	(12,143)	—
Class A Common Stock dividends	(4,431)	(14,776)	(6,907)
Per unit distributions to non-controlling interest unitholders	(1,532)	(7,747)	(4,671)
Other distributions and advance payments to non-controlling interest unitholders	(6,800)	(6)	(21,288)
Tax withholding on restricted stock unit vesting	(988)	(1,039)	—
Share repurchases	—	(18,398)	(82,903)
Payments of debt issuance costs	(63)	—	(315)
Payment of equity offering costs	(1,641)	(1,516)	(6,236)
Net cash used in financing activities	<u>(28,868)</u>	<u>(57,375)</u>	<u>(8,775)</u>
Net (decrease) increase in cash and cash equivalents	(43,712)	9,378	86,991
Cash and cash equivalents—beginning of period	112,690	103,312	16,321
Cash and cash equivalents—end of period	<u>\$ 68,978</u>	<u>\$ 112,690</u>	<u>\$ 103,312</u>
Supplemental disclosure of cash flow information:			
Net cash (received) paid for income taxes	<u>\$ (9,653)</u>	<u>\$ 1,042</u>	<u>\$ 27,263</u>
Cash paid for interest	<u>\$ 11,218</u>	<u>\$ 12,642</u>	<u>\$ 13,957</u>
Non-cash investing and financing activities:			
Capital expenditures included in accounts payable and accrued liabilities	<u>\$ 10,920</u>	<u>\$ 32,143</u>	<u>\$ 45,703</u>
Equity issued in exchange for assets and liabilities	<u>\$ 683,822</u>	<u>\$ —</u>	<u>\$ —</u>

See Notes to Consolidated and Combined Financial Statements.

LIBERTY OILFIELD SERVICES INC.
Notes to Consolidated and Combined Financial Statements

Note 1—Organization and Basis of Presentation

Organization

Liberty Oilfield Services Inc. (the “Company”) was incorporated as a Delaware corporation on December 21, 2016, to become a holding corporation for Liberty Oilfield Services New HoldCo LLC (“Liberty LLC”) and its subsidiaries upon completion of a corporate reorganization (the “Corporate Reorganization”) and planned initial public offering of the Company (“IPO”). The Company has no material assets other than its ownership in Liberty LLC. Prior to the Corporate Reorganization, Liberty Oilfield Services Holdings LLC (“Liberty Holdings”) wholly owned Liberty Oilfield Services LLC (“LOS”) and LOS Acquisition CO I LLC (“ACQI” and, together with LOS, the “Predecessor”).

The Company, together with its subsidiaries, is a multi-basin provider of hydraulic fracturing services and goods, with a focus on deploying the latest technologies in the technically demanding oil and gas reservoirs in which it operates, principally in North Dakota, Colorado, Louisiana, Oklahoma, New Mexico, Wyoming, Texas and the provinces of Alberta and British Columbia, Canada.

Basis of Presentation

The accompanying consolidated and combined financial statements were prepared using generally accepted accounting principles in the United States of America (“GAAP”) and the instructions to Form 10-K, Regulation S-X and the rules and regulations of the Securities and Exchange Commission.

The accompanying consolidated and combined financial statements and related notes present the consolidated financial position, results of operations, cash flows, and equity of the Company as of and for the years ended December 31, 2020 and 2019, and the combined results of operations and cash flows of the Predecessor for the year ended December 31, 2018.

All intercompany amounts have been eliminated in the presentation of the consolidated financial statements of the Company and the combined financial statements of the Predecessor. Comprehensive income is not reported due to the absence of items of other comprehensive income or loss during the periods presented.

The consolidated and combined financial statements for periods prior to January 17, 2018, reflect the historical results of the Predecessor. The consolidated and combined financial statements include the amounts of the Company and all majority owned subsidiaries where the Company has the ability to exercise control.

The Company’s operations are organized into a single reportable segment, which consists of hydraulic fracturing services and goods.

Note 2—Significant Accounting Policies

Business Combinations

Business combinations are accounted for using the acquisition method of accounting in accordance with the *Accounting Standard Codification* (“ASC”) *Topic 805 - Business Combinations*, as amended by Accounting Standards Update (“ASU”) 2017-01, *Business Combinations (Topic 805), Clarifying the Definition of a Business*. The purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values. Fair value of the acquired assets and liabilities is measured in accordance with the guidance of ASC 850, *Fair Value Measurements*, using discounted cash flows and other applicable valuation techniques. Any acquisition related costs incurred by the Company are expensed as incurred. Any excess purchase price over the fair value of the net identifiable assets acquired is recorded as goodwill if the definition of a business is met. Operating results of an acquired business are included in our results of operations from the date of acquisition. Refer to Note 3—The OneStim Acquisition.

Use of Estimates

The preparation of consolidated and combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated and combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The consolidated and combined financial statements include certain amounts that are based on management’s best estimates and judgments. The most significant estimates relate to the fair value of assets acquired and liabilities assumed, collectibility of accounts receivable and estimates of allowance for doubtful accounts, the useful lives and salvage values of

LIBERTY OILFIELD SERVICES INC.
Notes to Consolidated and Combined Financial Statements

long-lived assets, future cash flows associated with long-lived assets, net realizable value of inventory, and equity unit valuation. These estimates may be adjusted as more current information becomes available.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Company continually monitors its positions with, and the credit quality of, the financial institutions with which it has banking relationships. As of the balance sheet date, and periodically throughout the year, the Company has maintained balances in various operating accounts in excess of federally insured limits.

Accounts Receivable

On January 1, 2020, the Company adopted ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”) using the modified-retrospective approach, which allows for a cumulative-effect adjustment to the consolidated balance sheet as of the beginning of the first reporting period in which the guidance is effective. Periods prior to the adoption date that are presented for comparative purposes are not adjusted.

The Company applies historic loss factors to its receivable portfolio segments that were not expected to be further impacted by current economic developments, and additional economic conditions factor to portfolio segments anticipated to experience greater losses in the current economic environment. Additionally, the Company continuously evaluates customers based on risk characteristics, such as historical losses and current economic conditions. Due to the cyclical nature of the oil and gas industry, the Company often evaluates its customers’ estimated losses on a case-by-case basis. While there was no impact to the financial statements as a result of adoption of ASU 2016-13, as a result of deteriorating economic conditions for the oil and gas industry brought on by the COVID-19 pandemic, during the year ended December 31, 2020 the Company recorded a provision for credit losses of \$4.9 million. During the year ended December 31, 2019 the Company recorded a provision for credit losses of \$1.1 million related to one customer that filed for bankruptcy. Provisions for credit losses are included in general and administrative expenses in the accompanying consolidated statement of operations, in accordance with the new standard. Refer to “Credit Risk” within Note 8—Fair Value Measurements and Financial Instruments for additional disclosures required under ASU 2016-13.

Inventories

Inventories consist of raw materials used in the hydraulic fracturing process, such as proppants, chemicals, and field service equipment maintenance parts and other and are stated at the lower of cost, determined using the weighted average cost method, or net realizable value. Inventories are charged to cost of services as used when providing hydraulic fracturing services. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable cost of completion, disposal, and transportation.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization expense is recognized on property and equipment, excluding land, utilizing the straight-line method over the estimated useful lives, ranging from two to 30 years. The Company estimates salvage values that it does not depreciate.

Construction in-progress, a component of property and equipment, represents long-lived assets not yet in service or being developed by the Company. These assets are not subject to depreciation until they are completed and ready for their intended use, at which point the Company reclassifies them to field services equipment or vehicles, as appropriate.

The Company assesses its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is assessed using undiscounted future net cash flows of assets grouped at the lowest level for which there are identifiable cash flows independent of the cash flows of other groups of assets. The Company determined the lowest level of identifiable cash flows to be at the asset group, which is the aggregate of the Company’s hydraulic fracturing fleets that are in service. A long-lived asset is not recoverable if its carrying amount exceeds the sum of estimated undiscounted cash flows expected to result from the use and eventual disposition. When alternative courses of action to recover the carrying amount of the asset group are under consideration, estimates of future undiscounted cash flows take into account possible outcomes and probabilities of their occurrence. If the carrying amount of the asset is not recoverable, an impairment loss is recognized in an amount by which its carrying amount exceeds its estimated fair value, such that its carrying amount is adjusted to its estimated fair value, with an offsetting charge to impairment expense.

The Company measures the fair value of its property and equipment using the discounted cash flow method. The expected future cash flows used for impairment reviews and related fair value calculations are based on judgmental assessments of projected revenue growth, fleet count, utilization, gross margin rates, selling, general and administrative rates, working capital fluctuations, capital expenditures, discount rates and terminal growth rates.

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During the first quarter of 2020, as a result of negative market indicators including the COVID-19 pandemic, the increased supply of low-priced oil, and customer cancellations, the Company concluded these triggering events could indicate possible impairment of property and equipment. The Company performed a quantitative and qualitative impairment analysis and determined that no impairment had occurred as of March 31, 2020. As of December 31, 2020, the Company concluded that no additional triggering events occurred and the conclusion reached at March 31, 2020 is still appropriate, and no impairment was recognized during the year ended December 31, 2020.

During 2019 and 2018, the Company did not test its long-lived assets for recoverability as there were no triggering events. No impairment was recognized during the years ended December 31, 2019 and 2018.

Major Maintenance Activities

The Company incurs maintenance costs on its major equipment. The determination of whether an expenditure should be capitalized or expensed requires management judgment in the application of how the costs incurred benefit future periods, relative to the Company's capitalization policy. Costs that either establish or increase the efficiency, productivity, functionality or life of a fixed asset are capitalized and depreciated over the remaining useful life of the asset.

Leases

On January 1, 2019, the Company adopted Accounting Standards Update ("ASU") No. 2016-02, *Leases* (Accounting Standard Codification ("ASC") Topic 842), as amended by other ASUs issued since February 2016 ("ASU 2016-02" or "ASC Topic 842"), using the modified retrospective transition method applied at the effective date of the standard. By electing this optional transition method, information prior to January 1, 2019 has not been restated and continues to be reported under the accounting standards in effect for the period (ASC Topic 840).

In accordance with ASC Topic 842, the Company determines if an arrangement is a lease at inception and evaluates identified leases for operating or finance lease treatment. Operating or finance lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Company uses the rate implicit in the lease, when available, or an estimated fully collateralized incremental borrowing rate corresponding with the lease term and the information available at the commencement date in determining the present value of lease payments. Lease terms may include options to renew, however, the Company typically cannot determine its intent to renew a lease with reasonable certainty at inception.

Deferred Financing Costs

Costs associated with obtaining debt financing are deferred and amortized to interest expense using the effective interest method. In accordance with ASU No. 2015-03 and 2015-15, for all periods the Company has reflected deferred financing costs related to term loan debt as a direct deduction from the carrying amount, and costs associated with line-of-credit arrangements as other assets.

Income Taxes

Following the IPO, the Company is a corporation and is subject to U.S. federal, state and local income tax on its share of Liberty LLC's taxable income. As a result of the IPO and Corporate Reorganization, the Company recorded deferred tax assets and liabilities for the difference between the book value of assets and liabilities for financial reporting purposes and those amounts applicable for income tax purposes.

Deferred income taxes are computed using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Deferred tax assets and liabilities are calculated using the enacted tax rates in effect for the year in which the deferred tax asset or liability is expected to reverse. The Company classifies all deferred tax assets and liabilities as non-current.

The Company recognizes the financial statement effects of a tax position when it is more-likely-than-not, based on the technical merits, that the position will be sustained upon examination. A tax position that meets the more-likely-than-not recognition threshold is measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority. Previously recognized tax positions are reversed in the first period in which it is no longer more-likely-than-not that the tax position would be sustained upon examination. Income tax related interest and penalties, if applicable, are recorded as a component of the provision for income tax expense.

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Tax Receivable Agreements

In connection with the IPO, on January 17, 2018, the Company entered into two Tax Receivable Agreements (the “TRAs”) with the R/C Energy IV Direct Partnership, L.P. and certain legacy owners that continued to own Liberty LLC Units (each such person and any permitted transferee, a “Tax Receivable Agreement Holder” and together, the “Tax Receivable Agreement Holders”). The TRAs generally provide for the payment by the Company of 85% of the net cash savings, if any, in U.S. federal, state, and local income tax and franchise tax (computed using simplifying assumptions to address the impact of state and local taxes) that the Company actually realizes (or is deemed to realize in certain circumstances) in periods after the IPO as a result, as applicable to each Tax Receivable Agreement Holder, of (i) certain increases in tax basis that occur as a result of the Company’s acquisition (or deemed acquisition for U.S. federal income tax purposes) of all or a portion of such Tax Receivable Agreement Holder’s Liberty LLC Units in connection with the IPO or pursuant to the exercise of the right (the “Redemption Right”) or the Company’s right (the “Call Right”), (ii) any net operating losses available to the Company as a result of the Corporate Reorganization, and (iii) imputed interest deemed to be paid by the Company as a result of, and additional tax basis arising from, any payments the Company makes under the TRAs.

With respect to obligations the Company expects to incur under the TRAs (except in cases where the Company elects to terminate the TRAs early, the TRAs are terminated early due to certain mergers, asset sales, or other changes of control or the Company has available cash but fails to make payments when due), generally the Company may elect to defer payments due under the TRAs if the Company does not have available cash to satisfy its payment obligations under the TRAs or if its contractual obligations limit its ability to make such payments. Any such deferred payments under the TRAs generally will accrue interest. In certain cases, payments under the TRAs may be accelerated and/or significantly exceed the actual benefits, if any, the Company realizes in respect of the tax attributes subject to the TRAs. The Company accounts for amounts payable under the TRAs in accordance with ASC Topic 450, *Contingencies*.

If the Company experiences a change of control (as defined under the TRAs) or the TRAs otherwise terminate early, the Company’s obligations under the TRAs could have a substantial negative impact on its 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.

Share Repurchases

The Company accounts for the purchase price of repurchased Class A Common Stock in excess of par value (\$0.01 per share of Class A Common Stock) as a reduction of additional paid-in capital, and will continue to do so until additional paid-in capital is reduced to zero. Thereafter, any excess purchase price will be recorded as a reduction to retained earnings.

Revenue Recognition

Effective January 1, 2018, the Company adopted a comprehensive new revenue recognition standard, ASC Topic 606-*Revenue from Contracts with Customers*. The Company adopted the standard using a modified retrospective method. The adoption of this standard did not have a material impact to the consolidated financial position, reported revenue, results of operations or cash flows as of and for the year ended December 31, 2018.

Under ASC Topic 606, revenue recognition is based on the transfer of control, or the customer’s ability to benefit from the services and products in an amount that reflects the consideration expected to be received in exchange for those services and products. In recognizing revenue for services and products, the transaction price is determined from sales orders or contracts with customers. Revenue is recognized at the completion of each fracturing stage, and in most cases the price at the end of each stage is fixed, however, in limited circumstances contracts may contain variable consideration.

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.

The Company also assesses customers’ ability and intention to pay, which is based on a variety of factors including historical payment experience and financial condition. Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 45 days.

In connection with the adoption of ASC Topic 842, the Company determined that certain of its service revenue contracts contain a lease component. The Company elected to adopt a practical expedient available to lessors, which allows the Company to combine the lease and non-lease components and account for the combined component in accordance with the accounting treatment for the predominant component. Therefore, the Company combines the lease and service component for certain of the Company’s service contracts and continues to account for the combined component under ASC Topic 606, *Revenue from Contracts with Customers*.

LIBERTY OILFIELD SERVICES INC.
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Deferred Revenue

From time to time, the Company may require partial payment in advance from new customers to secure credit or from existing customers in order to secure additional hydraulic fracturing services. Initially, such payments are recorded in the accompanying consolidated and combined financial statements as deferred revenue, and upon performance of the agreed services, the Company recognizes revenue consistent with its revenue recognition policy described above. As of December 31, 2020 and December 31, 2019, the Company had no amounts recorded as deferred revenue. During the year ended December 31, 2018, the Company recognized to revenue \$9.2 million of customer prepayments initially recorded as deferred revenue.

Fleet Start-up and Lay-down Costs

The Company incurs start-up costs to commission a new fleet or district. These costs include hiring and training of personnel, and acquisition of consumable parts and tools. During 2020, as a result of declining oil prices and reduced demand from the impact of global efforts to combat COVID-19, the Company also incurred lay-down costs between the time customer work was completed and prior to personnel lay-offs or furloughs. Start-up and lay-down costs are expensed as incurred, and are reflected in general and administrative expense in the consolidated and combined statement of operations. Start-up and lay-down costs incurred during the year ended December 31, 2020 of \$12.2 million related to the temporary lay-down and subsequent reactivation of 16 fleets for various periods during 2020. Start-up costs incurred during the years ended December 31, 2019 and 2018 of \$4.5 million and \$10.1 million, respectively, related to the establishment of one and three new fleets, respectively.

The terms and conditions of the Credit Facilities between the Company and its lenders provides for the add-back of costs or expenses incurred in connection with the acquisition, deployment and opening of any new hydraulic fracturing fleet or district in the computation of certain financial covenants. (See Note 7—Debt).

Transaction, Severance and Other Costs

The Company incurred transaction related costs in connection with the OneStim Acquisition (as defined below). Such costs include investment banking, legal, accounting and other professional services provided in connection with closing the transaction, and are expensed as incurred.

The Company also incurred severance and other costs related to the reduction in workforce in April 2020 and the commencement of furlough schedules for remaining employees in May 2020. Payments made to employees leaving the Company, as well as benefits paid to employees while on furlough are recorded to transaction, severance and other costs in the accompanying consolidated statements of operations for the year ended December 31, 2020. As of December 31, 2020, no employees were on furlough.

Reclassifications

Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements. These reclassifications had no effect on the previously reported net income.

Recently Adopted Accounting Standards*Credit Losses*

In June 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”), which changes the impairment model for most financial assets and certain other instruments. Specifically, this new guidance requires using a forward looking, expected loss model for trade and other receivables, held-to-maturity debt securities, loans, and other instruments. Under ASU 2016-13, a company recognizes, as an allowance, the estimate of lifetime expected credit losses, which is expected to result in more timely recognition of such losses. Refer to “Credit Risk” within Note 8—Fair Value Measurements and Financial Instruments for additional disclosures required under ASU 2016-13.

Fair Value Measurement

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement* (“ASU 2018-13”), which eliminates, adds and modifies certain disclosure requirements for fair value measurements. The Company adopted ASU 2018-13 on January 1, 2020 and determined the adoption of this standard did not impact the Company’s consolidated financial statements. Refer to Note 8—Fair Value Measurements and Financial Instruments for the disclosures required under ASU 2018-13.

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Leases

In April 2020, the FASB issued FASB Staff Q&A *Topic 842 and Topic 840: Accounting for Lease Concessions Related to the Effects of the COVID-19 Pandemic* (the “Q&A”), which allows companies to elect to recognize the impact of COVID-19 rent concessions, including rent deferrals, within the current period, rather than recognizing these concessions as a lease modification in accordance with lease guidance, ASU No. 2016-02, *Leases (ASC Topic 842)*, if the total lease payments of the modified lease are substantially the same as or less than the total original lease payments. According to the Q&A, entities are to make an election to account for lease concessions related to the effects of the COVID-19 pandemic consistent with how those concessions would be accounted for under Topic 842 and ASC Topic 840, Leases as though enforceable rights and obligations for those concessions existed. The adoption of the Q&A did not have a material impact on the accompanying consolidated financial statements.

Recently Issued Accounting Standards

Simplification of Accounting for Income Taxes

In December 2019, the FASB issued ASU No. 2019-12, *Simplification of Accounting for Income Taxes*, which simplifies the accounting for income taxes by providing new guidance to reduce complexity and eliminate certain exceptions to the general approach to the income tax accounting model. The guidance is effective for annual periods beginning after December 15, 2020. The Company plans to adopt the new rules in the first quarter of 2021 and does not expect it will have a material impact on the financial statements.

Reference Rate Reform

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform*, which provides temporary optional guidance to companies impacted by the transition away from the London Interbank Offered Rate (“LIBOR”). The guidance provides certain expedients and exceptions to applying GAAP in order to lessen the potential accounting burden when contracts, hedging relationships, and other transactions that reference LIBOR as a benchmark rate are modified. This guidance is effective upon issuance and expires on December 31, 2022. The Company is currently assessing the impact of the LIBOR transition and this ASU on the Company’s consolidated financial statements.

Codification Improvements

In October 2020, the FASB issued ASU No. 2020-10, *Codification Improvements*, which clarifies various topics, including the addition of existing disclosure requirements to the relevant disclosure sections. This update does not change GAAP, and therefore, is not expected to result in a significant change in accounting practices. The guidance is effective for fiscal periods beginning after December 15, 2020, as the amendment pertains to disclosure items only, the Company plans to adopt the new rules for the first quarter of 2021.

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Note 3—The OneStim Acquisition

On August 31, 2020 the Company and certain of its subsidiaries entered into the certain Master Transaction Agreement (the “Transaction Agreement”) with Schlumberger Technology Corporation and Schlumberger Canada Limited (collectively “Schlumberger”), pursuant to which the Company acquired certain assets and liabilities of Schlumberger’s OneStim® business, which provides hydraulic fracturing pressure pumping services in onshore United States and Canada (such entire business of Schlumberger “OneStim,” and the portion of OneStim acquired pursuant to the Transaction Agreement the “Transferred Business”) in exchange for 57,377,232 shares of Class A Common Stock and a non-interest bearing demand promissory note (the “Canadian Buyer Note” and such acquisition, the “OneStim Acquisition”). The Canadian Buyer Note was settled for 8,948,902 shares of Class A Common Stock, and a total of 66,326,134 shares of Class A Common Stock were issued in connection with the OneStim Acquisition. Effective December 31, 2020, Schlumberger owns 37.0% of the Company’s issued and outstanding shares of common stock, including Class A Common Stock and Class B Common Stock. In connection with the issuance of 66,326,134 shares of Class A Common Stock, Liberty LLC also issued 66,326,134 Liberty LLC Units to the Company.

The OneStim Acquisition was completed for total consideration of approximately \$683.8 million based on the value of the Canadian Buyer Note and the closing price of Liberty’s Class A Common Stock on December 31, 2020. The Company accounted for the OneStim Acquisition using the acquisition method of accounting. The aggregate purchase price noted above was allocated to the major categories of assets acquired and liabilities assumed based upon their estimated fair value at the date of the acquisition. The estimated fair values of certain assets and liabilities, including accounts receivable, require significant judgments and estimates. The majority of the measurements of assets acquired and liabilities assumed, are based on inputs that are not observable in the market and thus represent Level 3 inputs.

In accordance with ASC Topic 805, an acquirer is allowed a period, referred to as the measurement period, in which to complete its accounting for the transaction. Such measurement period ends at the earliest date that the acquirer a) receives the information necessary or b) determines that it cannot obtain further information, and such period may not exceed one year. As the OneStim Acquisition closed on December 31, 2020 the Company is in the process of completing the initial purchase price allocation, particularly as it relates to current assets and current liabilities, which are subject to certain minimum working capital contribution requirements under the Transaction Agreement. Such minimum working capital contribution calculations are subject to review and adjustment in order to determine final settlement. In addition, certain inventories are considered provisional until the Company has completed physical inventory counts at each warehouse.

The following table summarizes the fair value of the consideration transferred in the OneStim Acquisition and the preliminary allocation of the purchase price to the fair value of the assets acquired and liabilities assumed as of December 31, 2020, the date of the closing of the OneStim Acquisition:

(\$ in thousands)

Total Purchase Consideration:

Consideration	\$	683,822
Accounts receivable and unbilled revenue	\$	128,602
Inventories		33,245
Prepaid and other current assets		30,859
Property and equipment (1)		559,716
Intangible assets (included in other assets in the accompanying consolidated balance sheet as of December 31, 2020) (2)		54,000
Total identifiable assets acquired		806,422
Accounts payable		75,522
Accrued liabilities		47,078
Total liabilities assumed		122,600
Total purchase consideration	\$	683,822

- (1) Useful lives ranging from two to greater than 25 years, see Note 5—Property and Equipment
(2) Definite lived intangibles with an average amortization period of five years

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Transaction costs, costs associated with issuing additional equity and integration costs were recognized separately from the acquisition of assets and assumptions of liabilities in the OneStim Acquisition. Transaction costs consist of legal and professional fees and pre-merger notification fees. Equity offering costs consist of expenses incurred related to the Special Meeting of Stockholders, including the costs to prepare the required filings associated with such meeting, held on November 3, 2020. Integration costs consist of expenses incurred to integrate OneStim's operations, aligning accounting processes and procedures, and integrating its enterprise resource planning system with those of the Company. Merger and integration costs are expensed as incurred, and equity offering costs were recorded as a reduction to additional paid in capital.

Transaction costs were \$8.5 million, for the year ended December 31, 2020 and are recorded as a component of transaction, severance and other costs in the accompanying consolidated statements of operations. Equity offering costs totaled \$1.6 million for the year ended December 31, 2020 and are recorded as a reduction to additional paid in capital in the accompanying consolidated balance sheets.

The following combined pro forma information assumes the OneStim Acquisition occurred on January 1, 2020. The pro forma information presented below is for illustrative purposes only and does not reflect future events that occurred after December 31, 2020 or any operating efficiencies of inefficiencies that may result from the OneStim Acquisition. Additionally, the pro forma information excludes acquisition related costs incurred by the Company of approximately \$8.5 million for the year ended December 31, 2020. The information is not necessarily indicative of results that would have been achieved had the Company controlled OneStim during the periods presented.

(unaudited, in thousands)	Years ended December 31,	
	2020	2019
Revenue	\$ 2,191,894	\$ 5,174,346
Net loss	(1,052,807)	(1,074,735)
Less: Net loss attributable to non-controlling interests	(196,020)	(285,178)
Net loss attributable to Liberty Oilfield Services Inc. stockholders	<u>\$ (856,787)</u>	<u>\$ (789,557)</u>
Net loss attributable to Liberty Oilfield Services Inc. stockholders per common share:		
Basic	\$ (5.65)	\$ (5.69)
Diluted	\$ (5.65)	\$ (5.69)
Weighted average common shares outstanding:		
Basic	151,568	138,660
Diluted	151,568	138,660

The Company's consolidated statements of operations for the year ended December 31, 2020 does not include any results from OneStim operations as the OneStim Acquisition closed on December 31, 2020.

LIBERTY OILFIELD SERVICES INC.
Notes to Consolidated and Combined Financial Statements

Note 4—Inventories

Inventories consist of the following:

(\$ in thousands)	December 31,	
	2020	2019
Proppants	\$ 13,658	\$ 14,013
Chemicals	16,434	10,076
Maintenance parts	88,476	64,458
	<u>\$ 118,568</u>	<u>\$ 88,547</u>

During the years ended December 31, 2020 and December 31, 2019, the lower of cost or net realizable value analysis resulted in the Company recording a write-down to inventory carrying values of \$1.1 million and \$2.0 million, respectively, included as a component in cost of services in the consolidated statements of operations.

Note 5—Property and Equipment

Property and equipment consist of the following:

(\$ in thousands)	Estimated useful lives (in years)	December 31,	
		2020	2019
Land	N/A	\$ 38,346	\$ 5,400
Field services equipment	2-7	1,249,933	978,418
Vehicles	4-7	59,741	60,290
Buildings and facilities	5-30	156,109	29,930
Mineral reserves	>25	78,793	—
Office equipment and furniture	2-7	6,840	6,623
		<u>1,589,762</u>	<u>1,080,661</u>
Less accumulated depreciation and amortization		<u>(622,530)</u>	<u>(455,687)</u>
		967,232	624,974
Construction in-progress	N/A	153,718	26,729
		<u>\$ 1,120,950</u>	<u>\$ 651,703</u>

During the years ended December 31, 2020, 2019 and 2018, the Company recognized depreciation expense of \$169.9 million, \$153.6 million and \$124.9 million respectively.

During the year ended December 31, 2020, as a result of negative market indicators including the COVID-19 pandemic, the increased supply of low-priced oil, and customer cancellations, the Company concluded these triggering events could indicate possible impairment of property and equipment. The Company performed a quantitative and qualitative impairment analysis and determined that no impairment had occurred as of March 31, 2020. As of December 31, 2020, the Company concluded that no additional triggering events occurred and the conclusion reached at March 31, 2020 is still appropriate. Such analysis required management to make estimates and assumptions based on historical data and consideration of future market conditions. Given the uncertainty inherent in any projection, heightened by the possibility of unforeseen additional effects of COVID-19, actual results may differ from the estimates and assumptions used, or conditions may change, which could result in impairment charges in the future.

In November 2018, one of the Company's hydraulic frac fleets was involved in an accidental fire, which resulted in damage to a portion of the equipment in that fleet. The Company accrued \$15.7 million of insurance proceeds for replacement cost of the damaged equipment, which is presented in prepaid and other current assets on the accompanying consolidated balance sheets as of December 31, 2018. The accrued insurance proceeds offset the \$4.3 million loss recognized on the damaged equipment. The resulting net gain of \$11.5 million was recognized in (gain) loss on disposal of assets for the year ended December 31, 2018.

Note 6—Leases

The Company has operating and finance leases primarily for vehicles, equipment, railcars, office space, and facilities. The terms and conditions for these leases vary by the type of underlying asset.

Certain leases include variable lease payments for items such as property taxes, insurance, maintenance, and other operating expenses associated with leased assets. Payments that vary based on an index or rate are included in the measurement of lease assets and liabilities at the rate as of the commencement date. All other variable lease payments are excluded from the measurement of lease assets and liabilities, and are recognized in the period in which the obligation for those payments is incurred.

The components of lease expense for the years ended as of December 31, 2020, and 2019 were as follows:

(\$ in thousands)	2020	2019
Finance lease cost:		
Amortization of right-of-use assets	\$ 8,115	\$ 10,256
Interest on lease liabilities	1,770	2,652
Operating lease cost	25,817	20,731
Variable lease cost	2,935	3,118
Sublease (income)	(113)	—
Total lease cost, net	\$ 38,524	\$ 36,757

In accordance with prior guidance, ASC 840, *Leases*, total rent expense was \$40.9 million for the year ended December 31, 2018.

Supplemental cash flow and other information related to leases as of December 31, 2020 and 2019 were as follows:

(\$ in thousands)	2020	2019
Cash paid for amounts included in measurement of liabilities:		
Operating leases	\$ 23,612	\$ 20,849
Finance leases	13,433	14,795
Right-of-use assets upon adoption of ASC 842 and obtained in exchange for new lease liabilities:		
Operating leases	29,663	70,611
Finance leases	10,921	65,333

During the year ended December 31, 2020, the Company amended certain finance leases, the change in terms of which caused the leases to be reclassified to operating leases. In connection with the amendments, the Company wrote-off finance lease right-of-use assets and liabilities of \$22.5 million and \$19.0 million, respectively, and recognized operating lease right-of-use assets and liabilities of \$18.6 million and \$15.1 million, respectively. There was no gain or loss recognized as a result of these amendments.

Lease terms and discount rates as of December 31, 2020 and 2019 were as follows:

	December 31, 2020	December 31, 2019
Weighted-average remaining lease term:		
Operating leases	5.9 years	6.4 years
Finance leases	1.5 years	1.3 years
Weighted-average discount rate:		
Operating leases	4.8 %	5.4 %
Finance leases	5.8 %	5.2 %

Future minimum lease commitments as of December 31, 2020 are as follows:

(\$ in thousands)	Finance	Operating
2021	\$ 21,270	\$ 26,546
2022	8,298	18,773
2023	4,163	8,424
2024	—	5,750
2025	—	4,155
Thereafter	—	21,980
Total lease payments	33,731	85,628
Less imputed interest	(1,833)	(11,717)
Total	\$ 31,898	\$ 73,911

The Company's vehicle leases typically include a residual value guarantee. For the Company's vehicle leases classified as operating leases, the total residual value guaranteed as of December 31, 2020 is \$8.7 million; the payment is not probable and therefore has not been included in the measurement of the lease liability and right-of-use asset. For vehicle leases that are classified as finance leases, the Company includes the residual value guarantee, estimated in the lease agreement, in the financing lease liability.

Note 7—Debt

Debt consists of the following:

	December 31,	
	2020	2019
Term Loan Outstanding	\$ 108,215	\$ 109,966
Revolving Line of Credit	—	—
Deferred financing costs and original issue discount	(2,440)	(3,826)
Total debt, net of deferred financing costs and original issue discount	\$ 105,775	\$ 106,140
Current portion of long-term debt, net of discount	\$ 364	\$ 409
Long-term debt, net of discount and current portion	105,411	105,731
	\$ 105,775	\$ 106,140

On September 19, 2017, the Company entered into two new credit agreements for a revolving line of credit up to \$250.0 million (the "ABL Facility") and a \$175.0 million term loan (the "Term Loan Facility", and together with the ABL Facility the "Credit Facilities").

ABL Facility

Under the terms of the ABL Facility, up to \$250.0 million may be borrowed, subject to certain borrowing base limitations based on a percentage of eligible accounts receivable and inventory. On May 29, 2020 the Company amended the ABL Facility to allow accounts receivables that are more than 90 but less than 120 days past their original invoice date to be included in the determination of eligible accounts receivables, up to a limit of \$37.5 million when combined with receivables that are more than 60 but less than 90 days past their due date to be included in the borrowing base. The expanded borrowing base terms were in effect from May 1, 2020 through December 31, 2020.

As of December 31, 2020, the borrowing base was calculated to be \$115.1 million, and the Company had no borrowings outstanding, except for a letter of credit in the amount of \$0.8 million, with \$114.3 million of remaining availability. Borrowings under the ABL Facility bear interest at LIBOR or a base rate, plus an applicable LIBOR margin of 1.5% to 2.0% or base rate margin of 0.5% to 1.0%, as defined in the ABL Facility credit agreement. The unused commitment is subject to an unused commitment fee of 0.375% to 0.5%. Interest and fees are payable in arrears at the end of each month, or, in the case of LIBOR loans, at the end of each interest period. The ABL Facility matures on the earlier of (i) September 19, 2022, and (ii) to the extent the debt under the Term Loan Facility remains outstanding, 90 days prior to the final maturity of the Term Loan Facility, which matures on September 19, 2022. Borrowings under the ABL Facility are collateralized by accounts receivable

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and inventory, and further secured by the Company, Liberty LLC and R/C IV Non-U.S. LOS Corp., a Delaware corporation and a subsidiary of the Company, as parent guarantors.

Term Loan Facility

The Term Loan Facility provides for a \$175.0 million term loan, of which \$108.2 million remained outstanding as of December 31, 2020. Amounts outstanding bear interest at LIBOR or a base rate, plus an applicable margin of 7.625% or 6.625%, respectively, and the weighted average rate on borrowings was 8.6% as of December 31, 2020. The Company is required to make quarterly principal payments of 1% per annum of the outstanding principal balance, commencing on December 31, 2017, with final payment due at maturity on September 19, 2022. The Term Loan Facility is collateralized by the fixed assets of LOS and its subsidiaries, and is further secured by the Company, Liberty LLC and R/C IV Non-U.S. LOS Corp., a Delaware corporation and a subsidiary of the Company, as parent guarantors.

The Credit Facilities include certain non-financial covenants, including but not limited to restrictions on incurring additional debt and certain distributions. Moreover, the ability of the Company to incur additional debt and to make distributions is dependent on maintaining a maximum leverage ratio. The Term Loan Facility requires mandatory prepayments upon certain dispositions of property or issuance of other indebtedness, as defined, and annually a percentage of excess cash flow (25% to 50%, depending on leverage ratio, of consolidated net income less capital expenditures and other permitted payments, commencing with the year ending December 31, 2018). Certain mandatory prepayments and optional prepayments are subject to a prepayment premium of 3% of the prepaid principal declining annually to 1% during the first three years of the term of the Term Loan Facility.

The Credit Facilities are not subject to financial covenants unless liquidity, as defined in the respective credit agreements, drops below a specified level. Under the ABL Facility, the Company is required to maintain a minimum fixed charge coverage ratio, as defined in the credit agreement governing the ABL Facility, of 1.0 to 1.0 for each period if excess availability is less than 10% of the borrowing base or \$12.5 million, whichever is greater. Under the Term Loan Facility, the Company is required to maintain a minimum fixed charge coverage ratio, as defined, of 1.2 to 1.0 for each trailing twelve-month period if the Company's liquidity, as defined, is less than \$25.0 million for at least five consecutive business days.

The Company was in compliance with these covenants as of December 31, 2020.

Maturities of debt are as follows:

(\$ in thousands)

Years Ending December 31,

2021	\$	1,750
2022		106,465
2023		—
2024		—
2025		—
	<u>\$</u>	<u>108,215</u>

Note 8—Fair Value Measurements and Financial Instruments

The fair values of the Company's assets and liabilities represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction at the reporting date. These fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Company's own judgments about the assumptions that market participants would use in pricing the asset or liability. The Company discloses the fair values of its assets and liabilities according to the quality of valuation inputs under the following hierarchy:

- Level 1 Inputs: Quoted prices (unadjusted) in an active market for identical assets or liabilities.
- Level 2 Inputs: Inputs other than quoted prices that are directly or indirectly observable.
- Level 3 Inputs: Unobservable inputs that are significant to the fair value of assets or liabilities.

The classification of an asset or liability is based on the lowest level of input significant to its fair value. Those that are initially classified as Level 3 are subsequently reported as Level 2 when the fair value derived from unobservable inputs is inconsequential to the overall fair value, or if corroborated market data becomes available. Assets and liabilities that are initially

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reported as Level 2 are subsequently reported as Level 3 if corroborated market data is no longer available. Transfers occur at the end of the reporting period. There were no transfers into or out of Levels 1, 2 and 3 during the years ended December 31, 2020 and 2019.

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, notes receivable, accounts payable, accrued liabilities, long-term debt, and finance and operating lease obligations. These financial instruments do not require disclosure by level. The carrying values of all the Company's financial instruments included in the accompanying balance sheets approximated or equaled their fair values at December 31, 2020 and 2019.

- The carrying values of cash and cash equivalents, accounts receivable and accounts payable (including accrued liabilities) approximated fair value at December 31, 2020 and 2019, due to their short-term nature.
- The carrying value of amounts outstanding under long-term debt agreements with variable rates approximated fair value at December 31, 2020 and 2019, as the effective interest rates approximated market rates.

Nonrecurring Measurements

Certain assets and liabilities 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. These assets and liabilities include those acquired through the OneStim Acquisition, which are required to be measured at fair value on the acquisition date in accordance with *ASC Topic 805*. See Note 3—The OneStim Acquisition.

Other assets measured at fair value on a nonrecurring basis consist of notes receivable—related party from the Affiliate, as defined and described in Note 13—Related Party Transactions. The note was initially recorded for the trade receivables, created in the normal course of business, due from the Affiliate as of the Agreement Date, as defined in Note 13—Related Party Transactions. There were no identified events or changes in circumstances that had a significant adverse effect on the fair value of the notes receivable. These notes are classified as Level 3 in the fair value hierarchy as the inputs to the determination of fair value are based upon unobservable inputs. As of December 31, 2020 and December 31, 2019, notes receivable—related party from the Affiliate totaled \$0 and \$2.5 million, respectively.

Recurring Measurements

The fair values of the Company's cash equivalents measured on a recurring basis pursuant to *ASC 820-10 Fair Value Measurements and Disclosures* are carried at estimated fair value. Cash equivalents consist of money market accounts which the Company has classified as Level 1 given the active market for these accounts. As of December 31, 2020 and 2019, the Company had cash equivalents, measured at fair value, of \$21.3 million and \$86.9 million, respectively.

Nonfinancial assets

The Company estimates fair value to perform impairment tests as required on long-lived assets. The inputs used to determine such fair value are primarily based upon internally developed cash flow models and would generally be classified within Level 3 in the event that such assets were required to be measured and recorded at fair value within the consolidated financial statements. Although a triggering event occurred during the year ended December 31, 2020 (see Note 5—Property and Equipment), no such measurements were required as of December 31, 2020 and 2019.

Credit Risk

The Company's financial instruments exposed to concentrations of credit risk consist primarily of cash and cash equivalents, and trade receivables.

The Company's cash and cash equivalents balance on deposit with financial institutions total \$69.0 million and \$112.7 million as of December 31, 2020 and 2019, respectively, which, as of certain dates, exceeded FDIC insured limits. The Company regularly monitors these institutions' financial condition.

The majority of the Company's customers have payment terms of 45 days or less. The Company mitigates the associated credit risk by performing credit evaluations and monitoring the payment patterns of its customers. Concentrations of receivables and revenues were as follows:

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	Portion of total of consolidated accounts receivable and unbilled revenue as of December 31,		Portion of consolidated revenues for the year ended December 31,		
	2020	2019	2020	2019	2018
Customer A	11 %	— %	12 %	— %	— %
Customer B	11 %	— %	11 %	— %	— %
Customer C	— %	12 %	10 %	— %	— %
Customer D	— %	— %	10 %	— %	— %
Customer E	— %	— %	— %	— %	11 %

As of December 31, 2020, the Company had \$0.8 million in allowance for credit losses. Subsequent to the adoption of ASU 2016-13 (see “Credit Losses” within Note 2—Significant Accounting Policies—*Recently Adopted Accounting Standards*) on January 1, 2020, the Company recognized a \$4.9 million allowance for credit losses, to the Company’s accounts receivables in consideration of both historic collection experience and the expected impact of deteriorating economic conditions for the oil and gas industry at the time, and one customer that entered bankruptcy proceedings during the year.

The Company applied historic loss factors to its receivable portfolio segments that were not expected to be further impacted by current economic developments, and an additional economic conditions factor to portfolio segments anticipated to experience greater losses in the current economic environment. While the Company has not experienced significant credit losses in the past and did not see during 2020 material changes to the payment patterns of its customers, the Company cannot predict with any certainty the degree to which the ongoing impacts of COVID-19, including the potential impact of periodically adjusted borrowing base limits, level of hedged production, or unforeseen well shut-ins may affect the ability of its customers to timely pay receivables when due. Accordingly, in future periods, the Company may revise its estimates of expected credit losses.

As of December 31, 2019, the Company recorded a provision related to one specific entity engaged in the business of oil and gas exploration and production that had filed for bankruptcy. As of December 31, 2018 the Company had no provision for credit losses.

(\$ in thousands)	2020	2019	2018
Allowance for credit losses, beginning of year	\$ 1,053	\$ —	\$ —
Credit losses:			
Current period provision	4,877	1,053	—
Amounts written off, net of recoveries	(5,157)	—	—
Allowance for credit losses, end of year	<u>\$ 773</u>	<u>\$ 1,053</u>	<u>\$ —</u>

Note 9—Equity

Preferred Stock

As of December 31, 2020 and 2019 the Company had 10,000 shares of preferred stock authorized, par value \$0.01, with none issued and outstanding. If issued, each class or series of preferred stock will cover the number of shares and will have the powers, preferences, rights, qualifications, limitations and restrictions determined by the Company’s board of directors, which may include, among others, dividend rights, liquidation preferences, voting rights, conversion rights, preemptive rights and redemption rights. Except as provided by law or in a preferred stock designation, the holders of preferred stock will not be entitled to vote at or receive notice of any meeting of shareholders.

Class A Common Stock

The Company had a total of 157,952,213 shares of Class A Common Stock outstanding as of December 31, 2020, none of which were restricted. As of December 31, 2019, the Company had a total of 81,885,384 shares of Class A Common Stock outstanding, which included 268,205 shares of restricted stock. Holders of Class A Common Stock are entitled to one vote per share on all matters to be voted upon by the stockholders and are entitled to ratably receive dividends when and if declared by the Company’s board of directors.

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Class B Common Stock

The Company had a total of 21,550,282 and 30,638,960 shares of Class B Common Stock outstanding as of December 31, 2020 and 2019, respectively. Holders of the Class B Common Stock are entitled to one vote per share on all matters to be voted upon by stockholders. Holders of Class A Common Stock and Class B Common Stock vote together as a single class on all matters presented to the Company's stockholders for their vote or approval, except with respect to amendment of certain provisions of the Company's certificate of incorporation that would alter or change the powers, preferences or special rights of the Class B Common Stock so as to affect them adversely, which amendments must be by a majority of the votes entitled to be cast by the holders of the shares affected by the amendment, voting as a separate class, or as otherwise required by applicable law.

Holders of Class B Common Stock do not have any right to receive dividends, unless the dividend consists of shares of Class B Common Stock or of rights, options, warrants or other securities convertible or exercisable into or exchangeable for shares of Class B Common Stock paid proportionally with respect to each outstanding share of Class B Common Stock and a dividend consisting of shares of Class A Common Stock or of rights, options, warrants or other securities convertible or exercisable into or exchangeable for shares of Class A Common Stock on the same terms is simultaneously paid to the holders of Class A Common Stock. Holders of Class B Common Stock do not have any right to receive a distribution upon liquidation or winding up of the Company.

Under the Second Amended and Restated Limited Liability Company Agreement of Liberty LLC (the "Liberty LLC Agreement"), each Liberty Unit Holder has, subject to certain limitations, the Redemption Right, which allows it to cause Liberty LLC to acquire all or a portion of its Liberty LLC Units, for, at Liberty LLC's election, (i) shares of Class A Common Stock at a redemption ratio of one share of Class A Common Stock for each Liberty LLC Unit redeemed, subject to conversion rate adjustments for stock splits, stock dividends and reclassification and other similar transactions or (ii) an equivalent amount of cash. Alternatively, upon the exercise of the Redemption Right, the Company (instead of Liberty LLC) will have the Call Right, which allows it to, for administrative convenience, acquire each tendered Liberty LLC Unit directly from the redeeming Liberty Unit Holder for, at its election, (x) one share of Class A Common Stock or (y) an equivalent amount of cash. In addition, upon a change of control of the Company, the Company has the right to require each holder of Liberty LLC Units (other than the Company) to exercise its Redemption Right with respect to some or all of such unitholder's Liberty LLC Units. In connection with any redemption of Liberty LLC Units pursuant to the Redemption Right or the Call Right, the corresponding number of shares of Class B Common Stock will be canceled.

Unit-Based Compensation

Prior to the IPO and Corporate Reorganization, Liberty Holdings issued Class B units of Liberty Holdings ("Legacy Units") to certain eligible employees of the Company. The Legacy Units were non-voting, except with respect to such matters that units are entitled to vote as a matter of law. In such cases, each Legacy Unit entitled the holder to 1/1000th of one vote. Certain Legacy Units granted to eligible participants had an assigned benchmark value and were subject to vesting in accordance with the terms of each award letter. Upon termination of the holder's employment for any reason, Liberty Holdings had the right, but not the obligation, to repurchase from the recipient those vested Legacy Units at fair value.

The Company recognizes compensation expense for equity-based Legacy Units issued to employees based on the grant-date fair value of the awards and each award's requisite service period. With the assistance from a third-party valuation expert, the Predecessor determined that the Legacy Units issued to employees were deemed to have a de minimis grant-date fair value based on their assigned benchmark values. In connection with the Corporate Reorganization, the unvested Legacy Units were exchanged for 1,258,514 shares of restricted stock with the same terms and requisite vesting conditions as the Legacy Units. All shares of restricted stock were vested as of December 31, 2020.

Restricted Stock Awards

Restricted stock awards are awards of Class A Common Stock that are subject to restrictions on transfer and to a risk of forfeitures if the award recipient is no longer an employee or director of the Company for any reason prior to the lapse of the restrictions.

The following table summarizes the Company's unvested restricted stock activity for the year ended December 31, 2020:

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	Number of Shares	Grant Date Fair Value per Share ⁽¹⁾
Restricted Shares as of December 31, 2019	268,205	—
Vested	(263,818)	—
Forfeited	(4,387)	—
Outstanding at December 31, 2020	—	\$ —

⁽¹⁾ As discussed above, the shares of restricted stock retain the grant date fair value of the Legacy Units.

Long Term Incentive Plan

On January 11, 2018, the Company adopted the Long Term Incentive Plan (“LTIP”) to incentivize employees, officers, directors and other service providers of the Company and its affiliates. The LTIP provides for the grant, from time to time, at the discretion of the Company’s board of directors or a committee thereof, of stock options, stock appreciation rights, restricted stock, restricted stock units, stock awards, dividend equivalents, other stock-based awards, cash awards, substitute awards and performance awards. Subject to adjustment in the event of certain transaction or changes of capitalization in accordance with the LTIP, 12,908,734 shares of Class A Common Stock have been reserved for issuance pursuant to awards under the LTIP. Class A Common stock subject to an award that expires or is canceled, forfeited, exchanged, settled in cash or otherwise terminated without delivery of shares and shares withheld to pay the exercise price of, or to satisfy the withholding obligations with respect to, an award will again be available for delivery pursuant to other awards under the LTIP.

Restricted Stock Units

Restricted stock units (“RSUs”) granted pursuant to the LTIP, if they vest, will be settled in shares of the Company’s Class A Common Stock. RSUs were granted with vesting terms up to five years. Changes in non-vested RSUs outstanding under the LTIP during the year ended December 31, 2020 were as follows:

	Number of Units	Weighted Average Grant Date Fair Value per Unit
Non-vested as of December 31, 2019	1,734,535	\$ 16.97
Granted	1,449,329	7.72
Vested	(935,124)	17.15
Forfeited	(65,706)	11.93
Outstanding at December 31, 2020	2,183,034	\$ 10.90

Performance Restricted Stock Units

Performance restricted stock units (“PSUs”) granted pursuant to the LTIP, if they vest, will be settled in shares of the Company’s Class A Common Stock. PSUs were granted with a three year cliff vesting schedule, subject to a performance target compared to an index of competitors’ results over a three year period as designated in the award. The Company records compensation expense based on the Company’s best estimate of the number of PSUs that will vest at the end of the performance period. If such performance targets are not met, or are not expected to be met, no compensation expense is recognized and any recognized compensation expense is reversed. Changes in non-vested PSUs outstanding under the LTIP during the year ended December 31, 2020 were as follows:

	Number of Units	Weighted Average Grant Date Fair Value per Unit
Non-vested as of December 31, 2019	329,277	\$ 14.93
Granted	392,948	9.62
Vested	—	—
Forfeited	—	—
Outstanding at December 31, 2020	722,225	\$ 12.04

Stock-based compensation is included in cost of services and general and administrative expenses in the Company’s consolidated and combined statements of operations. The Company recognized stock based compensation expense of \$17.1 million for the year ended December 31, 2020 and \$13.6 million for the year ended December, 31, 2019. There was

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approximately \$18.9 million of unrecognized compensation expense relating to outstanding RSUs and PSUs as of December 31, 2020. The unrecognized compensation expense will be recognized on a straight-line basis over the weighted average remaining vesting period of 2 years.

Dividends

On April 2, 2020, the Company suspended future quarterly dividends until business conditions warrant reinstatement.

The Company paid cash dividends of \$0.05 per share of Class A Common Stock on March 20, 2020 to stockholders of record as of March 6, 2020. Liberty LLC paid a distribution of total of \$5.6 million, or \$0.05 per Liberty LLC Unit, to all Liberty LLC unit holders during the year ended December 31, 2020, of which \$4.1 million was paid to the Company. The Company used the proceeds of the distribution to pay the dividend to all holders of shares of Class A Common Stock as of March 6, 2020, which totaled \$4.1 million. For the year ended December 31, 2019, Liberty LLC paid quarterly distributions for a total of \$22.5 million, or \$0.05 per Liberty LLC Unit, to all Liberty LLC unit holders, of which \$14.7 million was paid to the Company. The Company used the proceeds of the distributions to pay quarterly dividends to all holders of Class A Common Stock, which totaled \$14.7 million. Additionally, as of December 31, 2020 and December 31, 2019, the Company had \$0.4 million and \$0.5 million of accrued dividends payable related to restricted stock and RSUs to be paid upon vesting, respectively. Dividends related to forfeited restricted stock and RSUs will be forfeited.

Share Repurchase Program

On September 10, 2018 the Company's board of directors authorized a share repurchase plan to repurchase up to \$100.0 million of the Company's Class A Common Stock through September 30, 2019. On January 22, 2019, the Company's board of directors authorized an additional \$100.0 million under the share repurchase plan through January 31, 2021.

During the year ended December 31, 2020, no shares were repurchased under the share repurchase program. During the year ended December 31, 2019, Liberty LLC redeemed and retired 1,303,003 Liberty LLC Units from the Company for \$18.4 million, and the Company repurchased and retired 1,303,003 shares of Class A Common Stock for \$18.4 million, or \$14.66 average price per share.

The repurchase in January 2019 completed the share repurchase amount authorized on September 10, 2018. During the year ended December 31, 2019, of the total amount of Class A Common Stock repurchased, 117,647 shares were repurchased from R/C Energy IV Direct Partnership, L.P., R/C IV Liberty Holdings, L.P., and Riverstone/Carlyle Energy Partners IV, L.P. ("R/C" and collectively, the "Riverstone Sellers"). During the year ended December 31, 2018, of the total amount of Class A Common Stock repurchased, 2,491,160 shares were repurchased pursuant to a Stock Purchase and Sale Agreement, dated as of September 14, 2018, by the Riverstone Sellers. For further details of this related party transaction, see Note 13—Related Party Transactions.

As of December 31, 2020 and 2019, \$98.7 million remained authorized for future repurchases of Class A Common Stock under the share repurchase program, respectively. Following the expiration of the most recent authorization on January 31, 2021, no amounts remain authorized under the share repurchase plan.

The Company accounts for the purchase price of repurchased common shares in excess of par value (\$0.01 per share of Class A Common Stock) as a reduction of additional paid-in capital, and will continue to do so until additional paid-in capital is reduced to zero. Thereafter, any excess purchase price will be recorded as a reduction to retained earnings.

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Note 10—Net (Loss) Income per Share

Basic net (loss) income per share measures the performance of an entity over the reporting period. Diluted net (loss) income per share measures the performance of an entity over the reporting period while giving effect to all potentially dilutive common shares that were outstanding during the period. The Company uses the “if-converted” method to determine the potential dilutive effect of its Class B Common Stock and the treasury stock method to determine the potential dilutive effect of outstanding restricted stock and RSUs.

The following table reflects the allocation of net (loss) income to common stockholders and net (loss) income per share computations for the periods indicated based on a weighted average number of common stock outstanding:

(In thousands, except per share data)	Year Ended December 31, 2020	Year Ended December 31, 2019
Basic Net (Loss) Income Per Share		
Numerator:		
Net (loss) income attributable to Liberty Oilfield Services Inc. Stockholders	\$ (115,583)	\$ 39,003
Denominator:		
Basic weighted average shares outstanding	85,242	72,334
Basic net (loss) income per share attributable to Liberty Oilfield Services Inc. Stockholders	\$ (1.36)	\$ 0.54
Diluted Net (Loss) Income Per Share		
Numerator:		
Net (loss) income attributable to Liberty Oilfield Services Inc. Stockholders	\$ (115,583)	\$ 39,003
Effect of exchange of the shares of Class B Common stock for shares of Class A Common Stock	—	16,521
Diluted net (loss) income attributable to Liberty Oilfield Services Inc. Stockholders	\$ (115,583)	\$ 55,524
Denominator:		
Basic weighted average shares outstanding	85,242	72,334
Effect of dilutive securities:		
Restricted stock	—	512
Restricted stock units	—	1,771
Class B Common Stock	—	30,639
Diluted weighted average shares outstanding	85,242	105,256
Diluted net (loss) income per share attributable to Liberty Oilfield Services Inc. Stockholders	\$ (1.36)	\$ 0.53

Diluted weighted average common shares outstanding for the year ended December 31, 2020 exclude 27,427 weighted average shares of Class B Common Stock, 207 weighted average shares of restricted stock, and 2,460 weighted average shares of restricted stock units. Diluted weighted average common shares outstanding for the year ended December 31, 2019 exclude 9,057 weighted average shares of Class B Common Stock exchanged during the period (share counts presented in 000's).

Note 11—Income Taxes

Prior to the IPO, the Predecessor was treated as a partnership for U.S. federal, state and local income tax purposes. As such, any liability for federal income tax was the responsibility of the members of the Predecessor. Accordingly, no provision for U.S. federal, state and local income tax has been provided in the combined financial statements of the Company for periods ending prior to the IPO.

Following the IPO, the Company is a corporation and is subject to U.S. federal, state and local income tax on its share of Liberty LLC's taxable income. Liberty LLC is treated as a partnership, and its income is passed through to its owners, for income tax purposes. Liberty LLC's members, including the Company, are liable for federal, state and local income taxes based on their share of Liberty LLC's pass-through taxable income. As of December 31, 2020, tax reporting by the Company's Predecessor for the years ended December 31, 2017 and 2018 is subject to examination by the tax authorities. With few exceptions, as of December 31, 2020, the Company is no longer subject to U.S. federal, state or local examinations by tax authorities for tax years ended before December 31, 2017.

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Income tax (benefit) expense reflected in the consolidated statement of operations consisted of:

(\$ in thousands)	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
Current:			
Federal	\$ (5,541)	\$ (9,907)	\$ 16,684
State	230	551	3,213
Total Current	<u>\$ (5,311)</u>	<u>\$ (9,356)</u>	<u>19,897</u>
Deferred:			
Federal	(23,103)	23,419	19,063
State	(2,443)	(11)	1,425
Total Deferred	<u>\$ (25,546)</u>	<u>\$ 23,408</u>	<u>20,488</u>
Income tax (benefit) expense	<u>\$ (30,857)</u>	<u>\$ 14,052</u>	<u>40,385</u>

A reconciliation of the statutory U.S. federal income tax rate of 21.0% to the Company's effective income tax rate is as follows:

(\$ in thousands)	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
Federal income tax (benefit) expense at statutory rate	\$ (40,222)	\$ 18,672	\$ 60,778
State and local income tax (benefit) expense, net	(2,212)	1,525	4,456
Pre-IPO income before income taxes attributable to the Predecessor	—	—	(1,958)
Non-controlling interest	9,463	(7,531)	(24,606)
Stock Compensation	2,157	227	—
Other	(43)	1,159	1,715
Total income tax (benefit) expense	<u>\$ (30,857)</u>	<u>\$ 14,052</u>	<u>\$ 40,385</u>

The effective tax rate for the years ended December 31, 2020 and 2019 was 16.1% and 15.8%, respectively. The effective tax rate for the period commencing on January 17, 2018, the date of the Corporate Reorganization, through December 31, 2018 was 14.1%.

The Company recognized income tax benefit of \$30.9 million during the year ended December 31, 2020. The Company's effective tax rate is less than the statutory federal income tax rate of 21.0% because no taxes are payable by the Company for the non-controlling interest's share of Liberty LLC's pass-through income for federal, state and local income tax reporting. During 2020, the non-controlling interest effect resulted in a \$9.5 million reduction in income tax benefit.

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The tax effects of temporary differences that give rise to the deferred tax assets and deferred tax liabilities are presented below:

(\$ in thousands)	December 31, 2020	December 31, 2019
Deferred tax assets:		
Federal net operating losses	\$ 15,632	\$ 10,486
State net operating losses	2,697	925
Realized tax benefit - TRAs	52,561	48,575
Total deferred tax assets	70,890	59,986
Deferred tax liabilities:		
Investment in Liberty LLC	\$ (64,765)	\$ (79,099)
Other	(765)	(546)
Total deferred tax liabilities	(65,530)	(79,645)
Net deferred tax asset (liability)	\$ 5,360	\$ (19,659)

As of December 31, 2020, the Company had significant deferred tax assets and liabilities. The deferred tax assets include U.S. federal and state net operating losses and the step-up in basis of depreciable assets under Section 754 of the Internal Revenue Code of 1986, as amended. As a result of the IPO and Corporate Reorganization, the Company recorded a deferred tax asset and liability for the difference between the book value and the tax value of the Company's investment in Liberty LLC. The deferred tax assets have been recorded for tax attributes contributed to the Company as part of the Corporate Reorganization. Deferred tax liabilities of \$29.3 million were recorded relating to Liberty LLC Units acquired through the reorganization. The initial deferred tax liability is recorded as a long term liability and additional paid in capital on the consolidated balance sheet as of December 31, 2020.

As of December 31, 2020, the Company has available U.S. federal net operating loss carryforwards to reduce future taxable income of \$3.7 million expiring in 2027, and \$69.3 million with no expiration date. Per the Coronavirus Aid, Relief and Economic Security ("CARES") Act enacted March 27, 2020, net operating losses ("NOL") incurred in 2018, 2019, and 2020 may be carried back to each of the five preceding taxable years to generate a refund of previously paid income taxes. The Company will apply for and expects to receive a NOL carryback refund to recover \$5.5 million of cash taxes paid by the Company in 2018. This amount has been reflected as a receivable in prepaids and other assets.

On December 31, 2020, the Company completed the OneStim Acquisition in a taxable exchange for 66,326,134 shares of Class A Common Stock. The Transferred Business was operated by a limited liability company that was treated as a disregarded entity for federal tax purposes prior to the acquisition date. Upon acquisition the fair market value of assets were recorded for federal tax purposes. Therefore, no goodwill and deferred taxes have been recorded related to the acquisition. See Note 3—The OneStim Acquisition for additional information regarding the OneStim Acquisition.

Uncertain Tax Positions

The Company records uncertain tax positions on the basis of a two-step process in which (1) the Company determines whether it is more likely than not the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions meeting the more likely than not recognition threshold, the Company recognizes the largest amount of tax benefit that is more than 50% likely to be realized upon ultimate settlement with the related tax authority.

The Company determined that no liability for unrecognized tax benefits for uncertain tax positions was required at December 31, 2020. In addition, the Company does not believe that it has any tax positions for which it is reasonably possible that it will be required to record a significant liability for unrecognized tax benefits within the next twelve months. If the Company were to record an unrecognized tax benefit, the Company will recognize applicable interest and penalties related to income tax matters in income tax expense.

Tax Distributions

Liberty LLC is treated as a partnership for income tax purposes. Federal, state and local taxes resulting from the pass-through taxable income of Liberty LLC are obligations of its members. Net profits and losses are generally allocated to the

LIBERTY OILFIELD SERVICES INC.
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members of Liberty LLC (including the Company) in accordance with the number of Liberty LLC Units held by each member for tax purposes. The Liberty LLC Agreement provides for pro rata cash distributions, and in certain cases non-pro rata cash advances, to assist members (including the Company) in paying their income tax liabilities. The Liberty LLC Agreement requires any tax advances to be proportionally repaid in connection with any redemption of Liberty LLC Units pursuant to the Redemption Right or the Call Right. Net advances received by Liberty LLC from non-controlling interest holders were \$1.4 million and de minimis, respectively, for the years ended December 31, 2020 and 2019.

Tax Receivable Agreements

The term of each TRA commenced on January 17, 2018, and will continue until all such tax benefits that are subject to such TRA have been utilized or expired, unless the Company experiences a change of control (as defined in the TRAs, which includes certain mergers, asset sales and other forms of business combinations) or the TRAs are terminated early (at the Company's election or as a result of its breach), and the Company makes the termination payments specified in such TRA.

The amounts payable, as well as the timing of any payments, under the TRAs are dependent upon significant future events and assumptions, including the timing of the redemptions of Liberty LLC Units, the price of our Class A Common Stock at the time of each redemption, the extent to which such redemptions are taxable transactions, the amount of the redeeming unit holder's tax basis in its Liberty LLC Units at the time of the relevant redemption, the characterization of the tax basis step-up, the depreciation and amortization periods that apply to the increase in tax basis, the amount of net operating losses available to the Company as a result of the Corporate Reorganization, the amount and timing of taxable income the Company generates in the future, the U.S. federal income tax rate then applicable, and the portion of the Company's payments under the TRAs that constitute imputed interest or give rise to depreciable or amortizable tax basis.

Prior to the Corporate Reorganization, one of the Legacy Owners distributed a portion of its member interest in Liberty Holdings to R/C IV Non-U.S. LOS Corp. ("R/C IV"). Subsequently, in conjunction with the Corporate Reorganization, R/C IV was contributed to the Company. At the time of the contribution, R/C IV had net operating loss carryforwards totaling \$10.9 million for federal income tax purposes and \$10.9 million for certain state income tax purposes, which became available for the Company's use as a result of the contribution. As a result of the Company being in a net income position in 2018 and the expected utilization of deferred tax assets, the Company recognized a deferred tax asset of \$2.6 million and a corresponding \$2.3 million liability pursuant to the TRAs. Of the contributed net operating loss carryforwards, \$6.4 million for federal income tax purposes and \$6.4 million of certain state income tax purposes have been utilized. As a result, the Company has remaining \$1.5 million of deferred tax asset and a corresponding \$1.4 million liability pursuant to the TRAs.

During the year ended December 31, 2020, exchanges of Liberty LLC Units and shares of Class B Common Stock resulted in an increase of \$13.1 million in amounts payable under the TRAs, and a net increase of \$15.5 million in deferred tax assets, all of which were recorded through equity. The Company also made TRA payments of \$1.9 million and \$5.5 million, totaling \$7.4 million for the year ended December 31, 2020. The TRA payments were related to tax benefits realized in prior years and for the Company's NOL carryback of 2019 NOL to 2018 taxable income under the CARES Act.

During the year ended December 31, 2019, exchanges of Liberty LLC Units and shares of Class B Common Stock resulted in an increase of \$34.0 million in amounts payable under the TRAs, and a net increase of \$40.0 million in deferred tax assets, all of which were recorded through equity.

At December 31, 2020, the Company's liability under the TRAs was \$56.6 million, all of which is presented as a component of long term liabilities, and the related deferred tax assets totaled \$54.0 million.

Note 12—Defined Contribution Plan

The Company sponsors a 401(k) defined contribution retirement plan covering eligible employees. However, effective April 1, 2020, in connection with other cost savings measures undertaken in response to declining demand for frac services as a result of the impacts of the COVID-19 pandemic, the Company suspended its 6% matching contribution. Prior to April 1, 2020, the Company made matching contributions at a rate of \$1.00 for each \$1.00 of employee contribution, subject to a cap of 6% of the employee's salary and federal limits. Contributions made by the Company were \$4.2 million, \$15.7 million, and \$13.8 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Effective January 1, 2021 the Company restored its 6% matching contribution.

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Note 13—Related Party Transactions

As of December 31, 2020 Schlumberger owns 66,326,134 shares of Class A Common Stock of the Company, or 37.0% of the issued and outstanding shares of common stock of the Company, including Class A Common Stock and Class B Common Stock. Under the Transaction agreement, to the extent the net working capital, as defined, of the Transferred Business is less than \$54.6 million, the difference shall be payable in cash to the Company. Additionally, the Company and Schlumberger agreed to an \$8.0 million true-up payment related to the estimated costs to bring certain assets to full working condition. As of December 31, 2020, the Company recorded an estimated receivable from Schlumberger of \$24.7 million related to these true-up payments. The Company collected \$8.0 million in January 2021. Additionally, in conjunction with closing the OneStim Acquisition, the Company entered into a transition services agreement with Schlumberger, under which Schlumberger will provide certain administrative transition services for a rate of approximately \$2.5 million per month, until the Company fully integrates the acquired business.

Prior to the Corporate Reorganization, one of the members of Liberty Holdings contributed a portion of its member interest in Liberty Holdings to R/C IV Non-U.S. LOS Corp (“R/C IV”). Subsequently, in conjunction with the Corporate Reorganization, R/C IV was contributed to Liberty LLC. R/C IV had net operating loss carryforwards for federal and state income tax purposes which resulted in the recognition of a \$2.9 million payable pursuant to the TRAs. During the years ended December 31, 2020 and December 31, 2019, R/C IV Liberty Holdings, L.P. exercised its redemption right and redeemed 4,016,965 and 9,605,786 shares of Class B Common Stock resulting in an increase in tax basis, as described in Note—11 Income Taxes—*Tax Receivable Agreements*, and recognition of \$6.1 million and \$22.3 million in amounts payable under the TRAs, respectively. As of December 31, 2020 and 2019, the Company’s current liabilities under the TRAs payable to R/C IV Liberty Holdings, L.P. and R/C IV Non-US were \$0 and \$1.3 million, respectively, included in accrued interest and other and non-current liabilities were \$27.2 million and \$23.8 million, respectively, in payable pursuant to tax receivable agreements in the accompanying condensed consolidated balance sheets.

In September 2011, Liberty Resources LLC, an oil and gas exploration and production company, and its successor entity (collectively, the “Affiliate”) and LOS, companies with common ownership and management, entered into a services agreement (the “Services Agreement”) whereby the Affiliate is to provide certain administrative support functions to LOS and a master service agreement whereby LOS provides hydraulic fracturing services to the Affiliate at market service rates. The amounts incurred under the Services Agreement by LOS during the years ended December 31, 2020, 2019 and 2018, were \$0, \$0 million, and \$0.2 million, respectively. The Services Agreement was terminated during June 2018.

The amounts of the Company’s revenue related to hydraulic fracturing services provided to the Affiliate for the years ended December 31, 2020, 2019 and 2018, were \$0.0 million, \$18.3 million and \$23.1 million, respectively. As of December 31, 2020 and 2019, \$0.0 million and \$7.1 million, respectively, of the Company’s accounts receivable—related party was with the Affiliate. On June 24, 2019 (the “Agreement Date”), the Company entered into an agreement with the Affiliate to amend payment terms for outstanding invoices due as of the Agreement Date to be due on July 31, 2020. On September 30, 2019, the agreement was amended to extend the due date of the remaining amounts outstanding to October 31, 2020. Amounts outstanding from the Affiliate as of the Agreement Date were \$15.6 million. The amounts outstanding, including all accrued interest was paid in full in January 2020. As of December 31, 2020 and December 31, 2019, amounts outstanding under the amended payment terms from the Affiliate were \$0 and \$2.5 million, all of which is presented in accounts and notes receivable—related party in the accompanying consolidated balance sheet. The balance outstanding is subject to interest at 13% annual percent yield, retroactively applied to the respective invoice date. During the year ended December 31, 2020 and 2019, interest income from the Affiliate was \$0.3 million and \$1.8 million, respectively, and accrued interest as of December 31, 2020 and 2019 was \$0. Receivables earned for services performed after the Agreement Date continue to be subject to normal 30-day payment terms, provided that any amount unpaid after 60 days is subject to 13% interest.

Liberty Holdings entered into an advisory agreement, dated December 30, 2011, with Riverstone/Carlyle Energy Partners IV, L.P. (“R/C”), in which R/C agreed to provide certain administrative advisory services to Liberty Holdings. The advisory services agreement was terminated pursuant to an agreement effective as of January 11, 2018. On January 11, 2018, Liberty Holdings, R/C and other parties entered into a Master Reorganization Agreement that, among other things, crystallized the “waterfall” provisions of Article VI of the Third Amended and Restated Limited Liability Agreement of Liberty Holdings, dated October 11, 2016 (the “Holdings LLC Agreement”), in connection with the initial public offering of shares of Class A Common Stock. As part of this crystallization, R/C and affiliated entities (collectively, the “R/C Affiliates”) received shares of Class A Common Stock, including 117,647 shares of Class A Common Stock (such 117,647 referred to as the “Issued Shares”) to compensate R/C Affiliates for certain accrued preferred returns but which would not have been issued had the \$2.0 million in fees owing under the advisory agreement been paid in cash. Had this fee been paid in cash on or prior to January 11, 2018, R/C and Liberty Holdings acknowledge that R/C Affiliates would not have received the Issued Shares in the crystallization pursuant

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to the provisions of the Holdings LLC Agreement. Subsequently, during the fourth quarter of 2018, R/C asserted that certain provisions of the termination of services agreement provided for R/C to receive \$2.0 million in cash as payment of those accrued fees. To resolve this matter, the Company agreed to pay R/C Affiliates \$2.0 million in cash in exchange for the return, at the IPO price, of the Issued Shares and \$0.3 million for interest and the settlement of the matter. Accordingly, \$2.3 million was recorded as accrued liabilities—related party in the consolidated balance sheet as of December 31, 2018 and subsequently paid in January 2019. The returned shares of Class A Common Stock were canceled and retired, and the Company does not expect to incur future expense related to the advisory agreement or termination thereof.

During 2016, Liberty Holdings entered into a future commitment to invest and become a non-controlling minority member in Proppant Express Investments, LLC, the owner of Proppant Express Solutions, LLC (“PropX”), a provider of proppant logistics equipment. LOS is party to a services agreement (the “PropX Services Agreement”) whereby LOS is to provide certain administrative support functions to PropX, and LOS is to purchase and lease proppant logistics equipment from PropX. The PropX Services Agreement was terminated on May 29, 2018; however, the Company continues to lease equipment from PropX. During the years ended December 31, 2020, 2019 and 2018 for \$8.7 million, \$9.8 million and \$4.4 million, respectively.

Payables to PropX as of December 31, 2020 and 2019 were \$1.5 million and \$0.8 million, respectively.

Note 14—Commitments & Contingencies

Purchase Commitments (tons are not in thousands)

The Company enters into purchase and supply agreements to secure supply and pricing of proppants, and related proppant transportation, as well as chemicals. As of December 31, 2020 and 2019, the agreements commit the Company to purchase 1,580,750 and 7,978,300 tons, respectively, of proppant through February 1, 2022. Amounts above also include commitments to pay for transport fees on minimum amounts of proppants. Certain proppant supply agreements contain a clause whereby in the event that the Company fails to purchase minimum volumes, as defined in the agreement, during a specific time period, a shortfall fee may apply. Additionally, related proppant transload service commitments extend through 2024.

Future proppant, transload and mancamp commitments are as follows:

<u>Year ending December 31,</u>		
2021	\$	82,141
2022		17,823
2023		9,524
2024		10,268
2025		7,664
Thereafter		—
	<u>\$</u>	<u>127,420</u>

Certain supply agreements contain a clause whereby in the event that the Company fails to purchase minimum volumes, as defined in the agreement, during a specific time period, a shortfall fee may apply. In circumstances where the Company does not make the minimum purchase required under the contract, the Company and its suppliers have a history of amending such minimum purchase contractual terms and in rare cases does the Company incur shortfall fees. In the Company were unable to make any of the minimum purchases and the Company and its suppliers cannot come to an agreement to avoid such fees, the Company could incur shortfall fees in the amounts of \$51.8 million, \$17.9 million, \$9.5 million, \$10.3 million, and \$7.7 million for the years ended 2021, 2022, 2023, 2024, and 2025, respectively. Based on forecasted levels of activity, the Company does not currently expect to incur significant shortfall fees.

Included in the commitments for the year ending December 31, 2021 are \$12.3 million of payments expected to be due to Schlumberger, in conjunction with transition services provided by Schlumberger, in the first quarter of 2021 for the use of certain light duty trucks, heavy tractors and field equipment used to various degrees in OneStim’s frac and wireline operations. The Company is in negotiations with the third party owner of such equipment to lease or purchase some or all of such

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aforementioned vehicles and equipment, subject to agreement on terms and conditions. No gain or loss is expected upon consummation of any such agreement.

Litigation

Securities Class Actions

On March 11, 2020, Marshall Cobb, on behalf of himself and all other persons similarly situated, filed a putative class action lawsuit in the state District Court of Denver County, Colorado against the Company and certain officers and board members of the Company along with other defendants in connection with the IPO (the “Cobb Complaint”). The Cobb Complaint alleges that the Company and certain officers and board members of the Company violated Section 11 of the Securities Act of 1933 by virtue of inaccurate or misleading statements allegedly contained in the registration statement filed in connection with the IPO and requests unspecified damages and costs. The Cobb Plaintiffs also allege control person liability claims under Section 15 of the Securities Act of 1933 against certain officers and board members of the Company and other defendants.

On April 3, 2020, Marc Joseph, on behalf of himself and all other persons similarly situated, filed a putative class action lawsuit in the United States District Court in Denver, Colorado against the Company and certain officers and board members of the Company along with other defendants in connection with the IPO and requests unspecified damages and costs (the “Joseph Complaint,” and collectively with the Cobb Complaint, the “Securities Lawsuits”). The Joseph Complaint, which is based on similar factual allegations made in the Cobb Complaint, alleges that the defendants violated Sections 11 and 12(a)(2) of the Securities Act of 1933 by virtue of inaccurate or misleading statements allegedly contained in the registration statement and prospectus filed in connection with the IPO. The Joseph Complaint also alleges control person liability claims under Section 15 of the Securities Act of 1933 against certain officers and board members of the Company and other defendants.

The Company has hired counsel and plans to vigorously defend against the allegations in the Securities Lawsuits.

Other Litigation

In addition to the matters described above, from time to time, the Company is subject to legal and administrative proceedings, settlements, investigations, claims and actions. The Company’s assessment of the likely outcome of litigation matters is based on its judgment of a number of factors including experience with similar matters, past history, precedents, relevant financial and other evidence and facts specific to the matter. Notwithstanding the uncertainty as to the final outcome, based upon the information currently available, management does not believe any matters in aggregate will have a material adverse effect on its financial position or results of operations.

The Company cannot predict the ultimate outcome or duration of any lawsuit described in this report.

Note 15—Selected Quarterly Financial Data (unaudited)

The following table sets forth certain unaudited financial and operating information for each quarter of the years ended December 31, 2020 and 2019. The unaudited quarterly information includes all adjustments that, in the opinion of management, are necessary for the fair presentation of information presented. Operating results for interim periods are not necessarily indicative of the results that may be expected for the full fiscal year.

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(\$ in thousands)

Selected Financial Data:

	Year Ended December 31, 2020			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	\$ 472,344	\$ 88,362	\$ 147,495	\$ 257,586
Operating costs and expenses:				
Cost of services (exclusive of depreciation and amortization shown separately below)	392,716	89,518	139,237	236,510
General and administrative	28,613	18,064	17,307	20,114
Transaction, severance and other costs	—	9,057	2,609	9,395
Depreciation and amortization	44,831	44,931	44,496	45,826
(Gain) loss on disposal of assets	(102)	334	(752)	109
Total operating costs and expenses	466,058	161,904	202,897	311,954
Operating income (loss)	6,286	(73,542)	(55,402)	(54,368)
Other expense:				
Interest expense, net	3,608	3,656	3,595	3,646
Net income (loss) before income taxes	2,678	(77,198)	(58,997)	(58,014)
Income tax expense (benefit)	261	(11,363)	(9,972)	(9,783)
Net income (loss)	2,417	(65,835)	(49,025)	(48,231)
Less: Net income (loss) attributable to non-controlling interests	697	(20,064)	(14,523)	(11,201)
Net income (loss) attributable to Liberty Oilfield Services Inc. stockholders	\$ 1,720	\$ (45,771)	\$ (34,502)	\$ (37,030)
Net income (loss) attributable to Liberty Oilfield Services Inc. stockholders per common share:				
Basic	\$ 0.02	\$ (0.55)	\$ (0.41)	\$ (0.41)
Diluted	\$ 0.02	\$ (0.55)	\$ (0.41)	\$ (0.41)

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(\$ in thousands)	Year ended December 31, 2019			
Selected Financial Data:	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	\$ 535,148	\$ 542,147	\$ 515,079	\$ 397,971
Operating costs and expenses:				
Cost of services (exclusive of depreciation and amortization shown separately below)	429,299	426,444	421,007	344,430
General and administrative	22,088	23,989	25,302	26,210
Depreciation and amortization	38,387	40,368	42,324	44,299
Loss (gain) on disposal of assets	1,223	143	(124)	1,359
Total operating costs and expenses	490,997	490,944	488,509	416,298
Operating income (loss)	44,151	51,203	26,570	(18,327)
Other expense:				
Interest expense, net	4,182	3,597	3,726	3,176
Net income (loss) before income taxes	39,969	47,606	22,844	(21,503)
Income tax expense (benefit)	6,060	7,083	4,004	(3,095)
Net income (loss)	33,909	40,523	18,840	(18,408)
Less: Net income (loss) attributable to non-controlling interests	15,788	18,491	7,842	(6,260)
Net income (loss) attributable to Liberty Oilfield Services Inc. stockholders	\$ 18,121	\$ 22,032	\$ 10,998	\$ (12,148)
Net income (loss) attributable to Liberty Oilfield Services Inc. stockholders per common share:				
Basic	\$ 0.27	\$ 0.32	\$ 0.15	\$ (0.15)
Diluted	\$ 0.26	\$ 0.32	\$ 0.15	\$ (0.15)

Note 16—Subsequent Events

On February 8, 2021, certain Liberty LLC Unitholders exercised their redemption rights and redeemed 6.1 million (or up to 7.0 million if the underwriters exercise the option to purchase additional shares) Liberty LLC Units (and an equivalent number of shares of Class B Common Stock) for an equivalent numbers of shares of Class A Common Stock of the Company. This exchange resulted in an increase to the ownership percentage of Liberty LLC owned by the Company. The Company expects to record an increase to the Company's deferred tax asset as a result. In addition, the Company expects to record an increase to the payable pursuant to the TRAs.

There were no other significant subsequent events requiring disclosure or recognition other than those disclosed in these notes to the consolidated financial statements.

CONSENT AND FIFTH AMENDMENT TO CREDIT AGREEMENT

This **CONSENT AND FIFTH AMENDMENT TO CREDIT AGREEMENT** (this "Agreement"), is entered into as of December 29, 2020, by and among **LIBERTY OILFIELD SERVICES LLC**, a Delaware limited liability company ("Borrower"), **LIBERTY OILFIELD SERVICES INC.**, a Delaware corporation ("Ultimate Parent"), **LIBERTY OILFIELD SERVICES NEW HOLDCO LLC**, a Delaware limited liability company ("Liberty Holdings"), **R/C IV NON-U.S. LOS CORP**, a Delaware corporation ("R/C Holdings"), **LOS CIBOLO RE INVESTMENTS, LLC**, a Texas limited liability company ("LOS Cibolo"), **LOS ODESSA RE INVESTMENTS, LLC**, a Texas limited liability company ("LOS Odessa"), and **ST9 GAS AND OIL LLC**, a Texas limited liability company ("ST9"; ST9, together with Ultimate Parent, Liberty Holdings, Borrower, R/C Holdings, LOS Cibolo and LOS Odessa, collectively, the "Consent Parties" and each, individually, a "Consent Party"), the undersigned Lenders (as defined below), and **WELLS FARGO BANK, NATIONAL ASSOCIATION**, a national banking association ("Wells Fargo"), as administrative agent for each member of the Lender Group and the Bank Product Providers (in such capacity, together with its successors and assigns in such capacity, "Agent").

WITNESSETH:

WHEREAS, pursuant to that certain Credit Agreement, dated as of September 19, 2017 (as amended by that certain Amendment and Parent Joinder to Credit Agreement, dated as of January 17, 2018, by that certain Second Amendment and Parent Joinder to Credit Agreement, dated as of March 21, 2018, by that certain Third Amendment to Credit Agreement dated as of May 29, 2020, by that certain Fourth Amendment to Credit Agreement dated as of August 12, 2020, and as may be further amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among the lenders identified on the signature pages thereto (each of such lenders, together with its successor and permitted assigns, a "Lender"), Agent, Wells Fargo, JPMorgan Chase Bank, N.A., a national banking association ("Chase"), and Citibank, N.A., a national banking association ("Citibank"), as joint lead arrangers, Wells Fargo, as book runner, Chase and Citibank, as syndication agents, the Consent Parties and the other Loan Parties from time to time party thereto, the Lender Group has agreed to make or issue Loans, Letters of Credit and other certain financial accommodations thereunder;

WHEREAS, pursuant to that certain Guaranty and Security Agreement, dated as of September 19, 2017 (amended, restated, supplemented or otherwise modified from time to time, the "Guaranty and Security Agreement"), by and among each Consent Party, as a grantor, and Agent, each Consent Party (other than Borrower) guaranteed the Guaranteed Obligations (as defined therein) and each Consent Party granted to Agent, for the benefit of the Lender Group and the Bank Product Providers, a continuing security interest in and to the Collateral in order to secure the prompt and complete payment, observance and performance of, among other things, the Secured Obligations (as defined therein);

WHEREAS, initially capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Credit Agreement;

WHEREAS, the Consent Parties have informed Agent and Lenders that Ultimate Parent, Liberty Holdings, as "US Buyer", and LOS Canada Operations Inc., a British Columbia corporation and subsidiary of Borrower ("Liberty Canada"), as "Canadian Buyer", have entered into that certain Master Transaction Agreement dated as of August 31, 2020, which is expected to close prior to December 31, 2020 (such closing date, the "Schlumberger Acquisition Closing Date"), with Schlumberger Technology Corporation, a Texas corporation ("US Seller"), and Schlumberger Canada Limited, a corporation organized under the laws of the Province of Alberta ("Canadian Seller", and together with US Seller, collectively, "Sellers"), a copy of which is attached hereto as Exhibit A (the "Schlumberger MTA"), pursuant to which (a) Liberty Holdings will acquire from US Seller 100% of the equity interests of Solar US Target A, LLC, a Delaware limited liability company ("US Target A"), Solar US Target B, LLC, a Delaware limited liability company ("US Target B"), and Solar US Target C, LLC, a Delaware limited liability company ("US Target C", and together with US Target A and US Target B, collectively, the "US Target Companies", and the acquisition of the US Target Companies by Liberty Holdings, the "Schlumberger US Acquisition") in exchange for shares of class A common stock of Ultimate Parent (the "US Acquisition Consideration") and (b) Liberty Canada will acquire from Canadian Seller 100% of the equity interests of 1263651 B.C. Unlimited Liability Company, an unlimited liability company organized under the laws of the Province of British Columbia (the "Schlumberger Canada Target", and the acquisition of the Schlumberger Canada Target by Liberty Canada, the "Schlumberger Canada Acquisition", and the Schlumberger Canada Acquisition together with the Schlumberger US Acquisition, collectively, the "Schlumberger Acquisition") in exchange for the Canadian Note (as defined below);

WHEREAS, in order to permit Liberty Holdings to pay the US Acquisition Consideration to US Seller on the Schlumberger Acquisition Closing Date, Ultimate Parent will contribute the US Acquisition Consideration to Liberty Holdings in exchange for an equal number of units of Liberty Holdings (the "US Ultimate Parent Share Contribution");

WHEREAS, in connection with the Schlumberger Canada Acquisition, (a) Liberty Canada will issue to Canadian Seller that certain a promissory note dated as of the Schlumberger Acquisition Closing Date (the "Canadian Note") with a principal amount equal to the fair market value of a number of shares of class A common stock of Ultimate Parent agreed to by the parties based on the trading price of such shares as of the end of the day on the Schlumberger Acquisition Closing Date (the "Canadian Acquisition Consideration" and together with the US Acquisition Consideration collectively, the "Schlumberger Consideration") which Canadian Acquisition Consideration is payable either in cash or in additional shares of Ultimate Parent and (b) Borrower and Liberty Canada will enter into an agreement dated as of the Schlumberger Acquisition Closing Date whereby Borrower agrees to assume the payment obligations of Liberty Canada under the Canadian Note in exchange for the issuance by Liberty Canada to Borrower of additional shares of Liberty Canada (the "Borrower Canadian Note Assumption");

WHEREAS, in order to permit Borrower to pay the Canadian Acquisition Consideration to Canadian Seller on the Schlumberger Acquisition Closing Date, (a) Ultimate Parent will contribute the number of shares of class A common stock of Ultimate Parent with a value equal to the Canadian Acquisition Consideration to Liberty Holdings in exchange for an equal number

of units of Liberty Holdings and (b) Liberty Holdings will contribute such shares of class A common stock of Ultimate Parent to Borrower (the "Canadian Ultimate Parent Share Contribution");

WHEREAS, each of the Consent Parties acknowledges and agrees that in the absence of the prior written consent of the Required Lenders, (a) the US Ultimate Parent Share Contribution, the Canadian Ultimate Parent Share Contribution and the Schlumberger Acquisition are Investments not permitted pursuant to Section 6.9 of the Credit Agreement, (b) the US Ultimate Parent Share Contribution and the Canadian Ultimate Parent Share Contribution are issuances of Equity Interests that are not permitted pursuant to Section 6.12 of the Credit Agreement and (c) the issuance of the Canadian Note and the Borrower Canadian Note Assumption would result in the creation and incurrence of Indebtedness that is not permitted pursuant to Section 6.1 of the Credit Agreement, and as a result the making of such Investments, the issuance of such Equity Interests and the creation and incurrence of such Indebtedness described in clauses (a), (b) and (c), respectively, would constitute immediate Events of Default under Section 8.2(a)(ii) of the Credit Agreement;

WHEREAS, in addition, the Consent Parties have notified Agent and Lenders that the Schlumberger Consideration collectively will constitute 37% of the total voting power of all of the outstanding voting common stock of Ultimate Parent and accordingly consummation of the Schlumberger Acquisition and payment of the Schlumberger Consideration will cause a "Change of Control" under the Credit Agreement and an immediate Event of Default under Section 8.11 of the Credit Agreement;

WHEREAS, each of the Consent Parties acknowledges and agrees that in the absence of the prior written consent of the Required Lenders, consummation of the Schlumberger Acquisition would violate Section 6.9 of the Credit Agreement and would constitute a "Change of Control" under the Credit Agreement and as a result would constitute an immediate Event of Default under Sections 8.2(a)(ii) and 8.11 of the Credit Agreement, respectively;

WHEREAS, on August 28, 2020, Borrower formed Liberty Canada but failed to provide to Agent a pledge agreement (or an addendum to the Guaranty and Security Agreement) and appropriate certificates and powers, pledging 65% of the total outstanding voting Equity Interests of Liberty Canada within fifteen (15) days of such formation in accordance with Section 5.11 of the Credit Agreement, resulting in an immediate Event of Default under Section 8.2(a)(i) of the Credit Agreement (such Event of Default, the "Specified Event of Default"); and

WHEREAS, the Consent Parties have requested that Agent and the Required Lenders (a) waive the Specified Event of Default, (b) consent to (i) the US Ultimate Parent Share Contribution and the Canadian Ultimate Parent Share Contribution, (ii) the issuance of the Canadian Note and the Borrower Canadian Note Assumption, (iii) the consummation of the Schlumberger Acquisition and the payment of the Schlumberger Consideration and (iv) the treatment of the Schlumberger Acquisition as a "Permitted Acquisition" for all purposes under the Credit Agreement and the other Loan Documents and (c) agree to amend the Credit Agreement and the Guaranty and Security Agreement in certain respects, and Agent and the Required Lenders are willing to do so, subject to the terms and conditions specified herein.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each of the parties hereto hereby agrees as follow:

1. Waiver of Specified Event of Default. In reliance upon the representations and warranties of the Consent Parties set forth in Section 6 below, and subject to the satisfaction of the conditions to effectiveness set forth in Section 5(a) below, Agent and the Required Lenders hereby waive (the "Waiver") the Specified Event of Default, so long as Borrower provides to Agent (a) a pledge agreement governed under British Columbian law, and appropriate certificates and powers, pledging 65% of the total outstanding voting Equity Interests of Liberty Canada in accordance with Section 5.11 of the Credit Agreement within thirty (30) days of the Schlumberger Consent Effective Date (or such later date as Agent may agree in writing in their sole discretion) or (b) to the extent the Schlumberger Acquisition shall not have been consummated on or before January 31, 2021 (or such later date as Agent may agree in writing in their sole discretion, the "Acquisition Deadline"), evidence reasonably satisfactory to Agent of the dissolution of Liberty Canada within thirty (30) days of the Acquisition Deadline (or such later date as Agent may agree in writing in their sole discretion), it being understood that the failure to satisfy either such requirement shall constitute an immediate Event of Default. Without limiting the generality of any provision of the Credit Agreement, the Waiver shall be limited precisely as written and relate solely to the Specified Event of Default in the manner and to the extent described above, and the Waiver shall not be deemed to apply to any other Default or Event of Default that may currently be outstanding and shall not be deemed to apply to any future Default or Event of Default.

2. Consent Under Credit Agreement. In reliance upon the representations and warranties of the Consent Parties set forth in Section 6 below, and subject to the satisfaction of the conditions to effectiveness set forth in Section 5(b) below, Agent and the Required Lenders hereby consent to (a) the US Ultimate Parent Share Contribution and the Canadian Ultimate Parent Share Contribution, (b) the issuance of the Canadian Note and the Borrower Canadian Note Assumption, (c) the Schlumberger Acquisition and payment of the Schlumberger Consideration and (d) treatment of the Schlumberger Acquisition as a "Permitted Acquisition" for all purposes under the Credit Agreement and the other Loan Documents. Except as expressly set forth in this Agreement, the foregoing consent shall not constitute (i) a modification or alteration of the terms, conditions or covenants of the Credit Agreement or any other Loan Document or (ii) a waiver, release or limitation upon the exercise by Agent or any Lender of any of their respective rights, legal or equitable thereunder. Notwithstanding anything to the contrary set forth herein, the foregoing consent shall only be effective to the extent that the Canadian Note is (A) paid in shares of class A common stock of Ultimate Parent and (B) cancelled within one (1) Business Day of the Schlumberger Acquisition Closing Date and the failure to satisfy either of the foregoing clauses (A) and (B) shall constitute an immediate Event of Default.

3. Amendments to Credit Agreement. In reliance on the representations and warranties of the Consent Parties set forth in Section 6 below, and subject to the satisfaction of the conditions to effectiveness set forth in Section 5(a) below, other than with respect to the amendment set forth in Section 3(a) below, which shall be subject to the satisfaction of the

conditions to effectiveness set forth in Section 5(b) below, the Credit Agreement is hereby amended as follows:

(a) Section 1.1 of the Credit Agreement is hereby amended by amending and restating the definition of "Change of Control" in its entirety as follows:

"Change of Control" means that:

(a) [reserved];

(b) [reserved];

(c) the acquisition by any Person or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act), including any group acting for the purpose of acquiring, holding or disposing of Securities (within the meaning of Rule 13d-5(b)(1) under the Exchange Act, but excluding any employee benefit plan or Person acting as the trustee, agent or other fiduciary or administrator therefor), other than the Permitted Holders or Schlumberger, of Equity Interests representing more than the greater of (x) 35% of the total voting power of all of the outstanding voting common stock of Parent and (y) the percentage of the total voting power of all of the outstanding voting common stock of Parent owned, directly or indirectly, beneficially by the Permitted Holders, unless, in the case of each of clauses (x) and (y) above, the Permitted Holders have, at such time, the right or the ability by voting power, contract or otherwise to elect or designate for election at least a majority of the board of directors (or comparable governing body or managers) of Parent;

(d) the acquisition (whether in one transaction or in a series of transactions) by Schlumberger of additional Equity Interests of Parent resulting in Schlumberger holding Equity Interests representing more than 45% of the total voting power of all of the outstanding voting common stock of Parent, unless, the Permitted Holders have, at such time, the right or the ability by voting power, contract or otherwise to elect or designate for election at least a majority of the board of directors (or comparable governing body or managers) of Parent;

(e) Parent fails to own and control, directly or indirectly, 100% of the Equity Interests of any Borrower; or

(f) except as a result of a transaction expressly permitted by this Agreement, Borrowers fail to own and control, directly or indirectly, 100% of the Equity Interests of each other Loan Party (other than the Parent or a Borrower).

(b) Section 1.1 of the Credit Agreement is hereby amended by adding the following new definitions in appropriate alphabetical order as follows:

"Benchmark Replacement" means the greater of (a) 1.00 percent per annum and (b) the sum of: (i) the alternate benchmark rate (which may include Term SOFR) that has been selected by Agent and Administrative Borrower giving due consideration to (x) any selection or recommendation of a replacement rate or the mechanism for determining such a rate by the Relevant Governmental Body or (y) any evolving or then-prevailing market convention for determining a rate of interest as a replacement to the LIBOR Rate for United States dollar-denominated syndicated credit facilities and (ii) the Benchmark Replacement Adjustment; provided that, if the Benchmark Replacement as so determined pursuant to this clause (b) would be less than zero, the Benchmark Replacement shall be deemed to be zero for the purposes of this Agreement.

"Benchmark Replacement Adjustment" means, with respect to any replacement of the LIBOR Rate with an Unadjusted Benchmark Replacement for each applicable Interest Period, the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by Agent and Administrative Borrower giving due consideration to (i) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the LIBOR Rate with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the LIBOR Rate with the applicable Unadjusted Benchmark Replacement for United States dollar-denominated syndicated credit facilities at such time.

"Benchmark Replacement Conforming Changes" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of "Base Rate", the definition of "Interest Period", timing and frequency of determining rates and making payments of interest and other administrative matters) that Agent decides may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by Agent in a manner substantially consistent with market practice (or, if Agent decides that adoption of any portion of such market practice is not administratively feasible or if Agent determines that no market practice for the administration of the Benchmark Replacement exists, in such other manner of administration as Agent decides is reasonably necessary in connection with the administration of this Agreement).

"Benchmark Replacement Date" means the earlier to occur of the following events with respect to the LIBOR Rate:

(a) in the case of clause (a) or (b) of the definition of "Benchmark Transition Event," the later of (i) the date of the public statement or publication of information referenced therein and (ii) the date on which the administrator of the LIBOR Rate permanently or indefinitely ceases to provide the LIBOR Rate; or

(b) in the case of clause (c) of the definition of "Benchmark Transition Event," the date of the public statement or publication of information referenced therein.

"Benchmark Transition Event" means the occurrence of one or more of the following events with respect to the LIBOR Rate:

(a) a public statement or publication of information by or on behalf of the administrator of the LIBOR Rate announcing that such administrator has ceased or will cease to provide the LIBOR Rate, permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the LIBOR Rate;

(b) a public statement or publication of information by the regulatory supervisor for the administrator of the LIBOR Rate, the Federal Reserve System of the United States (or any successor), an insolvency official with jurisdiction over the administrator for the LIBOR Rate, a resolution authority with jurisdiction over the administrator for the LIBOR Rate or a court or an entity with similar insolvency or resolution authority over the administrator for the LIBOR Rate, which states that the administrator of the LIBOR Rate has ceased or will cease to provide the LIBOR Rate permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the LIBOR Rate; or

(c) a public statement or publication of information by the regulatory supervisor for the administrator of the LIBOR Rate announcing that the LIBOR Rate is no longer representative.

"Benchmark Transition Start Date" means (a) in the case of a Benchmark Transition Event, the earlier of (i) the applicable Benchmark Replacement Date and (ii) if such Benchmark Transition Event is a public statement or publication of information of a prospective event, the 90th day prior to the expected date of such event as of such public statement or publication of information (or if the expected date of such prospective event is fewer than 90 days after such statement or publication, the date of such statement or publication) and (b) in the case of an Early Opt-in Election, the date specified by Agent or the Required Lenders, as applicable, by notice to Administrative Borrower, Agent (in the case of such notice by the Required Lenders) and the Lenders.

"Benchmark Unavailability Period" means, if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the LIBOR Rate and solely to the extent that the LIBOR Rate has not been replaced with a Benchmark Replacement, the period (x) beginning at the time that such Benchmark Replacement Date has occurred if, at such time, no Benchmark Replacement has replaced the LIBOR Rate for all purposes hereunder in accordance with Section 2.12(d)(iii) and (y) ending at the time that a Benchmark Replacement has replaced the LIBOR Rate for all purposes hereunder pursuant to Section 2.12(d)(iii).

"Beneficial Ownership Certification" means a certification regarding beneficial ownership as required by the Beneficial Ownership Regulations.

"Beneficial Ownership Regulation" means 31 C.F.R. § 1010.230.

"BHC Act Affiliate" of a Person means an "affiliate" (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such Person.

"Covered Entity," means any of the following:

- (a) a "covered entity" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b);
- (b) a "covered bank" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or
- (c) a "covered FSI" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

"Covered Party," has the meaning specified therefor in Section 17.15 of this Agreement.

"Default Right" has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

"Early Opt-in Election" means the occurrence of:

- (a) (i) a determination by Agent or (ii) a notification by the Required Lenders to Agent (with a copy to Administrative Borrower) that the Required Lenders have determined that United States dollar-denominated syndicated credit facilities being executed at such time, or that include language similar to that contained in Section 2.12(d)(iii) are being executed or amended, as applicable, to incorporate or adopt a new benchmark interest rate to replace the LIBOR Rate, and

(b) (i) the election by Agent or (ii) the election by the Required Lenders to declare that an Early Opt-in Election has occurred and the provision, as applicable, by Agent of written notice of such election to Administrative Borrower and the Lenders or by the Required Lenders of written notice of such election to Agent.

"Federal Reserve Bank of New York's Website" means the website of the Federal Reserve Bank of New York at <http://www.newyorkfed.org>, or any successor source.

"Fifth Amendment" means that certain Consent and Fifth Amendment to Credit Agreement dated as of December 29, 2020 by and among Borrower, the other Loan Parties party thereto, the Lenders party thereto and Agent.

"Flood Laws" means the National Flood Insurance Act of 1968, Flood Disaster Protection Act of 1973, and related laws, rules and regulations, including any amendments or successor provisions.

"Mortgages" means, individually and collectively, one or more mortgages, deeds of trust, or deeds to secure debt, executed and delivered by a Loan Party or one of its Subsidiaries in favor of Agent, in form and substance reasonably satisfactory to Agent, that encumber the Real Property Collateral.

"QFC" has the meaning assigned to the term "qualified financial contract" in, and shall be interpreted in accordance with, 12 U.S.C. § 5390(c)(8)(D).

"QFC Credit Support" has the meaning specified therefor in Section 17.15 of this Agreement.

"Relevant Governmental Body" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

"Schlumberger" means Schlumberger Technology Corporation, a Texas corporation.

"SOFR" with respect to any day means the secured overnight financing rate published for such day by the Federal Reserve Bank of New York, as the administrator of the benchmark, (or a successor administrator) on the Federal Reserve Bank of New York's Website.

"Supported QFC" has the meaning specified therefor in Section 17.15 of this Agreement.

"Term SOFR" means the forward-looking term rate based on SOFR that has been selected or recommended by the Relevant Governmental Body.

"Unadjusted Benchmark Replacement" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

"U.S. Special Resolution Regimes" has the meaning specified therefor in Section 17.15 of this Agreement.

(i)Section 2.3(a) of the Credit Agreement is hereby amended by replacing each reference to "11:00 a.m." therein with a reference to "2:00 p.m." in lieu thereof.

(ii)Section 2.3(c)(i) and (ii) of the Credit Agreement is hereby amended by replacing each reference to "11:00 a.m." and "10:00 a.m." therein with references to "2:00 p.m." and "1:00 p.m.", respectively, in lieu thereof.

(iii)Section 2.3(e)(i) of the Credit Agreement is hereby amended by replacing each reference to "2:00 p.m." and "12:00 p.m." therein with references to "5:00 p.m." and "3:00 p.m." respectively, in lieu thereof.

(iv)Section 2.12(b)(i) of the Credit Agreement is hereby amended by replacing the reference to "11:00 a.m." therein with a reference to "2:00 p.m." in lieu thereof.

(v)Section 2.12(d)(ii) of the Credit Agreement is hereby amended and restated in its entirety as follows:

(ii) Subject to the provisions set forth in Section 2.12(d)(iii) below, in the event that any change in market conditions or any Change in Law shall at any time after the date hereof, in the reasonable opinion of any Lender, make it unlawful or impractical for such Lender to fund or maintain LIBOR Rate Loans or to continue such funding or maintaining, or to determine or charge interest rates at the LIBOR Rate, such Lender shall give notice of such changed circumstances to Agent and Borrowers and Agent promptly shall transmit the notice to each other Lender and (y) in the case of any LIBOR Rate Loans of such Lender that are outstanding, the date specified in such Lender's notice shall be deemed to be the last day of the Interest Period of such LIBOR Rate Loans, and interest upon the LIBOR Rate Loans of such Lender thereafter shall accrue interest at the rate then applicable to Base Rate Loans, and (z) Borrowers shall not be entitled to elect the LIBOR Option until such Lender determines that it would no longer be unlawful or impractical to do so.

(vi)Section 2.12(d) of the Credit Agreement is hereby amended by adding a new section (iii) at the end thereof as follows:

(iii) Effect of Benchmark Transition Event.

(A) Benchmark Replacement. Notwithstanding anything to the contrary herein or in any other Loan Document, upon the occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable,

Agent and Administrative Borrower may amend this Agreement to replace the LIBOR Rate with a Benchmark Replacement. Any such amendment with respect to a Benchmark Transition Event will become effective at 5:00 p.m. on the fifth (5th) Business Day after Agent has posted such proposed amendment to all Lenders and Administrative Borrower so long as Agent has not received, by such time, written notice of objection to such amendment from Lenders comprising the Required Lenders. Any such amendment with respect to an Early Opt-in Election will become effective on the date that Lenders comprising the Required Lenders have delivered to Agent written notice that such Required Lenders accept such amendment. No replacement of the LIBOR Rate with a Benchmark Replacement pursuant to this Section 2.12(d)(iii) will occur prior to the applicable Benchmark Transition Start Date.

(B) Benchmark Replacement Conforming Changes. In connection with the implementation of a Benchmark Replacement, Agent will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of any other party to this Agreement.

(C) Notices; Standards for Decisions and Determinations. Agent will promptly notify Administrative Borrower and the Lenders of (1) any occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date and Benchmark Transition Start Date, (2) the implementation of any Benchmark Replacement, (3) the effectiveness of any Benchmark Replacement Conforming Changes, and (4) the commencement or conclusion of any Benchmark Unavailability Period. Any determination, decision or election that may be made by Agent or Lenders pursuant to this Section 2.12(d)(iii) including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action, will be conclusive and binding absent manifest error and may be made in its or their sole discretion and without consent from any other party hereto, except, in each case, as expressly required pursuant to this Section 2.12(d)(iii).

(D) Benchmark Unavailability Period. Upon Administrative Borrower's receipt of notice of the commencement of a Benchmark Unavailability Period, Administrative Borrower may revoke any request for a LIBOR Borrowing of, conversion to or continuation of LIBOR Rate Loans to be made, converted or continued during any Benchmark Unavailability Period and, failing that, Administrative Borrower will be

deemed to have converted any such request into a request for a Borrowing of or conversion to Base Rate Loans. During any Benchmark Unavailability Period, the component of Base Rate based upon the LIBOR Rate will not be used in any determination of the Base Rate.

(vii)Section 4.12 of the Credit Agreement is hereby amended by adding the following new sentence at the end thereof as follows:

The Beneficial Ownership Certification most recently delivered to Agent and the Lenders, as may be updated or replaced from time to time, is true and correct in all respects.

(viii)Section 5.8 of the Credit Agreement is hereby amended by adding the following sentence at the end thereof as follows:

If at any time the area in which any Real Property that is subject to a Mortgage is located is designated a "flood hazard area" in any Flood Insurance Rate Map published by the Federal Emergency Management Agency (or any successor agency), obtain flood insurance in such total amount and on terms that are satisfactory to Agent and all Lenders from time to time, and otherwise comply with the Flood Laws or as is otherwise satisfactory to Agent and all Lenders.

(ix)Section 5.12 of the Credit Agreement is hereby amended by adding the following sentence at the end thereof as follows:

Notwithstanding anything to the contrary contained herein (including Section 5.11 hereof and this Section 5.12) or in any other Loan Document, (x) Agent shall not accept delivery of any Mortgage from any Loan Party unless each of the Lenders has received 45 days prior written notice thereof and Agent has received confirmation from each Lender that such Lender has completed its flood insurance diligence, has received copies of all flood insurance documentation and has confirmed that flood insurance compliance has been completed as required by the Flood Laws or as otherwise satisfactory to such Lender and (y) Agent shall not accept delivery of any joinder to any Loan Document with respect to any Subsidiary of any Loan Party that is not a Loan Party, if such Subsidiary qualifies as a "legal entity customer" under the Beneficial Ownership Regulation unless such Subsidiary has delivered a Beneficial Ownership Certification in relation to such Subsidiary and Agent has completed its Patriot Act searches, OFAC/PEP searches and customary individual background checks for such Subsidiary, the results of which shall be satisfactory to Agent.

(x)Section 6.7 of the Credit Agreement is hereby amended by amending and restating clause (i) thereof in its entirety as follows:

(i) Loan Parties and their Restricted Subsidiaries may make other Restricted Payments so long as the Payment Conditions are satisfied; provided,

that, notwithstanding anything to the contrary contained herein, no proceeds received from the disposition of any property or other assets acquired pursuant to the Schlumberger Acquisition shall be used to make any such Restricted Payment.

(xi)Section 17 of the Credit Agreement is hereby amended by adding a new Section 17.15 at the end thereof as follows:

17.15 Acknowledgement Regarding Any Supported QFCs

. To the extent that the Loan Documents provide support, through a guarantee or otherwise, for Hedge Agreements or any other agreement or instrument that is a QFC (such support, "QFC Credit Support" and each such QFC a "Supported QFC"), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the "U.S. Special Resolution Regimes") in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States). In the event a Covered Entity that is party to a Supported QFC (each, a "Covered Party") becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Loan Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Loan Documents were governed by the laws of the United States or a state of the United States. Without limitation of the foregoing, it is understood and agreed that rights and remedies of the parties with respect to a Defaulting Lender shall in no event affect the rights of any Covered Party with respect to a Supported QFC or any QFC Credit Support.

4. Amendment to Guaranty and Security Agreement. In reliance on the representations and warranties of the Consent Parties set forth in Section 6 below, and subject to the satisfaction of the conditions to effectiveness set forth in Section 5(b) below, the Guaranty and Security Agreement is hereby amended as follows:

(xii)Section 7(n) of the Guaranty and Security Agreement is hereby amended and restated in its entirety as follows:

(n) Motor Vehicles and Other Titled Assets. Each Grantor will, and will cause each of its Subsidiaries to, deliver to Agent or Agent's designee, the certificates of title for all goods covered by a certificate of title (collectively, the "Titled Goods") and promptly (and in any event within ten (10) Business Days), such Grantor shall take all actions necessary to cause such certificates to be filed (with the Agent's Lien noted thereon) in the appropriate state filing office, other than in the case of (i) any Titled Good that has a fair market value that is less than \$45,000; provided, that the fair market value of all Titled Goods the certificates of which are not filed (with the Agent's Lien noted thereon) in the appropriate state filing office pursuant to this clause (i) (collectively, the "Non-Filed Titled Goods") shall not exceed \$15,000,000 (the "Non-Filed Threshold") in the aggregate at any time, and (ii) the Titled Goods acquired pursuant to the Schlumberger Acquisition (as defined in the Fifth Amendment) and described on Schedule 7(n) hereof (but not, for the avoidance of doubt, any replacements thereof); provided, that, solely in the case of this clause (ii), (A) the fair market value of all such Titled Goods shall not exceed \$75,000,000 and (B) the Net Cash Proceeds from dispositions shall be applied to the Term Loan Debt in accordance with the Term Loan Documents. Except as otherwise provided in clause (ii) of the preceding sentence, at any time that the aggregate fair market value of all Non-Filed Titled Goods shall exceed the Non-Filed Threshold, the applicable Grantor(s) shall promptly (and in any event within ten (10) Business Days) deliver to Agent or Agent's designee, the certificates of title for the Non-Filed Titled Goods with the highest fair market values until such time as the aggregate fair market value of the remaining Non-Filed Titled Goods shall cease to exceed the Non-Filed Threshold, and promptly (and in any event within ten (10) Business Days), such Grantor(s) shall take all actions necessary to cause such certificates to be filed (with the Agent's Lien noted thereon) in the appropriate state filing offices.

(xiii)The Guaranty and Security Agreement is hereby amended by adding a new Schedule 7(n) thereto.

5. Conditions to Effectiveness.

(xiv)Other than Sections 2, 3(a) and 4 hereof, this Agreement shall become effective and be deemed effective as of the date when, and only when, all of the following conditions have been satisfied (such date, the "Amendment Effective Date"):

a. Agent shall have received a copy of this Agreement, duly authorized, executed and delivered by the Consent Parties, Agent and Required Lenders;

b. Agent shall have received an executed copy of that certain Waiver, Consent and Fourth Amendment to Credit Agreement and First Amendment to Guaranty and Security Agreement dated as of the date hereof by and among the Loan Parties party thereto, the Term Loan Agent and the Term Loan Lenders, in form and substance satisfactory to Agent;

c. the representations and warranties of the Consent Parties and each of the other Loan Parties contained in this Agreement, the Credit Agreement, the Guaranty and Security Agreement and the other Loan Documents shall be true, correct and complete in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) on and as of the Amendment Effective Date (except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of such earlier date);

d. Borrower shall have paid all fees costs and expenses due and payable as of the Amendment Effective Date under the Credit Agreement and the other Loan Documents, including without limitation all attorney's fees and expenses incurred by Agent; and

e. after giving effect to the Waiver, no Default or Event of Default shall have occurred and be continuing.

(xv) Sections 2, 3(a) and 4 of this Agreement shall become effective and be deemed effective as of the date when, and only when, all of the all of the following conditions have been satisfied (such date, the "Schlumberger Consent Effective Date"):

f. Agent shall have received (A) certificate of an Authorized Person of Borrower attaching and certifying as to a true, correct and complete copy of the Schlumberger MTA, (B) true, correct and complete copies of each of the other "Schlumberger Acquisition Documents" listed in Section IV of the Closing Checklist attached hereto as Exhibit B, each in form and substance reasonably satisfactory to Agent;

g. after giving effect to Sections 2, 3(a) and 4 hereof, the representations and warranties of the Consent Parties and each of the other Loan Parties contained in this Agreement, the Credit Agreement (except with respect to the representation and warranty contained in Section 4.1(c) thereof as a result of the transactions contemplated by the Schlumberger Acquisition), the Guaranty and Security Agreement and the other Loan Documents shall be true, correct and complete in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) on and as of the Schlumberger Consent Effective Date (except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of such earlier date);

h. Borrower shall have paid all fees costs and expenses due and payable as of the Schlumberger Consent Effective Date under the Credit Agreement and the other Loan Documents, including without limitation all attorney's fees and expenses incurred by Agent;

i. after giving effect to Sections 2 and 3(a) hereof, no Default or Event of Default shall have occurred and be continuing; and

j. the Schlumberger Acquisition shall have been consummated on or before the Acquisition Deadline in accordance with the terms of the Schlumberger MTA and applicable law.

6. Representations and Warranties of the Consent Parties. Each Consent Party hereby represents and warrants as of the Amendment Effective Date and the Schlumberger Acquisition Effective Date, to the extent applicable, to Agent for the benefit of the Lender Group and Bank Product Providers as follows:

(xvi)it (i) is duly organized and existing and in good standing under the laws of the jurisdiction of its organization, (ii) is qualified to do business in any state where the failure to be so qualified could reasonably be expected to result in a Material Adverse Effect, and (iii) has all requisite power and authority to own and operate its properties, to carry on its business as now conducted and as proposed to be conducted, to enter into this Agreement and to carry out the transactions contemplated by this Agreement and each of the other Loan Documents to which it is a party (including, without limitation, after giving effect to this Agreement, the Credit Agreement and the Guaranty and Security Agreement);

(xvii)the execution, delivery, and the performance by it of this Agreement and each other Loan Document to which it is a party (including, without limitation, after giving effect to this Agreement, the Credit Agreement and the Guaranty and Security Agreement), (i) have been duly authorized by all necessary action on the part of such Consent Party and (ii) do not and will not (A) violate any material provision of federal, state, or local law or regulation applicable to such Consent Party or its Subsidiaries, the Governing Documents of such Consent Party or its Subsidiaries, or any order, judgment, or decree of any court or other Governmental Authority binding on such Consent Party or its Subsidiaries, (B) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any material agreement of such Consent Party or its Subsidiaries where any such conflict, breach or default could individually or in the aggregate reasonably be expected to have a Material Adverse Effect, (C) result in or require the creation or imposition of any Lien of any nature whatsoever upon any assets of such Consent Party or its Subsidiaries, other than Permitted Liens, (D) require any approval of such Consent Party's interest holders or any approval or consent of any Person under any material agreement of such Consent Party or its Subsidiaries, other than consents or approvals that have been obtained and that are still in force and effect and except, in the case of material agreements, for consents or approvals, the failure to obtain could not individually or in the aggregate reasonably be expected to cause a Material Adverse Effect, or (E) require any registration with, consent, or approval of, or notice to or other action with or by, any

Governmental Authority, other than registrations, consents, approvals, notices, or other actions that have been obtained and that are still in force and effect;

(xviii) this Agreement and each other Loan Document to which such Consent Party is a party (including, without limitation, after giving effect to this Agreement, the Credit Agreement and the Guaranty and Security Agreement) is the legally valid and binding obligation of such Consent Party, enforceable against such Consent Party in accordance with its respective terms, except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights generally;

(xix) the representations and warranties contained in this Agreement, the Credit Agreement, the Guaranty and Security Agreement and the other Loan Documents are true, correct and complete in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) on and as of the Amendment Effective Date (after giving effect to Sections 1 and 3 (other than Section 3(a)) hereof) or the Schlumberger Consent Effective Date (after giving effect to Sections 2, 3(a) and 4 hereof), as applicable (except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of such earlier date);

(xx) after giving effect to the Waiver, no Default or Event of Default has occurred and is continuing; and

(xxi) solely as of the Schlumberger Consent Effective Date, other than the failure to satisfy clauses (a) and (f) of the definition of "Permitted Acquisition", the Schlumberger Acquisition would constitute a Permitted Acquisition under the Credit Agreement; and

7. Post-Close Covenant. No later than thirty (30) days after the Schlumberger Consent Effective Date (or such later date as Agent may agree in its sole discretion), the Consent Parties agree to deliver the joinder documents with respect to the US Target Companies listed in Section V of the Closing Checklist attached hereto as Exhibit B, together with each other Additional Document that may be reasonably requested by Agent, and each in form and substance satisfactory to Agent.

8. Partial Termination Date. The parties hereto hereby agree that if the Schlumberger Acquisition is not consummated on or before the Acquisition Deadline, the consent provided by Agent and the Lenders pursuant to Section 2 hereof, the amendment to the Credit Agreement set forth in Section 3(a) hereof and the Amendment to the Credit Agreement set forth in Section 4 hereof shall be null and void.

9. Further Assurances. At any time upon the reasonable request of Agent or the Required Lenders, each Consent Party shall promptly execute and deliver to Agent or the Lenders such Additional Documents as Agent or the Required Lenders shall reasonably request pursuant to the Credit Agreement, the Guaranty and Security Agreement and the other Loan

Documents, in each case in form and substance reasonably satisfactory to Agent and the Required Lenders.

10. Choice of Law and Venue; Jury Trial Waiver; Judicial Reference. THIS AGREEMENT SHALL BE SUBJECT TO THE PROVISIONS REGARDING CHOICE OF LAW AND VENUE, JURY TRIAL WAIVER, AND JUDICIAL REFERENCE SET FORTH IN SECTION 12 OF THE CREDIT AGREEMENT, AND SUCH PROVISIONS ARE INCORPORATED HEREIN BY THIS REFERENCE, MUTATIS MUTANDIS.

11. Binding Effect. This Agreement shall be binding upon the Consent Parties and each other Loan Party and shall inure to the benefit of Agent and the Lenders, together with their respective successors and permitted assigns.

12. Effect on Loan Documents.

(xxii)The terms and provisions set forth in this Agreement shall modify and supersede all inconsistent terms and provisions of the Credit Agreement and the Guaranty and Security Agreement and shall not be deemed to be a consent to the modification or amendment of any other term or condition of the Credit Agreement or the Guaranty and Security Agreement. Except as expressly modified and superseded by this Agreement, the terms and provisions of the Credit Agreement, the Guaranty and Security Agreement and each of the other Loan Documents are ratified and confirmed and shall continue in full force and effect.

(xxiii)Each reference in the Credit Agreement, the Guaranty and Security Agreement or any other Loan Document to this "Agreement", "hereunder", "herein", "hereof", "thereunder", "therein", "thereof", or words of like import referring to the Credit Agreement, the Guaranty and Security Agreement or any other Loan Document shall mean and refer to such agreement as modified by this Agreement.

13. Reaffirmation. Each Consent Party as debtor, grantor, pledgor, guarantor, assignor, or in other any other similar capacity in which such Consent Party grants liens or security interests in its property or otherwise acts as accommodation party or guarantor, as the case may be, hereby (a) ratifies and reaffirms all of its payment and performance obligations, contingent or otherwise, under each of the Loan Documents to which it is a party and (b) to the extent such Consent Party granted liens on or security interests in any of its property pursuant to any Loan Document, including, without limitation, the Guaranty and Security Agreement, as security for or otherwise guaranteed the Obligations, ratifies and reaffirms such guarantee and grant of security interests and liens and confirms and agrees that such security interests and liens hereafter secure all of the Obligations. The execution of this Agreement shall not operate as a waiver of any right, power or remedy of the Lenders or Agent, constitute a waiver of any provision of any of the Loan Documents other than the Specified Event of Default or serve to effect a novation of the Obligations.

14. Release.

(xxiv) In consideration of the agreements of Agent and the Lenders contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each Consent Party, on behalf of itself and its successors and assigns, hereby absolutely, unconditionally and irrevocably releases, remises and forever discharges Agent and the Lenders, and their successors and assigns, and their present and former shareholders, affiliates, subsidiaries, divisions, predecessors, directors, officers, attorneys, employees, agents and other representatives (Agent, each Lender and all such other Persons being hereinafter referred to collectively as the "Releasees" and individually as a "Releasee"), of and from all demands, actions, causes of action, suits, covenants, contracts, controversies, agreements, promises, sums of money, accounts, bills, reckonings, damages and any and all other claims, counterclaims, defenses, rights of setoff, demands and liabilities whatsoever (individually, a "Claim" and collectively, "Claims") of every name and nature, known or unknown, suspected or unsuspected, both at law and in equity, which any Consent Party or any of their respective successors, assigns, or other legal representatives may now or hereafter own, hold, have or claim to have against the Releasees or any of them for, upon, or by reason of any circumstance, action, cause or thing whatsoever in relation to, or in any way in connection with the Credit Agreement, the Guaranty and Security Agreement or any of the other Loan Documents or transactions thereunder or related thereto which arises at any time on or prior to the day and date of this Agreement.

(xxv) Each Consent Party understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

(xxvi) Each Consent Party agrees that no fact, event, circumstance, evidence or transaction which could now be asserted or which may hereafter be discovered shall affect in any manner the final, absolute and unconditional nature of the release set forth above.

15. Fees and Expenses. Borrower agrees to pay on demand all reasonable costs and expenses of Agent (including reasonable attorneys' fees) incurred in connection with the preparation, negotiation, execution, delivery and administration of this Agreement and all other instruments or documents provided for herein or delivered or to be delivered hereunder or in connection herewith. All obligations provided herein shall survive any termination of this Agreement and the Credit Agreement and the Guaranty and Security Agreement as amended hereby.

16. Miscellaneous

(xxvii) This Agreement is a Loan Document. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, taken together, shall constitute but one and the same Agreement. Delivery of an executed counterpart of this Agreement by telefacsimile or other electronic image scan transmission (e.g., "PDF" or "tif" via

email) shall be equally effective as delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by telefacsimile or other electronic image scan transmission also shall deliver an original executed counterpart of this Agreement but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Agreement. The words "execution," "signed," "signature," "delivery," and words of like import in or relating to any document to be signed in connection with this Agreement shall be deemed to include Electronic Signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; provided that nothing herein shall require the Agent to accept Electronic Signatures in any form or format without its prior written consent.

(xxviii) Any provision of this Agreement which is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof in that jurisdiction or affecting the validity or enforceability of such provision in any other jurisdiction. Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

(xxix) Headings and numbers have been set forth herein for convenience only. Unless the contrary is compelled by the context, everything contained in each Section applies equally to this entire Agreement.

(xxx) Neither this Agreement nor any uncertainty or ambiguity herein shall be construed against any member of the Lender Group or any Consent Party, whether under any rule of construction or otherwise. This Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to accomplish fairly the purposes and intentions of all parties hereto.

(xxxii) The pronouns used herein shall include, when appropriate, either gender and both singular and plural, and the grammatical construction of sentences shall conform thereto.

(xxxiii) This Agreement shall be subject to the rules of construction set forth in Section 1.4 of the Credit Agreement, and such rules of construction are incorporated herein by this reference, *mutatis mutandis*.

[remainder of this page intentionally left blank].

IN WITNESS WHEREOF, the Consent Parties, Agent and the Required Lenders party hereto have caused this Agreement to be duly executed by its authorized officer as of the day and year first above written.

CONSENT PARTIES:

LIBERTY OILFIELD SERVICES LLC,

a Delaware limited liability company

By: /s/ R. Sean Elliott

Name: R. Sean Elliott

Title: Vice President and General Counsel

LIBERTY OILFIELD SERVICES INC.,

a Delaware corporation

By: /s/ R. Sean Elliott

Name: R. Sean Elliott

Title: Vice President and General Counsel

LIBERTY OILFIELD SERVICES NEW HOLDCO LLC, a Delaware limited liability company

By: /s/ R. Sean Elliott

Name: R. Sean Elliott

Title: Vice President and General Counsel

R/C IV NON-U.S. LOS CORP,

a Delaware corporation

By: /s/ R. Sean Elliott

Name: R. Sean Elliott

Title: Vice President and General Counsel

LOS CIBOLO RE INVESTMENTS, LLC,

a Texas limited liability company

By: /s/ R. Sean Elliott

Name: R. Sean Elliott

Title: Vice President and General Counsel

LOS ODESSA RE INVESTMENTS, LLC,

a Texas limited liability company

By: /s/ R. Sean Elliott

Name: R. Sean Elliott

Title: Vice President and General Counsel

ST9 GAS AND OIL LLC,

a Texas limited liability company

By: /s/ R. Sean Elliott

Name: R. Sean Elliott

Title: Vice President and General Counsel

AGENT AND LENDERS:

WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, as Agent and as a Lender

By: /s/ Ryan C. Tozier
Name: Ryan C. Tozier
Title: Vice President

JPMORGAN CHASE BANK, N.A., as a Lender

By: /s/ Jason R. Williams
Name: Jason R. Williams
Title: Authorized Officer

CITIBANK, N.A., as a Lender

By: /s/ Christy Yang
Name: Christy Yang
Title: Authorized Signatory

GOLDMAN SACHS BANK USA, as a Lender

By: /s/ Jamie Minieri
Name: Jamie Minieri
Title: Authorized Signatory

MORGAN STANLEY BANK, N.A. , as a Lender

By: /s/ Tim Kok

Name: Tim Kok

Title: Authorized Signatory

Exhibit A

Schlumberger MTA

[See attached]

Exhibit B

Closing Checklist

[See attached]

**WAIVER, CONSENT AND FOURTH AMENDMENT TO CREDIT AGREEMENT AND FIRST AMENDMENT TO
GUARANTY AND SECURITY AGREEMENT**

This **WAIVER, CONSENT AND FOURTH AMENDMENT TO CREDIT AGREEMENT AND FIRST AMENDMENT TO GUARANTY AND SECURITY AGREEMENT** (this "Agreement"), is entered into as of December 29, 2020, by and among **LIBERTY OILFIELD SERVICES LLC**, a Delaware limited liability company (the "Borrower"), **LIBERTY OILFIELD SERVICES INC.**, a Delaware corporation ("Ultimate Parent"), **LIBERTY OILFIELD SERVICES NEW HOLDCO LLC**, a Delaware limited liability company ("Liberty Holdings"), **R/C IV NON-U.S. LOS CORP**, a Delaware corporation ("R/C Holdings"), **LOS CIBOLO RE INVESTMENTS, LLC**, a Texas limited liability company ("LOS Cibolo"), **LOS ODESSA RE INVESTMENTS, LLC**, a Texas limited liability company ("LOS Odessa"), **ST9 GAS AND OIL LLC**, a Texas limited liability company ("ST9", together with Ultimate Parent, Liberty Holdings, the Borrower, R/C Holdings, LOS Cibolo and LOS Odessa, collectively, the "Loan Parties" and each, individually, a "Loan Party"), the undersigned Lenders (as defined below), and **U.S. BANK NATIONAL ASSOCIATION**, as administrative agent (in such capacity, together with its successors and assigns in such capacity, "Agent").

WITNESSETH:

WHEREAS, pursuant to that certain Credit Agreement, dated as of September 19, 2017 (as amended by that certain Amendment and Joinder to Credit Agreement, dated as of January 17, 2018, by that certain Second Amendment and Joinder to Credit Agreement, dated as of March 21, 2018, by that certain Third Amendment to Credit Agreement, dated as of August 12, 2020, and as may be further amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"; initially capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Credit Agreement), by and among the lenders identified on the signature pages thereto (each of such lenders, together with its successor and permitted assigns, a "Lender"), Agent, the Borrower, Ultimate Parent, Liberty Holdings, R/C Holdings and the other Loan Parties from time to time party thereto, the Lender Group has agreed to make Loans thereunder;

WHEREAS, pursuant to that certain Guaranty and Security Agreement, dated as of September 19, 2017 (amended, restated, supplemented or otherwise modified from time to time, the "Guaranty and Security Agreement"), by and among each Loan Party, as a grantor, and Agent, each of Ultimate Parent, Liberty Holdings, R/C Holdings, LOS Cibolo, LOS Odessa and ST9 guaranteed the Guaranteed Obligations (as defined therein) and each Loan Party granted to Agent, for the benefit of the Lender Group, a continuing security interest in and to the Collateral in order to secure the prompt and complete payment, observance and performance of, among other things, the Secured Obligations (as defined therein);

WHEREAS, the Loan Parties have informed Agent and the Lenders that Ultimate Parent, Liberty Holdings, as "US Buyer", and LOS Canada Operations Inc., a British Columbia corporation and subsidiary of the Borrower ("Liberty Canada"), as "Canadian Buyer", have entered into that certain Master Transaction Agreement dated as of August 31, 2020, which is

expected to close prior to December 31, 2020 (such closing date, the “Schlumberger Acquisition Closing Date”), with Schlumberger Technology Corporation, a Texas corporation (“US Seller”), and Schlumberger Canada Limited, a corporation organized under the laws of the Province of Alberta (“Canadian Seller”), a copy of which is attached hereto as Exhibit A (the “Schlumberger MTA”), pursuant to which (a) Liberty Holdings will acquire from US Seller 100% of the equity interests of Solar US Target A, LLC, a Delaware limited liability company (“US Target A”), Solar US Target B, LLC, a Delaware limited liability company (“US Target B”), and Solar US Target C, LLC, a Delaware limited liability company (together with US Target A and US Target B, collectively, the “US Target Companies”, and the acquisition of the US Target Companies by Liberty Holdings, the “Schlumberger US Acquisition”) in exchange for shares of class A common stock of Ultimate Parent (the “US Acquisition Consideration”) and (b) Liberty Canada will acquire from Canadian Seller 100% of the equity interests of 1263651 B.C. Unlimited Liability Company, an unlimited liability company organized under the laws of the Province of British Columbia (the “Schlumberger Canada Target”; the acquisition of the Schlumberger Canada Target by Liberty Canada, the “Schlumberger Canada Acquisition”, and the Schlumberger Canada Acquisition together with the Schlumberger US Acquisition, collectively, the “Schlumberger Acquisition”) in exchange for the Canadian Note (as defined below);

WHEREAS, in order to permit Liberty Holdings to pay the US Acquisition Consideration to US Seller on the Schlumberger Acquisition Closing Date, Ultimate Parent will contribute the US Acquisition Consideration to Liberty Holdings in exchange for an equal number of units of Liberty Holdings (the “US Ultimate Parent Share Contribution”);

WHEREAS, in connection with the Schlumberger Canada Acquisition, (a) Liberty Canada will issue to Canadian Seller a promissory note dated as of the Schlumberger Acquisition Closing Date (the “Canadian Note”) with a principal amount equal to the fair market value of a number of shares of class A common stock of Ultimate Parent agreed to by the parties based on the trading price of such shares as of the end of the day on the Schlumberger Acquisition Closing Date (the “Canadian Acquisition Consideration”, together with the US Acquisition Consideration collectively, the “Schlumberger Consideration”) which Canadian Acquisition Consideration is payable either in cash or in additional shares of Ultimate Parent and (b) the Borrower and Liberty Canada will enter into an agreement dated as of the Schlumberger Acquisition Closing Date whereby the Borrower will agree to assume the payment obligations of Liberty Canada under the Canadian Note in exchange for the issuance by Liberty Canada to the Borrower of additional shares of Liberty Canada (the “Borrower Canadian Note Assumption”);

WHEREAS, in order to permit the Borrower to pay the Canadian Acquisition Consideration to Canadian Seller on the Schlumberger Acquisition Closing Date, (a) Ultimate Parent will contribute the number of shares of class A common stock of Ultimate Parent with a value equal to the Canadian Acquisition Consideration to Liberty Holdings in exchange for an equal number of units of Liberty Holdings and (b) Liberty Holdings will contribute such shares of class A common stock of Ultimate Parent to Borrower (the “Canadian Ultimate Parent Share Contribution”);

WHEREAS, each of the Loan Parties acknowledges and agrees that in the absence of the prior written consent of the Required Lenders, (a) the US Ultimate Parent Share Contribution, the Canadian Ultimate Parent Share Contribution and the Schlumberger Acquisition are Investments that are not permitted pursuant to Section 6.9 of the Credit Agreement and both the US Ultimate Parent Share Contribution and the Canadian Ultimate Parent Share Contribution are issuances of Equity Interests that are not permitted pursuant to Section 6.12 of the Credit Agreement and (b) the issuance of the Canadian Note and the Borrower Canadian Note Assumption would result in the creation and incurrence of Indebtedness that is not permitted pursuant to Section 6.1 of the Credit Agreement, and as a result, the making of such Investments and creation and incurrence of such Indebtedness described in clauses (a) and (b), respectively, would constitute immediate Events of Default under Section 8.2(a)(i)(B) of the Credit Agreement;

WHEREAS, in addition, the Loan Parties have notified Agent and the Lenders that the Schlumberger Consideration collectively will constitute 37% of the total voting power of all of the outstanding voting common stock of Ultimate Parent and accordingly consummation of the Schlumberger Acquisition and payment of the Schlumberger Consideration will cause a “Change of Control” under the Credit Agreement and a resulting immediate Event of Default under Section 8.11 of the Credit Agreement;

WHEREAS, on August 28, 2020, the Borrower formed Liberty Canada but failed to provide to Agent a pledge agreement (or an addendum to the Guaranty and Security Agreement) and appropriate certificates and powers, pledging 65% of the total outstanding voting Equity Interests of Liberty Canada within fifteen (15) days of such formation in accordance with Section 5.11 of the Credit Agreement, resulting in an immediate Event of Default under Section 8.2(a)(i)(A) of the Credit Agreement (such Event of Default, the “Specified Event of Default”); and

WHEREAS, the Loan Parties have requested that Agent and the Required Lenders (a) waive the Specified Event of Default, (b) consent to (i) the US Ultimate Parent Share Contribution and the Canadian Ultimate Parent Share Contribution, (ii) the issuance of the Canadian Note and the Borrower Canadian Note Assumption, (iii) the consummation of the Schlumberger Acquisition and payment of the Schlumberger Consideration and (iv) the treatment of the Schlumberger Acquisition as a “Permitted Acquisition” for all purposes under the Credit Agreement and the other Loan Documents and (c) amend the Credit Agreement and the Guaranty and Security Agreement in certain respects, and Agent and the Required Lenders are willing to do so, subject to the terms and conditions specified herein.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each of the parties hereto hereby agrees as follow:

1. Waiver of Specified Event of Default. In reliance on the representations and warranties of the Loan Parties set forth in Section 6 below, and subject to the satisfaction of the conditions to effectiveness set forth in Section 5(a) below, the Required Lenders hereby waive (the “Waiver”) the Specified Event of Default, so long as the Borrower provides to Agent (a) a

pledge agreement governed under British Columbian law, and appropriate certificates and powers, pledging 65% of the total outstanding voting Equity Interests of Liberty Canada in accordance with Section 5.11 of the Credit Agreement within thirty (30) days of the Schlumberger Consent Effective Date (or such later date as the Required Lenders may agree in writing in their sole discretion) or (b) to the extent the Schlumberger Acquisition shall not have been consummated on or before January 31, 2021 (or such later date as the Required Lenders may agree in writing in their sole discretion, the “Acquisition Deadline”), evidence reasonably satisfactory to the Required Lenders of the dissolution of Liberty Canada within thirty (30) days of the Acquisition Deadline (or such later date as the Required Lenders may agree in writing in their sole discretion), it being understood that the failure to satisfy either such requirement shall constitute an immediate Event of Default. Without limiting the generality of any provision of the Credit Agreement, the Waiver shall be limited precisely as written and relate solely to the Specified Event of Default in the manner and to the extent described above, and the Waiver shall not be deemed to apply to any other Default or Event of Default that may currently be outstanding and shall not be deemed to apply to any future Default or Event of Default.

2. Consent Under Credit Agreement. In reliance upon the representations and warranties of the Loan Parties set forth in Section 6 below, and subject to the satisfaction of the conditions to effectiveness set forth in Section 5(b) below, the Required Lenders hereby consent (the “Consent”) to (a) the US Ultimate Parent Share Contribution and the Canadian Ultimate Parent Share Contribution, (b) the issuance of the Canadian Note and the Borrower Canadian Note Assumption, (c) the Schlumberger Acquisition and payment of the Schlumberger Consideration and (d) the treatment of the Schlumberger Acquisition as a “Permitted Acquisition” for all purposes under the Credit Agreement and the other Loan Documents. Except as expressly set forth in this Agreement, the foregoing consent shall not constitute (i) a modification or alteration of the terms, conditions or covenants of the Credit Agreement or any other Loan Document or (ii) a waiver, release or limitation upon the exercise by Agent or any Lender of any of their respective rights, legal or equitable thereunder. Notwithstanding anything to the contrary set forth herein, the foregoing consent shall only be effective to the extent that the Canadian Note is (A) paid in shares of class A common stock of Ultimate Parent and (B) cancelled within one (1) Business Day of the Schlumberger Acquisition Closing Date and the failure to satisfy either of the foregoing clauses (A) and (B) shall constitute an immediate Event of Default.

3. Amendments to Credit Agreement. In reliance on the representations and warranties of the Loan Parties set forth in Section 6 below, and subject to the satisfaction of the conditions to effectiveness set forth in Section 5(a) below, other than with respect to the amendment to the definition of “Change of Control” in Section 1.1 of the Credit Agreement (the “Change of Control Amendment”) which shall be subject to the satisfaction of the conditions to effectiveness set forth in Section 5(b) below, the Credit Agreement (but not the Schedules and Exhibits attached thereto) shall be amended in its entirety to read as set forth in the Credit Agreement attached as Annex A hereto (such amendments, together with the Change of Control Amendment, collectively, the “Credit Agreement Amendments”).

4. Amendments to Guaranty and Security Agreement. In reliance on the representations and warranties of the Loan Parties set forth in Section 6 below, and subject to the satisfaction of the conditions to effectiveness set forth in Section 5(a) below, other than with respect to (i) the amendment to Section 7(n) of the Guaranty and Security Agreement and (ii) the amendment set forth in clause (b) herein (collectively, the “Title Covenant Amendments”), each of which shall be subject to the satisfaction of the conditions to effectiveness set forth in Section 5(b) below, (a) the Guaranty and Security Agreement and Annex 1 thereto (but not the Schedules and Exhibits attached thereto) shall be amended in their entirety to read and (b) the Guaranty and Security Agreement shall be further amended by adding a new Schedule 7(n) thereto, in each case, as set forth in the Guaranty and Security Agreement attached as Annex B hereto (such amendments together with the Title Covenant Amendments and the Credit Agreement Amendments, collectively, the “Amendments”).

5. Conditions to Effectiveness.

(a) The Waiver and the Amendments, other than the Change of Control Amendment and the Title Covenant Amendments, shall become effective and be deemed effective as of the date when, and only when, all of the following conditions have been satisfied (such date, the “Initial Amendments Effective Date”):

(i) The Lenders shall have received a copy of this Agreement, duly authorized, executed and delivered by the Loan Parties, Agent and the Required Lenders;

(ii) The Lenders shall have received an executed copy of that certain Consent and Fifth Amendment to Credit Agreement, dated as of December 29, 2020, by and among the Loan Parties party thereto, the ABL Lenders party thereto and the ABL Agent, in form and substance satisfactory to the Required Lenders;

(iii) the representations and warranties of the Loan Parties contained in this Agreement, the Credit Agreement, the Guaranty and Security Agreement and the other Loan Documents shall be true, correct and complete in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) on and as of the Initial Amendments Effective Date (except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of such earlier date);

(iv) the Borrower shall have paid all fees costs and expenses due and payable as of the Initial Amendments Effective Date under the Credit Agreement and the other Loan Documents, including without limitation all attorney’s fees and expenses incurred by Agent and the Lenders; and

(v) after giving effect to the Waiver, no Default or Event of Default shall have occurred and be continuing.

(b) The Consent, the Change of Control Amendment and the Title Covenant Amendments shall become effective and be deemed effective as of the date when, and only when, all of the all of the following conditions have been satisfied (such date, the "Schlumberger Consent Effective Date"):

(i) the Required Lenders shall have received (A) a certificate of an Authorized Person of the Borrower attaching and certifying as to a true, correct and complete copy of the Schlumberger MTA and (B) true, correct and complete copies of each of the other documents with respect to the Schlumberger Acquisition listed on Schedule 1 attached hereto, together with each other documents with respect to the Schlumberger Acquisition that may be reasonably requested by the Required Lenders, each in form and substance reasonably satisfactory to Agent or the Required Lenders, as applicable;

(ii) after giving effect to the Consent, the Change of Control Amendment and the Title Covenant Amendments, the representations and warranties of the Loan Parties contained in this Agreement, the Credit Agreement (except with respect to the representation and warranty contained in Section 4.1(c) thereof as a result of the transactions contemplated by the Schlumberger Acquisition), the Guaranty and Security Agreement and the other Loan Documents shall be true, correct and complete in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) on and as of the Schlumberger Consent Effective Date (except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of such earlier date);

(iii) the Borrower shall have paid all fees costs and expenses due and payable as of the Schlumberger Consent Effective Date under the Credit Agreement and the other Loan Documents, including without limitation all attorney's fees and expenses incurred by Agent and the Lenders;

(iv) after giving effect to the Consent and the Change of Control Amendment, no Default or Event of Default shall have occurred and be continuing; and

(v) the Schlumberger Acquisition shall have been consummated on or before the Acquisition Deadline in accordance with the terms of the Schlumberger MTA and applicable law.

6. Representations and Warranties of the Loan Parties. Each Loan Party hereby represents and warrants as of the Initial Amendments Effective Date and the Schlumberger Consent Effective Date, to the extent applicable, to Agent and the Lenders as follows:

(a) it (i) is duly organized and existing and in good standing under the laws of the jurisdiction of its organization, (ii) is qualified to do business in any state where the failure to be so qualified could reasonably be expected to result in a Material Adverse Effect, and (iii) has all requisite power and authority to own and operate its properties, to carry on its business as now conducted and as proposed to be conducted, to enter into this Agreement and to carry out the transactions contemplated by this Agreement and each of the other Loan Documents to which it is a party (including, without limitation, after giving effect to the Consent and the Amendments, the Credit Agreement and the Guaranty and Security Agreement);

(b) the execution and delivery of this Agreement, and the performance by it of this Agreement and each other Loan Document to which it is a party (including, without limitation, after giving effect to the Consent and the Amendments, the Credit Agreement and the Guaranty and Security Agreement), (i) have been duly authorized by all necessary action on the part of such Loan Party and (ii) do not and will not (A) violate any material provision of federal, state, or local law or regulation applicable to such Loan Party or its Subsidiaries, the Governing Documents of such Loan Party or its Subsidiaries, or any order, judgment, or decree of any court or other Governmental Authority binding on such Loan Party or its Subsidiaries, (B) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any material agreement of such Loan Party or its Subsidiaries where any such conflict, breach or default could individually or in the aggregate reasonably be expected to have a Material Adverse Effect, (C) result in or require the creation or imposition of any Lien of any nature whatsoever upon any assets of such Loan Party or its Subsidiaries, other than Permitted Liens, (D) require any approval of such Loan Party's interest holders or any approval or consent of any Person under any material agreement of such Loan Party or its Subsidiaries, other than consents or approvals that have been obtained and that are still in force and effect and except, in the case of material agreements, for consents or approvals, the failure to obtain could not individually or in the aggregate reasonably be expected to cause a Material Adverse Effect, or (E) require any registration with, consent, or approval of, or notice to or other action with or by, any Governmental Authority, other than registrations, consents, approvals, notices, or other actions that have been obtained and that are still in force and effect;

(c) this Agreement and each other Loan Document to which such Loan Party is a party (including, without limitation, after giving effect to the Consent and the Amendments, the Credit Agreement and the Guaranty and Security Agreement) is the legally valid and binding obligation of such Loan Party, enforceable against such Loan Party in accordance with its respective terms, except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights generally;

(d) the representations and warranties contained in this Agreement, the Credit Agreement, the Guaranty and Security Agreement and the other Loan Documents are true, correct and complete in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) on and as of the Initial Amendments Effective Date (after giving effect to the Waiver and the Amendments, other than the Change of Control Amendment and the

Title Covenant Amendments) or the Schlumberger Consent Effective Date (after giving effect to the Consent, the Change of Control Amendment and the Title Covenant Amendments), as applicable (except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of such earlier date);

(e) after giving effect to the Waiver, no Default or Event of Default has occurred and is continuing; and

(f) solely as of the Schlumberger Consent Effective Date, other than the failure to satisfy clauses (a) and (i) of the definition of "Permitted Acquisition", the Schlumberger Acquisition would constitute a Permitted Acquisition under the Credit Agreement.

7. Further Assurances. At any time upon the reasonable request of Agent or the Required Lenders, each Loan Party shall promptly execute and deliver to Agent or the Lenders such Additional Documents as Agent or the Required Lenders shall reasonably request pursuant to the Credit Agreement, the Guaranty and Security Agreement or any other Loan Document, in each case in form and substance reasonably satisfactory to Agent or the Required Lenders, as applicable.

8. Choice of Law and Venue; Jury Trial Waiver; Judicial Reference.

(a) THE VALIDITY OF THIS AGREEMENT, THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT HEREOF, THE RIGHTS OF THE PARTIES HERETO WITH RESPECT TO ALL MATTERS ARISING HEREUNDER OR RELATED HERETO, AND ANY CLAIMS, CONTROVERSIES OR DISPUTES ARISING HEREUNDER OR RELATED HERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(b) THIS AGREEMENT SHALL BE SUBJECT TO THE PROVISIONS REGARDING VENUE, JURY TRIAL WAIVER, AND JUDICIAL REFERENCE SET FORTH IN SECTION 12 OF THE CREDIT AGREEMENT, AND SUCH PROVISIONS ARE INCORPORATED HEREIN BY THIS REFERENCE, MUTATIS MUTANDIS.

9. Binding Effect. This Agreement shall be binding upon the Loan Parties and shall inure to the benefit of Agent and the Lenders, together with their respective successors and permitted assigns.

10. Effect on Loan Documents.

(a) The terms and provisions set forth in this Agreement shall modify and supersede all inconsistent terms and provisions of the Credit Agreement and the Guaranty and Security Agreement and shall not be deemed to be a consent to the modification or amendment of any other term or condition of the Credit Agreement or the Guaranty and Security Agreement.

Except as expressly modified and superseded by this Agreement, the terms and provisions of the Credit Agreement, the Guaranty and Security Agreement and each of the other Loan Documents are ratified and confirmed and shall continue in full force and effect.

(b) Each reference in the Credit Agreement, the Guaranty and Security Agreement or any other Loan Document to this “Agreement”, “hereunder”, “herein”, “hereof”, “thereunder”, “therein”, “thereof”, or words of like import referring to the Credit Agreement, the Guaranty and Security Agreement or any other Loan Document shall mean and refer to such agreement as modified by this Agreement.

11. Reaffirmation. Each of the Loan Parties as debtor, grantor, pledgor, guarantor, assignor, or in other any other similar capacity in which such Loan Party grants liens or security interests in its property or otherwise acts as accommodation party or guarantor, as the case may be, hereby (a) ratifies and reaffirms all of its payment and performance obligations, contingent or otherwise, under each of the Loan Documents to which it is a party and (b) to the extent such Loan Party granted liens on or security interests in any of its property pursuant to any such Loan Document as security for or otherwise guaranteed the Obligations, ratifies and reaffirms such guarantee and grant of security interests and liens and confirms and agrees that such security interests and liens hereafter secure all of the Obligations. The execution of this Agreement shall not operate as a waiver of any right, power or remedy of the Lenders or Agent, constitute a waiver of any provision of any of the Loan Documents other than the Specified Event of Default or serve to effect a novation of the Obligations.

12. Release.

(a) In consideration of the agreements of Agent and the Lenders contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each Loan Party, on behalf of itself and its successors and assigns, hereby absolutely, unconditionally and irrevocably releases, remises and forever discharges Agent and the Lenders, and their successors and assigns, and their present and former, direct and indirect, owners, affiliates, subsidiaries, divisions, predecessors, directors, officers, attorneys, employees, agents and other representatives (Agent, each Lender and all such other Persons being hereinafter referred to collectively as the “Releasees” and individually as a “Releasee”), of and from all demands, actions, causes of action, suits, covenants, contracts, controversies, agreements, promises, sums of money, accounts, bills, reckonings, damages and any and all other claims, counterclaims, defenses, rights of setoff, demands and liabilities whatsoever (individually, a “Claim” and collectively, “Claims”) of every name and nature, known or unknown, suspected or unsuspected, both at law and in equity, which any Loan Party or any of their respective successors, assigns, or other legal representatives may now or hereafter own, hold, have or claim to have against the Releasees or any of them for, upon, or by reason of any circumstance, action, cause or thing whatsoever in relation to, or in any way in connection with, the Credit Agreement, the Guaranty and Security Agreement or any of the other Loan Documents or transactions thereunder or related thereto which arises at any time on or prior to the day and date of this Agreement.

(b) Each Loan Party understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

(c) Each Loan Party agrees that no fact, event, circumstance, evidence or transaction which could now be asserted or which may hereafter be discovered shall affect in any manner the final, absolute and unconditional nature of the release set forth above.

13. Fees and Expenses. The Borrower agrees to pay on demand all reasonable costs and expenses of Agent and the Lenders (including reasonable attorneys' fees) incurred in connection with the preparation, negotiation, execution, delivery and administration of this Agreement and all other instruments or documents provided for herein or delivered or to be delivered hereunder or in connection herewith. All obligations provided herein shall survive any termination of this Agreement, the Credit Agreement as amended hereby and the Guaranty and Security Agreement as amended hereby.

14. Miscellaneous

(a) This Agreement is a Loan Document. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, taken together, shall constitute but one and the same Agreement. Delivery of an executed counterpart of this Agreement by telefacsimile or other electronic image scan transmission (e.g., "PDF" or "tif" via email) shall be equally effective as delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by telefacsimile or other electronic image scan transmission also shall deliver an original executed counterpart of this Agreement but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Agreement. The words "execution," "signed," "signature," "delivery," and words of like import in or relating to any document to be signed in connection with this Agreement shall be deemed to include Electronic Signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; provided that nothing herein shall require Agent or any Lender to accept Electronic Signatures in any form or format without its prior written consent.

(b) Any provision of this Agreement which is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof in that jurisdiction or affecting the validity or enforceability of such provision in any other jurisdiction. Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

(c) Headings and numbers have been set forth herein for convenience only. Unless the contrary is compelled by the context, everything contained in each Section applies equally to this entire Agreement.

(d) Neither this Agreement nor any uncertainty or ambiguity herein shall be construed against any member of the Lender Group or any Loan Party, whether under any rule of construction or otherwise. This Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to accomplish fairly the purposes and intentions of all parties hereto.

(e) The pronouns used herein shall include, when appropriate, either gender and both singular and plural, and the grammatical construction of sentences shall conform thereto.

(f) This Agreement shall be subject to the rules of construction set forth in Section 1.4 of the Credit Agreement, and such rules of construction are incorporated herein by this reference, *mutatis mutandis*.

(g) By their signature below, the Required Lenders request and direct that Agent execute this Agreement.

[remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the Loan Parties, Agent and the Required Lenders party hereto have caused this Agreement to be duly executed by its authorized officer as of the day and year first above written.

LOAN PARTIES:

LIBERTY OILFIELD SERVICES LLC,

a Delaware limited liability company

By: /s/ R. Sean Elliott

Name: R. Sean Elliott

Title: Vice President and General Counsel

LIBERTY OILFIELD SERVICES INC.,

a Delaware corporation

By: /s/ R. Sean Elliott

Name: R. Sean Elliott

Title: Vice President and General Counsel

LIBERTY OILFIELD SERVICES NEW HOLDCO LLC, a Delaware limited liability company

By: /s/ R. Sean Elliott

Name: R. Sean Elliott

Title: Vice President and General Counsel

R/C IV NON-U.S. LOS CORP,

a Delaware corporation

By: /s/ R. Sean Elliott

Name: R. Sean Elliott

Title: Vice President and General Counsel

LOS CIBOLO RE INVESTMENTS, LLC, a Texas limited liability company

By: /s/ R. Sean Elliott

Name: R. Sean Elliott

Title: Vice President and General Counsel

LOS ODESSA RE INVESTMENTS, LLC, a Texas limited liability company

By: /s/ R. Sean Elliott

Name: R. Sean Elliott

Title: Vice President and General Counsel

ST9 GAS AND OIL LLC, a Texas limited liability company

By: /s/ R. Sean Elliott

Name: R. Sean Elliott

Title: Vice President and General Counsel

AGENT:

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Prital K. Patel

Name: Prital K. Patel

Title: Vice President

LENDERS:

MSD CREDIT OPPORTUNITY MASTER FUND, L.P., a Delaware limited liability partnership

By: /s/ Marcello Liguori

Name: Marcello Liguori

Title: Managing Director

REDWOOD MASTER FUND, LTD.

By:

Name:

Title:

REDWOOD OPPORTUNITY MASTER FUND, LTD.

By:

Name:

Title:

CORBIN OPPORTUNITY FUND, L.P.

By:

Name:

Title:

PONTUS HOLDINGS, LTD.

By:

Name:

Title:

CM FINANCE SPV LTD

By: CM Investment Partners LLC, as Collateral Manager

By: /s/ Rocco DelGuercio
Name: Rocco DelGuercio
Title: Authorized Signatory

AG ENERGY FUNDING, LLC

By:
Name:
Title:

OWL ROCK CAPITAL CORPORATION

By: /s/ Alexis Maged
Name: Alexis Maged
Title: Authorized Signatory

ORCC II FINANCING LLC

By: /s/ Alexis Maged
Name: Alexis Maged
Title: Authorized Signatory

ORCC FINANCING II LLC

By: /s/ Alexis Maged
Name: Alexis Maged
Title: Authorized Signatory

Schedule 1

Schlumberger Acquisition Documents

i. Acquisition and Restructuring Documents:

1. Master Transaction Agreement, together with Disclosure Schedules
2. Alliance Agreement
3. Transition Services Agreement
4. Direct Sale and Rental Agreement
5. Employee Matters Agreement
6. Equity Assignment Agreement
7. Canadian Buyer Note
8. Intellectual Property Licensing Agreement
9. Canadian Restructuring Contribution Agreement
10. US Restructuring Contribution Agreement

Equity Documents:

1. Amended and Restated Stockholder's Agreement
2. Registration Rights Agreement

Collateral Due Diligence:

1. Pre-closing lien search results re US Target Companies, US Seller and Canadian Seller
2. Intellectual property search results re US Target Companies, US Seller and Canadian Seller

Payoff Documents & Releases:

1. Purchase and Termination Agreement (TX – Edwards Mine) re Society Generale Financial Corporation re:
 - a. Lease and Security Agreement
 - b. Ground Lease
 - c. Deed of Trust
 - d. Leasehold Deed of Trust
2. UCC Termination Statements:
 - a. UCC filing 2017-6986, naming Wisconsin Proppants, LLC as debtor and SOCIÉTÉ GÉNÉRALE FINANCIAL CORPORATION as secured party, filed among the Land Records of Ward County, TX on November 27, 2017

b. UCC filing 170015722725, naming Wisconsin Proppants, LLC as debtor and SOCIÉTÉ GÉNÉRALE FINANCIAL CORPORATION as secured party, filed with Wisconsin Department of Financial Institutions on November 17, 2017

c. UCC filing 20177653449, naming SOCIÉTÉ GÉNÉRALE FINANCIAL CORPORATION as debtor and SOCIÉTÉ GÉNÉRALE as secured party, filed with SOS Delaware on November 17, 2017

Schedule 1 to Waiver, Consent and Fourth Amendment to Credit Agreement
and First Amendment to Guaranty and Security Agreement

Annex A

Amended Credit Agreement

[See attached]

Annex A to Waiver, Consent and Fourth Amendment to Credit Agreement
and First Amendment to Guaranty and Security Agreement

Annex b

Amended Guaranty and Security Agreement

[See attached]

Annex B to Waiver, Consent and Fourth Amendment to Credit Agreement
and First Amendment to Guaranty and Security Agreement

Exhibit A

Schlumberger MTA

[See attached]

Exhibit A to Waiver, Consent and Fourth Amendment to Credit Agreement
and First Amendment to Guaranty and Security Agreement

Liberty Oilfield Services 401(k) Savings Plan

Principal Financial Group 401(k) Volume Submitter Approved August 8, 2014

Amend No. 2 Effective January 1, 2020



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Plan Description: Volume Submitter Profit Sharing Plan With CODA
FFN: 31507440004-000 Case: 201200287 EIN: 42-0127290
Letter Serial No: J599551a
Date of Submission: 04/02/2012

PRINCIPAL LIFE INSURANCE CO
711 HIGH STREET
ATTN: KATHY DISNEY C-003-W20
DES MOINES, IA 50392

Contact Person:
Janell Hayes
Telephone Number:
513-263-3602
In Reference To: TEGE:EP:7521
Date: 08/08/2014

Dear Applicant:

In our opinion, the form of the plan identified above is acceptable under section 401 of the Internal Revenue Code for use by employers for the benefit of their employees. This opinion relates only to the acceptability of the form of the plan under the Internal Revenue Code. It is not an opinion of the effect of other Federal or local statutes.

You must furnish a copy of this letter, a copy of the approved plan, and copies of any subsequent amendments to adopting employers if the practitioner is authorized to amend the plan on their behalf, to each employer who adopts this plan. Effective on or after 10/31/2011, interim amendments adopted by the practitioner on behalf of employers must provide the date of adoption by the practitioner.

This letter considers the changes in qualification requirements contained in the 2010 Cumulative List of Notice 2010-90, 2010-52 I.R.B. 909.

Our opinion on the acceptability of the form of the plan is not a ruling or determination as to whether an employer's plan qualifies under Code section 401(a). However, an employer that adopts this plan may rely on this letter with respect to the qualification of its plan under Code section 401(a), as provided for in Rev. Proc. 2011-49, 2011-44 I.R.B. 608, and outlined below. The terms of the plan must be followed in operation.

Except as provided below, our opinion does not apply with respect to the requirements of Code sections 401(a)(4), 401(l), 410(b), and 414(s). Our opinion does not apply for purposes of Code section 401(a)(10)(B) and section 401(a)(16) if an employer ever maintained another qualified plan for one or more employees who are covered by this plan. For this purpose, the employer will not be considered to have maintained another plan merely because the employer has maintained another defined contribution plan(s), provided such other plan(s) has been terminated prior to the effective date of this plan and no annual additions have been credited to the account of any participant under such other plan(s) as of any date within the limitation year of this plan. Also, for this purpose, an employer is considered as maintaining another plan, to the extent that the employer maintains a welfare benefit fund defined in Code section 419(e), which provides postretirement medical benefits allocated to separate accounts for key employees as defined in Code section 419A(d)(3), or an individual medical account as defined in Code section 415(l)(2), which is part of a pension or annuity plan maintained by the employer, or a simplified employee pension plan.

Our opinion does not apply for purposes of the requirement of section 1.401(a)-1(b)(2) of the regulations applicable to a money purchase plan or target benefit plan where the normal retirement age under the employer's plan is lower than age 62.

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PRINCIPAL LIFE INSURANCE CO
FFN: 31507440004-000
Page: 2

This is not a ruling or determination with respect to any language in the plan that reflects Section 3 of the Defense of Marriage Act, Pub. L. 104-199, 110 Stat. 2419 (DOMA) or U.S. v. Windsor, 570 U.S. 12 (2013), which invalidated that section.

This letter is not a ruling with respect to the tax treatment to be accorded contributions which are picked up by the governmental employing unit within the meaning of section 414(h)(2) of the Internal Revenue Code.

Our opinion applies with respect to the requirements of Code section 410(b) if 100 percent of all nonexcludable employees benefit under the plan. Employers that elect a safe harbor allocation formula and a safe harbor compensation definition can also rely on an advisory letter with respect to the nondiscriminatory amounts requirement under section 401(a)(4). If this plan includes a CODA or otherwise provides for contributions subject to sections 401(k) and/or 401(m), the advisory letter can be relied on with respect to the form of the nondiscrimination tests of 401(k)(3) and 401(m)(2) if the employer uses a safe harbor compensation definition. In the case of plans described in section 401(k)(12) or (13) and/or 401(m)(11) or (12), employers may also rely on the advisory letter with respect to whether the form of the plan satisfies the requirements of those sections unless the plan provides for the safe harbor contribution to be made under another plan.

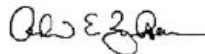
The employer may request a determination (1) as to whether the plan, considered with all related qualified plans and, if appropriate, welfare benefit funds, individual medical benefit accounts, and simplified employee pension plans, satisfies the requirements of Code section 401(a)(16) as to limitations on benefits and contributions in Code section 415 and the requirements of Code section 401(a)(10)(B) as to the top-heavy plan requirements in Code section 415; (2) with respect to whether a money purchase or target benefit plan's normal retirement age which is earlier than age 62 satisfies the requirements of section 401(a)-1(b)(2) of the Income Tax Regulations; (3) that the plan is a multiple employer plan; (4) whether there has been a partial termination; and (5) to comply with published procedures of the Service (e.g. minimum funding waiver request). The employer may request a determination letter by filing an application with Employee Plans Determinations on Form 5307, with regard to item (1) above, and Form 5300, for items (2), (3), (4) and (5), without restating for the Cumulative List in effect when the application is filed.

If you, the volume submitter practitioner, have any questions concerning the IRS processing of this case, please call the above telephone number. This number is only for use of the practitioner. Individual participants and/or adopting employers with questions concerning the plan should contact the volume submitter practitioner. The plan's adoption agreement, if applicable, must include the practitioner's address and telephone number for inquiries by adopting employers.

If you write to the IRS regarding this plan, please provide your telephone number and the most convenient time for us to call in case we need more information. Whether you call or write, please refer to the Letter Serial Number and File Folder Number shown in the heading of this letter.

You should keep this letter as a permanent record. Please notify us if you modify or discontinue sponsorship of this plan.

Sincerely Yours,



Andrew E. Zuckerman
Director, Employee Plans Rulings and Agreements

Letter 4335

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Amend No. 2 Effective January 1, 2020

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Plan ID No. 1046128 (8-13112)

INTRODUCTION

The Primary Employer previously established a retirement plan on January 15, 2013.

The Plan is amended with this Amendment Number 2, effective January 1, 2020. This amended document is substituted in lieu of the prior document with the exception of any interim amendment and any model amendment that have not been incorporated into this amendment. Such amendment(s) shall continue to apply to this Plan until such provisions are integrated into the Plan or such amendment(s) are superseded by another amendment.

It is intended that the Plan, as amended, qualify as a profit sharing plan under the Internal Revenue Code of 1986, including any later amendments to the Code. The Employer agrees to operate the Plan according to the terms, provisions, and conditions set forth in this document.

The amended Plan continues to be for the exclusive benefit of employees of the Employer. All persons covered under the Plan before the effective date of this amendment shall continue to be covered under the amended Plan, if they are still Eligible Employees as of the amendment date, with no loss of benefits.

Amend No. 2 Effective January 1, 2020

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ARTICLE I FORMAT AND DEFINITIONS

SECTION 1.01--FORMAT.

The Employer's retirement plan is set out in this signed document, and any amendments to this document.

Words and phrases defined in the DEFINITIONS SECTION of Article I shall have that defined meaning when used in this Plan, unless the context clearly indicates otherwise. These words and phrases have initial capital letters to aid in identifying them as defined terms.

Some of the defined terms and phrases in the DEFINITIONS SECTION of Article I and some of the provisions contained in the following articles may not apply to this Plan and shall not be used in the Plan. The provisions in Articles II through XII of the Plan shall determine whether or not the terms will apply.

SECTION 1.02--DEFINITIONS.

Account means the Participant's share of the Plan Fund. Separate accounting records are kept for those parts of his Account resulting from the following contributions that are made to the plan as stated in Article III:

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Plan ID No. 1046128 (8-13112)

- (a) Nondeductible Voluntary Contributions
- (b) Deductible Voluntary Contributions Pre-tax
- (c) Elective Deferral Contributions Roth Elective
- (d) Deferral Contributions
- (e) In-plan Roth Rollovers
- (f) Matching Contributions that are not

Qualified Matching Contributions or QACA Matching

- Contributions
- (g) Qualified Matching Contributions
- (h) QACA Matching Contributions
- (i) Qualified Nonelective Contributions
- (j) QACA Nonelective Contributions
- (k) Wage Rate Contributions
- (l) All other Employer Contributions
- (m) Rollover Contributions

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If the Participant's Vesting Percentage is less than 100% as to any of the Employer Contributions, a separate accounting record will be kept for any part of his Account resulting from such Employer Contributions and, if there has been a prior Forfeiture Date, from such Contributions made before a prior Forfeiture Date.

A Participant's Account shall be reduced by any distribution of his Vested Account and by any Forfeitures. A Participant's Account shall participate in the earnings credited, expenses charged, and any appreciation or depreciation of the Investment Fund. His Account is subject to any minimum guarantees applicable under the Annuity Contract or other investment arrangement and to any expenses associated therewith.

Accrual Computation Period means the 12-month period used to measure hours for purposes of receiving an Employer Contribution or allocation.

The Accrual Computation Period is a consecutive 12-month period ending on the last day of each Plan Year, including corresponding consecutive 12-month periods before the effective date of this Plan.

Accrual Service means the period of service used to determine the number of units credited to a Participant for purposes of determining the amount of his Discretionary Contribution.

ACP Test means the nondiscrimination test described in Code Section 401(m)(2) as provided for in subparagraph (d) of the EXCESS AMOUNTS SECTION of Article III.

ACP Test Safe Harbor means the method described in the 401(k) SAFE HARBOR PROVISIONS SECTION or the QUALIFIED AUTOMATIC CONTRIBUTION ARRANGEMENT (QACA) SAFE HARBOR PROVISIONS SECTION of Article III for satisfying the ACP Test with respect to Matching Contributions.

Active Participant means an Eligible Employee who is actively participating in the Plan according to the provisions in the ACTIVE PARTICIPANT SECTION of Article II.

Additional Contributions means additional Employer Contributions (see the EMPLOYER CONTRIBUTIONS SECTION of Article III), or the Forfeitures that are reallocated according to the ALLOCATION SECTION of Article III and are deemed to be Additional Contributions.

Adopting Employer means an employer who has adopted this Plan and who is not the Primary Employer.

An Adopting Employer is an employer that is a Controlled Group member and is listed in the ADOPTING EMPLOYERS – SINGLE PLAN SECTION of Article II.

ADP Test means the nondiscrimination test described in Code Section 401(k)(3) as provided for in subparagraph (c) of the EXCESS AMOUNTS SECTION of Article III.

ADP Test Safe Harbor means the method described in the 401(k) SAFE HARBOR PROVISIONS SECTION or the QUALIFIED AUTOMATIC CONTRIBUTION ARRANGEMENT (QACA) SAFE HARBOR PROVISIONS SECTION of Article III for satisfying the ADP Test.

Affiliated Service Group means any group of corporations, partnerships or other organizations of which the Employer is a part and that is affiliated within the meaning of Code Section 414(m) and the regulations thereunder. The term Controlled Group, as it is used in this Plan, shall include the term Affiliated Service Group.

Allocation Group means the designated groups of Employees for purposes of determining separate Discretionary Contributions in the EMPLOYER CONTRIBUTIONS SECTION of Article III.

Alternate Payee means any spouse, former spouse, child, or other dependent of a Participant who is recognized by a qualified domestic relations order as having a right to receive all, or a portion of, the benefits payable under the Plan with respect to such Participant.

Annual Compensation means the Employee's Compensation for a defined 12-month period of time.

For a Plan Year, Annual Compensation is the Employee's Compensation for the Compensation Year ending with or within the consecutive 12-month period ending on the last day of the Plan Year. Annual Compensation shall exclude Compensation for the portion of the Compensation Year in which an Employee is not an Active Participant.

Annuity Contract means the annuity contract or contracts into which the Primary Employer, and the Adopting Employers adopting this Plan as a separate plan enter, or Trustee enters, whichever is appropriate, with the Insurer for guaranteed benefits, for the investment of Contributions in separate accounts, and for the payment of benefits under this Plan.

Annuity Starting Date means the first day of the first period for which an amount is payable as an annuity or any other form.

Appendix A means the appendix identified as Appendix A which may be attached to and made a part of this Plan.

Beneficiary means the person or persons named by a Participant to receive any benefits under the Plan when the Participant dies. See the BENEFICIARY SECTION of Article X.

Benefit Factor means, for a Plan Year, a person's Annual Compensation for the Plan Year multiplied by his actuarial factor for the Plan Year determined in Appendix A.

Catch-up Contributions means Elective Deferral Contributions made to the Plan that are in excess of an otherwise applicable Plan limit and that are made by Participants who are age 50 or older by the end of their taxable year. An otherwise applicable Plan limit is a limit in the Plan that applies to Elective Deferral Contributions without regard to Catch-up Contributions, such as the limits on the Maximum Annual Additions, as defined in the CONTRIBUTION LIMITATION SECTION of Article III, the dollar limitation on Elective Deferral Contributions under Code Section 402(g) (not counting Catch-up Contributions), and the limit imposed by the ADP Test.

Catch-up Contributions are not subject to the limits on the Maximum Annual Additions, as defined in the CONTRIBUTION LIMITATION SECTION of Article III, are not counted in the ADP Test, and are not counted in determining the minimum allocation under Code Section 416 (but Catch-up Contributions made in prior years are counted in determining whether the Plan is top-heavy).

Claimant means any person who makes a claim for benefits under this Plan. See the CLAIM PROCEDURES SECTION of Article IX.

Code means the Internal Revenue Code of 1986, as amended.

Compensation means, except for purposes of the CONTRIBUTION LIMITATION SECTION of Article III and Article XI, the total earnings, except as modified in this definition, from the Employer during any specified period.

"Earnings" in this definition means wages, within the meaning of Code Section 3401(a), and all other payments of compensation to an Employee by the Employer (in the course of the Employer's trade or business) for which the Employer is required to furnish the Employee a written statement under Code Sections 6041(d), 6051(a)(3), and 6052. Earnings shall be determined without regard to any rules under Code Section 3401(a) that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in Code Section 3401(a)(2)). The type of compensation that is reported in the "Wages, Tips and Other Compensation" box on Form W-2 satisfies this definition.

For any Self-employed Individual, Compensation means Earned Income.

Except as provided herein, Compensation for a specified period is the Compensation actually paid or made available (or if earlier, includible in gross income) during such period.

For Plan Years beginning on or after July 1, 2007, Compensation for a Plan Year shall also include Compensation paid by the later of 2 1/2 months after an Employee's Severance from Employment with the Employer maintaining the Plan or the end of the Plan Year that includes the date of the Employee's Severance from Employment with the Employer maintaining the Plan, if the payment is regular Compensation for services during the Employee's regular working hours, or Compensation for services outside the Employee's regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar payments, and, absent a Severance from Employment, the payments would have been paid to the Employee while the Employee continued in employment with the Employer.

Any payments not described above shall not be considered Compensation if paid after Severance from Employment, even if they are paid by the later of 2 1/2 months after the date of Severance from Employment or the end of the Plan Year that includes the date of Severance from Employment.

Back pay, within the meaning of section 1.415(c)-2(g)(8) of the regulations, shall be treated as Compensation for the Plan Year to which the back pay relates to the extent the back pay represents wages and compensation that would otherwise be included in this definition.

Compensation paid or made available during a specified period shall include amounts that would otherwise be included in Compensation but for an election under Code Section 125(a), 132(f)(4), 402(e)(3), 402(h)(1)(B), 402(k), or 457(b).

Compensation shall also include deemed Code Section 125 Compensation. Deemed Code Section 125 Compensation is an amount that is excludible under Code Section 106 that is not available to a Participant in cash in lieu of group health coverage under a Code Section 125 arrangement solely because the Participant is unable to certify that he has other health coverage. Amounts are deemed Code Section 125 Compensation only if the Employer does not request or otherwise collect information regarding the Participant's other health coverage as part of the enrollment process for the health plan.

Compensation shall exclude the following:

Reimbursements or other expense allowances, fringe benefits (cash and non-cash), moving expenses, welfare benefits, furlough pay, imputed income, income attributable to the vesting of RSUs, and other special payments unrelated the Employee's activities associated with or in lieu of

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his performance of services for the Employer that the Employer, in its sole discretion decides to exclude

For purposes of the EXCESS AMOUNTS SECTION of Article III, the Employer may elect to use an alternative nondiscriminatory definition of Compensation in accordance with the regulations under Code Section 414(s).

The annual Compensation of each Participant taken into account in determining contributions and allocations for any determination period (the period over which Compensation is determined) shall not exceed \$200,000, as adjusted for cost-of-living increases in accordance with Code Section 401(a)(17)(B). The cost-of-living adjustment in effect for a calendar year applies to any determination period beginning with or within such calendar year.

If a determination period consists of fewer than 12 months, the annual compensation limit is an amount equal to the otherwise applicable annual compensation limit multiplied by a fraction. The numerator of the fraction is the number of months in the short determination period, and the denominator of the fraction is 12.

If Compensation for any prior determination period is taken into account in determining a Participant's contributions or allocations for the current Plan Year, the Compensation for such prior determination period is subject to the applicable annual compensation limit in effect for that determination period. For this purpose, in determining contributions and allocations in Plan Years beginning on or after January 1, 2002, the annual compensation limit in effect for determination periods beginning before that date is \$200,000.

Compensation means, for a Leased Employee, Compensation for the services the Leased Employee performs for the Employer, determined in the same manner as the Compensation of Employees who are not Leased Employees, regardless of whether such Compensation is received directly from the Employer or from the leasing organization.

Compensation Year means a defined 12-month period used to determine Annual Compensation.

The Compensation Year is the consecutive 12-month period ending on the last day of each Plan Year, including corresponding periods before the effective date of the Plan.

Contingent Annuitant means an individual named by the Participant to receive a lifetime benefit after the Participant's death in accordance with a survivorship life annuity.

Contribution Date means the date on which Wage Rate Contributions are calculated.

Contributions means Employer Contributions, Participant Contributions, and Rollover Contributions as set out in Article III, unless the context clearly indicates only specific contributions are meant.

Controlled Group means any group of corporations, trades, or businesses of which the Employer is a part that is under common control. A Controlled Group includes any group of corporations, trades, or businesses, whether or not incorporated, which is either a parent-subsiary group, a brother-sister group, or a combined group within the meaning of Code Section 414(b), Code Section 414(c) and the regulations thereunder and, for purposes of determining contribution limitations under the CONTRIBUTION LIMITATION SECTION of Article III, as modified by Code Section 415(h). The term Controlled Group, as it is used in this Plan, shall include the term Affiliated Service Group and any other employer required to be aggregated with the Employer under Code Section 414(o) and the regulations thereunder.

Designated Beneficiary means the individual who is designated by the Participant (or the Participant's surviving spouse) as the Beneficiary of the Participant's interest under the Plan and who is the designated beneficiary under Code Section 401(a)(9) and section 1.401(a)(9)-4 of the regulations.

Designated Roth Account means the portion of a Participant's Account resulting from Roth Elective Deferral Contributions, In-plan Roth Rollovers, and the portion of a Rollover Contribution from a designated Roth account under another plan, and the respective earnings thereon. The Designated Roth Account shall be record kept in a manner that satisfies the separate accounting requirements of section 1.401(k)-1(f) of the regulations.

Differential Wage Payments means any payments that are made on or after January 1, 2009, by an Employer to an individual with respect to any period during which the individual is performing Qualified Military Service while on active duty for a period of more than 30 days. Such payments shall be made in accordance with Code Section 3401(h) and represent all or a portion of the wages the individual would have received from the Employer if the individual were performing service for the Employer.

Direct Rollover means a payment by the Plan to the Eligible Retirement Plan specified by the Distributee.

Discretionary Contributions means discretionary Employer Contributions. See the EMPLOYER CONTRIBUTIONS SECTION of Article III.

Distributee means an Employee or former Employee. In addition, the Employee's (or former Employee's) surviving spouse and the Employee's (or former Employee's) spouse or former spouse who is the Alternate Payee under a qualified domestic relations order, as defined in Code Section 414(p), are Distributees with regard to the interest of the spouse or former spouse. For distributions made after December 31, 2006, a Distributee includes the Employee's (or former Employee's) nonspouse Designated Beneficiary, in which case, the distribution can only be transferred to a traditional IRA or Roth IRA established on behalf of the nonspouse Designated Beneficiary for the purpose of receiving the distribution.

Early Retirement Age means an age prior to the Participant's Normal Retirement Age. The Participant's Account shall become nonforfeitable if he is an Employee upon attainment of such age.

Early Retirement Age is not applicable to this Plan.

Early Retirement Date means a date before a Participant's Normal Retirement Date that he selects for the start of his retirement benefits.

Early retirement is not permitted.

Earned Income means, for a Self-employed Individual, net earnings from self-employment in the trade or business for which this Plan is established if such Self-employed Individual's personal services are a material income producing factor for that trade or business. Net earnings shall be determined without regard to items not included in gross income and the deductions properly allocable to or chargeable against such items. Net earnings shall be reduced for the employer contributions to the employer's qualified retirement plan(s) to the extent deductible under Code Section 404.

Net earnings shall be determined with regard to the deduction allowed to the employer by Code Section 164(f) for taxable years beginning after December 31, 1989.

Elective Deferral Agreement means an agreement between an Eligible Employee and the Employer under which an Eligible Employee may make Elective Deferral Contributions. An Elective Deferral Agreement (or change thereto) must be made in such manner and in accordance with such rules as the Employer may prescribe in a nondiscriminatory manner (including by means of voice response or other electronic system under circumstances the Employer permits). Elective Deferral Agreements cannot relate to Compensation that is payable prior to the later of the adoption or effective date of the cash or deferred arrangement (CODA). Elective Deferral Agreements shall be made, changed, or terminated according to the provisions of the EMPLOYER CONTRIBUTIONS SECTION of Article III. An Elective Deferral Agreement may also be terminated according to the terms of an automatic contribution arrangement.

Elective Deferral Contributions means Employer Contributions made in accordance with either an Elective Deferral Agreement or the terms of an automatic contribution arrangement.

Elective Deferral Contributions means Pre-tax Elective Deferral Contributions and Roth Elective Deferral Contributions, unless the context clearly indicates only one is meant.

Elective Deferral Contributions shall be 100% vested and subject to the distribution restrictions of Code Section 401(k) when made. See the WHEN BENEFITS START SECTION of Article V.

Eligibility Computation Period means a consecutive 12-month period.

The first Eligibility Computation Period begins on an Employee's Employment Commencement Date. Later Eligibility Computation Periods shall be consecutive 12-month periods ending on the last day of each Plan Year that begins after his Employment Commencement Date.

For an Employee who has a Severance from Employment prior to satisfying the eligibility requirements in the ACTIVE PARTICIPANT SECTION of Article II, the Eligibility Computation Period will be determined based on his original Employment Commencement Date. If such Employee is rehired after the first anniversary of his original Employment Commencement Date, his Eligibility Computation Period shall be the Plan Year, beginning with the Plan Year that contains the date he is rehired.

Eligibility Service means the period of service used to determine if an Employee has met any service requirement for eligibility described in the ACTIVE PARTICIPANT SECTION of Article II.

Eligible Employee means any Employee of the Employer excluding the following:

Bargaining class. Represented for collective bargaining purposes by any collective bargaining agreement between the Employer and employee representatives, if retirement benefits were the subject of good faith bargaining and if two percent or less of the Employees who are covered pursuant to that agreement are professionals as defined in section 1.410(b)-9 of the regulations. For this purpose, the term "employee representatives" does not include any organization more than half of whose members are Employees who are owners, officers, or executives of the Employer.

Nonresident alien, within the meaning of Code Section 7701(b)(1)(B), who receives no earned income, within the meaning of Code Section 911(d)(2), from the Employer that constitutes income from sources within the United States, within the meaning of Code Section 861(a)(3), or who receives such earned income but it is all exempt from income tax in the United States under the terms of an income tax convention.

Leased Employee.

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An individual considered by the Employer to be an independent contractor who is later determined by the Internal Revenue Service to be an Employee.

Intern, temporary, or seasonal Employee. An Intern, temporary, or seasonal Employee is an Employee who is regularly scheduled to work less than 1,000 Hours of Service in an Eligibility Computation Period. In the event such an Employee works at least 1,000 Hours of Service during an Eligibility Computation Period or his employment status changes, he shall become an Eligible Employee, unless he is otherwise excluded in this definition.

However, to the extent an Employee becomes an Employee as a result of a Code Section 410(b)(6)(C) transaction, that Employee shall not be an Eligible Employee during the period beginning on the date of the transaction and ending on the last day of the first Plan Year beginning after the date of the transaction. This period is called the transition period. The transition period may end earlier if there is a significant change in the coverage under the Plan or if the Employer chooses to cover all similarly situated Employees as of an earlier date. A Code Section 410(b)(6)(C) transaction is an asset or stock acquisition, merger, or similar transaction involving a change in the employer of the employees of a trade or business.

Eligible Retirement Plan means an eligible plan under Code Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan, a traditional IRA, a Roth IRA for distributions after December 31, 2007, an annuity plan described in Code Section 403(a), an annuity contract described in Code Section 403(b), or a qualified plan described in Code Section 401(a), that accepts the Distributee's Eligible Rollover Distribution. The definition of Eligible Retirement Plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the Alternate Payee under a qualified domestic relations order, as defined in Code Section 414(p).

If any portion of an Eligible Rollover Distribution is attributable to payments or distributions from a Designated Roth Account, an Eligible Retirement Plan with respect to such portion shall include only (i) another designated Roth account of the individual from whose Account the payments or distributions were made or (ii) a Roth IRA of such individual.

Eligible Rollover Distribution means any distribution of all or any portion of the balance to the credit of the Distributee, except that an Eligible Rollover Distribution does not include: (i) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee and the Distributee's Designated Beneficiary, or for a specified period of ten years or more; (ii) any distribution to the extent such distribution is required under Code Section 401(a)(9); (iii) any hardship distribution; (iv) any Permissible Withdrawal; and (v) any other distribution(s) that is reasonably expected to total less than \$200 during a year. For purposes of the \$200 rule, a distribution from a Designated Roth Account and a distribution from other accounts under the Plan shall be treated as made under separate plans.

Any portion of a distribution that consists of after-tax employee contributions that are not includible in gross income may be transferred only to (i) a traditional individual retirement account or annuity described in Code Section 408(a) or (b) (a "traditional IRA"); (ii) a Roth individual retirement account or annuity described in Code Section 408A (a "Roth IRA") for distributions after December 31, 2007; or (iii) a qualified plan or an annuity contract described in Code Section 401(a) and 403(b), respectively, that agrees to separately account for amounts so transferred (and earnings thereon), including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

Employee means an individual who is employed by the Employer or any other employer required to be aggregated with the Employer under Code Sections 414(b), (c), (m), or (o). A Controlled Group member is required to be aggregated with the Employer.

Beginning January 1, 2009, the term Employee shall include any individual receiving Differential Wage Payments.

The term Employee shall include any Self-employed Individual treated as an employee of any employer described in the preceding paragraphs as provided in Code Section 401(c)(1). The term Employee shall also include any Leased Employee deemed to be an employee of any employer described in the preceding paragraphs as provided in Code Section 414(n) or (o).

An independent contractor is not an Employee. If the Internal Revenue Service determines that an individual who the Employer considered to be an independent contractor is an Employee, such individual shall be an Employee as of the reclassification date.

Employer means, except for purposes of the CONTRIBUTION LIMITATION SECTION of Article III, the Primary Employer or an Adopting Employer who has adopted this Plan as a separate plan. This will also include any successor corporation, trade or business which will, by written agreement, assume the obligations of this Plan or any Predecessor Employer that maintained this Plan.

Employer Contributions means Elective Deferral Contributions, Matching Contributions, Qualified Nonelective Contributions, QACA Nonelective Contributions, Additional Contributions, Wage Rate Contributions, and Discretionary Contributions as set out in Article III and contributions made by the Employer in accordance with the provisions of the MODIFICATION OF CONTRIBUTIONS SECTION of Article XI, unless the context clearly indicates only specific contributions are meant.

Employer Group means each separate group of entities which consist of the Primary Employer and all Adopting Employers that are members of the same Controlled Group as the Primary Employer or consist of an Adopting Employer that is not a member of the same Controlled Group as the Primary Employer and all other Adopting Employers who are members of the same Controlled Group as such Adopting Employer. If more than one Employer Group adopts this Plan, the Plan shall be a multiple employer plan as described in Code Section 413(c).

Employment Commencement Date means the date an Employee first performs an Hour of Service.

Entry Date means the date an Employee first enters the Plan as an Active Participant. See the ACTIVE PARTICIPANT SECTION of Article II.

ERISA means the Employee Retirement Income Security Act of 1974, as amended.

Fiscal Year means the Primary Employer's taxable year. The last day of the Fiscal Year is December 31.

Forfeiture means the part, if any, of a Participant's Account that is forfeited. See the FORFEITURES SECTION of Article III.

Forfeiture Date means the date on which a Forfeiture occurs.

Highly Compensated Employee means any Employee who:

- (a) was a 5-percent owner at any time during the year or the preceding year, or
- (b) for the preceding year had compensation from the Employer in excess of \$80,000. The \$80,000 amount is adjusted at the same time and in the same manner as under Code Section 415(d), except that the base period is the calendar quarter ending September 30, 1996.

For this purpose the applicable year of the plan for which a determination is being made is called a determination year and the preceding 12-month period is called a look-back year.

The determination of who is a highly compensated former Employee is based on the rules applicable to determining Highly Compensated Employee status as in effect for that determination year, in accordance with section 1.414(q)-1T, A-4 of the temporary Income Tax Regulations and Internal Revenue Service Notice 97-45.

The determination of who is a Highly Compensated Employee, including the compensation that is considered and the identity of the 5-percent owners, shall be made in accordance with Code Section 414(q) and the regulations thereunder.

For purposes of this definition, the above references to compensation shall mean Compensation as defined in the CONTRIBUTION LIMITATION SECTION of Article III.

Hour of Service means, for the elapsed time method of crediting service in this Plan, each hour for which an Employee is paid, or entitled to payment, for performing duties for the Employer. Hour of Service means, for the hours method of crediting service in this Plan, the following:

- (a) Each hour for which an Employee is paid, or entitled to payment, for performing duties for the Employer during the applicable computation period.
- (b) Each hour for which an Employee is paid, or entitled to payment, by the Employer on account of a period of time in which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty or leave of absence. Notwithstanding the preceding provisions of this subparagraph (b), no credit will be given to the Employee:
 - (i) for more than 501 Hours of Service under this subparagraph (b) on account of any single continuous period in which the Employee performs no duties (whether or not such period occurs in a single computation period); or
 - (ii) for an Hour of Service for which the Employee is directly or indirectly paid, or entitled to payment, on account of a period in which no duties are performed if such payment is made or due under a plan maintained solely for the purpose of complying with applicable worker's or workmen's compensation, or unemployment compensation, or disability insurance laws; or
 - (iii) for an Hour of Service for a payment which solely reimburses the Employee for medical or medically related expenses incurred by him.

For purposes of this subparagraph (b), a payment shall be deemed to be made by, or due from the Employer, regardless of whether such payment is made by, or due from the Employer, directly or indirectly through, among others, a trust fund or insurer, to which the Employer contributes or pays

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premiums and regardless of whether contributions made or due to the trust fund, insurer or other entity are for the benefit of particular employees or are on behalf of a group of employees in the aggregate.

- a. Each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Employer. The same Hours of Service shall not be credited both under subparagraph (a) or subparagraph (b) above (as the case may be) and under this subparagraph (c). Crediting of Hours of Service for back pay awarded or agreed to with respect to periods described in subparagraph (b) above will be subject to the limitations set forth in that subparagraph.

The crediting of Hours of Service above shall be applied under the rules of paragraphs (b) and (c) of the Department of Labor Regulation 2530.200b-2 (including any interpretations or opinions implementing such rules); which rules, by this reference, are specifically incorporated in full within this Plan. The reference to paragraph (b) applies to the special rule for determining Hours of Service for reasons other than the performance of duties such as payments calculated (or not calculated) on the basis of units of time and the rule against double credit. The reference to paragraph (c) applies to the crediting of Hours of Service to computation periods.

Hours of Service shall be credited for employment with any other employer required to be aggregated with the Employer under Code Sections 414(b), (c), (m), or (o) and the regulations thereunder for purposes of eligibility and vesting. Hours of Service shall also be credited for any individual who is considered an employee for purposes of this Plan pursuant to Code Section 414(n) or (o) and the regulations thereunder.

Solely for purposes of determining whether a one-year break in service has occurred for vesting purposes, during a Parental Absence an Employee shall be credited with the Hours of Service which would otherwise have been credited to the Employee but for such absence, or in any case in which such hours cannot be determined, eight Hours of Service per day of such absence. The Hours of Service credited under this paragraph shall be credited in the computation period in which the absence begins if the crediting is necessary to prevent a break in service in that period; or in all other cases, in the following computation period.

Inactive Participant means a former Active Participant who has an Account. See the INACTIVE PARTICIPANT SECTION of Article II.

In-plan Roth Rollover means the irrevocable rollover of all or any portion of a Participant's Vested Account (other than a Designated Roth Account) to a Designated Roth Account under the Plan. The rollover shall be subject to the provisions of the IN-PLAN ROTH ROLLOVERS SECTION of Article III, and made in accordance with Code Section 402A(c)(4) and any subsequent guidance.

Insurance Policy means the life insurance policy or policies issued to the Trustee by the Insurer as provided in Article IV.

Insurer means Principal Life Insurance Company or the insurance company or companies named by (i) the Primary Employer or (ii) the Trustee in its discretion or as directed under the Trust Agreement.

Integration Level means the point in an integrated allocation formula at which the percentage of Compensation used to determine the allocation of the Discretionary Contribution increases.

Investment Fund means the total of Plan assets, excluding the cash value of any Insurance Policy and the guaranteed benefit policy portion of any Annuity Contract. All or a portion of these assets may be held under, or invested pursuant to, the terms of a Trust Agreement.

The Investment Fund shall be valued at current fair market value as of the Valuation Date. The valuation shall take into consideration investment earnings credited, expenses charged, payments made, and changes in the values of the assets held in the Investment Fund.

The Investment Fund shall be allocated at all times to Participants, except as otherwise expressly provided in the Plan. The Account of a Participant shall be credited with its share of the gains and losses of the Investment Fund. The part of a Participant's Account invested in a funding arrangement that establishes one or more accounts or investment vehicles for such Participant thereunder shall be credited with the gain or loss from such accounts or investment vehicles. The part of a Participant's Account invested in other funding arrangements shall be credited with a proportionate share of the gain or loss of such investments. The share shall be determined by multiplying the gain or loss of the investment by the ratio of the part of the Participant's Account invested in such funding arrangement to the total of the Investment Fund invested in such funding arrangement.

Investment Manager means any fiduciary (other than a Trustee or Named Fiduciary)

- (a) who has the power to manage, acquire, or dispose of any assets of the Plan;
- (b) who (i) is registered as an investment adviser under the Investment Advisers Act of 1940; (ii) is not registered as an investment adviser under such Act by reason of paragraph (1) of section 203A(a) of such Act, is registered as an investment adviser under the laws of the state (referred to in such paragraph (1)) in which it maintains its principal office and place of business, and, at the time it last filed the registration form most recently filed by it with such state in order to maintain its registration under the laws of such state, also filed a copy of such form with the Secretary of Labor; (iii) is a bank, as defined in that Act; or (iv) is an insurance company qualified to perform services described in subparagraph (a) above under the laws of more than one state; and
- (c) who has acknowledged in writing being a fiduciary with respect to the Plan.

Late Retirement Date means any day that is after a Participant's Normal Retirement Date and on which retirement benefits begin. If a Participant continues to work for the Employer after his Normal Retirement Date, his Late Retirement Date shall be the day he has a Severance from Employment. A later Retirement Date (after a Severance from Employment) may apply if the Participant so elects. See the WHEN BENEFITS START SECTION of Article V. In modification of the foregoing, a Participant may elect to begin his retirement benefits before he has a Severance from Employment.

Leased Employee means any person (other than an employee of the recipient) who, pursuant to an agreement between the recipient and any other person ("leasing organization"), has performed services for the recipient (or for the recipient and related persons determined in accordance with Code Section 414(n)(6)) on a substantially full time basis for a period of at least one year, and such services are performed under primary direction or control by the recipient. Contributions or benefits provided by the leasing organization to a Leased Employee, which are attributable to service performed for the recipient employer, shall be treated as provided by the recipient employer.

A Leased Employee shall not be considered an employee of the recipient if:

- (a) such employee is covered by a money purchase pension plan providing (i) a nonintegrated employer contribution rate of at least 10 percent of compensation, as defined in Code Section 415(c)(3), (ii) immediate participation, and (iii) full and immediate vesting, and
- (b) Leased Employees do not constitute more than 20 percent of the recipient's nonhighly compensated work force.

Loan Administrator means the person(s) or position(s) authorized to administer the Participant loan program.

The Loan Administrator(s) is/are the Director of Human Resources.

Mandatory Distribution means a distribution to a Participant that is made without the Participant's consent and is made to the Participant before he attains the older of age 62 or his Normal Retirement Age.

Matching Contributions means Employer Contributions that are contingent on a Participant's Elective Deferral Contributions. See the EMPLOYER CONTRIBUTIONS SECTION of Article III.

Maximum Integration Rate means the amount determined according to the following schedule: INTEGRATION MAXIMUM

LEVEL	INTEGRATION RATE	100% of TWB	5.7%
Less than 100%, but more than 80% of TWB		5.4%	
More than 20% of TWB, but not more than 80% of TWB		4.3%	
Not more than 20% of TWB		5.7%	

"TWB" as used in this definition means the Taxable Wage Base as in effect on the latest Yearly Date.

On any date the portion of the rate of tax under Code Section 3111(a) (in effect on the latest Yearly Date) that is attributable to old age insurance exceeds 5.7%, such rate shall be substituted for 5.7%. 5.4% and 4.3% shall be increased proportionately.

Monthly Date means each Yearly Date and the same day of each following month during the Plan Year beginning on such Yearly Date.

Named Fiduciary means the person or persons who have authority to control and manage the operation and administration of the Plan.

The Named Fiduciary is the Primary Employer.

Named Fiduciary for Contributions means the Named Fiduciary responsible for collecting Contributions pursuant to the ADMINISTRATION SECTION of Article IX.

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Net Profits means the Employer's current or accumulated net earnings, determined according to generally accepted accounting practices, before any Contributions made by the Employer under this Plan and before any deduction for Federal or state income tax, dividends on the Employer's stock, and capital gains or losses. If the Employer is a nonprofit organization under Code Section 501(c)(3), Net Profits means excess revenues (excess of receipts over expenditures).

Nonhighly Compensated Employee means an Employee of the Employer who is not a Highly Compensated Employee.

Nonvested Account means the excess, if any, of a Participant's Account over his Vested Account.

Normal Form means a single life annuity with installment refund.

Normal Retirement Age means the age at which the Participant's Account becomes nonforfeitable if he is an Employee. A Participant's Normal Retirement Age is 65.

Normal Retirement Date means the date the Participant reaches his Normal Retirement Age. Unless otherwise provided in this Plan, a Participant's retirement benefits shall begin on his Normal Retirement Date if he has had a Severance from Employment on such date. However, retirement benefits shall not begin before the older of age 62 or his Normal Retirement Age, unless the qualified election procedures of the ELECTION PROCEDURES SECTION of Article VI are met. Even if the Participant is an Employee on his Normal Retirement Date, he may choose to have his retirement benefit begin on such date.

Owner-employee means a Self-employed Individual who, in the case of a sole proprietorship, owns the entire interest in the unincorporated trade or business for which this Plan is established. If this Plan is established for a partnership, an Owner-employee means a Self-employed Individual who owns more than 10 percent of either the capital interest or profits interest in such partnership.

Parental Absence means an Employee's absence from work:

- (a) by reason of pregnancy of the Employee,
- (b) by reason of birth of a child of the Employee,
- (c) by reason of the placement of a child with the Employee in connection with adoption of such child by such Employee, or
- (d) for purposes of caring for such child for a period beginning immediately following such birth or placement.

Participant means either an Active Participant or an Inactive Participant.

Participant Contributions means Voluntary Contributions as set out in Article III.

Period of Military Duty means, for an Employee

- (a) who served as a member of the armed forces of the United States, and

a. who was reemployed by the Employer at a time when the Employee had a right to reemployment in accordance with seniority rights as protected under Chapter 43 of Title 38 of the U.S. Code,

the period of time from the date the Employee was first absent from active work for the Employer because of such military duty to the date the Employee was reemployed.

Period of Service means a period of time beginning on an Employee's Employment Commencement Date and ending on his Severance Date.

Period of Severance means a period of time beginning on an Employee's Severance Date and ending on the date he again performs an Hour of Service.

A one-year Period of Severance means a Period of Severance of 12 consecutive months.

Solely for purposes of determining whether a one-year Period of Severance has occurred for eligibility or vesting purposes, the consecutive 12-month period beginning on the first anniversary of the first date of a Parental Absence shall not be a one-year Period of Severance.

Permissible Withdrawal means a withdrawal that meets the requirements in the ELIGIBLE AUTOMATIC CONTRIBUTION ARRANGEMENT (EACA) PROVISIONS SECTION or the QUALIFIED AUTOMATIC CONTRIBUTION ARRANGEMENT (QACA) SAFE HARBOR PROVISIONS SECTION of Article III.

Plan means the 401(k) plan of the Employer set forth in this document, including any later amendments to it. If a Trust Agreement has been set up, the term Plan shall also include the Trust Agreement, unless the context clearly indicates otherwise.

Plan Administrator means the person or persons who administer the Plan. The Plan Administrator is the Primary Employer.

Plan Fund means the total of the Investment Fund, the guaranteed benefit policy portion of any Annuity Contract, and the cash value of any Insurance Policy. The Investment Fund shall be valued as stated in its definition. The guaranteed benefit policy portion of any Annuity Contract shall be determined in accordance with the terms of the Annuity Contract and, to the extent that such Annuity Contract allocates contract values to Participants, allocated to Participants in accordance with its terms. The cash value of any Insurance Policy shall be stated in such policy. The total value of all amounts held under the Plan Fund shall equal the value of the aggregate Participants' Accounts under the Plan.

Plan Participation means the period of time during which a Participant has been an Active Participant since his earliest Entry Date.

Plan Year means a consecutive 12-month period beginning on a Yearly Date and ending on the day before the next Yearly Date. If the Yearly Date changes, the change will result in a short Plan Year.

Plan-year Quarter means a period beginning on a Quarterly Date and ending on the day before the next Quarterly Date.

Practitioner means Principal Life Insurance Company.

Predecessor Employer means, except for purposes of the CONTRIBUTION LIMITATION SECTION of Article III, a firm of which the Employer was once a part (e.g., due to a spin-off or change of corporate status) or a firm absorbed by the Employer because of a merger or acquisition (stock or asset, including a division or an operation of such company).

Pre-tax Elective Deferral Contributions means a Participant's Elective Deferral Contributions that are not includible in the Participant's gross income at the time deferred.

Prevailing Rate Schedule means a schedule that is published by the United States Department of Labor or any State Department of Labor, indicating the minimum hourly rate for wages and fringe benefits (including, but not limited to, pension benefits) which must be paid to the employees of an employer working on particular jobs financed or contracted by the United States of America or any State, County, Municipality, or other governmental entity.

Primary Beneficiary means an individual who is named as a Beneficiary under the Plan and has an unconditional right to all or a portion of the Participant's Account balance under the Plan upon the death of the Participant.

Primary Employer means Liberty Oilfield Services, LLC.

Prior Employer means an Employee's last employer immediately prior to the Employer that is not a Predecessor Employer or a Controlled Group member.

QACA Matching Contributions means Matching Contributions made under a qualified automatic contribution arrangement and that are distributable only in accordance with the distribution provisions applicable to Elective Deferral Contributions, to the extent QACA Matching Contributions can be distributed under such distribution provision.

QACA Nonelective Contributions means Employer Contributions made under a qualified automatic contribution arrangement and that are distributable only in accordance with the distribution provisions applicable to Elective Deferral Contributions, to the extent QACA Nonelective Contributions can be distributed under such distribution provision.

Qualified Joint and Survivor Annuity means, for a Participant who has a spouse, an immediate survivorship life annuity with installment refund, where the survivorship percentage is 50% and the Contingent Annuitant is the Participant's spouse. A former spouse will be treated as the spouse to the extent provided under a qualified domestic relations order as described in Code Section 414(p).

The amount of benefit payable under the Qualified Joint and Survivor Annuity shall be the amount of benefit that may be provided by the Participant's Vested Account.

Qualified Matching Contributions means Matching Contributions that are 100% vested when made to the Plan and that are distributable only in accordance with the distribution provisions applicable to Elective Deferral Contributions, to the extent Qualified Matching Contributions can be distributed under such distribution provision.

Qualified Military Service means any service in the uniformed services (as defined in Chapter 43 of Title 38 of the U.S. Code) by any individual if such individual is entitled to reemployment rights under such chapter with respect to such service.

Qualified Nonelective Contributions means Employer Contributions (other than Elective Deferral Contributions and Qualified Matching Contributions) that are 100% vested when made to the Plan and that are distributable only in accordance with the distribution provisions applicable to Elective Deferral Contributions, to the extent Qualified Nonelective Contributions can be distributed under such distribution provision.

Qualified Preretirement Survivor Annuity means a single life annuity with installment refund payable to the surviving spouse of a Participant who dies before his Annuity Starting Date. A former spouse will be treated as the surviving spouse to the extent provided under a qualified domestic relations order as described in Code Section 414(p).

Qualified Reservist Distribution means any distribution to an individual if: (i) such distribution is from an individual retirement plan, or from amounts attributable to employer contributions made pursuant to elective deferrals described in Code Section 402(g)(3)(A) or (C) or Code Section 501(c)(18)(D)(iii); (ii) such individual was (by reason of being a member of a reserve component (as defined in Section 101 of Title 37 of the U.S. Code)) ordered or called to active duty after September 11, 2001, for a period in excess of 179 days or for an indefinite period; and (iii) such distribution is made during the period beginning on the date of such order or call and ending at the close of the active duty period.

Qualifying Employer Securities means any security which is issued by the Employer or any Controlled Group member and which meets the requirements of Code Section 409(l) and ERISA Section 407(d)(5). This shall also include any securities that satisfied the requirements of the definition when these securities were assigned to the Plan.

Qualifying Employer Securities Fund means that part of the assets of the Trust Fund that are designated to be held primarily or exclusively in Qualifying Employer Securities for the purpose of providing benefits for Participants.

Quarterly Date means each Yearly Date and the third, sixth, and ninth Monthly Date after each Yearly Date that is within the same Plan Year.

Reemployment Commencement Date means, for purposes of determining a Vesting Computation Period, the date an Employee first performs an Hour of Service following a Vesting Break in Service. For all other purposes, Reemployment Commencement Date means the date an Employee first performs an Hour of Service following a Severance from Employment.

Reentry Date means the date a former Active Participant reenters the Plan. See the ACTIVE PARTICIPANT SECTION of Article II.

Retirement Date means the date a retirement benefit will begin and is a Participant's Early, Normal, or Late Retirement Date, as the case may be.

Rollover Contributions means an amount distributed to an Employee that can be transferred directly or indirectly to this Plan from another Eligible Retirement Plan.

Roth Elective Deferral Contributions means a Participant's Elective Deferral Contributions that are not excludible from the Participant's gross income at the time deferred and have been irrevocably designated as Roth Elective Deferral Contributions by the Participant in his Elective Deferral Agreement. Whether an Elective Deferral Contribution is not excludible from a Participant's gross income will be determined in accordance with section 1.401(k)-1(f)(2) of the regulations. In the case of a Self-employed Individual, an

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Elective Deferral Contribution is not excludible from gross income only if the individual does not claim a deduction for such amount.

Self-Directed Brokerage Account means that portion of a Participant's Account that is invested at the Participant's direction in the Principal Self-Directed Brokerage AccountsSM.

Self-employed Individual means, with respect to any taxable year, an individual who has Earned Income for the taxable year (or who would have Earned Income but for the fact the trade or business for which this Plan is established did not have net profits for such taxable year).

Semi-yearly Date means each Yearly Date and the sixth Monthly Date after each Yearly Date that is within the same Plan Year.

Severance Date means the earlier of:

- (a) the date on which an Employee quits, retires, dies, or is discharged, or
- (b) the first anniversary of the date an Employee begins a one-year absence from service (with or without pay). This absence may be the result of any combination of vacation, holiday, sickness, disability, leave of absence, or layoff.

Solely to determine whether a one-year Period of Severance has occurred for eligibility or vesting purposes for an Employee who is absent from service beyond the first anniversary of the first day of a Parental Absence, Severance Date is the second anniversary of the first day of the Parental Absence. The period between the first and second anniversaries of the first day of the Parental Absence is not a Period of Service and is not a Period of Severance.

Severance from Employment means, except for purposes of the CONTRIBUTION LIMITATION SECTION of Article III, an Employee has ceased to be an Employee. An Employee does not have a Severance from Employment if, in connection with a change of employment, the Employee's new employer maintains such Plan with respect to the Employee.

Significant Corporate Event means any corporate merger or consolidation, recapitalization, reclassification, liquidation, dissolution, sale of substantially all assets of a trade or business, or such similar transaction as may be prescribed in regulations under Code Section 409(e)(3).

Taxable Wage Base means the contribution and benefit base under section 230 of the Social Security Act.

Totally and Permanently Disabled means that a Participant is unable to engage in any substantial gainful activity by reason of a medically determined physical or mental impairment that can be expected to result in death or which has lasted or can be expected to last for a continuous period of at least 12 months. Such disability shall be determined by a licensed physician chosen by the Plan Administrator.

Trust Agreement means an agreement of trust between the Primary Employer and Trustee established for the purpose of holding and distributing the Trust Fund under the provisions of the Plan. The Trust Agreement may provide for the investment of all or any portion of the Trust Fund in the Annuity Contract and any Insurance Policy or any other investment arrangement.

Trust Fund means the total funds held under the Trust Agreement. The term Trust Fund when used within a Trust Agreement shall mean only the funds held under that Trust Agreement.

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Trustee means the party or parties named in the Trust Agreement.

Valuation Date means the date on which the value of the assets of the Investment Fund is determined. The value of each Account that is maintained under this Plan shall be determined on the Valuation Date. In each Plan Year, the Valuation Date shall be the last day of the Plan Year. At the discretion of the Plan Administrator, Trustee, or Insurer (whichever applies) and in a nondiscriminatory manner, assets of the Investment Fund may be valued more frequently. These dates shall also be Valuation Dates.

Vested Account means the vested part of a Participant's Account. All Contributions are 100% vested when made, therefore the Participant's Vested Account is equal to his Account.

Vesting Break in Service means the period defined for purposes of determining when a break in service has occurred.

Vesting Computation Period means the 12-month period used to determine the hours for purposes of Vesting Service.

Vesting Percentage means the percentage used to determine the nonforfeitable portion of a Participant's Account attributable to Employer Contributions that were not 100% vested when made.

Vesting Service means a period of service used to determine a Participant's Vesting Percentage.

Voluntary Contributions means contributions by a Participant that are 100% vested when made to the Plan and are not required as a condition of employment or participation, or for obtaining additional Employer Contributions. Voluntary Contributions, and earnings thereon, shall be 100% vested and nonforfeitable at all times. See the VOLUNTARY CONTRIBUTIONS BY PARTICIPANTS SECTION of Article III.

Wage Rate Contributions means Employer Contributions based on the applicable Prevailing Rate Schedule. See the EMPLOYER CONTRIBUTIONS SECTION of Article III.

Yearly Date means January 15, 2013, and each following January 1.

Years of Service means an Employee's Period of Service. Years of Service shall be measured from his Employment Commencement Date to his most recent Severance Date. Years of Service shall be reduced by any Period of Severance that occurred prior to his most recent Severance Date, unless such Period of Severance is included under the service spanning rule below. This period of Years of Service shall be expressed as years and fractional parts of a year (to four decimal places) on the basis that 365 days equal one year.

Period of Severance included (service spanning rule):

A Period of Severance shall be deemed to be a Period of Service under either of the following conditions:

- i. the Period of Severance immediately follows a period during which an Employee is not absent from work and ends within 12 months; or

- i. the Period of Severance immediately follows a period during which an Employee is absent from work for any reason other than quitting, being discharged, or retiring (such as a leave of absence or layoff) and ends within 12 months of the date he was first absent.

Period of Military Duty included:

A Period of Military Duty shall be included as service with the Employer to the extent it has not already been credited.

Controlled Group service included:

An Employee's service with a member firm of a Controlled Group while both that firm and the Employer were members of the Controlled Group shall be included as service with the Employer.

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ARTICLE II PARTICIPATION

SECTION 2.01--ACTIVE PARTICIPANT.

- (a) An Employee shall first become an Active Participant (begin active participation in the Plan) on the earliest date on which he is an Eligible Employee and has met the eligibility requirement(s) set forth below. This date is his Entry Date.
- i. He is age 18 or older.
- (b) If the Plan's eligibility requirements are changed, an Employee who was an Active Participant immediately prior to the effective date of the change is deemed to satisfy the new requirements and his Entry Date shall not change.
- (c) Each Employee who was an Active Participant on the day before the effective date of a restatement of the Plan (as determined in the Introduction) shall continue to be an Active Participant if he is still an Eligible Employee on such restatement effective date and his Entry Date shall not change.
- (d) If service with a Predecessor Employer or Prior Employer is counted for purposes of Eligibility Service, an Employee shall be credited with such service on the date he becomes an Employee and shall become an Active Participant for purposes of specified Contributions which have an Eligibility Service requirement on the earliest Entry Date for such Contributions on which he is an Eligible Employee and has met all of the eligibility requirements for such Contributions above. This date is his Entry Date for such Contributions.
- (e) If a person has been an Eligible Employee who has met all of the eligibility requirements for purposes of specified Contributions which have any such requirements, but is not an Eligible Employee on the date that would have been his Entry Date for such Contributions, he shall become an Active Participant for purposes of such Contributions on the date he again becomes an Eligible Employee. This date is his Entry Date for such Contributions.
- (f) In the event an Employee who is not an Eligible Employee becomes an Eligible Employee, he shall become an Active Participant for purposes of specified Contributions immediately if he has satisfied the eligibility requirements for such Contributions and would have otherwise previously become an Active Participant had he met the definition of Eligible Employee. This date is his Entry Date for such Contributions.
- (g) An Inactive Participant shall again become an Active Participant (resume active participation in the Plan) for purposes of the Contributions for which he previously had an Entry Date on the date he again performs an Hour of Service as an Eligible Employee. This date is his Reentry Date for such Contributions.
- Upon again becoming an Active Participant, he shall cease to be an Inactive Participant.
- (h) A former Participant shall again become an Active Participant (resume active participation in the Plan) for purposes of the Contributions for which he previously had an Entry Date on the date he

again performs an Hour of Service as an Eligible Employee. This date is his Reentry Date for such Contributions.

- a. A Participant's earliest Entry Date shall be used to determine if he is an Active Participant for purposes of any minimum contribution or allocation under the MODIFICATION OF CONTRIBUTIONS SECTION of Article XI.

SECTION 2.02--INACTIVE PARTICIPANT.

An Active Participant shall become an Inactive Participant on the earlier of the following:

- (a) the date the Participant ceases to be an Eligible Employee, or
- (b) the effective date of complete termination of the Plan under Article VIII.

An Employee or former Employee who was an Inactive Participant on the day before the effective date of the restatement or amendment (as determined in the Introduction) shall continue to be an Inactive Participant on the effective date of such restatement or amendment. Eligibility for any benefits payable to the Participant or on his behalf and the amount of the benefits shall be determined according to the provisions of the prior document, unless otherwise stated in this document or any subsequent documents.

SECTION 2.03--CESSATION OF PARTICIPATION.

A Participant shall cease to be a Participant on the date he is no longer an Eligible Employee and his Account is zero.

SECTION 2.04--ADOPTING EMPLOYERS - SEPARATE PLANS.

No other employer has adopted this Plan as a separate plan.

SECTION 2.05--ADOPTING EMPLOYERS - SINGLE PLAN.

Each of the Controlled Group members listed below is an Adopting Employer. Each Adopting Employer listed below participates with the Employer in this Plan. An Adopting Employer's agreement to participate in this Plan shall be in writing.

The Employer has the right to amend the Plan. An Adopting Employer does not have the right to amend the Plan.

If the Adopting Employer did not maintain its plan before its date of adoption specified below, its date of adoption shall be the Entry Date for any of its Employees who have met the requirements in the ACTIVE PARTICIPANT SECTION of this article as of that date. Service with and Compensation from an Adopting Employer shall be included as service with and Compensation from the Employer. Transfer of employment, without interruption, between an Adopting Employer and another Adopting Employer or the Employer shall not be considered an interruption of service.

The Primary Employer's Fiscal Year defined in the DEFINITIONS SECTION of Article I shall be the Fiscal Year used in interpreting this Plan for Adopting Employers.

Contributions made by an Adopting Employer shall be treated as Contributions made by the Employer. Forfeitures arising from those Contributions shall be used for the benefit of all Participants.

An employer shall not be an Adopting Employer if it ceases to be a Controlled Group member. Such an employer may continue a retirement plan for its Employees in the form of a separate document. This Plan shall be amended to delete a former Adopting Employer from the list below.

If (i) an employer ceases to be an Adopting Employer or the Plan is amended to delete an Adopting Employer and (ii) the Adopting Employer does not continue a retirement plan for the benefit of its Employees, partial termination may result and the provisions of Article VIII shall apply.

ADOPTING EMPLOYERS

NAME DATE OF ADOPTION

ST9 Gas and Oil LLC January 1, 2019

SECTION 2.06--ADOPTING EMPLOYERS - MULTIPLE EMPLOYER PLAN.

No other employer has adopted this Plan as a multiple employer plan.

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ARTICLE III CONTRIBUTIONS

SECTION 3.01--EMPLOYER CONTRIBUTIONS.

Employer Contributions are conditioned on initial qualification of the Plan. If the Plan is denied initial qualification, the provisions of the QUALIFICATION OF PLAN SECTION of Article X shall apply.

Employer Contributions shall be made without regard to Net Profits. Notwithstanding the foregoing, the Plan shall continue to be designed to qualify as a profit sharing plan for purposes of Code Sections 401(a), 402, 412, and 417. Such Contributions shall be equal to the Employer Contributions as described below:

The Plan is a 401(k) safe harbor plan and the 401(k) safe harbor provisions (including the annual notice requirements) described in the 401(k) SAFE HARBOR PROVISIONS SECTION of this article apply. The Plan will satisfy the ADP Test Safe Harbor and the ACP Test Safe Harbor.

The Plan is satisfying the ADP Test Safe Harbor using Matching Contributions.

- (a) The amount of each Elective Deferral Contribution for a Participant shall be equal to a portion of Compensation as specified in an Elective Deferral Agreement. Such Elective Deferral Contribution shall not be made before the later of (i) the adoption or effective date of the cash or deferred arrangement (CODA) or (ii) the date the Participant signs the Elective Deferral Agreement. An Employee who is eligible to participate in the Plan for purposes of Elective Deferral Contributions may file an Elective Deferral Agreement with the Employer. The Participant shall modify or terminate an Elective Deferral Agreement by filing a new Elective Deferral Agreement. An Elective Deferral Agreement shall remain in effect until modified or terminated by the Participant. An Elective Deferral Agreement may also be terminated according to the terms of an automatic contribution arrangement.

An Elective Deferral Agreement to start or modify Elective Deferral Contributions shall be effective as soon as administratively feasible on or after the Participant's Entry Date (Reentry Date, if applicable) or any following date. An Elective Deferral Agreement must be entered into on or before the date it is effective.

An Elective Deferral Agreement to stop Elective Deferral Contributions may be entered into on any date. Such Elective Deferral Agreement shall be effective as soon as administratively feasible following the date on which the Elective Deferral Agreement is entered into.

Elective Deferral Contributions made pursuant to an Elective Deferral Agreement or the terms of an automatic contribution arrangement shall not be made earlier than the date (i) the Participant performs the services that relate to such Elective Deferral Contributions or (ii) the Compensation used to calculate such Elective Deferral Contributions would be payable to the Participant if not contributed to the Plan.

A Participant who is age 50 or older by the end of the taxable year shall be eligible to make Catch-up Contributions.

A Participant may elect to designate all or any portion of his future Elective Deferral Contributions as Roth Elective Deferral Contributions.

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The Plan provides for an automatic election to have Elective Deferral Contributions made. The automatic Elective Deferral Contribution shall be Pre-tax Elective Deferral Contributions and shall be 6% of Compensation. The Participant may affirmatively elect a different percentage or elect not to make Elective Deferral Contributions, and may elect to designate all or any portion of his Elective Deferral Contributions as Roth Elective Deferral Contributions, if Roth Elective Deferral Contributions are allowed.

The automatic election shall apply when a Participant first becomes eligible to make Elective Deferral Contributions (or again becomes eligible after a period during which he was not an Active Participant).

An amendment that increases the amount of the automatic Elective Deferral Contribution shall apply to Participants as follows. The higher automatic deferral percentage shall apply to Participants at the time they enter or reenter the Plan on or after the effective date of such amendment.

An amendment that decreases the amount of the automatic Elective Deferral Contribution shall only apply to Participants at the time they enter or reenter the Plan on or after the effective date of such amendment. The lower automatic deferral percentage shall not apply to Participants who were already automatically enrolled as of the effective date of such amendment.

The Participant shall be provided a notice that explains the automatic election and his right to elect a different rate of Elective Deferral Contributions or to elect not to make Elective Deferral Contributions, and his right to designate all or any portion of his Elective Deferral Contributions as Roth Elective Deferral Contributions, if Roth Elective Deferral Contributions are allowed. The notice shall include the procedure for exercising those rights and the timing for implementing any such elections. The Participant shall be given a reasonable period thereafter to elect a different rate of Elective Deferral Contributions or to elect not to make Elective Deferral Contributions, and to designate all or any portion of his Elective Deferral Contributions as Roth Elective Deferral Contributions, if allowed.

Each Active Participant affected by the automatic election and automatic increase (if applicable) shall be provided an annual notice that explains the automatic election and his right to elect a different rate of Elective Deferral Contributions or to elect not to make Elective Deferral Contributions, and his right to designate all or any portion of his Elective Deferral Contributions as Roth Elective Deferral Contributions, if allowed. The notice shall include the procedure for exercising those rights and the timing for implementing any such elections.

No Participant shall be permitted to have Elective Deferral Contributions, as defined in the EXCESS AMOUNTS SECTION of this article, made under this Plan, or any other plan, contract, or arrangement maintained by the Employer, during any calendar year, in excess of the dollar limitation contained in Code Section 402(g) in effect for the Participant's taxable year beginning in such calendar year. The dollar limitation in the preceding sentence shall be increased by the dollar limit on Catch-up Contributions under Code Section 414(v)(2)(B)(i) for the taxable year for any Participant who will be age 50 or older by the end of the taxable year.

The dollar limitation contained in Code Section 402(g) was \$15,000 for taxable years beginning in 2006. After 2006, the \$15,000 limit is adjusted by the Secretary of the Treasury for cost-of-living increases under Code Section 402(g)(4). Any such adjustments will be in multiples of \$500.

Catch-up Contributions for a Participant for a taxable year may not exceed the dollar limit on Catch-up Contributions under Code Section 414(v)(2)(B)(i) for the taxable year. The dollar limit on Catch-

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up Contributions under Code Section 414(v)(2)(B)(i) was \$5,000 for taxable years beginning in 2006. After 2006, the \$5,000 limit is adjusted by the Secretary of the Treasury for cost-of-living increases under Code Section 414(v)(2)(C). Any such adjustments will be in multiples of \$500.

Elective Deferral Contributions are 100% vested and nonforfeitable.

- a. The Employer shall make Matching Contributions in an amount equal to 100% of Elective Deferral Contributions that are not over 6% of Compensation.

Matching Contributions are calculated based on Elective Deferral Contributions and Compensation for the Plan Year. Matching Contributions shall be made for all persons who were Active Participants at any time during the Plan Year.

Elective Deferral Contributions that are Catch-up Contributions shall be matched.

Matching Contributions are Qualified Matching Contributions and are 100% vested when made.

- b. Qualified Nonelective Contributions are not permitted.
- c. QACA Nonelective Contributions are not permitted.
- d. Additional Contributions are not permitted.
- e. Wage Rate Contributions are not permitted.
- f. Discretionary Contributions may be made for each Plan Year in an amount determined by the Employer.

Discretionary Contributions are 100% vested when made.

Employer Contributions are allocated according to the provisions of the ALLOCATION SECTION of this article.

The Employer may make all or a part of an annual Employer Contribution (Contributions that are calculated based on Annual Compensation or Compensation for the Plan Year) before the end of the Plan Year. Such Contributions that are made for or allocated to each person who was an Active Participant at any time during the Plan Year shall be allocated when made in a manner that approximates the allocation that would otherwise have been made as of the last day of the Plan Year. Succeeding allocations shall take into account amounts previously allocated for the Plan Year. The percentage of the Employer Contribution allocated to the Participant for the Plan Year shall be the same percentage that would have been allocated to him if the entire allocation had been made as of the last day of the Plan Year. Excess allocations shall be forfeited and reallocated as necessary to provide the percentage applicable to each Participant. Any other annual Employer Contributions made before the end of the Plan Year shall be held unallocated until the last day of the Plan Year. Then, as of the last day of the Plan Year, the advance Contributions (and earnings) shall be allocated according to the provisions of the ALLOCATION SECTION of this article.

A portion of the Plan assets resulting from Employer Contributions (but not more than the original amount of those Contributions) may be returned if the Employer Contributions are made because of a mistake of fact or are more than the amount deductible under Code Section 404 (excluding any amount which is not deductible)

because the Plan is disqualified). The amount involved must be returned to the Employer within one year after the date the Employer Contributions are made by mistake of fact or the date the deduction is disallowed, whichever applies. Except as provided under this paragraph and in Articles VIII and X, the assets of the Plan shall never be used for the benefit of the Employer and are held for the exclusive purpose of providing benefits to Participants and their Beneficiaries and for defraying reasonable expenses of administering the Plan.

SECTION 3.02--VOLUNTARY CONTRIBUTIONS BY PARTICIPANTS.

Voluntary Contributions are not permitted.

SECTION 3.03--ROLLOVER CONTRIBUTIONS.

A Rollover Contribution may be made by an Eligible Employee or Inactive Participant if the following conditions are met:

- (a) The Contribution is a Participant Rollover Contribution or a direct rollover of an Eligible Rollover Distribution from the types of plans and types of contributions specified below.

Direct Rollovers. The Plan will accept a direct rollover of an Eligible Rollover Distribution from:

A qualified plan described in Code Section 401(a) or 403(a), including after-tax employee contributions and including any portion of a designated Roth account.

An annuity contract described in Code Section 403(b), including after-tax employee contributions and including any portion of a designated Roth account.

An eligible plan under Code Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state, including any portion of a designated Roth account.

Participant Rollover Contributions from Other Plans. The Plan will accept a Participant contribution of an Eligible Rollover Distribution from:

A qualified plan described in Code Section 401(a) or 403(a), excluding after-tax employee contributions and including distributions of a designated Roth account only to the extent such amount would otherwise be includible in a Participant's gross income.

An annuity contract described in Code Section 403(b), excluding after-tax employee contributions and including distributions of a designated Roth account only to the extent such amount would otherwise be includible in a Participant's gross income.

An eligible plan under Code Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state, including distributions of a designated Roth account only to the extent such amount would otherwise be includible in a Participant's gross income.

Participant Rollover Contributions from IRAs. The Plan will accept a Participant Rollover Contribution of the portion of a distribution from an individual retirement account or individual

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retirement annuity described in Code Section 408(a) or (b) that is eligible to be rolled over and would otherwise be includible in the Participant's gross income.

- a. The Contribution is of amounts that the Code permits to be transferred to a plan that meets the requirements of Code Section 401(a).
- b. The Contribution is made in the form of a direct rollover under Code Section 401(a)(31) or is a rollover made under Code Section 402(c) or 408(d)(3)(A) within 60 days after an Eligible Employee or Inactive Participant receives the distribution.
- c. In the case of an Inactive Participant, the Contribution must be of an amount distributed from another plan of the Employer or a plan of a Controlled Group member.
- d. The Eligible Employee furnishes evidence satisfactory to the Plan Administrator that the proposed rollover meets conditions (a), (b), and (c) above. Such evidence must be reasonable and cannot effectively eliminate or substantially impair the Eligible Employee's right to elect a direct rollover.

A Rollover Contribution shall be allowed in cash or in kind and must be made according to procedures set up by the Plan Administrator. The in-kind distribution must be of an allowable security under the Self-Directed Brokerage Account.

A Rollover Contribution may include a direct rollover of an outstanding loan balance that is not in default for a Participant impacted by a business event in accordance with nondiscriminatory procedures set up by the Loan Administrator. For this purpose, a business event means an acquisition, merger, or similar transaction involving a change in the employer of the employees of a trade or business.

If the Eligible Employee is not an Active Participant when the Rollover Contribution is made, he shall be deemed to be an Active Participant only for the purpose of investment and distribution of the Rollover Contribution. Employer Contributions shall not be made for or allocated to the Eligible Employee and he may not make Participant Contributions until the time he meets all of the requirements to become an Active Participant.

Rollover Contributions made by an Eligible Employee or Inactive Participant shall be credited to his Account. The part of the Participant's Account resulting from Rollover Contributions is 100% vested and nonforfeitable at all times. Separate accounting records shall be maintained for those parts of his Rollover Contributions consisting of (i) voluntary contributions which were deducted from the Participant's gross income for Federal income tax purposes; (ii) after-tax employee contributions, including the portion that would not have been includible in the Participant's gross income if the contributions were not rolled over into this Plan; and (iii) any portion of a designated Roth account, including the portion that would not have been includible in the Participant's gross income if the contributions were not rolled over into this Plan.

SECTION 3.04--IN-PLAN ROTH ROLLOVERS.

All or any portion of an Eligible Rollover Distribution (an "otherwise distributable amount") made after September 27, 2010, may be rolled over as an In-plan Roth Rollover to a Designated Roth Account under the Plan if the following conditions are met:

- (a) The In-plan Roth Rollover is made by a Participant, a Beneficiary who is a surviving spouse, or a spouse or former spouse who is the Alternate Payee under a qualified domestic relations order, as defined in Code Section 414(p).

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- a. Such person shall be provided a written explanation describing the features of the In-plan Roth Rollover.
- b. The In-plan Roth Rollover is a direct rollover or a 60-day rollover.
- c. The Plan maintains such records as are necessary for the proper reporting of In-plan Roth Rollovers.
- d. The In-plan Roth Rollover does not include any outstanding loan balance.
- e. The Designated Roth Account resulting from an In-plan Roth Rollover shall continue to be included in the account balances for the calculation of the Top-heavy Ratio in Article XI.

SECTION 3.05--FORFEITURES.

The Nonvested Account of a Participant shall be forfeited as of the earlier of the following:

- (a) the date the record keeper is notified that the Participant died (if prior to such date he has had a Severance from Employment), or
- (b) the Participant's Forfeiture Date.

A Participant's Nonvested Account shall be forfeited before the earlier of (a) or (b) above if, after he has a Severance from Employment, he receives, or is deemed to receive, a distribution of his entire Vested Account under the RETIREMENT BENEFITS SECTION of Article V, the VESTED BENEFITS SECTION of Article V, or the SMALL AMOUNTS SECTION of Article X. The forfeiture shall occur as of the first day of the Plan Year following the Plan Year in which the Participant receives, or is deemed to receive, the distribution.

A Forfeiture of Matching Contributions that relate to excess amounts shall also occur as provided in the EXCESS AMOUNTS SECTION of this article.

Forfeitures shall be determined at least once during each Plan Year. Forfeitures may be used to pay administrative expenses or to reduce Employer Contributions (other than Elective Deferral Contributions, Qualified Matching Contributions, and Qualified Nonelective Contributions) made after the Forfeitures are determined. Forfeitures of Matching Contributions that relate to excess amounts as provided in the EXCESS AMOUNTS SECTION of this article that have not been used to pay administrative expenses, shall be used to reduce Employer Contributions (other than Elective Deferral Contributions, Qualified Matching Contributions, and Qualified Nonelective Contributions) made after the Forfeitures are determined. Forfeitures that have not been used to pay administrative expenses or used to reduce Employer Contributions shall be allocated as of the last day of the Plan Year in which such Forfeitures are determined as provided in the ALLOCATION SECTION of this article. Upon their allocation to Accounts, or application to reduce Employer Contributions, Forfeitures shall be deemed to be Employer Contributions.

If a Participant again becomes an Eligible Employee after receiving a distribution which caused all of his Nonvested Account to be forfeited, he shall have the right to repay to the Plan the entire amount of the distribution he received (excluding any amount of such distribution resulting from Participant Contributions and Rollover Contributions). The repayment must be made in a single sum (repayment in installments is not permitted) before the earlier of the date five years after the date he again becomes an Eligible Employee or the end of the first period of five consecutive Vesting Break in Service periods which begin after the date of the distribution.

If the Participant makes the repayment above, the Plan Administrator shall restore to his Account an amount equal to his Nonvested Account that was forfeited on the date of distribution, unadjusted for any investment gains or losses. If no amount is to be repaid because the Participant was deemed to have received a distribution or only received a distribution of Participant Contributions or Rollover Contributions, and he again performs an Hour of Service as an Eligible Employee within the repayment period, the Plan Administrator shall restore the Participant's Account as if he had made a required repayment on the date he performed such Hour of Service. Restoration of the Participant's Account shall include restoration of all Code Section 411(d)(6) protected benefits with respect to the restored Account, according to applicable Treasury regulations. Provided, however, the Plan Administrator shall not restore the Nonvested Account if (i) a Forfeiture Date has occurred after the date of the distribution and on or before the date of repayment and (ii) that Forfeiture Date would result in a complete forfeiture of the amount the Plan Administrator would otherwise restore.

The Plan Administrator shall restore the Participant's Account by the close of the Plan Year following the Plan Year in which repayment is made. The permissible sources for restoration of the Participant's Account are Forfeitures or special Employer Contributions. Such special Employer Contributions shall be made without regard to profits. The repaid and restored amounts are not included in the Participant's Annual Additions, as defined in the CONTRIBUTION LIMITATION SECTION of this article.

SECTION 3.06--ALLOCATION.

A person meets the allocation requirements of this section if he is an Active Participant on the last day of the Plan Year and has at least 1,000 Hours of Service during the latest Accrual Computation Period ending on or before that date.

A person shall also meet the requirements of this section if he was an Active Participant at any time during the Plan Year and (i) dies or (ii) has a Severance from Employment after he reaches his Normal Retirement Date or becomes disabled. A person who dies or becomes disabled while performing Qualified Military Service shall also meet the requirements of this section if he is a Participant at any time during the Plan Year. For purposes of this paragraph, disabled means the disability is subsequently determined to meet the definition of Totally and Permanently Disabled.

An Employee's service with a Predecessor Employer that did not maintain this Plan shall be included as service with the Employer for the purpose of determining his Hours of Service to be eligible for an allocation. An Employee's service with such Predecessor Employer shall be counted only if service continued with the Employer without interruption.

Elective Deferral Contributions shall be allocated to the Participants for whom such Contributions are made under the EMPLOYER CONTRIBUTIONS SECTION of this article. Such Contributions shall be allocated when made and credited to the Participant's Account.

Matching Contributions shall be allocated to the persons for whom such Contributions are made under the EMPLOYER CONTRIBUTIONS SECTION of this article. Matching Contributions shall be allocated no later than the last day of the Plan Year.

Forfeitures that have not been used to pay administrative expenses or used to reduce Employer Contributions shall be allocated as of the last day of the Plan Year in which such Forfeitures are determined.

Discretionary Contributions plus any Forfeitures shall be allocated as of the last day of the Plan Year, using Annual Compensation for the Plan Year. The allocation shall be made to each person meeting the allocation requirements of this section. The amount allocated shall be equal to the Discretionary Contributions plus any

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Forfeitures multiplied by the ratio of such person's Annual Compensation to the total Annual Compensation for all such persons. In years in which the Plan is a Top-heavy Plan, as defined in the DEFINITIONS SECTION of Article XI, and the minimum contribution under the MODIFICATION OF CONTRIBUTIONS SECTION of Article XI is not being provided by other contributions to this Plan or another plan of the Employer, and the allocation described above would provide an allocation for any person less than the minimum contribution required for such person in the MODIFICATION OF CONTRIBUTIONS SECTION of Article XI, such minimum contribution shall first be allocated to all such persons. Then any amount remaining shall be allocated to the remaining persons sharing in the allocation based on Annual Compensation as described above, as if they were the only persons sharing in the allocation for the Plan Year. The allocation for any person who does not meet the allocation requirements of this section shall be limited to the amount necessary to fund the minimum contribution.

This amount shall be credited to the person's Account.

If Leased Employees are Eligible Employees, in determining the amount of Employer Contributions allocated to a person who is a Leased Employee, contributions provided by the leasing organization that are attributable to services such Leased Employee performs for the Employer shall be treated as provided by the Employer. Those contributions shall not be duplicated under this Plan.

SECTION 3.07--CONTRIBUTION LIMITATION.

The limitations of this section shall apply to Limitation Years beginning on or after July 1, 2007, except as otherwise provided herein.

(a) Definitions. For the purpose of determining the contribution limitation set forth in this section, the following terms are defined.

Annual Additions means the sum of the following amounts credited to a Participant's account for the Limitation Year:

- (i) employer contributions;
- (ii) employee contributions; and
- (iii) forfeitures.

Annual Additions to a defined contribution plan, as defined in section 1.415(c)-1(a)(2)(i) of the regulations, shall also include the following:

- (iv) mandatory employee contributions, as defined in Code Section 411(c)(2)(C) and section 1.411(c)-1(c)(4) of the regulations, to a defined benefit plan;
- (v) contributions allocated to any individual medical benefit account, as defined in Code Section 415(l)(2), which is part of a pension or annuity plan maintained by the Employer;
- (vi) amounts attributable to post-retirement medical benefits, allocated to the separate account of a key employee, as defined in Code Section 419A(d)(3), under a welfare benefit fund, as defined in Code Section 419(e), maintained by the Employer;
- (vii) annual additions under an annuity contract described in Code Section 403(b); and

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- i. allocations under a simplified employee pension.

Compensation means wages, within the meaning of Code Section 3401(a), and all other payments of compensation to an employee by the Employer (in the course of the Employer's trade or business) for which the Employer is required to furnish the employee a written statement under Code Sections 6041(d), 6051(a)(3), and 6052. Compensation shall be determined without regard to any rules under Code Section 3401(a) that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in Code Section 3401(a)(2)). The type of compensation that is reported in the "Wages, Tips and Other Compensation" box on Form W-2 satisfies this definition.

For any Self-employed Individual, Compensation means Earned Income.

Except as provided herein, Compensation for a Limitation Year is the Compensation actually paid or made available (or if earlier, includible in gross income) during such Limitation Year.

Compensation for a Limitation Year shall also include Compensation paid by the later of 2 1/2 months after an employee's Severance from Employment with the Employer maintaining the plan or the end of the Limitation Year that includes the date of the employee's Severance from Employment with the Employer maintaining the plan, if the payment is regular Compensation for services during the employee's regular working hours, or Compensation for services outside the employee's regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar payments, and, absent a Severance from Employment, the payments would have been paid to the employee while the employee continued in employment with the Employer.

Any payments not described above shall not be considered Compensation if paid after Severance from Employment, even if they are paid by the later of 2 1/2 months after the date of Severance from Employment or the end of the Limitation Year that includes the date of Severance from Employment.

Back pay, within the meaning of section 1.415(c)-2(g)(8) of the regulations, shall be treated as Compensation for the Limitation Year to which the back pay relates to the extent the back pay represents wages and compensation that would otherwise be included in this definition.

Compensation paid or made available during such Limitation Year shall include amounts that would otherwise be included in Compensation but for an election under Code Section 125(a), 132(f)(4), 402(e)(3), 402(h)(1)(B), 402(k), or 457(b).

Compensation shall also include deemed Code Section 125 Compensation. Deemed Code Section 125 Compensation is an amount that is excludible under Code Section 106 that is not available to a Participant in cash in lieu of group health coverage under a Code Section 125 arrangement solely because the Participant is unable to certify that he has other health coverage. Amounts are deemed Code Section 125 Compensation only if the Employer does not request or otherwise collect information regarding the Participant's other health coverage as part of the enrollment process for the health plan.

Compensation shall not include amounts paid as Compensation to a nonresident alien, as defined in Code Section 7701(b)(1)(B), who is not a Participant in the Plan to the extent the Compensation is excludible from gross income and is not effectively connected with the conduct of a trade or business within the United States.

Defined Contribution Dollar Limitation means \$40,000, automatically adjusted under Code Section 415(d) effective January 1 of each year, as published in the Internal Revenue Bulletin. The new limitation shall apply to Limitation Years ending with or within the calendar year of the date of the adjustment, but a Participant's Annual Additions for a Limitation Year cannot exceed the currently applicable dollar limitation (as in effect before the January 1 adjustment) prior to January 1. However, after a January 1 adjustment is made, Annual Additions for the entire Limitation Year are permitted to reflect the dollar limitation as adjusted on January 1.

Employer means the employer that adopts this Plan, and all members of a controlled group of corporations (as defined in Code Section 414(b) as modified by Code Section 415(h)), all commonly controlled trades or businesses (as defined in Code Section 414(c), as modified, except in the case of a brother-sister group of trades or businesses under common control, by Code Section 415(h)), or affiliated service groups (as defined in Code Section 414(m)) of which the adopting employer is a part, and any other entity required to be aggregated with the employer pursuant to Code Section 414(o).

Limitation Year means the consecutive 12-month period ending on the last day of each Plan Year, including corresponding consecutive 12-month periods before the original effective date of the Plan. All qualified plans maintained by the Employer must use the same Limitation Year. If the Limitation Year is other than the calendar year, execution of this Plan (or any amendment to this Plan changing the Limitation Year) constitutes the Employer's adoption of a written resolution electing the Limitation Year. If the Limitation Year is amended to a different consecutive 12-month period, the new Limitation Year must begin on a date within the Limitation Year in which the amendment is made.

Maximum Annual Addition means, except for catch-up contributions described in Code Section 414(v), the Annual Addition that may be contributed or allocated to a Participant's Account under the Plan for any Limitation Year. This amount shall not exceed the lesser of:

- (1) The Defined Contribution Dollar Limitation, or
- (2) 100 percent of the Participant's Compensation for the Limitation Year.

A Participant's Compensation for a Limitation Year shall not include Compensation in excess of the limitation under Code Section 401(a)(17) that is in effect for the calendar year in which the Limitation Year begins.

The compensation limitation referred to in (2) shall not apply to an individual medical benefit account (as defined in Code Section 415(l)); or a post-retirement medical benefits account for a key employee (as defined in Code Section 419A(d)(1)).

If a short Limitation Year is created because of an amendment changing the Limitation Year to a different consecutive 12-month period, the Maximum Annual Addition will not exceed the Defined Contribution Dollar Limitation multiplied by the following fraction:

$$\frac{\text{Number of months (including any fractional parts of a month) in the short Limitation Year}}{12}$$

If the Plan is terminated as of a date other than the last day of the Limitation Year, the Plan is treated as if the Plan was amended to change the Limitation Year and create a short Limitation Year ending on the date the Plan is terminated.

If a short Limitation Year is created, the limitation under Code Section 401(a)(17) shall be prorated in the same manner as the Defined Contribution Dollar Limitation.

Predecessor Employer means, with respect to a Participant, a former employer if the Employer maintains a plan that provides a benefit which the Participant accrued while performing services for the former employer. Predecessor Employer also means, with respect to a Participant, a former entity that antedates the Employer if, under the facts and circumstances, the Employer constitutes a continuation of all or a portion of the trade or business of the former entity.

Severance from Employment means an employee has ceased to be an employee of the Employer maintaining the plan. An employee does not have a Severance from Employment if, in connection with a change of employment, the employee's new employer maintains the plan with respect to the employee.

- a. If the Participant does not participate in another defined contribution plan, as defined in section 1.415(c)-1(a)(2)(i) of the regulations (without regard to whether the plan(s) have been terminated) maintained by the Employer, the amount of Annual Additions that may be credited to the Participant's Account for any Limitation Year shall not exceed the lesser of the Maximum Annual Addition or any other limitation contained in this Plan. If the Employer Contribution that would otherwise be contributed or allocated to the Participant's Account would cause the Annual Additions for the Limitation Year to exceed the Maximum Annual Addition, the amount contributed or allocated shall be reduced so that the Annual Additions for the Limitation Year will equal the Maximum Annual Addition.
- b. If, in addition to this Plan, the Participant is covered under another defined contribution plan, as defined in section 1.415(c)-1(a)(2)(i) of the regulations, (without regard to whether the plan(s) have been terminated) maintained by the Employer that provides an Annual Addition during any Limitation Year, the Annual Additions that may be credited to a Participant's Account under this Plan for any such Limitation Year will not exceed the Maximum Annual Addition, reduced by the Annual Additions credited to a Participant's account under the other defined contribution plan(s) for the same Limitation Year. If the Annual Additions with respect to the Participant under the other defined contribution plan(s) maintained by the Employer are less than the Maximum Annual Addition, and the Employer Contribution that would otherwise be contributed or allocated to the Participant's Account under this Plan would cause the Annual Additions for the Limitation Year to exceed this limitation, the amount contributed or allocated will be reduced so that the Annual Additions under all such plans and funds for the Limitation Year will equal the Maximum Annual Addition. If the Annual Additions with respect to the Participant under the other defined contribution plan(s) in the aggregate are equal to or greater than the Maximum Annual Addition, no amount will be contributed or allocated to the Participant's Account under this Plan for the Limitation Year.
- c. The limitation of this section shall be determined and applied taking into account the rules in subparagraph (e) below.
- d. Other Rules
 - a. Aggregating Plans. For purposes of applying the limitations of this section for a Limitation Year, all defined contribution plans (as defined in section 1.415(c)-1(a)(2)(i) of the

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regulations and without regard to whether the plan(s) have been terminated) ever maintained by the Employer and all defined contribution plans of a Predecessor Employer (in the Limitation Year in which such Predecessor Employer is created) under which a Participant receives Annual Additions are treated as one defined contribution plan.

- a. Break-up of Affiliated Employers. The Annual Additions under a formerly affiliated plan (as defined in section 1.415(f)-1(b)(2)(ii) of the regulations) of the Employer are taken into account for purposes of applying the limitations of this section for the Limitation Year in which the cessation of affiliation took place.
- b. Previously Unaggregated Plans. The limitations of this section are not exceeded for the first Limitation Year in which two or more existing plans, which previously were not required to be aggregated pursuant to section 1.415(f) of the regulations, are aggregated, provided that no Annual Additions are credited to a Participant after the date on which the plans are required to be aggregated if the Annual Additions already credited to the Participant in the existing plans equal or exceed the Maximum Annual Addition.
- c. Aggregation with Multiemployer Plan. If the Employer maintains a multiemployer plan, as defined in Code Section 414(f), and the multiemployer plan so provides, only the Annual Additions under the multiemployer plan that are provided by the Employer shall be treated as Annual Additions provided under a plan maintained by the Employer for purposes of this section.

SECTION 3.08--EXCESS AMOUNTS.

- (a) Definitions. For purposes of this section, the following terms are defined:

ACP means, for a specified group of Participants (either Highly Compensated Employees or Nonhighly Compensated Employees) for a Plan Year, the average (expressed as a percentage) of the Contribution Percentages of the Eligible Participants in the group.

ADP means, for a specified group of Participants (either Highly Compensated Employees or Nonhighly Compensated Employees) for a Plan Year, the average (expressed as a percentage) of the Deferral Percentages of the Eligible Participants in the group.

Contribution Percentage means the ratio (expressed as a percentage) of the Eligible Participant's Contribution Percentage Amounts to the Eligible Participant's Compensation (excluding Differential Wage Payments paid on or after January 1, 2009) for the Plan Year (whether or not the Eligible Participant was an Eligible Participant for the entire Plan Year). For an Eligible Participant for whom such Contribution Percentage Amounts for the Plan Year are zero, the percentage is zero.

Contribution Percentage Amounts means the sum of the Participant Contributions and Matching Contributions (that are not Qualified Matching Contributions taken into account for purposes of the ADP Test) made under the plan on behalf of the Eligible Participant for the plan year. Contribution Percentage Amounts shall not include Participant Contributions withheld from Differential Wage Payments paid on or after January 1, 2009, and Matching Contributions based on Elective Deferral Contributions and Participant Contributions withheld from such Differential Wage Payments. For Plan Years beginning on or after January 1, 2006, Matching Contributions cannot be taken into account for a plan year for a Nonhighly Compensated Employee to the extent they are disproportionate matching contributions as defined in section 1.401(m)-2(a)(5)(ii) of the regulations.

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Such Contribution Percentage Amounts shall not include Matching Contributions that are forfeited (i) to correct Excess Aggregate Contributions; (ii) because the contributions to which they relate are Excess Elective Deferrals, Excess Contributions, or Excess Aggregate Contributions; or (iii) because the contributions to which they relate were returned to the Participant as a Permissible Withdrawal. Under such rules as the Secretary of the Treasury shall prescribe, in determining the Contribution Percentage the Employer may elect to include Qualified Nonelective Contributions under this Plan that were not used in computing the Deferral Percentage. For Plan Years beginning on or after January 1, 2006, Qualified Nonelective Contributions cannot be taken into account for a plan year for a Nonhighly Compensated Employee to the extent they are disproportionate contributions as defined in section 1.401(m)-2(a)(6)(v) of the regulations. The Employer may also elect to use Elective Deferral Contributions in computing the Contribution Percentage so long as the ADP Test is met before the Elective Deferral Contributions are used in the ACP Test and continues to be met following the exclusion of those Elective Deferral Contributions that are used to meet the ACP Test.

Deferral Percentage means the ratio (expressed as a percentage) of Elective Deferral Contributions (other than Catch-up Contributions, Elective Deferral Contributions returned to the Participant as a Permissible Withdrawal and Elective Deferral Contributions withheld from Differential Wage Payments) under this Plan on behalf of the Eligible Participant for the Plan Year to the Eligible Participant's Compensation (excluding Differential Wage Payments) for the Plan Year (whether or not the Eligible Participant was an Eligible Participant for the entire Plan Year). The Elective Deferral Contributions used to determine the Deferral Percentage shall include Excess Elective Deferrals (other than Excess Elective Deferrals of Nonhighly Compensated Employees that arise solely from Elective Deferral Contributions made under this Plan or any other plans of the Employer or a Controlled Group member), but shall exclude Elective Deferral Contributions that are used in computing the Contribution Percentage (provided the ADP Test is satisfied both with and without exclusion of these Elective Deferral Contributions). Under such rules as the Secretary of the Treasury shall prescribe, the Employer may elect to include Qualified Nonelective Contributions and Qualified Matching Contributions under this Plan in computing the Deferral Percentage. For Plan Years beginning on or after January 1, 2006, Qualified Matching Contributions cannot be taken into account for a Plan Year for a Nonhighly Compensated Employee to the extent they are disproportionate matching contributions as defined in section 1.401(m)-2(a)(5)(ii) of the regulations. For Plan Years beginning on or after January 1, 2006, Qualified Nonelective Contributions cannot be taken into account for a Plan Year for a Nonhighly Compensated Employee to the extent they are disproportionate contributions as defined in section 1.401(k)-2(a)(6)(iv) of the regulations. For an Eligible Participant for whom such contributions on his behalf for the Plan Year are zero, the percentage is zero.

Elective Deferral Contributions means any employer contributions made to a plan at the election of a participant in lieu of cash compensation. With respect to any taxable year, a participant's Elective Deferral Contributions are the sum of all employer contributions made on behalf of such participant pursuant to an election to defer under any qualified cash or deferred arrangement (CODA) described in Code Section 401(k), any salary reduction simplified employee pension plan described in Code Section 408(k)(6), any SIMPLE IRA plan described in Code Section 408(p), any plan described under Code Section 501(c)(18), and any employer contributions made on behalf of a participant for the purchase of an annuity contract under Code Section 403(b) pursuant to a salary reduction agreement. Elective Deferral Contributions include Pre-tax Elective Deferral Contributions and Roth Elective Deferral Contributions. Elective Deferral Contributions shall not include any deferrals properly distributed as excess annual additions.

Eligible Participant means, for purposes of determining the Deferral Percentage, any Employee who is otherwise entitled to make Elective Deferral Contributions under the terms of the plan for the plan year. Eligible Participant means, for purposes of determining the Contribution Percentage, any

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Employee who is eligible (i) to make a Participant Contribution or an Elective Deferral Contribution (if the Employer takes such contributions into account in the calculation of the Contribution Percentage), or (ii) to receive a Matching Contribution (including forfeitures) or a Qualified Matching Contribution. If a Participant Contribution is required as a condition of participation in the plan, any Employee who would be a participant in the plan if such Employee made such a contribution shall be treated as an Eligible Participant on behalf of whom no Participant Contributions are made.

Excess Aggregate Contributions means, with respect to any Plan Year, the excess of:

- i. The aggregate Contribution Percentage Amounts taken into account in computing the numerator of the Contribution Percentage actually made on behalf of Highly Compensated Employees for such Plan Year, over
- ii. The maximum Contribution Percentage Amounts permitted by the ACP Test (determined by hypothetically reducing contributions made on behalf of Highly Compensated Employees in order of their Contribution Percentages beginning with the highest of such percentages).

Such determination shall be made after first determining Excess Elective Deferrals and then determining Excess Contributions.

Excess Contributions means, with respect to any Plan Year, the excess of:

- (1) The aggregate amount of employer contributions actually taken into account in computing the Deferral Percentage of Highly Compensated Employees for such Plan Year, over
- (2) The maximum amount of such contributions permitted by the ADP Test (determined by hypothetically reducing contributions made on behalf of Highly Compensated Employees in the order of the Deferral Percentages, beginning with the highest of such percentages).

Excess Elective Deferrals means those Elective Deferral Contributions of a Participant that either

(i) are made during the Participant's taxable year and exceed the dollar limitation under Code Section 402(g) or (ii) are made during a calendar year and exceed the dollar limitation under Code Section 402(g) for the Participant's taxable year beginning in such calendar year, counting only Elective Deferral Contributions made under this Plan and any other plan, contract, or arrangement maintained by the Employer. If the Plan provides for Catch-up Contributions in such taxable year, the dollar limitation shall be increased by the dollar limit on Catch-up Contributions under Code Section 414(v).

Excess Elective Deferrals shall be treated as Annual Additions, as defined in the CONTRIBUTION LIMITATION SECTION of this article, under the Plan, unless such amounts are distributed no later than the first April 15 following the close of the Participant's taxable year.

Matching Contributions means employer contributions made to this or any other defined contribution plan, or to a contract described in Code Section 403(b), on behalf of a participant on account of a Participant Contribution made by such participant, or on account of a participant's Elective Deferral Contributions, under a plan maintained by the Employer or a Controlled Group member.

Participant Contributions means contributions (other than Roth Elective Deferral Contributions) made to the plan by or on behalf of a participant that are included in the participant's gross income in

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the year in which made and that are maintained under a separate account to which the earnings and losses are allocated.

Pre-tax Elective Deferral Contributions means a participant's Elective Deferral Contributions that are not includible in the participant's gross income at the time deferred.

Qualified Matching Contributions means Matching Contributions that are nonforfeitable when made to the plan and that are distributable only in accordance with the distribution provisions applicable to Elective Deferral Contributions, to the extent Qualified Matching Contributions can be distributed under such distribution provision.

Qualified Nonelective Contributions means any employer contributions (other than Matching Contributions) that an Employee may not elect to have paid to him in cash instead of being contributed to the plan and that are nonforfeitable when made to the plan and that are distributable only in accordance with the distribution provisions applicable to Elective Deferral Contributions, to the extent Qualified Nonelective Contributions can be distributed under such distribution provision.

Roth Elective Deferral Contributions means a participant's Elective Deferral Contributions that are not excludible from the participant's gross income at the time deferred and have been irrevocably designated as Roth Elective Deferral Contributions by the participant in his elective deferral agreement. Whether an Elective Deferral Contribution is not excludible from a participant's gross income will be determined in accordance with section 1.401(k)-1(f)(2) of the regulations. In the case of a self-employed individual, an Elective Deferral Contribution is not excludible from gross income only if the individual does not claim a deduction for such amount.

- a. **Excess Elective Deferrals.** A Participant may assign to this Plan any Excess Elective Deferrals made during a taxable year of the Participant by notifying the Plan Administrator in writing on or before the first following March 1 of the amount of the Excess Elective Deferrals to be assigned to the Plan. A Participant is deemed to notify the Plan Administrator of any Excess Elective Deferrals that arise by taking into account only those Elective Deferral Contributions made to this Plan and any other plan, contract, or arrangement of the Employer or a Controlled Group member. The Participant's claim for Excess Elective Deferrals shall be accompanied by the Participant's written statement that if such amounts are not distributed, such Excess Elective Deferrals will exceed the limit imposed on the Participant by Code Section 402(g) (including, if applicable, the dollar limitation on Catch-up Contributions under Code Section 414(v)) for the year in which the deferral occurred. The Excess Elective Deferrals assigned to this Plan cannot exceed the Elective Deferral Contributions allocated under this Plan for such taxable year.

Notwithstanding any other provisions of the Plan, Elective Deferral Contributions in an amount equal to the Excess Elective Deferrals assigned to this Plan, plus any income and minus any loss allocable thereto, shall be distributed no later than April 15 to any Participant to whose Account Excess Elective Deferrals were assigned for the preceding year and who claims Excess Elective Deferrals for such taxable year or calendar year.

Distribution of Excess Elective Deferrals shall be made on a pro rata basis from the Participant's Account resulting from Pre-tax Elective Deferral Contributions and Roth Elective Deferral Contributions in the same proportion that such Contributions were made for the applicable year.

The Excess Elective Deferrals shall be adjusted for any income or loss. The income or loss allocable to such Excess Elective Deferrals shall be equal to the income or loss allocable to the Participant's Elective Deferral Contributions for the taxable year in which the excess occurred multiplied by a

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fraction. The numerator of the fraction is the Excess Elective Deferrals. The denominator of the fraction is the closing balance without regard to any income or loss occurring during such taxable year (as of the end of such taxable year) of the Participant's Account resulting from Elective Deferral Contributions.

For purposes of determining income or loss on Excess Elective Deferrals for taxable years beginning on or after January 1, 2006, any Excess Elective Deferrals, in addition to any adjustment for income or loss for the taxable year in which the excess occurred, shall be adjusted for income or loss for the gap period between the end of such taxable year and the date of distribution. Such income or loss allocable to the gap period shall be equal to 10% of the income or loss allocable to the Excess Elective Deferrals for the taxable year multiplied by the number of complete months (counting a partial month of 16 days or more as a complete month) in the gap period.

For purposes of determining income or loss on Excess Elective Deferrals for taxable years beginning on or after January 1, 2008, no adjustment shall be made for income or loss for the gap period.

Any Matching Contributions that were based on the Elective Deferral Contributions distributed as Excess Elective Deferrals, plus any income and minus any loss allocable thereto, shall be forfeited.

a. ADP Test. As of the end of each Plan Year after Excess Elective Deferrals have been determined, the Plan must satisfy the ADP Test. The ADP Test shall be satisfied using the prior year testing method or the current year testing method, as elected by the Employer in subparagraph (e) of this section.

a. Prior Year Testing Method. The ADP for a Plan Year for Eligible Participants who are Highly Compensated Employees for each Plan Year and the prior year's ADP for Eligible Participants who were Nonhighly Compensated Employees for the prior Plan Year must satisfy one of the following tests:

- a. The ADP for a Plan Year for Eligible Participants who are Highly Compensated Employees for the Plan Year shall not exceed the prior year's ADP for Eligible Participants who were Nonhighly Compensated Employees for the prior Plan Year multiplied by 1.25; or
- b. The ADP for a Plan Year for Eligible Participants who are Highly Compensated Employees for the Plan Year:
 1. shall not exceed the prior year's ADP for Eligible Participants who were Nonhighly Compensated Employees for the prior Plan Year multiplied by 2, and
 2. the difference between such ADPs is not more than 2.

If this is not a successor plan, for the first Plan Year the Plan permits any Participant to make Elective Deferral Contributions, for purposes of the foregoing tests, the prior year's Nonhighly Compensated Employees' ADP shall be 3 percent or the Plan Year's ADP for these Eligible Participants, as elected by the Employer in subparagraph (e) of this section.

b. Current Year Testing Method. The ADP for a Plan Year for Eligible Participants who are Highly Compensated Employees for each Plan Year and the ADP for Eligible Participants

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who are Nonhighly Compensated Employees for the Plan Year must satisfy one of the following tests:

- a. The ADP for a Plan Year for Eligible Participants who are Highly Compensated Employees for the Plan Year shall not exceed the ADP for Eligible Participants who are Nonhighly Compensated Employees for the Plan Year multiplied by 1.25; or
- b. The ADP for a Plan Year for Eligible Participants who are Highly Compensated Employees for the Plan Year:
 1. shall not exceed the ADP for Eligible Participants who are Nonhighly Compensated Employees for the Plan Year multiplied by 2, and
 2. the difference between such ADPs is not more than 2.

If the Employer has elected to use the current year testing method, that election cannot be changed unless (i) the Plan has been using the current year testing method for the preceding five Plan Years, or if less, the number of Plan Years the Plan has been in existence; or (ii) if as a result of a merger or acquisition described in Code Section 410(b)(6)(C)(i), the Employer maintains both a plan using the prior year testing method and a plan using the current year testing method and the change is made within the transition period described in Code Section 410(b)(6)(C)(ii).

A Participant is a Highly Compensated Employee for a particular Plan Year if he meets the definition of a Highly Compensated Employee in effect for that Plan Year. Similarly, a Participant is a Nonhighly Compensated Employee for a particular Plan Year if he does not meet the definition of a Highly Compensated Employee in effect for that Plan Year.

The Deferral Percentage for any Eligible Participant who is a Highly Compensated Employee for the Plan Year and who is eligible to have Elective Deferral Contributions (and Qualified Nonelective Contributions or Qualified Matching Contributions, or both, if treated as Elective Deferral Contributions for purposes of the ADP Test) allocated to his account under two or more arrangements described in Code Section 401(k) that are maintained by the Employer or a Controlled Group member shall be determined as if such Elective Deferral Contributions (and, if applicable, such Qualified Nonelective Contributions or Qualified Matching Contributions, or both) were made under a single arrangement. If a Highly Compensated Employee participates in two or more cash or deferred arrangements of the Employer or of a Controlled Group member that have different plan years, all Elective Deferral Contributions made during the Plan Year shall be aggregated. For Plan Years beginning before 2006, all such cash or deferred arrangements ending with or within the same calendar year shall be treated as a single arrangement. The foregoing notwithstanding, certain plans shall be treated as separate if mandatorily disaggregated under the regulations of Code Section 401(k).

In the event this Plan satisfies the requirements of Code Section 401(k), 401(a)(4), or 410(b) only if aggregated with one or more other plans, or if one or more other plans satisfy the requirements of such Code sections only if aggregated with this Plan, then this section shall be applied by determining the Deferral Percentage of Employees as if all such plans were a single plan. If more than 10 percent of the Employer's Nonhighly Compensated Employees are involved in a plan coverage change as defined in section 1.401(k)-2(c)(4) of the regulations, then any adjustments to the Nonhighly Compensated Employee ADP for the prior year shall be made in accordance with such regulations if the Employer has elected to use the prior year testing method. Plans may be

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aggregated in order to satisfy Code Section 401(k) only if they have the same plan year and use the same testing method for the ADP Test.

For purposes of the ADP Test, Elective Deferral Contributions, Qualified Nonelective Contributions, and Qualified Matching Contributions must be made before the end of the 12-month period immediately following the Plan Year to which the contributions relate.

If the Plan Administrator should determine during the Plan Year that the ADP Test is not being met, the Plan Administrator may limit the amount of future Elective Deferral Contributions of the Highly Compensated Employees.

Notwithstanding any other provisions of this Plan, Excess Contributions, plus any income and minus any loss allocable thereto, shall be distributed no later than 12 months after the last day of a Plan Year to Participants to whose Accounts such Excess Contributions were allocated for such Plan Year, except to the extent such Excess Contributions are classified as Catch-up Contributions. Excess Contributions are allocated to the Highly Compensated Employees with the largest amounts of employer contributions taken into account in calculating the ADP Test for the year in which the excess arose, beginning with the Highly Compensated Employee with the largest amount of such employer contributions and continuing in descending order until all of the Excess Contributions have been allocated. If a Highly Compensated Employee participates in two or more cash or deferred arrangements of the Employer or of a Controlled Group member, the amount distributed shall not exceed the amount of the employer contributions taken into account in calculating the ADP Test and made to this Plan for the year in which the excess arose. If Catch-up Contributions are allowed for the Plan Year being tested, to the extent a Highly Compensated Employee has not reached his Catch-up Contribution limit under the Plan for such year, Excess Contributions allocated to such Highly Compensated Employee are Catch-up Contributions and will not be treated as Excess Contributions. If such excess amounts (other than Catch-up Contributions) are distributed more than 2 1/2 months after the last day of the Plan Year in which such excess amounts arose, a 10 percent excise tax shall be imposed on the employer maintaining the plan with respect to such amounts.

Excess Contributions shall be treated as Annual Additions, as defined in the CONTRIBUTION LIMITATION SECTION of this article, even if distributed.

The Excess Contributions shall be adjusted for any income or loss. The income or loss allocable to such Excess Contributions allocated to each Participant shall be equal to the income or loss allocable to the Participant's Elective Deferral Contributions (and, if applicable, Qualified Nonelective Contributions or Qualified Matching Contributions, or both) for the Plan Year in which the excess occurred multiplied by a fraction. The numerator of the fraction is the Excess Contributions. The denominator of the fraction is the closing balance without regard to any income or loss occurring during such Plan Year (as of the end of such Plan Year) of the Participant's Account resulting from Elective Deferral Contributions (and Qualified Nonelective Contributions or Qualified Matching Contributions, or both, if such contributions are included in the ADP Test).

For purposes of determining income or loss on Excess Contributions beginning with the 2006 Plan Year, any Excess Contributions, in addition to any adjustment for income or loss for the Plan Year in which the excess occurred, shall be adjusted for income or loss for the gap period between the end of such Plan Year and the date of distribution. Such income or loss allocable to the gap period shall be equal to 10% of the income or loss allocable to the Excess Contributions for the Plan Year multiplied by the number of complete months (counting a partial month of 16 days or more as a complete month) in the gap period.

For purposes of determining income or loss on Excess Contributions for Plan Years beginning on or after January 1, 2008, no adjustment shall be made for income or loss for the gap period.

Excess Contributions allocated to a Participant shall be distributed from the Participant's Account resulting from Elective Deferral Contributions. If such Excess Contributions exceed the amount of Excess Contributions in the Participant's Account resulting from Elective Deferral Contributions, the balance shall be distributed from the Participant's Account resulting from Qualified Matching Contributions (if applicable) and Qualified Nonelective Contributions, respectively.

Distribution of Excess Contributions shall be made on a pro rata basis from the Participant's Account resulting from Pre-tax Elective Deferral Contributions and Roth Elective Deferral Contributions in the same proportion that such Contributions were made for the applicable year.

Any Matching Contributions that were based on the Elective Deferral Contributions distributed as Excess Contributions, plus any income and minus any loss allocable thereto, shall be forfeited.

a. ACP Test. As of the end of each Plan Year, the Plan must satisfy the ACP Test. The ACP Test shall be satisfied using the prior year testing method or the current year testing method, as elected by the Employer in subparagraph (e) of this section.

a. Prior Year Testing Method. The ACP for a Plan Year for Eligible Participants who are Highly Compensated Employees for each Plan Year and the prior year's ACP for Eligible Participants who were Nonhighly Compensated Employees for the prior Plan Year must satisfy one of the following tests:

- a. The ACP for a Plan Year for Eligible Participants who are Highly Compensated Employees for the Plan Year shall not exceed the prior year's ACP for Eligible Participants who were Nonhighly Compensated Employees for the prior Plan Year multiplied by 1.25; or
- b. The ACP for a Plan Year for Eligible Participants who are Highly Compensated Employees for the Plan Year:
 1. shall not exceed the prior year's ACP for Eligible Participants who were Nonhighly Compensated Employees for the prior Plan Year multiplied by 2, and
 2. the difference between such ACPs is not more than 2.

If this is not a successor plan, for the first Plan Year the Plan permits any Participant to make Participant Contributions, provides for Matching Contributions, or both, for purposes of the foregoing tests, the prior year's Nonhighly Compensated Employees' ACP shall be 3 percent or the Plan Year's ACP for these Eligible Participants, as elected by the Employer in subparagraph (e) of this section.

b. Current Year Testing Method. The ACP for a Plan Year for Eligible Participants who are Highly Compensated Employees for each Plan Year and the ACP for Eligible Participants who are Nonhighly Compensated Employees for the Plan Year must satisfy one of the following tests:

- a. The ACP for a Plan Year for Eligible Participants who are Highly Compensated Employees for the Plan Year shall not exceed the ACP for Eligible Participants who are Nonhighly Compensated Employees for the Plan Year multiplied by 1.25; or
- b. The ACP for a Plan Year for Eligible Participants who are Highly Compensated Employees for the Plan Year:
 1. shall not exceed the ACP for Eligible Participants who are Nonhighly Compensated Employees for the Plan Year multiplied by 2, and
 2. the difference between such ACPs is not more than 2.

If the Employer has elected to use the current year testing method, that election cannot be changed unless (i) the Plan has been using the current year testing method for the preceding five Plan Years, or if less, the number of Plan Years the Plan has been in existence; or (ii) if as a result of a merger or acquisition described in Code Section 410(b)(6)(C)(i), the Employer maintains both a plan using the prior year testing method and a plan using the current year testing method and the change is made within the transition period described in Code Section 410(b)(6)(C)(ii).

A Participant is a Highly Compensated Employee for a particular Plan Year if he meets the definition of a Highly Compensated Employee in effect for that Plan Year. Similarly, a Participant is a Nonhighly Compensated Employee for a particular Plan Year if he does not meet the definition of a Highly Compensated Employee in effect for that Plan Year.

The Contribution Percentage for any Eligible Participant who is a Highly Compensated Employee for the Plan Year and who is eligible to have Contribution Percentage Amounts allocated to his account under two or more plans described in Code Section 401(a) or arrangements described in Code Section 401(k) that are maintained by the Employer or a Controlled Group member shall be determined as if the total of such Contribution Percentage Amounts was made under each plan and arrangement. If a Highly Compensated Employee participates in two or more such plans or arrangements that have different plan years, all Contribution Percentage Amounts made during the Plan Year shall be aggregated. For Plan Years beginning before 2006, all such plans and arrangements ending with or within the same calendar year shall be treated as a single plan or arrangement. The foregoing notwithstanding, certain plans shall be treated as separate if mandatorily disaggregated under the regulations of Code Section 401(m).

In the event this Plan satisfies the requirements of Code Section 401(m), 401(a)(4), or 410(b) only if aggregated with one or more other plans, or if one or more other plans satisfy the requirements of such Code sections only if aggregated with this Plan, then this section shall be applied by determining the Contribution Percentage of Employees as if all such plans were a single plan. If more than 10 percent of the Employer's Nonhighly Compensated Employees are involved in a plan coverage change as defined in section 1.401(m)-2(c)(4) of the regulations, then any adjustments to the Nonhighly Compensated Employee ACP for the prior year shall be made in accordance with such regulations if the Employer has elected to use the prior year testing method. Plans may be aggregated in order to satisfy Code Section 401(m) only if they have the same plan year and use the same testing method for the ACP Test.

For purposes of the ACP Test, Participant Contributions are considered to have been made in the Plan Year in which contributed to the Plan. Matching Contributions and Qualified Nonelective

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Contributions will be considered to have been made for a Plan Year if made no later than the end of the 12-month period beginning on the day after the close of the Plan Year.

Notwithstanding any other provisions of this Plan, Excess Aggregate Contributions, plus any income and minus any loss allocable thereto, shall be forfeited, if not vested, or distributed, if vested, no later than 12 months after the last day of a Plan Year to Participants to whose Accounts such Excess Aggregate Contributions were allocated for such Plan Year. Excess Aggregate Contributions are allocated to the Highly Compensated Employees with the largest Contribution Percentage Amounts taken into account in calculating the ACP Test for the year in which the excess arose, beginning with the Highly Compensated Employee with the largest amount of such Contribution Percentage Amounts and continuing in descending order until all of the Excess Aggregate Contributions have been allocated. If a Highly Compensated Employee participates in two or more plans or arrangements of the Employer or of a Controlled Group member that include Contribution Percentage Amounts, the amount distributed shall not exceed the Contribution Percentage Amounts taken into account in calculating the ACP Test and made to this Plan for the year in which the excess arose. If such Excess Aggregate Contributions are distributed more than 2 1/2 months after the last day of the Plan Year in which such excess amounts arose, a 10 percent excise tax shall be imposed on the employer maintaining the plan with respect to such amounts.

Excess Aggregate Contributions shall be treated as Annual Additions, as defined in the CONTRIBUTION LIMITATION SECTION of this article, even if distributed.

The Excess Aggregate Contributions shall be adjusted for any income or loss. The income or loss allocable to such Excess Aggregate Contributions allocated to each Participant shall be equal to the income or loss allocable to the Participant's Contribution Percentage Amounts for the Plan Year in which the excess occurred multiplied by a fraction. The numerator of the fraction is the Excess Aggregate Contributions. The denominator of the fraction is the closing balance without regard to any income or loss occurring during such Plan Year (as of the end of such Plan Year) of the Participant's Account resulting from Contribution Percentage Amounts.

For purposes of determining income or loss on Excess Aggregate Contributions beginning with the 2006 Plan Year, any Excess Aggregate Contributions, in addition to any adjustment for income or loss for the Plan Year in which the excess occurred, shall be adjusted for income or loss for the gap period between the end of such Plan Year and the date of distribution. Such income or loss allocable to the gap period shall be equal to 10% of the income or loss allocable to the Excess Aggregate Contributions for the Plan Year multiplied by the number of complete months (counting a partial month of 16 days or more as a complete month) in the gap period.

For purposes of determining income or loss on Excess Aggregate Contributions for Plan Years beginning on or after January 1, 2008, no adjustment shall be made for income or loss for the gap period.

Excess Aggregate Contributions allocated to a Participant shall be distributed from the Participant's Account resulting from Participant Contributions that are not required as a condition of employment or participation or for obtaining additional benefits from Employer Contributions. If such Excess Aggregate Contributions exceed the balance in the Participant's Account resulting from such Participant Contributions, the balance shall be forfeited, if not vested, or distributed, if vested, on a pro rata basis from the Participant's Account resulting from Contribution Percentage Amounts.

- a. Employer Elections. The Employer has made an election to use the current year testing method.

SECTION 3.09--401(k) SAFE HARBOR PROVISIONS.

The Plan is a 401(k) safe harbor plan. In accordance with sections 1.401(k)-1(e)(7) and 1.401(m)-1(c)(2) of the regulations, the Employer cannot use ADP (and ACP testing, if applicable) for a Plan Year in which it is intended for the Plan through its written terms to be an ADP Test Safe Harbor (and ACP Test Safe Harbor, if applicable) and the Employer fails to satisfy the requirements of such safe harbors for the Plan Year, unless the 401(k) safe harbor election is revoked as provided in (e) below.

(a) Rules of Application.

- (i) To satisfy the requirements to be a 401(k) safe harbor plan, a Plan must: (i) satisfy the notice requirements and contribution requirements of this section; and (ii) apply the 401(k) safe harbor provisions for the entire 12-month Plan Year, unless a short Plan Year exception in (ii) below applies.

Any provisions relating to the ADP Test in the EXCESS AMOUNTS SECTION of this article do not apply for any Plan Year in which the provisions of this section apply unless the plan is amended to revoke the 401(k) safe harbor provisions during the Plan Year in accordance with (e) below. Any provisions relating to the ACP Test in the EXCESS AMOUNTS SECTION of this article do not apply with respect to Matching Contributions for any Plan Year in which the provisions of this section apply unless the Plan is amended to revoke the 401(k) safe harbor provisions during the Plan Year in accordance with (e) below.

- (2) Short Plan Year Exceptions. The provisions of this section shall not apply unless the Plan Year is 12 months long except as provided below:

- (a) In the case of the first Plan Year of a newly established plan (other than a successor plan), the Plan Year is at least 3 months long (or any shorter period if the Employer is a newly established employer that establishes the Plan as soon as administratively feasible after the Employer came into existence).
- (b) In the case of a cash or deferred arrangement that is added to an existing profit sharing, stock bonus, or pre-ERISA money purchase pension plan for the first time during a plan year, provided the Plan is not a successor plan and the cash or deferred arrangement is made effective no later than 3 months prior to the end of the Plan Year. The Plan may not be an ACP Test Safe Harbor for such Plan Year unless the existing Plan did not provide for Matching Contributions and the amendment providing for Matching Contribution is made effective at the same time as the adoption of the cash or deferred arrangement.
- (c) If the Plan has a short Plan Year as a result of changing its Plan Year, provided that the Plan satisfied the ADP Test Safe Harbor requirements and ACP Test Safe Harbor requirements, if applicable, for the immediately preceding Plan Year and the Plan satisfies the ADP Test Safe Harbor requirements and ACP Test Safe Harbor requirements, if applicable, (determined without regard to the revocation of 401(k) safe harbor election described in (e) below) for the immediately following Plan Year (or for the immediately following 12 months if the immediately following Plan Year is less than 12 months).

- a. If the Plan has a short Plan Year due to Plan termination, provided that the Plan satisfies the ADP Test Safe Harbor requirements and ACP Test Safe Harbor requirements, if applicable, through the date of termination and either:
 - i. the Plan would satisfy the requirements of the revocation of 401(k) safe harbor election described in (e) below, treating the termination of the Plan as a reduction or suspension of Qualified Matching Contributions, other than the requirement that Active Participants have a reasonable opportunity to change the amount of their Elective Deferral Contributions; or
 - ii. the Plan termination is in connection with a transaction described in Code Section 410(b)(6)(C) or the Employer incurs a substantial business hardship comparable to a substantial business hardship described in Code Section 412(c).
1. To the extent that any other provision of the Plan is inconsistent with the provisions of this section, the provisions of this section shall govern.

a. ADP Test Safe Harbor.

- a. Contributions. The Plan is satisfying the ADP Test Safe Harbor using Qualified Matching Contributions as provided in the EMPLOYER CONTRIBUTIONS SECTION of this article. The Employer shall pay to the Insurer or Trustee, as applicable, such Contributions for each Plan Year not later than the end of the 12-month period immediately following the Plan Year for which they are deemed to be paid.
- b. Notice Requirement. At least 30 days, but not more than 90 days, before the beginning of the Plan Year, the Employer shall provide each Active Participant a comprehensive notice of his rights and obligations under the Plan, including a description of the Qualified Matching Contributions or Qualified Nonelective Contributions that will be made to the Plan to satisfy the ADP Test Safe Harbor.

The notice shall be written in a manner calculated to be understood by the average Active Participant.

If an Employee becomes an Active Participant after the 90th day before the beginning of the Plan Year and does not receive the notice described above for that reason, the applicable notice must be provided no more than 90 days before he becomes an Active Participant but not later than the date he becomes an Active Participant.

- c. Election Periods. In addition to any other election periods provided under the Plan, each Active Participant may make or modify a deferral election during the 30-day period immediately following receipt of the notice described in (2) above.

a. ACP Test Safe Harbor.

Matching Contributions. If the Plan is satisfying the ACP Test Safe Harbor, Matching Contributions shall be limited as provided in the EMPLOYER CONTRIBUTIONS SECTION of this article.

b. ACP Test.

a. Continued Application. If the Plan is satisfying the ADP Test Safe Harbor and the ACP Test Safe Harbor, the Plan must still satisfy the ACP Test in the manner specified in (2) below with respect to Participant Contributions. If the Plan is satisfying the ADP Test Safe Harbor but not the ACP Test Safe Harbor, the Plan must satisfy the ACP Test in the manner specified in (2) below with respect to Participant Contributions and Matching Contributions.

b. Special Rules. If the Plan is satisfying the ADP Test Safe Harbor and the ACP Test Safe Harbor, all Matching Contributions, with respect to all Eligible Participants, as defined in the EXCESS AMOUNTS SECTION of this article, shall be disregarded. If the Plan is satisfying the ADP Test Safe Harbor using Qualified Nonelective Contributions, but is not satisfying the ACP Test Safe Harbor, such Qualified Nonelective Contributions shall be disregarded. Qualified Matching Contributions shall not be treated as being taken into account for purposes of the ADP Test. Elective Deferral Contributions may not be taken into account for purposes of the ACP Test.

c. Revocation of 401(k) Safe Harbor Election.

The Employer may amend the Plan to revoke the 401(k) safe harbor election and the corresponding Qualified Matching Contributions or Qualified Nonelective Contributions during any Plan Year, if the following conditions are met:

c. All Active Participants shall be provided a supplemental notice that explains the consequences of the amendment, informs them of the effective date of the elimination of the Qualified Matching Contributions or Qualified Nonelective Contributions, and explains the procedures to change their Elective Deferral Agreement.

d. The effective date of the revocation cannot be earlier than the later of (i) 30 days after the Active Participants are given such notice, and (ii) the date the amendment revoking such provisions is adopted.

e. Active Participants are given a reasonable opportunity (including a reasonable period after receipt of the supplemental notice) to change their Elective Deferral Agreement prior to the revocation of the 401(k) safe harbor election.

f. The elimination of the Qualified Nonelective Contributions during a Plan Year is permitted for amendments adopted after May 18, 2009, if the Employer incurs a substantial business hardship comparable to a substantial hardship described in Code Section 412(c).

If the 401(k) safe harbor election is revoked for the Plan Year, the Employer shall perform the ADP Test and ACP Test, if applicable, for the entire Plan Year using the current year testing method described in the EXCESS AMOUNTS SECTION of this article, and satisfy the Top-heavy Plan requirements of Article XI.

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The Employer shall make the Qualified Matching Contributions, if applicable, with respect to Elective Deferral Contributions and Compensation for the portion of the Plan Year prior to the effective date of the revocation. The Employer shall make the Qualified Nonelective Contributions, if applicable, with respect to Compensation paid for the portion of the Plan Year through the effective date of the revocation. The annual compensation limit applied to Compensation for purposes of the Qualified Matching Contributions and Qualified Nonelective Contributions shall be adjusted for the short determination period as described in the definition of Compensation in the DEFINITIONS SECTION of Article I.

- a. Top-heavy Rules. The Plan is deemed to not be a Top-heavy Plan, as defined in the DEFINITIONS SECTION of Article XI, for a Plan Year if the exception under Code Section 416(g)(4)(H) applies for such year.

SECTION 3.10--ELIGIBLE AUTOMATIC CONTRIBUTION ARRANGEMENT (EACA) PROVISIONS.

Section 3.10 does not apply to the Plan.

SECTION 3.11--QUALIFIED AUTOMATIC CONTRIBUTION ARRANGEMENT (QACA) SAFE HARBOR PROVISIONS.

Section 3.11 does not apply to the Plan.

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ARTICLE IV INVESTMENT OF

CONTRIBUTIONS

SECTION 4.01--INVESTMENT AND TIMING OF CONTRIBUTIONS.

The handling of Contributions and Plan assets is governed by the provisions of the Trust Agreement and any other relevant document, such as an Annuity Contract (for the purposes of this paragraph alone, the Trust Agreement and such other documents will each be referred to as a "document" or collectively as the "documents"), duly entered into by or with regard to the Plan that govern such matters. To the extent permitted by the documents, the parties named below shall direct the Contributions for investment in any of the investment options available to the Plan under or through the documents, and may request the transfer of amounts resulting from those Contributions between such investment options.

A Participant may not direct the investment of all or any portion of his Account in collectibles. Collectibles mean any work of art, rug or antique, metal or gem, stamp or coin, alcoholic beverage, or other tangible personal property specified by the Secretary of the Treasury. However, for tax years beginning after December 31, 1997, certain coins and bullion as provided in Code Section 408(m)(3) shall not be considered collectibles.

If a Participant has provided investment direction for all or certain specific Contributions made to his Account, such Contributions shall be invested in accordance with such direction to the extent possible. If an investment option selected by the Participant in that investment direction is no longer available and a new investment option is not selected by the Participant (in lieu of the one that is no longer available) by the deadline set by a fiduciary of the Plan (or by the date the investment option is no longer available), all amounts currently held in the investment option that is no longer available and future Contributions directed to such investment option by the Participant (and made after such deadline or date) shall be invested in the appropriate default investment option, unless otherwise directed by a fiduciary of the Plan.

If an investment option selected by the Participant is no longer available for future Contributions only and a new investment option is not selected by the Participant (in lieu of the one that is no longer available) by the deadline set by a fiduciary of the Plan (or by the date the investment option is no longer available), all future Contributions directed to such investment option that is not available for future Contributions (and made after such deadline or date) shall be invested in the appropriate default investment option, unless otherwise directed by a fiduciary of the Plan.

To the extent that a Participant who has the ability to provide investment direction (either on an ongoing basis or in response to a notice from a fiduciary of the Plan) fails to give timely investment direction, the amount in the Participant's Account for which no investment direction is received shall be invested in the appropriate default investment option, unless otherwise directed by a fiduciary of the Plan.

If the Primary Employer has investment direction, the Contributions shall be invested in accordance with such direction. The Employer shall have investment direction for amounts that have not been allocated to Participants. To the extent an investment option is no longer available, a fiduciary of the Plan may require that amounts currently held in such investment option be reinvested in other investment options. To the extent that the Employer has not given investment direction, and no Plan fiduciary gives direction regarding the reinvestment of such amounts, the amounts held in an investment option that is no longer available or which had been directed to be invested in an investment option that is not available for future Contributions shall be invested in the appropriate default investment option.

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Default investment options are defined in documents duly entered into by or with regard to the Plan that govern such matters.

At least annually, the Named Fiduciary shall review all pertinent Employee information and Plan data in order to establish the funding policy of the Plan and to determine appropriate methods of carrying out the Plan's objectives. The Named Fiduciary shall inform the Trustee and any Investment Manager of the Plan's short- term and long-term financial needs so the investment policy can be coordinated with the Plan's financial requirements.

The Participant shall direct the investment of all Contributions and the transfer of amounts resulting from those Contributions.

However, the Named Fiduciary may delegate to the Investment Manager investment direction for Contributions and amounts that are not subject to Participant direction.

All Contributions are forwarded by the Employer to (i) the Trustee to be deposited in the Trust Fund or otherwise invested by the Trustee in accordance with the relevant documents; or (ii) the Insurer to be deposited under the Annuity Contract, as applicable.

SECTION 4.02--INVESTMENT IN QUALIFYING EMPLOYER SECURITIES.

All or some portion of the Participant's Account may be invested in Qualifying Employer Securities.

If the Participant has investment control, once an investment in the Qualifying Employer Securities Fund is made available to Participants, it shall continue to be available unless the Plan is amended to disallow such available investment. In the absence of an election to invest in Qualifying Employer Securities, Participants shall be deemed to have elected to have their Accounts invested wholly in other investment options of the Investment Fund. Once an election is made, it shall be considered to continue until a new election is made.

For purposes of determining the annual valuation of the Plan, and for reporting to Participants and regulatory authorities, the assets of the Plan shall be valued at least annually on the Valuation Date which corresponds to the last day of the Plan Year. The fair market value of Qualifying Employer Securities shall be determined on such Valuation Date. The prices of Qualifying Employer Securities as of the date of the transaction shall apply for purposes of valuing distributions and other transactions of the Plan to the extent such value is representative of the fair market value of such securities in the opinion of the Plan Administrator. The value of a Participant's Account held in the Qualifying Employer Securities Fund may be expressed in units.

If the Qualifying Employer Securities are not publicly traded, or if an extremely thin market exists for such securities so that reasonable valuation may not be obtained from the market place, then such securities must be valued at least annually by an independent appraiser who is not associated with the Employer, the Plan Administrator, the Trustee, or any person related to any fiduciary under the Plan. The independent appraiser may be associated with a person who is merely a contract administrator with respect to the Plan, but who exercises no discretionary authority and is not a plan fiduciary.

If there is a public market for Qualifying Employer Securities of the type held by the Plan, then the Plan Administrator may use as the value of the securities the price at which such securities trade in such market. If the Qualifying Employer Securities do not trade on the relevant date, or if the market is very thin on such date, then the Plan Administrator may use for the valuation the next preceding trading day on which the trading prices are representative of the fair market value of such securities in the opinion of the Plan Administrator.

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Cash dividends payable on the Qualifying Employer Securities shall be reinvested in additional shares of such securities. In the event of any cash or stock dividend or any stock split, such dividend or split shall be credited to the Accounts based on the number of shares of Qualifying Employer Securities credited to each Account as of the payable date of such dividend or split.

All purchases of Qualifying Employer Securities shall be made at a price, or prices, which, in the judgment of the Plan Administrator, do not exceed the fair market value of such securities.

In the event that the Trustee acquires Qualifying Employer Securities by purchase from a "disqualified person" as defined in Code Section 4975(e)(2) or from a "party-in-interest" as defined in ERISA Section 3(14), the terms of such purchase shall contain the provision that in the event there is a final determination by the Internal Revenue Service, the Department of Labor, or court of competent jurisdiction that the fair market value of such securities as of the date of purchase was less than the purchase price paid by the Trustee, then the seller shall pay or transfer, as the case may be, to the Trustee an amount of cash or shares of Qualifying Employer Securities equal in value to the difference between the purchase price and such fair market value for all such shares. In the event that cash or shares of Qualifying Employer Securities are paid or transferred to the Trustee under this provision, such securities shall be valued at their fair market value as of the date of such purchase, and interest at a reasonable rate from the date of purchase to the date of payment or transfer shall be paid by the seller on the amount of cash paid.

The Plan Administrator may direct the Trustee to sell, resell, or otherwise dispose of Qualifying Employer Securities to any person, including the Employer, provided that any such sales to any disqualified person or party-in-interest, including the Employer, will be made at not less than the fair market value and no commission will be charged. Any such sale shall be made in conformance with ERISA Section 408(e).

The Employer is responsible for compliance with any applicable Federal or state securities law with respect to all aspects of the Plan. If the Qualifying Employer Securities or interest in this Plan are required to be registered in order to permit investment in the Qualifying Employer Securities Fund as provided in this section, then such investment will not be effective until the later of the effective date of the Plan or the date such registration or qualification is effective. The Employer, at its own expense, will take or cause to be taken any and all such actions as may be necessary or appropriate to effect such registration or qualification. Further, if the Trustee is directed to dispose of any Qualifying Employer Securities held under the Plan under circumstances which require registration or qualification of the securities under applicable Federal or state securities laws, then the Employer will, at its own expense, take or cause to be taken any and all such action as may be necessary or appropriate to effect such registration or qualification. The Employer is responsible for all compliance requirements under Section 16 of the Securities Act.

Diversification Requirements.

The diversification requirements below apply for Plan Years beginning on or after January 1, 2007.

An applicable individual (as defined in section 1.401(a)(35)-1(b) of the regulations) is permitted to elect to direct any publicly traded qualifying employer securities (as defined in Code Section 401(a)(35)(G)(v)) held in his Account under the Plan to be reinvested in other investment options offered under the Plan with respect to the portion of his Account that is subject to Code Section 401(a)(35)(B) or (C). The Employer may permit diversification of amounts invested in qualifying employer securities earlier than required as long as the earlier time period is applied consistently to all applicable individuals.

The Plan shall offer at least three investment options, other than Qualifying Employer Securities, to which the applicable individual may direct all or any portion of his Account invested in Qualifying Employer Securities, and each investment option must be diversified and have materially different risk and return characteristics

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that satisfy the requirements of section 2550.404c-1(b)(3) of the Department of Labor regulations. The Plan may limit the time for divestment and reinvestment to periodic, reasonable opportunities occurring no less frequently than quarterly. The Plan may not impose any restrictions or conditions with respect to the investment of Qualifying Employer Securities that are not imposed on the investment options offered under the Plan, except as provided in section 1.401(a)(35)-1(e) of the regulations.

For Qualifying Employer Securities held under the Plan in a Plan Year beginning before January 1, 2007, the diversification rights described above shall only apply to the applicable percentage of the number of shares of those securities as stated below:

- (a) The applicable percentage is 33% for the first Plan Year to which Code Section 401(a)(35) applies.
- (b) The applicable percentage is 66% for the second Plan Year to which Code Section 401(a)(35) applies.
- (c) The applicable percentage is 100% for all subsequent Plan Years.

If there is more than one class of securities held under the Plan, the transition rule above shall apply separately with respect to each class. The transition rule above does not apply to Participants who are age 55 or older and have completed at least three years of service (as defined in section 1.401(a)(35)-1(c)(3) of the regulations) prior to the first day of the first Plan Year beginning after December 31, 2005.

A notice must be provided to each applicable individual that describes the divestiture rights and the importance of diversifying the investment of retirement plan assets. The Employer shall provide the notice to all applicable individuals no later than 30 days before the date on which the applicable individuals are eligible to exercise their right to diversify.

Voting and Tender Rights.

Voting rights with respect to Qualifying Employer Securities will be passed through to Participants. Participants will be allowed to direct the voting rights of Qualifying Employer Securities for any matter put to the vote of shareholders. Before each meeting of shareholders, the Employer shall cause to be sent to each person with power to control such voting rights a copy of any notice and any other information provided to shareholders and, if applicable, a form for instructing the Trustee how to vote at such meeting (or any adjournment thereof) the number of full and fractional shares subject to such person's voting control. The Trustee may establish a deadline in advance of the meeting by which such forms must be received in order to be effective.

Each Participant shall be entitled to one vote for each share credited to his Account.

If some or all of the Participants have not directed or have not timely directed the Trustee on how to vote, then the Trustee shall vote such Qualifying Employer Securities in the same proportion as those shares of Qualifying Employer Securities for which the Trustee has received proper direction for such matter.

The Trustee shall hold the Participant's individual directions with respect to voting rights in confidence and, except as required by law, shall not divulge or release such individual directions to anyone associated with the Employer. The Employer may require verification of the Trustee's compliance with the directions received from Participants by any independent auditor selected by the Employer, provided that such auditor agrees to maintain the confidentiality of such individual directions.

The Employer may develop procedures to facilitate the exercise of votes, such as the use of facsimile transmissions for the Participants located in physically remote areas.

Tender rights or exchange offers for Qualifying Employer Securities will be passed through to Participants. As soon as practicable after the commencement of a tender or exchange offer for Qualifying Employer Securities, the Employer shall cause each person with power to control the response to such tender or exchange offer to be advised in writing the terms of the offer and, if applicable, to be provided with a form for instructing the Trustee, or for revoking such instruction, to tender or exchange shares of Qualifying Employer Securities, to the extent permitted under the terms of such offer. In advising such persons of the terms of the offer, the Employer may include statements from the board of directors setting forth its position with respect to the offer.

If some or all of the Participants have not directed or have not timely directed the Trustee on how to tender, then the Trustee shall tender such Qualifying Employer Securities in the same proportion as those shares of Qualifying Employer Securities for which the Trustee has received proper direction for such matter.

If the tender or exchange offer is limited so that all of the shares that the Trustee has been directed to tender or exchange cannot be sold or exchanged, the shares that each Participant directed to be tendered or exchanged shall be deemed to have been sold or exchanged in the same ratio that the number of shares actually sold or exchanged bears to the total number of shares that the Trustee was directed to tender or exchange.

The Trustee shall hold the Participant's individual directions with respect to tender decisions in confidence and, except as required by law, shall not divulge or release such individual directions to anyone associated with the Employer. The Employer may require verification of the Trustee's compliance with the directions received from Participants by any independent auditor selected by the Employer, provided that such auditor agrees to maintain the confidentiality of such individual directions.

The Employer may develop procedures to facilitate the exercise of tender rights, such as the use of facsimile transmissions for the Participants located in physically remote areas.

SECTION 4.03--VOTING AND TENDER OF SELF-DIRECTED BROKERAGE ACCOUNTS.

Section 4.03 does not apply to the Plan.

SECTION 4.04--LIFE INSURANCE.

Section 4.04 does not apply to the Plan.

ARTICLE V BENEFITS

SECTION 5.01--RETIREMENT BENEFITS.

On a Participant's Retirement Date, his Vested Account shall be distributed to him according to the distribution of benefits provisions of Article VI and the provisions of the SMALL AMOUNTS SECTION of Article X.

SECTION 5.02--DEATH BENEFITS.

If a Participant dies before his Annuity Starting Date, his Vested Account shall be distributed according to the distribution of benefits provisions of Article VI and the provisions of the SMALL AMOUNTS SECTION of Article X.

SECTION 5.03--VESTED BENEFITS.

If an Inactive Participant's Vested Account is not payable under the SMALL AMOUNTS SECTION of Article X, he may elect, but is not required, to receive a distribution of any part of his Vested Account after he has a Severance from Employment. A distribution under this paragraph shall be a retirement benefit and shall be distributed to the Participant according to the distribution of benefits provisions of Article VI.

A Participant may not elect to receive a distribution under the provisions of this section after he again becomes an Employee until he subsequently has a Severance from Employment and meets the requirements of this section.

A Participant who has been performing Qualified Military Service for a period of more than 30 days is deemed to have had a severance from employment (as described in Code Section 414(u)(12)(B)(i)) for purposes of requesting a distribution of his Vested Account resulting from Elective Deferral Contributions. The Plan will suspend Elective Deferral Contributions and Participant Contributions for six months after receipt of the distribution. If the Participant is also eligible to receive a Qualified Reservist Distribution and the distribution could be either type of distribution, the distribution will be treated as a Qualified Reservist Distribution.

If an Inactive Participant does not receive an earlier distribution, upon his Retirement Date or death, his Vested Account shall be distributed according to the provisions of the RETIREMENT BENEFITS SECTION or the DEATH BENEFITS SECTION of this article.

The Nonvested Account of an Inactive Participant who has had a Severance from Employment shall remain a part of his Account until it becomes a Forfeiture. However, if he again becomes an Employee so that his Vesting Percentage can increase, the Nonvested Account may become a part of his Vested Account.

SECTION 5.04--WHEN BENEFITS START.

- (a) Unless otherwise elected, benefits shall begin no later than the 60th day following the close of the Plan Year in which the latest date below occurs:

- i. The date the Participant attains age 65 (or Normal Retirement Age, if earlier).
- ii. The 10th anniversary of the Participant's earliest Entry Date.
- iii. The date the Participant terminates service with the Employer.

Notwithstanding the foregoing, the failure of a Participant to consent to a distribution while a benefit is immediately distributable, within the meaning of the ELECTION PROCEDURES SECTION of Article VI, shall be deemed to be an election to defer the start of benefits sufficient to satisfy this section.

The Participant may elect to have benefits begin after the latest date for beginning benefits described above, subject to the following provisions of this section. The Participant shall make the election in writing. Such election must be made before his Normal Retirement Date or the date he has a Severance from Employment, if later. The Participant shall not elect a date for beginning benefits or a form of distribution that would result in a benefit payable when he dies which would be more than incidental within the meaning of governmental regulations.

Benefits shall begin on an earlier date if otherwise provided in the Plan. For example, the Participant's Retirement Date or Required Beginning Date, as defined in the DEFINITIONS SECTION of Article VII.

- a. The Participant's Vested Account resulting from Elective Deferral Contributions, Qualified Nonelective Contributions, Qualified Matching Contributions, QACA Matching Contributions, and QACA Nonelective Contributions may not be distributed earlier than Severance from Employment, death, or disability. However, such amount may be distributed upon:
 - i. Termination of the Plan as permitted in Article VIII.
 - ii. The attainment of age 59 1/2 if such distribution is permitted in the WITHDRAWAL BENEFITS SECTION of this article.
 - iii. The attainment of Normal Retirement Age, provided such age is at least age 59 1/2 and such distribution is permitted in the definition of Normal Retirement Date in the DEFINITIONS SECTION of Article I.
 - iv. A federally declared disaster, where resulting legislation authorizes such a distribution.

The Participant's Vested Account resulting from Elective Deferral Contributions may also be distributed:

- v. As a hardship withdrawal, if such distribution is permitted in the WITHDRAWAL BENEFITS SECTION of this article.
- vi. As a Qualified Reservist Distribution, if such distribution is permitted in the WITHDRAWAL BENEFITS SECTION of this article.

- i. If the Participant is deemed to have had a severance from employment as described in Code Section 414(u)(12)(B)(i), if such distribution is permitted in the VESTED BENEFITS SECTION of this article.

All distributions that may be made pursuant to one or more of the foregoing distributable events will be a retirement benefit and shall be distributed to the Participant according to the distribution of benefits provisions of Article VI. In addition, distributions that are triggered by the termination of the Plan must be made in a lump sum. A lump sum shall include a distribution of an annuity contract.

SECTION 5.05--WITHDRAWAL BENEFITS.

A request for withdrawal shall be made in such manner and in accordance with such rules as the Employer shall prescribe for this purpose (including by means of voice response or other electronic means under circumstances the Employer permits). Withdrawals shall be a retirement benefit and shall be distributed to the Participant according to the distribution of benefits provisions of Article VI. A forfeiture shall not occur solely as a result of a withdrawal.

Withdrawal of Rollover Contributions. A Participant may withdraw any part of his Vested Account resulting from Rollover Contributions. The portion of the Participant's Account held in the Qualifying Employer Securities Fund may be redeemed for purposes of such withdrawal only after the amount held in other investment options has been depleted. A Participant may make such a withdrawal at any time.

Withdrawal after Age 59 1/2. A Participant who has attained age 59 1/2 may withdraw any part of his Vested Account resulting from the following Contributions:

Elective Deferral Contributions
Matching Contributions
Discretionary Contributions

The portion of the Participant's Account held in the Qualifying Employer Securities Fund may be redeemed for purposes of such withdrawal only after the amount held in other investment options has been depleted. A Participant may make such a withdrawal at any time.

Financial Hardship Withdrawal. A Participant may withdraw any part of his Vested Account resulting from Elective Deferral Contributions in the event of hardship due to an immediate and heavy financial need. Withdrawals from the Participant's Account resulting from Elective Deferral Contributions shall be limited to the amount of the Participant's Elective Deferral Contributions plus income allocable thereto credited to his Account as of December 31, 1988.

The portion of the Participant's Account held in the Qualifying Employer Securities Fund may be redeemed for purposes of such withdrawal only after the amount held in other investment options has been depleted.

Immediate and heavy financial need shall be limited to: (i) expenses incurred or necessary for medical care that would be deductible under Code Section 213(a) (determined without regard to whether the expenses exceed the stated limit on adjusted gross income); (ii) the purchase (excluding mortgage payments) of a principal residence for the Participant; (iii) payment of tuition, related educational fees, and room and board expenses, for up to the next 12 months of post-secondary education for the Participant, his spouse, children, or dependents (as defined in Code Section 152 without regard to Code Sections 152(b)(1), (b)(2), and (d)(1)(B)); (iv) payments necessary to prevent the eviction of the Participant from, or foreclosure on the

mortgage of, the Participant's principal residence; (v) payments for funeral or burial expenses for the Participant's deceased parent, spouse, child, or dependent (as defined in Code Section 152 without regard

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to Code Section 152(d)(1)(B)); (vi) expenses to repair damage to the Participant's principal residence that would qualify for a casualty loss deduction under Code Section 165 (determined without regard to whether the loss exceeds 10% of adjusted gross income); or (vii) any other distribution which is deemed by the Commissioner of Internal Revenue to be made on account of immediate and heavy financial need as provided in Treasury regulations.

No withdrawal shall be allowed which is not necessary to satisfy such immediate and heavy financial need.

Such withdrawal shall be deemed necessary only if all of the following requirements are met: (i) the distribution is not in excess of the amount of the immediate and heavy financial need (including amounts necessary to pay any Federal, state, or local income taxes or penalties reasonably anticipated to result from the distribution); (ii) the Participant has obtained all distributions, other than hardship distributions, and all nontaxable loans currently available under all plans maintained by the Employer; and (iii) the Plan, and all other plans maintained by the Employer, provide that the Participant's elective contributions and participant contributions will be suspended for at least six months after receipt of the hardship distribution. The Plan will suspend elective contributions and participant contributions for six months as provided in the preceding sentence.

A Participant shall not cease to be an Eligible Participant, as defined in the EXCESS AMOUNTS SECTION of Article III, merely because his elective contributions or participant contributions are suspended.

Qualified Reservist Distribution. A Participant may withdraw any part of his Vested Account resulting from Elective Deferral Contributions if such distribution meets the requirements to be a Qualified Reservist Distribution. The portion of the Participant's Account held in the Qualifying Employer Securities Fund may be redeemed for purposes of such withdrawal only after the amount held in other investment options has been depleted.

SECTION 5.06--LOANS TO PARTICIPANTS.

Loans shall be made available to all Participants on a reasonably equivalent basis.

For purposes of this section, and unless otherwise specified, Participant means any Participant or Beneficiary who is a party-in-interest as defined in ERISA. Loans shall not be made to Highly Compensated Employees in an amount greater than the amount made available to other Participants.

A loan to a Participant shall be a Participant-directed investment of his Account. The loan is a Trust Fund investment but no Account other than the borrowing Participant's Account shall share in the interest paid on the loan or bear any expense or loss incurred because of the loan.

The portion of the Participant's Account held in the Qualifying Employer Securities Fund may not be redeemed for purposes of a loan.

The number of outstanding loans shall be limited to one.

No more than five loans shall be approved for any Participant in any Plan Year. The minimum amount of any

loan shall be \$1,000.

Loans must be adequately secured and bear a reasonable rate of interest.

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The amount of the loan shall not exceed the maximum amount that may be treated as a loan under Code Section 72(p) (rather than a distribution) to the Participant and shall be equal to the lesser of (a) or (b) below:

- (a) \$50,000, reduced by the highest outstanding loan balance of loans during the one-year period ending on the day before the new loan is made.
- (b) The greater of (1) or (2), reduced by (3) below:
 - (i) One-half of the Participant's Vested Account (without regard to any accumulated deductible employee contributions, as defined in Code Section 72(o)(5)(B)).
 - (2) \$10,000.
 - (3) Any outstanding loan balance on the date the new loan is made.

For purposes of this maximum, all qualified employer plans, as defined in Code Section 72(p)(4), of the Employer and any Controlled Group member shall be treated as one plan.

The foregoing notwithstanding, the amount of such loan shall not exceed 50 percent of the amount of the Participant's Vested Account reduced by any outstanding loan balance on the date the new loan is made.

For purposes of this maximum, a Participant's Vested Account does not include any accumulated deductible employee contributions, as defined in Code Section 72(o)(5)(B). No collateral other than a portion of the Participant's Vested Account (as limited above) shall be accepted.

The Participant's outstanding loan balance shall include any deemed distribution, along with accrued interest, that has not been repaid or offset.

A Participant must obtain the consent of his spouse, if any, to the use of the Vested Account as security for the loan. Spousal consent shall be obtained no earlier than the beginning of the 180-day period that ends on the date on which the loan to be so secured is made. The consent must be in writing, must acknowledge the effect of the loan, and must be witnessed by a plan representative or a notary public. Such consent shall thereafter be binding with respect to the consenting spouse or any subsequent spouse with respect to that loan. A new consent shall be required if the Vested Account is used for collateral upon renegotiation, extension, renewal, or other revision of the loan. No consent shall be required if the plan is not subject to the survivor annuity requirements of Code Sections 401(a)(11) and 417.

If a valid spousal consent has been obtained in accordance with the above, or spousal consent is not required, then, notwithstanding any other provision of this Plan, the portion of the Participant's Vested Account used as a security interest held by the Plan by reason of a loan outstanding to the Participant shall be taken into account for purposes of determining the amount of the Vested Account payable at the time of death or distribution, but only if the reduction is used as repayment of the loan. If spousal consent is required and less than 100 percent of the Participant's Vested Account (determined without regard to the preceding sentence) is payable to the surviving spouse, then the Vested Account shall be adjusted by first reducing the Vested Account by the amount of the security used as repayment of the loan, and then determining the benefit payable to the surviving spouse.

Each loan shall bear a reasonable fixed rate of interest to be determined by the Loan Administrator. In determining the interest rate, the Loan Administrator shall take into consideration fixed interest rates currently being charged by commercial lenders for loans of comparable risk on similar terms and for similar

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durations, so that the interest will provide for a return commensurate with rates currently charged by commercial lenders for loans made under similar circumstances. The Loan Administrator shall not discriminate among Participants in the matter of interest rates; but loans granted at different times may bear different interest rates in accordance with the current appropriate standards.

The loan shall by its terms require that repayment (principal and interest) be amortized in level payments, not less frequently than quarterly, over a period not extending beyond five years from the date of the loan.

The Participant shall make an application for a loan in such manner and in accordance with such rules as the Employer shall prescribe for this purpose (including by means of voice response or other electronic means under circumstances the Employer permits). The application must specify the amount and duration requested.

Information contained in the application for the loan concerning the income, liabilities, and assets of the Participant will be evaluated to determine whether there is a reasonable expectation that the Participant will be able to satisfy payments on the loan as due.

Each loan shall be fully documented in the form of a promissory note signed by the Participant for the face amount of the loan, together with interest determined as specified above.

There will be an assignment of collateral to the Plan executed at the time the loan is made.

In those cases where repayment through payroll deduction is available, installments are so payable, and a payroll deduction agreement shall be executed by the Participant at the time the loan is made. If the Participant has previously been treated as having received a deemed distribution and the subsequent loan is being made before the deemed distribution, along with accrued interest, has been repaid or offset, a payroll deduction agreement shall be required. If a payroll deduction agreement is required because of a previous deemed distribution and the Participant later revokes such agreement, the outstanding loan balance at the time of the revocation shall be treated as a deemed distribution.

Where payroll deduction is not available, payments in cash are to be timely made. Any payment that is not by payroll deduction shall be made payable to the Employer or the Trustee, as specified in the promissory note, and delivered to the Loan Administrator, including prepayments, service fees and penalties, if any, and other amounts due under the note.

The promissory note may provide for reasonable late payment penalties and service fees. Any penalties or service fees shall be applied to all Participants in a nondiscriminatory manner. If the promissory note so provides, such amounts may be assessed and collected from the Account of the Participant as part of the loan balance.

Each loan may be paid prior to maturity, in part or in full, without penalty or service fee, except as may be set out in the promissory note.

The Plan may suspend loan payments for a period not exceeding one year during which an approved unpaid leave of absence occurs other than a military leave of absence. The Loan Administrator shall provide the Participant a written explanation of the effect of the suspension of payments upon his loan.

If a Participant separates from service (or takes a leave of absence) from the Employer because of service in the military and does not receive a distribution of his Vested Account, the Plan may suspend loan payments until the Participant's completion of military service or until the Participant's fifth anniversary of

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commencement of military service, if earlier, as permitted under Code Section 414(u). The Loan Administrator shall provide the Participant a written explanation of the effect of his military service upon his loan.

If any payment of principal and interest, or any portion thereof, remains unpaid for more than 90 days after due, the loan shall be in default. For purposes of Code Section 72(p), the Participant shall then be treated as having received a deemed distribution regardless of whether or not a distributable event has occurred.

Upon default, the Plan has the right to pursue any remedy available by law to satisfy the amount due, along with accrued interest, including the right to enforce its claim against the security pledged and execute upon the collateral as allowed by law. The entire principal balance whether or not otherwise then due, along with accrued interest, shall become immediately due and payable without demand or notice, and subject to collection or satisfaction by any lawful means, including specifically, but not limited to, the right to enforce the claim against the security pledged and to execute upon the collateral as allowed by law.

In the event of default, foreclosure on the note and attachment of security or use of amounts pledged to satisfy the amount then due shall not occur until a distributable event occurs in accordance with the Plan, and shall not occur to an extent greater than the amount then available upon any distributable event which has occurred under the Plan.

All reasonable costs and expenses, including but not limited to attorney's fees, incurred by the Plan in connection with any default or in any proceeding to enforce any provision of a promissory note or instrument by which a promissory note for a Participant loan is secured, shall be assessed and collected from the Account of the Participant as part of the loan balance.

If payroll deduction is being utilized, in the event that a Participant's available payroll deduction amounts in any given month are insufficient to satisfy the total amount due, there will be an increase in the amount taken subsequently, sufficient to make up the amount that is then due. If any amount remains past due more than 90 days, the entire principal amount, whether or not otherwise then due, along with interest then accrued, shall become due and payable, as above.

If no distributable event has occurred under the Plan at the time that the Participant's Vested Account would otherwise be used under this provision to pay any amount due under the outstanding loan, this will not occur until the time, or in excess of the extent to which, a distributable event occurs under the Plan. An outstanding loan will become due and payable in full 60 days after a Participant has a Severance from Employment and ceases to be a party-in-interest as defined in ERISA or after complete termination of the Plan.

An outstanding loan shall not be due and payable to the extent a Participant impacted by a business event:

(i) elects a Direct Rollover of an Eligible Rollover Distribution that includes the loan note; (ii) the Direct Rollover is paid to another qualified plan; and (iii) the rollover of the loan note is made in accordance with nondiscriminatory procedures set up by the Loan Administrator. For this purpose, a business event means an acquisition, merger, or similar transaction involving a change in the employer of the employees of a trade or business.

SECTION 5.07--DISTRIBUTIONS UNDER QUALIFIED DOMESTIC RELATIONS ORDERS.

The Plan specifically permits distributions to an Alternate Payee under a qualified domestic relations order as defined in Code Section 414(p), at any time, irrespective of whether the Participant has attained his earliest

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retirement age, as defined in Code Section 414(p), under the Plan. A distribution to an Alternate Payee before the Participant has attained his earliest retirement age is available only if the order specifies that distribution shall be made prior to the earliest retirement age or allows the Alternate Payee to elect a distribution prior to the earliest retirement age.

Nothing in this section shall permit a Participant to receive a distribution at a time otherwise not permitted under the Plan nor shall it permit the Alternate Payee to receive a form of payment not permitted under the Plan.

The benefit payable to an Alternate Payee shall be subject to the provisions of the SMALL AMOUNTS SECTION of Article X if the value of the benefit does not exceed the amount stated in that section.

The Plan Administrator shall establish reasonable procedures to determine the qualified status of a domestic relations order. Upon receiving a domestic relations order, the Plan Administrator shall promptly notify the Participant and each Alternate Payee named in the order, in writing, of the receipt of the order and the Plan's procedures for determining the qualified status of the order. Within a reasonable period of time after receiving the domestic relations order, the Plan Administrator shall determine the qualified status of the order and shall notify the Participant and each Alternate Payee, in writing, of its determination. The Plan Administrator shall provide notice under this paragraph by mailing to the individual's address specified in the domestic relations order, or in a manner consistent with Department of Labor regulations. The Plan Administrator may treat as qualified any domestic relations order entered before January 1, 1985, irrespective of whether it satisfies all the requirements described in Code Section 414(p).

If any portion of the Participant's Vested Account is payable during the period the Plan Administrator is making its determination of the qualified status of the domestic relations order, a separate accounting shall be made of the amount payable. If the Plan Administrator determines the order is a qualified domestic relations order within 18 months of the date amounts are first payable following receipt of the order, the payable amounts shall be distributed in accordance with the order. If the Plan Administrator does not make its determination of the qualified status of the order within the 18-month determination period, the payable amounts shall be distributed in the manner the Plan would distribute if the order did not exist and the order shall apply prospectively if the Plan Administrator later determines the order is a qualified domestic relations order.

The Plan shall make payments or distributions required under this section by separate benefit checks or other separate distribution to the Alternate Payee(s).

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ARTICLE VI DISTRIBUTION OF BENEFITS

SECTION 6.01--AUTOMATIC FORMS OF DISTRIBUTION.

Unless an optional form of benefit is selected pursuant to a qualified election within the election period (see the ELECTION PROCEDURES SECTION of this article), the automatic form of benefit payable to or on behalf of a Participant is determined as follows:

- (a) Retirement Benefits. The automatic form of retirement benefit for a Participant who does not die before his Annuity Starting Date shall be a single sum payment. However, for any portion of a Participant's Account that is held in the Qualifying Employer Securities Fund, the automatic form of retirement benefit shall be a distribution in kind.
- (b) Death Benefits. The automatic form of death benefit for a Participant who dies before his Annuity Starting Date shall be a single sum payment to the Participant's Beneficiary.

SECTION 6.02--OPTIONAL FORMS OF DISTRIBUTION.

- (a) Retirement Benefits. The optional forms of retirement benefit shall be the following:
 - i. A single sum payment
 - ii. An in-kind distribution for the portion of a Participant's Account that is held in the Qualifying Employer Securities Fund

Election of an optional form is subject to the qualified election provisions of the ELECTION PROCEDURES SECTION of this article and the distribution requirements of Article VII.

- (b) Death Benefits. The optional form of death benefit is a single sum payment.

Election of an optional form is subject to the qualified election provisions of the ELECTION PROCEDURES SECTION of this article and the distribution requirements of Article VII.

SECTION 6.03--ELECTION PROCEDURES.

The Participant or Beneficiary shall make any election under this section in writing. The Plan Administrator may require such individual to complete and sign any necessary documents as to the provisions to be made. Any election permitted under (a) and (b) below shall be subject to the qualified election provisions of (c) below.

- (a) Retirement Benefits. A Participant may elect his Beneficiary and may elect to have retirement benefits distributed under any of the optional forms of retirement benefit available in the OPTIONAL FORMS OF DISTRIBUTION SECTION of this article.
- (b) Death Benefits. A Participant may elect his Beneficiary and may elect to have death benefits distributed under any of the optional forms of death benefit available in the OPTIONAL FORMS OF DISTRIBUTION SECTION of this article.

If the Participant has not elected an optional form of distribution for the death benefit payable to his Beneficiary, the Beneficiary may, for his own benefit, elect the form of distribution, in like manner as a Participant.

- a. Qualified Election. The Participant or Beneficiary may make an election at any time during the election period. The Participant or Beneficiary may revoke the election made (or make a new election) at any time and any number of times during the election period. An election is effective only if it meets the consent requirements below.
- i. Election Period for Retirement Benefits. The Participant may make an election as to retirement benefits at any time before the Annuity Starting Date.
 - ii. Election Period for Death Benefits. A Participant may make an election as to death benefits at any time before he dies. The Beneficiary's election period begins on the date the Participant dies and ends on the date benefits begin.
 - iii. Consent to Election. If the Participant's Vested Account exceeds the amount stated in the SMALL AMOUNTS SECTION of Article X, any benefit that is immediately distributable requires the consent of the Participant.

The consent of the Participant to a benefit that is immediately distributable must not be made before the date the Participant is provided with the notice of the ability to defer the distribution. Such consent shall be in writing.

The consent shall not be made more than 180 days (90 days for Plan Years beginning before January 1, 2007) before the Annuity Starting Date. The consent of the Participant shall not be required to the extent that a distribution is required to satisfy Code Section 401(a)(9) or 415.

In addition, upon termination of this Plan, if the Plan does not offer an annuity option (purchased from a commercial provider), and if the Employer (or any entity within the same Controlled Group) does not maintain another defined contribution plan (other than an employee stock ownership plan as defined in Code Section 4975(e)(7)), the Participant's Account balance will, without the Participant's consent, be distributed to the Participant. However, if any entity within the same Controlled Group maintains another defined contribution plan (other than an employee stock ownership plan as defined in Code Section 4975(e)(7)) the Participant's Account will be transferred, without the Participant's consent, to the other plan if the Participant does not consent to an immediate distribution.

A benefit is immediately distributable if any part of the benefit could be distributed to the Participant before the Participant attains the older of Normal Retirement Age or age 62.

Spousal consent is needed to name a Beneficiary other than the Participant's spouse. If the Participant names a Beneficiary other than his spouse, the spouse has the right to limit consent only to a specific Beneficiary. The spouse can relinquish such right. Such consent shall be in writing. The spouse's consent shall be witnessed by a plan representative or notary public. The spouse's consent must acknowledge the effect of the election, including that the spouse had the right to limit consent only to a specific Beneficiary and that the relinquishment of such right was voluntary. Unless the consent of the spouse expressly permits designations by the Participant without a requirement of further consent by the

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spouse, the spouse's consent must be limited to the Beneficiary, class of Beneficiaries, or contingent Beneficiary named in the election.

Spousal consent is not required, however, if the Participant establishes to the satisfaction of the plan representative that the consent of the spouse cannot be obtained because there is no spouse or the spouse cannot be located. A spouse's consent under this paragraph shall not be valid with respect to any other spouse. A Participant may revoke a prior election without the consent of the spouse. Any new election will require a new spousal consent, unless the consent of the spouse expressly permits such election by the Participant without further consent by the spouse. A spouse's consent may be revoked at any time within the Participant's election period.

SECTION 6.04--NOTICE REQUIREMENTS.

Optional Forms of Retirement Benefit and Right to Defer. The Plan Administrator shall furnish to the Participant a written explanation of the right of the Participant to defer distribution until such time it is no longer immediately distributable. Such notice shall include a written explanation of the optional forms of retirement benefit in the OPTIONAL FORMS OF DISTRIBUTION SECTION of this article, including a general description of the material features and, for Plan Years beginning after December 31, 2006, a description of the consequences of not deferring the distribution.

The Plan Administrator shall furnish the written explanation by a method reasonably calculated to reach the attention of the Participant no less than 30 days, and no more than 180 days (90 days for Plan Years beginning before January 1, 2007), before the Annuity Starting Date.

However, distribution may begin less than 30 days after the notice described in this subparagraph is given, provided the Plan Administrator clearly informs the Participant that he has a right to a period of at least 30 days after receiving the notice to consider the decision of whether or not to elect a distribution (and if applicable, a particular distribution option), and the Participant, after receiving the notice, affirmatively elects a distribution.

ARTICLE VII

REQUIRED MINIMUM DISTRIBUTIONS

SECTION 7.01--APPLICATION.

The optional forms of distribution are only those provided in Article VI. An optional form of distribution shall not be permitted unless it meets the requirements of this article. The timing of any distribution must meet the requirements of this article.

Notwithstanding the provisions of this article, a Participant or Beneficiary who would have been required to receive required minimum distributions (described in the REQUIRED MINIMUM DISTRIBUTIONS SECTION of this article) for 2009 but for the enactment of Code Section 401(a)(9)(H), and who would have satisfied that requirement by receiving distributions that are (i) equal to the 2009 required minimum distributions or (ii) one or more payments in a series of substantially equal distributions (that include the 2009 required minimum distributions) made at least annually and expected to last for the life (or life expectancy) of the Participant, the joint lives (or joint life expectancy) of the Participant and the Participant's Designated Beneficiary, or for a period of at least 10 years, will not receive those required minimum distributions for 2009 unless the Participant or Beneficiary chooses to receive such distributions. Solely for purposes of applying the provisions of the DIRECT ROLLOVERS SECTION of Article X, required minimum distributions made for 2009 will be treated as Eligible Rollover Distributions.

SECTION 7.02--DEFINITIONS.

For purposes of this article, the following terms are defined:

Distribution Calendar Year means a calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first Distribution Calendar Year is the calendar year immediately preceding the calendar year that contains the Participant's Required Beginning Date. For distributions beginning after the Participant's death, the first Distribution Calendar Year is the calendar year in which distributions are required to begin under (b)(2) of the REQUIRED MINIMUM DISTRIBUTIONS SECTION of this article. The required minimum distribution for the Participant's first Distribution Calendar Year will be made on or before the Participant's Required Beginning Date. The required minimum distribution for other Distribution Calendar Years, including the required minimum distribution for the Distribution Calendar Year in which the Participant's Required Beginning Date occurs, will be made on or before December 31 of that Distribution Calendar Year.

5-percent Owner means a Participant who is treated as a 5-percent Owner for purposes of this article. A Participant is treated as a 5-percent Owner for purposes of this article if such Participant is a 5-percent owner as defined in Code Section 416 at any time during the Plan Year ending with or within the calendar year in which such owner attains age 70 1/2.

Once distributions have begun to a 5-percent Owner under this article, they must continue to be distributed, even if the Participant ceases to be a 5-percent Owner in a subsequent year.

Life Expectancy means life expectancy as computed by use of the Single Life Table in Q&A-1 in section 1.401(a)(9)-9 of the regulations.

Participant's Account Balance means the Account balance as of the last Valuation Date in the calendar year immediately preceding the Distribution Calendar Year (valuation calendar year) increased by the amount of any contributions made and allocated or forfeitures allocated to the Account as of dates in the valuation calendar year after the Valuation Date and decreased by distributions made in the valuation calendar year after the Valuation Date. The Account balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the Distribution Calendar Year if distributed or transferred in the valuation calendar year.

Required Beginning Date means, for a Participant who is a 5-percent Owner, April 1 of the calendar year following the calendar year in which he attains age 70 1/2.

Required Beginning Date means, for any Participant who is not a 5-percent Owner, April 1 of the calendar year following the later of the calendar year in which he attains age 70 1/2 or the calendar year in which he retires.

If the Plan previously provided for a Required Beginning Date based on age 70 1/2 for all Participants, the preretirement age 70 1/2 distribution option is only eliminated with respect to Participants who reach age 70 1/2 in or after a calendar year that begins after the later of December 31, 1998, or the adoption date of the amendment which eliminated such option. The preretirement age 70 1/2 distribution option is an optional form of benefit under which benefits payable in a particular distribution form (including any modifications that may be elected after benefits begin) begin at a time during the period that begins on or after January 1 of the calendar year in which the Participant attains age 70 1/2 and ends April 1 of the immediately following calendar year.

If the Plan previously provided for a Required Beginning Date based on age 70 1/2 for all Participants, the options available for Participants who are not 5-percent Owners and attained age 70 1/2 in calendar years before the calendar year that begins after the later of December 31, 1998, or the adoption date of the amendment which eliminated the preretirement age 70 1/2 distribution option shall be the following. Any such Participant attaining age 70 1/2 in years after 1995 may elect by April 1 of the calendar year following the calendar year in which he attained age 70 1/2 (or by December 31, 1997, in the case of a Participant attaining age 70 1/2 in 1996) to defer distributions until April 1 of the calendar year following the calendar year in which he retires. If no such election is made, the Participant shall begin receiving distributions by April 1 of the calendar year following the year in which he attained age 70 1/2 (or by December 31, 1997, in the case of a Participant attaining age 70 1/2 in 1996). Any such Participant attaining age 70 1/2 in years prior to 1997 may elect to stop distributions that are not purchased annuities and recommence by April 1 of the calendar year following the calendar year in which he retires. There shall be a new Annuity Starting Date upon recommencement.

SECTION 7.03--REQUIRED MINIMUM DISTRIBUTIONS.

(a) General Rules.

- (i) The requirements of this article shall apply to any distribution of a Participant's interest and will take precedence over any inconsistent provisions of this Plan. Unless otherwise specified, the provisions of this article apply to calendar years beginning after December 31, 2002.
- (ii) All distributions required under this article shall be determined and made in accordance with the regulations under Code Section 401(a)(9), including the incidental death benefit requirement in Code Section 401(a)(9)(G), and the regulations thereunder.

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a. Time and Manner of Distribution.

- i. Required Beginning Date. The Participant's entire interest will be distributed, or begin to be distributed, to the Participant no later than the Participant's Required Beginning Date.
- ii. Death of Participant Before Distributions Begin. If the Participant dies before distributions begin, the Participant's entire interest will be distributed, or begin to be distributed, no later than as follows:
 1. If the Participant's surviving spouse is the Participant's sole Designated Beneficiary, distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70 1/2, if later, except to the extent that an election is made to receive distributions in accordance with the 5-year rule under (e) below. Under the 5-year rule, the Participant's entire interest will be distributed to the Designated Beneficiary by December 31 of the calendar year containing the fifth anniversary of the Participant's death.
 2. If the Participant's surviving spouse is not the Participant's sole Designated Beneficiary, distributions to the Designated Beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, except to the extent that an election is made to receive distributions in accordance with the 5-year rule under (e) below. Under the 5-year rule, the Participant's entire interest will be distributed to the Designated Beneficiary by December 31 of the calendar year containing the fifth anniversary of the Participant's death.
 3. If there is no Designated Beneficiary as of September 30 of the year following the year of the Participant's death, the Participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.
 4. If the Participant's surviving spouse is the Participant's sole Designated Beneficiary and the surviving spouse dies after the Participant but before distributions to the surviving spouse are required to begin, this (b)(2), other than (b)(2)(i), will apply as if the surviving spouse were the Participant.

For purposes of this (b)(2) and (d) below, unless (b)(2)(iv) above applies, distributions are considered to begin on the Participant's Required Beginning Date. If (b)(2)(iv) above applies, distributions are considered to begin on the date distributions are required to begin to the surviving spouse under (b)(2)(i) above. If distributions under an annuity purchased from an insurance company irrevocably commence to the Participant before the Participant's Required Beginning Date (or to the Participant's surviving spouse before the date distributions are required to begin to the surviving spouse under (b)(2)(i) above), the date distributions are considered to begin is the date distributions actually commence.

- iii. Forms of Distribution. Unless the Participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the Required

Beginning Date, as of the first Distribution Calendar Year distributions will be made in accordance with (c) and (d) below. If the Participant's interest is distributed in the form of an

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annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Code Section 401(a)(9) and the regulations thereunder.

a. Required Minimum Distributions During Participant's Lifetime.

- i. Amount of Required Minimum Distribution For Each Distribution Calendar Year. During the Participant's lifetime, the minimum amount that will be distributed for each Distribution Calendar Year is the lesser of:
1. the quotient obtained by dividing the Participant's Account Balance by the distribution period in the Uniform Lifetime Table set forth in Q&A-2 in section 1.401(a)(9)-9 of the regulations, using the Participant's age as of the Participant's birthday in the Distribution Calendar Year; or
 2. if the Participant's sole Designated Beneficiary for the Distribution Calendar Year is the Participant's spouse, the quotient obtained by dividing the Participant's Account Balance by the number in the Joint and Last Survivor Table set forth in Q&A-3 in section 1.401(a)(9)-9 of the regulations, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the Distribution Calendar Year.
- ii. Lifetime Required Minimum Distributions Continue Through Year of Participant's Death. Required minimum distributions will be determined under this (c) beginning with the first Distribution Calendar Year and continuing up to, and including, the Distribution Calendar Year that includes the Participant's date of death.

b. Required Minimum Distributions After Participant's Death.

i. Death On or After Date Distributions Begin.

1. Participant Survived by Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is a Designated Beneficiary, the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account Balance by the longer of the remaining Life Expectancy of the Participant or the remaining Life Expectancy of the Participant's Designated Beneficiary, determined as follows:
 - a. The Participant's remaining Life Expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.
 - b. If the Participant's surviving spouse is the Participant's sole Designated Beneficiary, the remaining Life Expectancy of the surviving spouse is calculated for each Distribution Calendar Year after the year of the Participant's death using the surviving spouse's age as of the spouse's birthday in that year. For Distribution Calendar Years after the year of the surviving spouse's death, the remaining Life Expectancy of the surviving spouse is calculated using the age of the surviving spouse as of the

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spouse's birthday in the calendar year of the spouse's death, reduced by one for each subsequent calendar year.

- a. If the Participant's surviving spouse is not the Participant's sole Designated Beneficiary, the Designated Beneficiary's remaining Life Expectancy is calculated using the age of the Beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

1. No Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is no Designated Beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account Balance by the Participant's remaining Life Expectancy calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

i. Death Before Date Distributions Begin.

1. Participant Survived by Designated Beneficiary. If the Participant dies before the date distributions begin and there is a Designated Beneficiary, the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account Balance by the remaining Life Expectancy of the Participant's Designated Beneficiary, determined as provided in (d)(1) above, except to the extent that an election is made to receive distributions in accordance with the 5-year rule under (e) below. Under the 5-year rule, the Participant's entire interest will be distributed to the Designated Beneficiary by December 31 of the calendar year containing the fifth anniversary of the Participant's death.
2. No Designated Beneficiary. If the Participant dies before the date distributions begin and there is no Designated Beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.
3. Death of Surviving Spouse Before Distributions to Surviving Spouse Are Required to Begin. If the Participant dies before the date distributions begin, the Participant's surviving spouse is the Participant's sole Designated Beneficiary, and the surviving spouse dies before distributions are required to begin to the surviving spouse under (b)(2)(i) above, this (d)(2) will apply as if the surviving spouse were the Participant.

- a. Election of 5-year Rule. Participants or Beneficiaries may elect on an individual basis whether the 5- year rule in (b)(2) and (d)(2) above applies to distributions after the death of a Participant who has a Designated Beneficiary. The election must be made no later than the earlier of September 30 of the calendar year in which the distribution would be required to begin under (b)(2) above if no such election is made, or by September 30 of the calendar year which contains the fifth anniversary of the Participant's (or, if applicable, surviving spouse's) death.

SECTION 7.04--TEFRA SECTION 242(b)(2) ELECTIONS.

- (a) Notwithstanding the other requirements of this article, distribution on behalf of any Participant, including a 5-percent Owner, who has made a designation under section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act (a section 242(b)(2) election) may be made in accordance with all of the following requirements (regardless of when such distribution commences):
- (i) The distribution by the Plan is one that would not have disqualified such Plan under Code Section 401(a)(9) as in effect prior to amendment by the Deficit Reduction Act of 1984.
 - (ii) The distribution is in accordance with a method of distribution designated by the Participant whose interest in the Plan is being distributed or, if the Participant is deceased, by a Beneficiary of such Participant.
 - (iii) Such designation was in writing, was signed by the Participant or the Beneficiary, and was made before January 1, 1984.
 - (iv) The Participant had accrued a benefit under the Plan as of December 31, 1983.
 - (v) The method of distribution designated by the Participant or the Beneficiary specifies the time at which distribution will commence, the period over which distributions will be made, and in the case of any distribution upon the Participant's death, the Beneficiaries of the Participant listed in order of priority.
- (b) A distribution upon death will not be covered by this transitional rule unless the information in the designation contains the required information described above with respect to the distributions to be made upon the death of the Participant.
- (c) For any distribution which commences before January 1, 1984, but continues after December 31, 1983, the Participant, or the Beneficiary, to whom such distribution is being made, will be presumed to have designated the method of distribution under which the distribution is being made if the method of distribution was specified in writing and the distribution satisfies the requirements in (a)(1) and (5) above.
- (d) If a designation is revoked, any subsequent distribution must satisfy the requirements of Code Section 401(a)(9) and the regulations thereunder. If a designation is revoked subsequent to the date distributions are required to begin, the Plan must distribute by the end of the calendar year following the calendar year in which the revocation occurs the total amount not yet distributed which would have been required to have been distributed to satisfy Code Section 401(a)(9) and the regulations thereunder, but for the section 242(b)(2) election. For calendar years beginning after December 31, 1988, such distributions must meet the minimum distribution incidental benefit requirements. Any changes in the designation will be considered to be a revocation of the designation. However, the mere substitution or addition of another Beneficiary (one not named in the designation) under the designation will not be considered to be a revocation of the designation, so long as such substitution or addition does not alter the period over which distributions are to be made under the designation, directly or indirectly (for example, by altering the relevant measuring life).
- (e) In the case in which an amount is transferred or rolled over from one plan to another plan, the rules in Q&A-14 and Q&A-15 in section 1.401(a)(9)-8 of the regulations shall apply.

ARTICLE VIII TERMINATION OF THE PLAN

The Employer expects to continue the Plan indefinitely but reserves the right to terminate the Plan in whole or in part at any time upon giving written notice to all parties concerned.

The Account of each Participant shall be 100% vested and nonforfeitable as of the effective date of the complete termination of the Plan. The Account of each Participant shall also be 100% vested and nonforfeitable upon complete discontinuance of Contributions as of the effective date of the amendment to cease Contributions or the date determined by the Internal Revenue Service. Further, the Account of each Participant who is included in the group of Participants deemed to be affected by a partial termination of the Plan (as determined by the Plan Administrator or a governmental entity authorized to make such determination) shall be 100% vested and nonforfeitable as of the effective date of such event. The Participant's Vested Account shall continue to participate in the earnings credited, expenses charged, and any appreciation or depreciation of the Investment Fund until his Vested Account is distributed.

A Participant's Vested Account that does not result from Elective Deferral Contributions, Qualified Nonelective Contributions, Qualified Matching Contributions, QACA Matching Contributions, and QACA Nonelective Contributions may be distributed to the Participant after the effective date of the complete termination of the Plan. A Participant's Vested Account resulting from such Contributions may be distributed upon complete termination of the Plan, but only if neither the Employer nor any Controlled Group member maintain another defined contribution plan (other than an employee stock ownership plan as defined in Code Section 4975(e)(7) or 409(a), a simplified employee pension plan as defined in Code Section 408(k), a SIMPLE IRA plan as defined in Code Section 408(p), a plan or contract that satisfies the requirements of Code Section 403(b), or a plan described in Code Section 457(b) or (f)) at any time during the period beginning on the date of complete termination of the Plan and ending 12 months after all assets have been distributed from the Plan. Such distribution is made in a lump sum. A distribution under this article shall be a retirement benefit and shall be distributed to the Participant according to the provisions of Article VI.

The Participant's entire Vested Account shall be paid in a single sum to the Participant as of the effective date of complete termination of the Plan if (i) the requirements for distribution of Elective Deferral Contributions in the above paragraph are met and (ii) consent of the Participant is not required in the ELECTION PROCEDURES SECTION of Article VI to distribute a benefit that is immediately distributable. This is a small amounts payment. The small amounts payment is in full settlement of all benefits otherwise payable.

Upon complete termination of the Plan, no more Employees shall become Participants and no more Contributions shall be made.

The assets of this Plan shall not be paid to the Employer at any time, except that, after the satisfaction of all liabilities under the Plan, any assets remaining may be paid to the Employer. The payment may not be made if it would contravene any provision of law.

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ARTICLE IX ADMINISTRATION OF THE

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SECTION 9.01--ADMINISTRATION.

Subject to the provisions of this article, the Plan Administrator has complete control of the administration of the Plan. The Plan Administrator has all the powers necessary for it to properly carry out its administrative duties. Not in limitation, but in amplification of the foregoing, the Plan Administrator has complete discretion to construe or interpret the provisions of the Plan, including ambiguous provisions, if any, and to determine all questions that may arise under the Plan, including all questions relating to the eligibility of Employees to participate in the Plan and the amount of benefit to which any Participant or Beneficiary may become entitled. The Plan Administrator's decisions upon all matters within the scope of its authority shall be final.

Without limiting the foregoing, the Plan Administrator shall be the Named Fiduciary for Contributions, unless the Plan Administrator delegates to a retirement committee, pursuant to the DELEGATION OF AUTHORITY SECTION of this article, the duties and responsibilities of the Named Fiduciary for Contributions. The Named Fiduciary for Contributions shall have sole and exclusive responsibility for (i) collecting all Contributions, including the determination of the amount of Contributions required to be made under the Plan, (ii) monitoring and ensuring that Contributions are timely made to the Plan, and (iii) enforcing the Plan's legal claims for Contributions, including for trustee plans, responsibility for directing the Trustee with respect to the Plan's legal claims for delinquent Contributions.

Unless otherwise set out in the Plan or Annuity Contract, the Plan Administrator may delegate recordkeeping and other duties that are necessary to assist it with the administration of the Plan to any person or firm which agrees to accept such duties. The Plan Administrator shall be entitled to rely upon all tables, valuations, certificates and reports furnished by the consultant or actuary appointed by the Plan Administrator and upon all opinions given by any counsel selected or approved by the Plan Administrator.

The Plan Administrator shall receive all claims for benefits by Participants, former Participants, and Beneficiaries. The Plan Administrator shall determine all facts necessary to establish the right of any Claimant to benefits and the amount of those benefits under the provisions of the Plan. The Plan Administrator may establish rules and procedures to be followed by Claimants in filing claims for benefits, in furnishing and verifying proofs necessary to determine age, and in any other matters required to administer the Plan.

SECTION 9.02--EXPENSES.

Expenses of the Plan, to the extent that the Employer does not pay such expenses, may be paid out of the assets of the Plan provided that such payment is consistent with ERISA. Expenses of the Plan will be paid in accordance with the most recent service and expense agreement or such other documents duly entered into by or with regard to the Plan that govern such matters. Such expenses include, but are not limited to, expenses for bonding required by ERISA; expenses for recordkeeping and other administrative services; fees and expenses of the Annuity Contract or Trustee; expenses for investment education service; and direct costs that the Employer incurs with respect to the Plan. Expenses that relate solely to a specific Participant or Alternate Payee may be assessed against such Participant or Alternate Payee as provided in the service and

expense agreement or such other documents duly entered into by or with regard to the Plan that govern such matters.

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SECTION 9.03--RECORDS.

All acts and determinations of the Plan Administrator shall be duly recorded. All these records, together with other documents necessary for the administration of the Plan, shall be preserved in the Plan Administrator's custody.

Writing (handwriting, typing, printing), photostating, photographing, microfilming, magnetic impulse, mechanical or electrical recording, or other forms of data compilation shall be acceptable means of keeping records.

SECTION 9.04--INFORMATION AVAILABLE.

Any Participant in the Plan or any Beneficiary may examine copies of the summary plan description, latest annual report, any bargaining agreement, this Plan, the Annuity Contract, or any other instrument under which the Plan was established or is operated. The Plan Administrator shall maintain all of the items listed in this section in its office, or in such other place or places as it may designate in order to comply with governmental regulations. These items may be examined during reasonable business hours. Upon the written request of a Participant or Beneficiary receiving benefits under the Plan, the Plan Administrator shall furnish him with a copy of any of these items. The Plan Administrator may make a reasonable charge to the requesting person for the copy.

SECTION 9.05--CLAIM PROCEDURES.

A Claimant must submit any necessary forms and needed information when making a claim for benefits under the Plan.

If a claim for benefits under the Plan is wholly or partially denied, the Plan Administrator shall provide adequate written notice to the Claimant whose claim for benefits under the Plan has been denied. The notice must be furnished within 90 days of the date that the claim is received by the Plan without regard to whether all of the information necessary to make a benefit determination is received. The Claimant shall be notified in writing within this initial 90-day period if special circumstances require an extension of the time needed to process the claim. The notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan Administrator's decision is expected to be rendered. In no event shall such extension exceed a period of 90 days from the end of the initial 90-day period.

The Plan Administrator's notice to the Claimant shall: (i) specify the reason or reasons for the denial; (ii) reference the specific Plan provisions on which the denial is based; (iii) describe any additional material and information needed for the Claimant to perfect his claim for benefits; (iv) explain why the material and information is needed; and (v) inform the Claimant of the Plan's appeal procedures and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination on appeal.

Any appeal made by a Claimant must be made in writing to the Plan Administrator within 60 days after receipt of the Plan Administrator's notice of denial of benefits. If the Claimant appeals to the Plan Administrator, the Claimant may submit written comments, documents, records, and other information relating to the claim for benefits. The Claimant shall be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Claimant's claim for benefits. The Plan Administrator shall review the claim taking into account all comments, documents, records, and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

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The Plan Administrator shall provide adequate written notice to the Claimant of the Plan's benefit determination on review. The notice must be furnished within 60 days of the date that the request for review is received by the Plan without regard to whether all of the information necessary to make a benefit determination on review is received. The Claimant shall be notified in writing within this initial 60-day period if special circumstances require an extension of the time needed to process the claim. The notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan Administrator expects to render the determination on review. In no event shall such extension exceed a period of 60 days from the end of the initial 60-day period.

In the event the benefit determination is being made by a committee or board of trustees that hold regularly scheduled meetings at least quarterly, the above paragraph shall not apply. The benefit determination must be made by the date of the meeting of the committee or board that immediately follows the Plan's receipt of a request for review, unless the request for review is filed within 30 days preceding the date of such meeting. In such case, the benefit determination must be made by the date of the second meeting following the Plan's receipt of the request for review. The date of the receipt of the request for review shall be determined without regard to whether all of the information necessary to make a benefit determination on review is received. The Claimant shall be notified in writing within this initial period if special circumstances require an extension of the time needed to process the claim. The notice shall indicate the special circumstances requiring an extension of time and the date by which the committee or board expects to render the determination on review. In no event shall such benefit determination be made later than the third meeting of the committee or board following the Plan's receipt of the request for review. The Plan Administrator shall provide adequate written notice to the Claimant of the Plan's benefit determination on review as soon as possible, but not later than five days after the benefit determination is made.

If the claim for benefits is wholly or partially denied on review, the Plan Administrator's notice to the Claimant shall: (i) specify the reason or reasons for the denial; (ii) reference the specific Plan provisions on which the denial is based; (iii) include a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Claimant's claim for benefits; and (iv) include a statement of the Claimant's right to bring a civil action under ERISA Section 502(a). Any civil action under (iv) must be filed no later than one year after the date on the Plan Administrator's notice.

A Claimant may authorize a representative to act on the Claimant's behalf with respect to a benefit claim or appeal of an adverse benefit determination. Such authorization shall be made by completion of a form furnished for that purpose. In the absence of any contrary direction from the Claimant, all information and notifications to which the Claimant is entitled shall be directed to the authorized representative.

The Plan Administrator shall perform periodic examinations, reviews, or audits of benefit claims to determine whether claims determinations are made in accordance with the governing Plan documents and, where appropriate, Plan provisions have been consistently applied with respect to similarly situated Claimants.

Disability Claim Procedures. In the case of a claim for disability benefits, the above provisions will be modified as provided below.

If a claim for disability benefits under the Plan is wholly or partially denied, the Plan Administrator shall provide adequate written notice to the Claimant whose claim for benefits under the Plan has been denied. The notice must be furnished within 45 days of the date that the claim is received by the Plan without regard to whether all of the information necessary to make a benefit determination is received. The period for furnishing the notice may be extended for up to 30 days if the Plan Administrator both determines an extension is necessary due to matters beyond the control of the Plan and notifies the Claimant in writing within this initial 45-day period. The notice shall indicate the circumstances requiring the extension of time

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and the date by which the Plan expects to render a decision. If prior to the end of the first 30-day extension period, the Plan Administrator determines that, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period may be extended for up to an additional 30 days, provided the Plan Administrator notifies the Claimant in writing, within the first 30-day extension period, of the circumstances requiring the extension and the date by which the Plan expects to render a decision. In the case of any extension, the notice of extension shall specifically explain the standards on which entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim, and the additional information needed to resolve those issues. The Claimant shall be afforded at least 45 days within which to provide the specified information.

In the event that a period of time is extended due to a Claimant's failure to submit information necessary to decide a claim, the period for making the benefit determination shall be tolled from the date on which the notification of the extension is sent to the Claimant until the date on which the Claimant responds to the request for additional information.

The Plan Administrator's notice to the Claimant shall: (i) specify the reason or reasons for the denial; (ii) reference the specific Plan provisions on which the denial is based; (iii) describe any additional material and information needed for the Claimant to perfect his claim for benefits; (iv) explain why the material and information is needed; (v) inform the Claimant of the Plan's appeal procedures and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination on appeal; (vi) provide the Claimant with any internal rule, guideline, protocol, or other similar criterion that was relied upon in making the adverse determination or a statement that such rule, guideline, protocol, or other similar criterion was relied upon and a copy will be provided free of charge upon request; and (vii) provide the Claimant with an explanation of any scientific or clinical judgment for the determination if benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit or a statement that the benefit is based on such an exclusion or limit and such explanation will be provided free of charge.

Any appeal made by a Claimant must be made in writing to the Plan Administrator within 180 days after receipt of the Plan Administrator's notice of denial of benefits. The Claimant may submit written comments, documents, records, and other information relating to the claim for benefits. The Claimant shall be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Claimant's claim for benefits. The Plan Administrator shall review the claim taking into account all comments, documents, records, and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review shall not afford deference to the initial adverse benefit determination and shall be conducted by an appropriate named fiduciary who is neither the individual who made the adverse benefit determination that is the subject of the appeal, nor the subordinate of such individual. If the adverse benefit determination is based in whole or in part on a medical judgment, the appropriate named fiduciary shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. Such health care professional shall be an individual who is neither an individual who was consulted in connection with the adverse benefit determination that is the subject of the appeal, nor the subordinate of such individual. The Claimant shall be provided with the identity of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the adverse benefit determination, without regard to whether the advice was relied on.

The Plan Administrator shall provide adequate written notice to the Claimant of the Plan's benefit determination on review. The notice must be furnished within 45 days of the date that the request for review is received by the Plan without regard to whether all of the information necessary to make a benefit determination on review is received. The Claimant shall be notified in writing within this initial 45-day period if

special circumstances require an extension of the time needed to process the claim. The notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan

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Administrator expects to render the determination on review. In no event shall such extension exceed a period of 45 days from the end of the initial 45-day period.

In the event the benefit determination is being made by a committee or board of trustees that hold regularly scheduled meetings at least quarterly, the above paragraph shall not apply. The benefit determination must be made by the date of the meeting of the committee or board that immediately follows the Plan's receipt of a request for review, unless the request for review is filed within 30 days preceding the date of such meeting. In such case, the benefit determination must be made by the date of the second meeting following the Plan's receipt of the request for review. The date of the receipt of the request for review shall be determined without regard to whether all of the information necessary to make a benefit determination on review is received. The Claimant shall be notified in writing within this initial period if special circumstances require an extension of the time needed to process the claim. The notice shall indicate the special circumstances requiring an extension of time and the date by which the committee or board expects to render the determination on review. In no event shall such benefit determination be made later than the third meeting of the committee or board following the Plan's receipt of the request for review. The Plan Administrator shall provide adequate written notice to the Claimant of the Plan's benefit determination on review as soon as possible, but not later than five days after the benefit determination is made.

To the extent that a period of time is extended due to a Claimant's failure to submit information necessary to decide a claim, the period for making the benefit determination on review shall be tolled from the date on which the notification of the extension is sent to the Claimant until the date on which the Claimant responds to the request for additional information.

If the claim for disability benefits is wholly or partially denied on review, the Plan Administrator's notice to the Claimant shall: (i) specify the reason or reasons for the denial; (ii) reference the specific Plan provisions on which the denial is based; (iii) include a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Claimant's claim for benefits; (iv) include a statement of the Claimant's right to bring a civil action under ERISA Section 502(a); (v) provide the Claimant with any internal rule, guideline, protocol, or other similar criterion that was relied upon in making the adverse determination or a statement that such rule, guideline, protocol, or other similar criterion was relied upon and a copy will be provided free of charge upon request; (vi) provide the Claimant with an explanation of any scientific or clinical judgment for the determination if benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit or a statement that the benefit is based on such an exclusion or limit and such explanation will be provided free of charge; and (vii) provide the Claimant with the following statement: "You and your plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office and your State insurance regulatory agency." Any civil action under (iv) must be filed no later than one year after the date on the Plan Administrator's notice.

SECTION 9.06--DELEGATION OF AUTHORITY.

All or any part of the administrative duties and responsibilities under this article may be delegated by the Plan Administrator to a retirement committee. The duties and responsibilities of the retirement committee shall be set out in a separate written agreement.

SECTION 9.07--EXERCISE OF DISCRETIONARY AUTHORITY.

The Employer, Plan Administrator, and any other person or entity who has authority with respect to the management, administration, or investment of the Plan may exercise that authority in its/his full discretion, subject only to the duties imposed under ERISA. This discretionary authority includes, but is not limited to,

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the authority to make any and all factual determinations and interpret all terms and provisions of the Plan documents relevant to the issue under consideration. The exercise of authority will be binding upon all persons.

SECTION 9.08--TRANSACTION PROCESSING.

Transactions (including, but not limited to, investment directions, trades, loans, and distributions) shall be processed as soon as administratively practicable after proper directions are received from the Participant or other parties. No guarantee is made by the Plan, Plan Administrator, Insurer, Employer, or Trustee that such transactions will be processed on a daily or other basis, and no guarantee is made in any respect regarding the processing time of such transactions. Notwithstanding any other provision of the Plan, the Employer, the Plan Administrator, or the Trustee reserves the right to not value an investment option on any given Valuation Date for any reason deemed appropriate by the Employer, the Plan Administrator, or the Trustee, except that such investment option shall be valued as of the last day of the Plan Year as stated in the definition of Valuation Date in Article I.

Administrative practicality will be determined by legitimate business factors (including, but not limited to, failure of systems or computer programs, failure of the means of the transmission of data, force majeure, the failure of a service provider to timely receive values or prices, and correction for errors or omissions or the errors or omissions of any service provider) and in no event will be deemed to be less than 14 days. The processing date of a transaction shall be binding for all purposes of the Plan and considered the applicable Valuation Date for any transaction.

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ARTICLE X GENERAL PROVISIONS

SECTION 10.01--AMENDMENTS.

- (a) Amendment by the Employer. The Employer may amend this Plan at any time, including any remedial retroactive changes (within the time specified by Internal Revenue Service regulations), to comply with any law or regulation issued by any governmental agency to which the Plan is subject.

An amendment may not allow reversion or diversion of Plan assets to the Employer at any time, except as may be required to comply with any law or regulation issued by any governmental agency to which the Plan is subject.

The Employer may amend the Plan by adding sample or model Plan amendments published by the Internal Revenue Service that provide that their adoption will not cause the Plan to be treated as individually designed. The Employer may amend the Plan in order to correct failures under the Internal Revenue Service correction programs or to correct a coverage or nondiscrimination failure, as permitted under applicable Treasury regulations. An amendment to this Plan will be forwarded to Principal Life Insurance Company, the volume submitter practitioner.

The Employer may attach an addendum which lists the Code Section 411(d)(6) protected benefits that must be preserved due to a restatement or amendment of the Plan. Such a list would not be considered an amendment to the Plan and will not cause the Plan to be treated as individually designed.

The Employer may make minor modifications to the Plan as permitted under sections 14 and 15 of Revenue Procedure 2011-49.

If the Employer amends the Plan for any reason other than those set out above, the Plan shall no longer participate in this volume submitter plan and shall be considered an individually designed plan. The Employer reserves the right to continue its retirement program under a document separate and distinct from this Plan. In such event, all rights and obligations of the Employer, or of any Participant or Beneficiary under this document, shall cease. Assets held in support of this Plan will be transferred to the designated funding medium under the new or restated plan and, if applicable, trust agreement, in the manner permitted under, and subject to the provisions of, the Annuity Contract.

An amendment may not eliminate or reduce a section 411(d)(6) protected benefit, as defined in Q&A-1 in section 1.411(d)-4 of the regulations, that has already accrued, except as provided in section 1.411(d)-3 or 1.411(d)-4 of the regulations. This is generally the case even if such elimination or reduction is contingent upon the Employee's consent and includes an amendment that otherwise places greater restrictions or conditions on a Participant's right to Code Section 411(d)(6) protected benefits, even if the amendment merely adds a restriction or condition that is permitted under the vesting rules in Code Section 411(a)(3) through (11). However, the Plan may be amended to eliminate or reduce section 411(d)(6) protected benefits with respect to benefits not yet accrued as of the later of the amendment's adoption date or effective date without violating Code Section 411(d)(6). For purposes of this paragraph, an amendment that has the effect of decreasing

a Participant's Account balance, with respect to benefits attributable to service before the amendment, shall be treated as reducing an accrued benefit.

No amendment to the Plan shall be effective to eliminate or restrict an optional form of benefit. The preceding sentence shall not apply to a Plan amendment that eliminates or restricts the ability of a Participant to receive payment of his Account balance under a particular optional form of benefit if the amendment provides a single sum distribution form that is otherwise identical to the optional form of benefit being eliminated or restricted. For this purpose, a single sum distribution form is otherwise identical only if the single sum distribution form is identical in all respects to the eliminated or restricted optional form of benefit (or would be identical except that it provides greater rights to the Participant) except with respect to the timing of payments after commencement.

If, as a result of an amendment, an Employer Contribution is removed that is not 100% immediately vested when made, the applicable vesting schedule in effect as of the last day such Contributions were permitted shall remain in effect with respect to that part of the Participant's Account resulting from such Contributions. The Participant shall not become immediately 100% vested in such Contributions as a result of the elimination of such Contribution except as otherwise specifically provided in the Plan.

An amendment shall not decrease a Participant's vested interest in the Plan. If an amendment to the Plan changes the computation of the percentage used to determine that portion of a Participant's Account attributable to Employer Contributions which is nonforfeitable (whether directly or indirectly), in the case of an Employee who is a Participant as of the later of the date such amendment or change is adopted or the date it becomes effective, the nonforfeitable percentage (determined as of such date) of such Employee's right to his Account attributable to Employer Contributions shall not be less than the percentage computed under the Plan without regard to such amendment or change.

Furthermore, each Participant or former Participant

- (1) who has completed at least three Years of Service on the date the election period described below ends (five Years of Service if the Participant does not have at least one Hour of Service in a Plan Year beginning after December 31, 1988) and
- (2) whose nonforfeitable percentage will be determined on any date after the date of the change

may elect, during the election period, to have the nonforfeitable percentage of his Account resulting from Employer Contributions determined without regard to the amendment. This election may not be revoked. If after the Plan is changed, the Participant's nonforfeitable percentage will at all times be as great as it would have been if the change had not been made, no election needs to be provided. The election period shall begin no later than the date the Plan amendment is adopted and end no earlier than the 60th day after the latest of the date the amendment is adopted or becomes effective, or the date the Participant is issued written notice of the amendment by the Employer or the Plan Administrator.

For an amendment adopted after August 9, 2006, with respect to a Participant's Account attributable to Employer Contributions accrued as of the later of the adoption or effective date of the amendment and earnings, the vested percentage of each Participant will be the greater of the vested percentage under the old vesting schedule or the vested percentage under the new vesting schedule.

- a. Amendment by the Volume Submitter Practitioner.

The Employer delegates the authority to amend this Plan to Principal Life Insurance Company as the volume submitter practitioner. The Employer hereby consents to any such amendment. However, no such amendment shall increase the duties of the Named Fiduciary without his consent. Such an amendment shall not deprive any Participant or Beneficiary of any accrued benefit except to the extent necessary to comply with any law or regulation issued by any governmental agency to which this Plan is subject. Such an amendment shall not provide that the Plan Fund be used for any purpose other than the exclusive benefit of Participants or their Beneficiaries or that such Plan Fund ever revert to or be used by the Employer.

However, for purposes of reliance on an advisory or determination letter, Principal Life Insurance Company as the volume submitter practitioner will no longer have the authority to amend the Plan on behalf of the Employer as of the date (i) the Employer amends the Plan to incorporate a type of plan described in section 16.03 of Revenue Procedure 2011-49 that is not permitted under the VS program, or (ii) the Internal Revenue Service notifies the Employer, in accordance with section 24.03 of Revenue Procedure 2011-49, that the Plan is an individually designed plan due to the nature and extent of employer amendments to the Plan.

Any amendment to this Plan by Principal Life Insurance Company, as the volume submitter practitioner, shall be deemed to be an amendment to this Plan by the Employer. The effective date of any amendment shall be specified in the written instrument of amendment.

SECTION 10.02--DIRECT ROLLOVERS.

Notwithstanding any provision of the Plan to the contrary that would otherwise limit a Distributee's election under this section, a Distributee may elect, at the time and in the manner prescribed by the Plan Administrator, to have any portion of an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan specified by the Distributee in a Direct Rollover.

In the event of a Mandatory Distribution of an Eligible Rollover Distribution greater than \$1,000 in accordance with the SMALL AMOUNTS SECTION of this article (or which is a small amounts payment under Article VIII at complete termination of the Plan), if the Participant does not elect to have such distribution paid directly to an Eligible Retirement Plan specified by the Participant in a Direct Rollover or to receive the distribution directly, the Plan Administrator will pay the distribution in a Direct Rollover to an individual retirement plan designated by the Plan Administrator. For purposes of determining whether a Mandatory Distribution is greater than \$1,000, a Designated Roth Account and all other accounts under the Plan shall be treated as accounts held under two separate plans and shall not be combined.

In the event of any other Eligible Rollover Distribution to a Distributee in accordance with the SMALL AMOUNTS SECTION of this article (or which is a small amounts payment under Article VIII at complete termination of the Plan), if the Distributee does not elect to have such distribution paid directly to an Eligible Retirement Plan specified by the Distributee in a Direct Rollover or to receive the distribution directly, the Plan Administrator will pay the distribution to the Distributee.

SECTION 10.03--MERGERS AND DIRECT TRANSFERS.

The Plan may not be merged or consolidated with, nor have its assets or liabilities transferred to, any other retirement plan, unless each Participant in this Plan would (if that plan then terminated) receive a benefit immediately after the merger, consolidation, or transfer that is equal to or greater than the benefit the Participant would have been entitled to receive immediately before the merger, consolidation, or transfer (if this Plan had then terminated). The Employer may enter into merger agreements or direct transfer of assets

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agreements with the employers under other retirement plans which are qualifiable under Code Section 401(a), including an elective transfer, and may accept the direct transfer of plan assets, or may transfer plan assets, as a party to any such agreement. The Employer shall not consent to, or be a party to a merger, consolidation, or transfer of assets with a defined benefit plan if such action would result in a defined benefit feature being maintained under this Plan. The Employer will not transfer any amounts attributable to elective deferral contributions, qualified matching contributions, qualified nonelective contributions, and contributions used to satisfy Code Section 401(k)(13) safe harbors unless the transferee plan provides that the limitations of section 1.401(k)-1(d) of the regulations shall apply to such amounts (including post-transfer earnings thereon), unless the amounts could have been distributed at the time of the transfer (other than for hardships as described in the WITHDRAWAL BENEFITS SECTION of Article V or deemed severance from employment as described in the VESTED BENEFITS SECTION of Article V), and the transfer is an elective transfer described in Q&A-3(b)(1) in section 1.411(d)-4 of the regulations.

Notwithstanding any provision of the Plan to the contrary, to the extent any optional form of benefit under the Plan permits a distribution prior to the Employee's retirement, death, disability, or Severance from Employment, and prior to plan termination, the optional form of benefit is not available with respect to benefits attributable to assets (including the post-transfer earnings thereon) and liabilities that are transferred, within the meaning of Code Section 414(l), to this Plan from a money purchase pension plan qualified under Code Section 401(a) (other than any portion of those assets and liabilities attributable to voluntary employee contributions). The limitations of section 1.401(k)-1(d) of the regulations applicable to elective deferral contributions, qualified matching contributions, qualified nonelective contributions, and contributions used to satisfy Code Section 401(k)(13) safe harbors shall continue to apply to any amounts attributable to such contributions (including post-transfer earnings thereon) transferred to this Plan, unless the amounts could have been distributed at the time of the transfer (other than for hardships as described in the WITHDRAWAL BENEFITS SECTION of Article V or deemed severance from employment as described in the VESTED BENEFITS SECTION of Article V), and the transfer is an elective transfer described in Q&A- 3(b)(1) in section 1.411(d)-4 of the regulations.

The Plan may accept a direct transfer of plan assets on behalf of an Eligible Employee. If the Eligible Employee is not an Active Participant when the transfer is made, the Eligible Employee shall be deemed to be an Active Participant only for the purpose of investment and distribution of the transferred assets. Employer Contributions shall not be made for or allocated to the Eligible Employee, until the time he meets all of the requirements to become an Active Participant.

The Plan shall hold, administer, and distribute the transferred assets as a part of the Plan. The Plan shall maintain a separate account for the benefit of the Employee on whose behalf the Plan accepted the transfer in order to reflect the value of the transferred assets.

A Participant's section 411(d)(6) protected benefits, as defined in Q&A-1 in section 1.411(d)-4 of the regulations, may not be eliminated by reason of transfer or any transaction amending or having the effect of amending a plan or plans to transfer benefits except as provided below.

A Participant's section 411(d)(6) protected benefits may be eliminated or reduced upon transfer between qualified defined contribution plans if the conditions in Q&A-3(b)(1) in section 1.411(d)-4 of the regulations are met. The transfer must meet all of the other applicable qualification requirements.

A Participant's section 411(d)(6) protected benefits may be eliminated or reduced if a transfer is an elective transfer of certain distributable benefits between qualified plans (both defined benefit and defined contribution) and the conditions in Q&A-3(c)(1) in section 1.411(d)-4 of the regulations are met. The rules applicable to distributions under the plan would apply to the transfer, but the transfer would not be treated as a distribution for purposes of the minimum distribution requirements of Code Section 401(a)(9). If the

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Participant is eligible to receive an immediate distribution of his entire Vested Account in a single sum distribution that would consist entirely of an eligible rollover distribution under Code Section 401(a)(31), such transfer will be accomplished as a direct rollover under Code Section 401(a)(31).

SECTION 10.04--PROVISIONS RELATING TO THE INSURER AND OTHER PARTIES.

The obligations of an Insurer shall be governed solely by the provisions of the Annuity Contract. The Insurer shall not be required to perform any act not provided in or contrary to the provisions of the Annuity Contract. Each Annuity Contract when purchased shall comply with the Plan. See the CONSTRUCTION SECTION of this article.

Any issuer or distributor of investment contracts or securities is governed solely by the terms of its policies, written investment contract, prospectuses, security instruments, and any other written agreements entered into with the Trustee with regard to such investment contracts or securities.

Such Insurer, issuer or distributor is not a party to the Plan, nor bound in any way by the Plan provisions. Such parties shall not be required to look to the terms of this Plan, nor to determine whether the Employer, the Plan Administrator, the Trustee, or the Named Fiduciary have the authority to act in any particular manner or to make any contract or agreement.

Until notice of any amendment or termination of this Plan or a change in Trustee has been received by the Insurer at its home office or an issuer or distributor at their principal address, they are and shall be fully protected in assuming that the Plan has not been amended or terminated and in dealing with any party acting as Trustee according to the latest information which they have received at their home office or principal address.

SECTION 10.05--EMPLOYMENT STATUS.

Nothing contained in this Plan gives an Employee the right to be retained in the Employer's employ or to interfere with the Employer's right to discharge any Employee.

SECTION 10.06--RIGHTS TO PLAN ASSETS.

An Employee shall not have any right to or interest in any assets of the Plan upon termination of employment or otherwise except as specifically provided under this Plan, and then only to the extent of the benefits payable to such Employee according to the Plan provisions.

Any final payment or distribution to a Participant or his legal representative or to any Beneficiaries of such Participant under the Plan provisions shall be in full satisfaction of all claims against the Plan, the Named Fiduciary, the Plan Administrator, the Insurer, the Trustee, and the Employer arising under or by virtue of the Plan.

SECTION 10.07--BENEFICIARY.

Each Participant may name a Beneficiary to receive any death benefit that may arise out of his participation in the Plan. The Participant may change his Beneficiary from time to time. Unless a qualified election has been made, for purposes of distributing any death benefits before the Participant's Retirement Date, the Beneficiary of a Participant who has a spouse shall be the Participant's spouse. The Participant's

Beneficiary designation and any change of Beneficiary shall be subject to the provisions of the ELECTION PROCEDURES SECTION of Article VI.

It is the responsibility of the Participant to give written notice to the Plan Administrator of the name of the Beneficiary on a form furnished for that purpose. The Plan Administrator shall maintain records of Beneficiary designations for Participants before their Retirement Dates. However, the Plan Administrator may delegate to another party the responsibility of maintaining records of Beneficiary designations. In that event, the written designations made by Participants shall be filed with such other party. If a party other than the Insurer maintains the records of Beneficiary designations and a Participant dies before his Retirement Date, such other party shall certify to the Insurer the Beneficiary designation on its records for the Participant.

If there is no Beneficiary named or surviving when a Participant dies, the Participant's Beneficiary shall be the Participant's surviving spouse, or where there is no surviving spouse, the executor or administrator of the Participant's estate for the benefit of the estate.

SECTION 10.08--NONALIENATION OF BENEFITS.

Benefits payable under the Plan are not subject to the claims of any creditor of any Participant, Beneficiary, spouse, or Contingent Annuitant. A Participant, Beneficiary, spouse, or Contingent Annuitant does not have any rights to alienate, anticipate, commute, pledge, encumber, or assign such benefits. Such restrictions do not apply in the case of a loan as provided in the LOANS TO PARTICIPANTS SECTION of Article V. The preceding sentences shall also apply to the creation, assignment, or recognition of a right to any benefit payable with respect to a Participant according to a domestic relations order, unless such order is determined by the Plan Administrator to be a qualified domestic relations order, as defined in Code Section 414(p), or any domestic relations order entered before January 1, 1985. The preceding sentences shall not apply to any offset of a Participant's benefits provided under the Plan against an amount the Participant is required to pay the Plan with respect to a judgment, order, or decree issued, or a settlement entered into, on or after August 5, 1997, which meets the requirements of Code Sections 401(a)(13)(C) or (D).

SECTION 10.09--CONSTRUCTION.

The validity of the Plan or any of its provisions is determined under and construed according to Federal law and, to the extent permissible, according to the laws of the state in which the Employer has its principal office. In case any provision of this Plan is held illegal or invalid for any reason, such determination shall not affect the remaining provisions of this Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had never been included.

In the event of any conflict between the provisions of the Plan and the terms of any Annuity Contract issued hereunder, the provisions of the Plan control.

SECTION 10.10--LEGAL ACTIONS.

No person employed by the Employer; no Participant, former Participant, or their Beneficiaries; nor any other person having or claiming to have an interest in the Plan is entitled to any notice of process. A final judgment entered in any such action or proceeding shall be binding and conclusive on all persons having or claiming to have an interest in the Plan. Should any Participant, Beneficiary, or other person claiming an interest in the Plan pursue a legal action against the Plan, such legal action may not be brought more than two years following the date such cause of action or proceeding arose.

SECTION 10.11--SMALL AMOUNTS.

If the value of the Participant's Vested Account does not exceed \$5,000, the Participant's entire Vested Account shall be distributed as of the earliest of his Retirement Date, the date he dies, or the date he has a Severance from Employment for any other reason (the date the Employer provides notice to the record keeper of the Plan of such event, if later). For purposes of this section, if the Participant's Vested Account is zero, the Participant shall be deemed to have received a distribution of such Vested Account. This is a small amounts payment.

In the event a Participant does not elect to have a small amounts payment paid directly to an Eligible Retirement Plan specified by the Participant in a Direct Rollover or to receive the distribution directly and his Vested Account is greater than \$1,000, a Mandatory Distribution will be made in accordance with the DIRECT ROLLOVERS SECTION of this article. If his Vested Account is \$1,000 or less, the Participant's entire Vested Account shall be paid directly to him.

If a small amounts payment is made on or after the date the Participant dies, the small amounts payment shall be made to the Participant's Beneficiary. If a small amounts payment is made while the Participant is living, the small amounts payment shall be made to the Participant.

The small amounts payment is in full settlement of all benefits otherwise payable. No other small amounts payment shall be made.

SECTION 10.12--WORD USAGE.

The masculine gender, where used in this Plan, shall include the feminine gender and the singular words, where used in this Plan, shall include the plural, unless the context indicates otherwise.

The words "in writing" and "written," where used in this Plan, shall include any other forms (such as voice response or other electronic system) as permitted by any governmental agency to which the Plan is subject.

SECTION 10.13--CHANGE IN SERVICE METHOD.

(a) Change of Service Method Under This Plan. If this Plan is amended to change the method of crediting service from the elapsed time method to the hours method for any purpose under this Plan, the Employee's service shall be equal to the sum of (1), (2), and (3) below:

- (i) The number of whole years of service credited to the Employee under the Plan as of the date the change is effective.
- (ii) One year of service for the computation period in which the change is effective if he is credited with the required number of Hours of Service. For that portion of the computation period ending on the date of the change (for the first day of the computation period if the change is made on the first day of the computation period), the Employee will be credited with the greater of (i) his actual Hours of Service or (ii) the number of Hours of Service that is equivalent to the fractional part of a year of elapsed time service credited as of the date of the change, if any. In determining the equivalent Hours of Service, the Employee shall be credited with 190 Hours of Service for each month and any fractional part of a month in such fractional part of a year. The number of months and any fractional part of a month shall be determined by multiplying the fractional part of a year, expressed as a decimal, by 12. For the remaining portion of the computation period (the period beginning on the second day of

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the computation period and ending on the last day of the computation period if the change is made on the first day of the computation period), the Employee will be credited with his actual Hours of Service.

- i. The Employee's service determined under this Plan using the hours method after the end of the computation period in which the change in service method was effective.

If this Plan is amended to change the method of crediting service from the hours method to the elapsed time method for any purpose under this Plan, the Employee's service shall be equal to the sum of (4), (5), and (6) below:

- ii. The number of whole years of service credited to the Employee under the Plan as of the beginning of the computation period in which the change in service method is effective.
- iii. The greater of (i) the service that would be credited to the Employee for that entire computation period using the elapsed time method or (ii) the service credited to him under the Plan as of the date the change is effective.
- iv. The Employee's service determined under this Plan using the elapsed time method after the end of the applicable computation period in which the change in service method was effective.

- a. Transfers Between Plans with Different Service Methods. If an Employee has been a participant in another plan of the Employer that credited service under the elapsed time method for any purpose that under this Plan is determined using the hours method, then the Employee's service shall be equal to the sum of (1), (2), and (3) below:

- i. The number of whole years of service credited to the Employee under the other plan as of the date he became an Eligible Employee under this Plan.
- ii. One year of service for the applicable computation period in which he became an Eligible Employee if he is credited with the required number of Hours of Service. For that portion of such computation period ending on the date he became an Eligible Employee (for the first day of such computation period if he became an Eligible Employee on the first day of such computation period), the Employee will be credited with the greater of (i) his actual Hours of Service or (ii) the number of Hours of Service that is equivalent to the fractional part of a year of elapsed time service credited as of the date he became an Eligible Employee, if any. In determining the equivalent Hours of Service, the Employee shall be credited with 190 Hours of Service for each month and any fractional part of a month in such fractional part of a year. The number of months and any fractional part of a month shall be determined by multiplying the fractional part of a year, expressed as a decimal, by 12. For the remaining portion of such computation period (the period beginning on the second day of such computation period and ending on the last day of such computation period if he became an Eligible Employee on the first day of such computation period), the Employee will be credited with his actual Hours of Service.
- iii. The Employee's service determined under this Plan using the hours method after the end of the computation period in which he became an Eligible Employee.

If an Employee has been a participant in another plan of the Employer that credited service under the hours method for any purpose that under this Plan is determined using the elapsed time method, then the Employee's service shall be equal to the sum of (4), (5), and (6) below:

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- i. The number of whole years of service credited to the Employee under the other plan as of the beginning of the computation period under that plan in which he became an Eligible Employee under this Plan.
- ii. The greater of (i) the service that would be credited to the Employee for that entire computation period using the elapsed time method or (ii) the service credited to him under the other plan as of the date he became an Eligible Employee under this Plan.
- iii. The Employee's service determined under this Plan using the elapsed time method after the end of the applicable computation period under the other plan in which he became an Eligible Employee.

If an Employee has been a participant in a Controlled Group member's plan that credited service under a different method than is used in this Plan, in order to determine entry and vesting, the provisions in (b) above shall apply as though the Controlled Group member's plan was a plan of the Employer.

Any modification of service contained in this Plan shall be applicable to the service determined pursuant to this section.

SECTION 10.14--MILITARY SERVICE.

Notwithstanding any provision of this Plan to the contrary, the Plan shall provide contributions, benefits, and service credit with respect to Qualified Military Service in accordance with Code Section 414(u). Loan repayments may be suspended under this Plan as permitted under Code Section 414(u).

A Participant who dies on or after January 1, 2007, while performing Qualified Military Service is treated as having resumed and then terminated employment on account of death, in accordance with Code Section 401(a)(37) and any subsequent guidance. The survivors of such Participant are entitled to any additional benefits provided under the Plan on account of death of the Participant.

SECTION 10.15--QUALIFICATION OF PLAN.

If the Plan is denied initial qualification upon filing timely application, it will be treated as void from the beginning. It will be terminated and all amounts contributed to the Plan, less expenses paid, shall be returned to the Employer within one year after the date of denial. If amounts have been contributed by Employees, the Employer shall refund to each Employee the amount made by him or, if less, the amount then in his Account resulting from such amounts. The Insurer and Trustee shall be discharged from all further obligations.

If the Plan fails to attain or retain qualification, it shall no longer participate in this volume submitter plan and shall be considered an individually designed plan.

ARTICLE XI

TOP-HEAVY PLAN REQUIREMENTS

SECTION 11.01--APPLICATION.

The provisions of this article shall supersede all other provisions in the Plan to the contrary.

For the purpose of applying the Top-heavy Plan requirements of this article, all members of the Controlled Group shall be treated as one Employer. The term Employer, as used in this article, shall be deemed to include all members of the Controlled Group, unless the term as used clearly indicates only the Employer is meant.

The accrued benefit or account of a participant resulting from deductible employee contributions shall not be included for any purpose under this article.

The minimum vesting and contribution provisions of the MODIFICATION OF VESTING REQUIREMENTS SECTION and the MODIFICATION OF CONTRIBUTIONS SECTION of this article shall not apply to any Employee who is included in a group of Employees covered by a collective bargaining agreement that the Secretary of Labor finds to be a collective bargaining agreement between employee representatives and one or more employers, including the Employer, if there is evidence that retirement benefits were the subject of good faith bargaining between such representatives. For this purpose, the term "employee representatives" does not include any organization more than half of whose members are employees who are owners, officers, or executives.

SECTION 11.02--DEFINITIONS.

For purposes of this article the following terms are defined:

Aggregation Group means:

- (a) each of the Employer's qualified plans in which a Key Employee is a participant during the Plan Year containing the Determination Date or any of the four preceding Plan Years (regardless of whether the plans have terminated),
- (b) each of the Employer's other qualified plans which allows the plan(s) described in (a) above to meet the nondiscrimination requirement of Code Section 401(a)(4) or the minimum coverage requirement of Code Section 410, and
- (c) any of the Employer's other qualified plans not included in (a) or (b) above which the Employer desires to include as part of the Aggregation Group. Such a qualified plan shall be included only if the Aggregation Group would continue to satisfy the requirements of Code Sections 401(a)(4) and 410.

The plans in (a) and (b) above constitute the "required" Aggregation Group. The plans in (a), (b), and (c) above constitute the "permissive" Aggregation Group.

Compensation means compensation as defined in the CONTRIBUTION LIMITATION SECTION of Article III.

Determination Date means as to any plan, for any plan year subsequent to the first plan year, the last day of the preceding plan year. For the first plan year of the plan, the Determination Date is the last day of that year.

Key Employee means any Employee or former Employee (including any deceased Employee) who at any time during the Plan Year that includes the Determination Date is:

- (a) an officer of the Employer having Compensation for the Plan Year greater than \$130,000 (as adjusted under Code Section 416(i)(1) for Plan Years beginning after December 31, 2002),
- (b) a 5-percent owner of the Employer, or
- (c) a 1-percent owner of the Employer having Compensation for the Plan Year of more than \$150,000.

The determination of who is a Key Employee shall be made according to Code Section 416(i)(1) and the applicable regulations and other guidance of general applicability issued thereunder.

Nonkey Employee means any Employee who is not a Key Employee.

Top-heavy Plan means a plan that is top-heavy for any plan year. This Plan shall be top-heavy if any of the following conditions exist:

- (a) The Top-heavy Ratio for this Plan exceeds 60 percent and this Plan is not part of any required Aggregation Group or permissive Aggregation Group.
- (b) This Plan is a part of a required Aggregation Group, but not part of a permissive Aggregation Group, and the Top-heavy Ratio for the required Aggregation Group exceeds 60 percent.
- (c) This Plan is a part of a required Aggregation Group and part of a permissive Aggregation Group and the Top-heavy Ratio for the permissive Aggregation Group exceeds 60 percent.

Top-heavy Ratio means:

- (a) If the Employer maintains one or more defined contribution plans (including any simplified employee pension plan) and the Employer has not maintained any defined benefit plan that during the five-year period ending on the Determination Date(s) has or has had accrued benefits, the Top-heavy Ratio for this Plan alone or for the required or permissive Aggregation Group, as appropriate, is a fraction, the numerator of which is the sum of the account balances of all Key Employees as of the Determination Date(s) (including any part of any account balance distributed in the one-year period ending on the Determination Date(s) and distributions under a terminated plan which if it had not been terminated would have been required to be included in the Aggregation Group), and the denominator of which is the sum of all account balances (including any part of any account balance distributed in the one-year period ending on the Determination Date(s) and distributions under a terminated plan which if it had not been terminated would have been required to be included in the Aggregation Group), both computed in accordance with Code Section 416 and the regulations thereunder. In the case of a distribution made for a reason other than Severance from Employment, death, or disability, this provision shall be applied by substituting "five-year period" for "one-year

period.” Both the numerator and denominator of the Top-heavy Ratio are increased to reflect any contribution not actually made as of the Determination Date, but which is required to be taken into account on that date under Code Section 416 and the regulations thereunder.

- a. If the Employer maintains one or more defined contribution plans (including any simplified employee pension plan) and the Employer maintains or has maintained one or more defined benefit plans that during the five-year period ending on the Determination Date(s) has or has had accrued benefits, the Top-heavy Ratio for any required or permissive Aggregation Group, as appropriate, is a fraction, the numerator of which is the sum of the account balances under the aggregated defined contribution plan or plans of all Key Employees, determined in accordance with (a) above, and the present value of accrued benefits under the aggregated defined benefit plan or plans for all Key Employees as of the Determination Date(s), and the denominator of which is the sum of the account balances under the aggregated defined contribution plan or plans for all participants, determined in accordance with i. above, and the present value of accrued benefits under the defined benefit plan or plans for all participants as of the Determination Date(s), all determined in accordance with Code Section 416 and the regulations thereunder. The accrued benefits under a defined benefit plan in both the numerator and denominator of the Top-heavy Ratio are increased for any distribution of an accrued benefit made in the one-year period ending on the Determination Date (and distributions under a terminated plan which if it had not been terminated would have been required to be included in the Aggregation Group). In the case of a distribution made for a reason other than Severance from Employment, death, or disability, this provision shall be applied by substituting “five-year period” for “one-year period.”
- b. For purposes of (a) and (b) above, the value of account balances and the present value of accrued benefits will be determined as of the most recent Valuation Date that falls within or ends with the 12- month period ending on the Determination Date, except as provided in Code Section 416 and the regulations thereunder for the first and second plan years of a defined benefit plan. The account balances and accrued benefits of a participant (i) who is not a Key Employee but who was a Key Employee in a prior year or (ii) who has not been credited with at least one hour of service with any employer maintaining the plan at any time during the one-year period (five-year period in determining whether the plan is top-heavy for plan years beginning before January 1, 2002) ending on the Determination Date will be disregarded. The calculation of the Top-heavy Ratio and the extent to which distributions, rollovers, and transfers are taken into account will be made in accordance with Code Section 416 and the regulations thereunder. Deductible employee contributions will not be taken into account for purposes of computing the Top-heavy Ratio. When aggregating plans, the value of account balances and accrued benefits will be calculated with reference to the Determination Dates that fall within the same calendar year.

The accrued benefit of a participant other than a Key Employee shall be determined under (i) the method, if any, that uniformly applies for accrual purposes under all defined benefit plans maintained by the Employer, or (ii) if there is no such method, as if such benefit accrued not more rapidly than the slowest accrual rate permitted under the fractional rule of Code Section 411(b)(1)(C).

SECTION 11.03--MODIFICATION OF VESTING REQUIREMENTS.

A Participant’s Vesting Percentage is at all times at least as great as the Vesting Percentage required to satisfy the requirements of Code Section 416. The part of the Participant’s Account resulting from the minimum contributions required pursuant to the MODIFICATION OF CONTRIBUTIONS SECTION of this article will vest according to the vesting schedule selected in the definition of Vesting Percentage in the DEFINITIONS SECTION of Article I. If no schedule is selected in such definition, the minimum contribution (and earnings thereon) will be 100% vested and nonforfeitable.

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The part of the Participant's Vested Account resulting from the minimum contributions required pursuant to the MODIFICATION OF CONTRIBUTIONS SECTION of this article (to the extent required to be nonforfeitable under Code Section 416(b)) may not be forfeited under Code Section 411(a)(3)(B) or (D).

SECTION 11.04--MODIFICATION OF CONTRIBUTIONS.

During any Plan Year in which this Plan is a Top-heavy Plan, the Employer shall make a minimum contribution as of the last day of the Plan Year for each Nonkey Employee who is an Employee on the last day of the Plan Year and who was an Active Participant at any time during the Plan Year. A Nonkey Employee is not required to have a minimum number of Hours of Service or minimum amount of Compensation in order to be entitled to this minimum. A Nonkey Employee who fails to be an Active Participant merely because his Compensation is less than a stated amount or merely because of a failure to make mandatory participant contributions or, in the case of a cash or deferred arrangement, elective contributions shall be treated as if he were an Active Participant. The minimum is the lesser of (a) or (b) below:

- (a) 3 percent of such person's Compensation for such Plan Year.
- (b) The "highest percentage" of Compensation for such Plan Year at which the Employer's Contributions are made for or allocated to any Key Employee. The highest percentage shall be determined by dividing the Employer Contributions made for or allocated to each Key Employee during the Plan Year by the amount of his Compensation for such Plan Year, and selecting the greatest quotient (expressed as a percentage). To determine the highest percentage, all of the Employer's defined contribution plans within the Aggregation Group shall be treated as one plan. The minimum shall be the amount in (a) above if this Plan and a defined benefit plan of the Employer are required to be included in the Aggregation Group and this Plan enables the defined benefit plan to meet the requirements of Code Section 401(a)(4) or 410.

For purposes of (a) and (b) above, Compensation shall be limited by Code Section 401(a)(17).

If the Employer's contributions and allocations otherwise required under the defined contribution plan(s) are at least equal to the minimum above, no additional contribution shall be required. If the Employer's total contributions and allocations are less than the minimum above, the Employer shall contribute the difference for the Plan Year.

The minimum contribution applies to all of the Employer's defined contribution plans in the aggregate which are Top-heavy Plans. A minimum contribution under a profit sharing plan shall be made without regard to whether or not the Employer has profits.

For purposes of this section, any employer contribution made according to a salary reduction or similar arrangement shall not apply in determining if the minimum contribution requirement has been met, but shall apply in determining the minimum contribution required. Matching contributions, as defined in Code Section 401(m), shall be taken into account for purposes of satisfying the minimum contribution requirements of Code Section 416(c)(2) and the Plan. Matching contributions that are used to satisfy the minimum contribution requirements shall be treated as matching contributions for purposes of the actual contribution percentage test and other requirements of Code Section 401(m).

The requirements of this section shall be met without regard to any Social Security contribution.

ARTICLE XII TRUST PROVISIONS

The Plan includes the attached Principal Financial Group pre-approved Trust Agreement.

The Trust Fund shall be administered according to the provisions of such trust agreement. The provisions of the Trust Agreement shall apply to all adopting employers. No other trust agreement may be used as long as the Plan continues to be a Principal Financial Group 401(k) Volume Submitter Plan.

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SIGNATURES

Failure to properly complete or amend this volume submitter plan may result in disqualification of this Plan. Principal Life Insurance Company will inform you of any amendments made to the Plan or of the discontinuance or abandonment of the Plan. The address and telephone number of Principal Life Insurance Company is 711 High Street, Des Moines, Iowa 50392-0001; 1-800-543-4015, extension 51238.

The Employer may rely on an advisory letter issued by the Internal Revenue Service as evidence that this Plan is qualified under Code Section 401 only to the extent provided in Revenue Procedure 2011-49.

The Employer may not rely on an advisory letter in other circumstances or with respect to certain qualification requirements which are specified in the advisory letter issued with respect to the Plan and in Revenue Procedure 2011-49.

In order to have reliance in such circumstances or with respect to such qualification requirements, application for a determination letter must be made to Employee Plans Determinations of the Internal Revenue Service.

The Primary Employer adopts the Principal Financial Group 401(k) Volume Submitter Specimen Plan for the exclusive benefit of its Employees. Selections and specifications contained in this document constitute the Plan of the Primary Employer.

It is understood that Principal Life Insurance Company is not a party to the Plan and shall not be responsible for any tax or legal aspects of the Plan. The Primary Employer assumes responsibility for these matters. The obligations of Principal Life Insurance Company shall be governed solely by the provisions of its contracts and policies. Principal Life Insurance Company shall not be required to look into any action taken by the Plan Administrator, Named Fiduciary, Trustee, Investment Manager, or the Primary Employer and shall be fully protected in taking, permitting or omitting any action on the basis of the Primary Employer's actions. Principal Life Insurance Company shall incur no liability or responsibility for carrying out actions as directed by the Plan Administrator, Named Fiduciary, Trustee, Investment Manager or the Primary Employer.

By executing this Plan, the Primary Employer acknowledges having counseled to the extent necessary with selected legal and tax advisors regarding the Plan's legal and tax implications. The Primary Employer also certifies diligent efforts have been made to provide a copy of this Plan document to each Adopting Employer and each Trustee and that proper signatures will be obtained on the attached Trust Agreement.

Executed this __ day of __, __.

Liberty Oilfield Services, LLC

By:

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Plan ID No. 1046128 (8-13112)

Title:

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**LIBERTY OILFIELD SERVICES INC.
LONG TERM INCENTIVE PLAN**

RESTRICTED STOCK UNIT GRANT NOTICE

[Date]

Pursuant to the terms and conditions of the Liberty Oilfield Services Inc. Long Term Incentive Plan, as amended from time to time (the “*Plan*”), Liberty Oilfield Services Inc. (the “*Company*”) hereby grants to the individual listed below (“*you*” or the “*Participant*”) the number of Restricted Stock Units (the “*RSUs*”) set forth below. This award of RSUs (this “*Award*”) is subject to the terms and conditions set forth herein and in the Terms and Conditions of Restricted Stock Units attached hereto as Exhibit A (the “*Terms and Conditions*”) and the Plan, each of which is incorporated herein by reference. Capitalized terms used but not defined herein shall have the meanings set forth in the Plan.

Participant:

Date of Grant:

Total Number of Restricted Stock

Units:

Vesting Commencement Date:

Vesting Schedule:

Subject to the Terms and Conditions, the Plan and the other terms and conditions set forth herein, the RSUs shall vest and become exercisable according to the following schedule: _____, so long as you remain continuously employed by, or you continuously provide services to, the Company or an Affiliate, as applicable, from the Date of Grant through each such vesting date. Notwithstanding anything in the preceding sentence to the contrary, the RSUs granted hereunder shall immediately become fully vested as set forth in Section 2(b) of the Terms and Conditions.

Unless you otherwise notify the Company within 10 business days of the date first set forth above that you do not accept this grant of RSUs, in exchange for such grant you agree to be bound by the terms and conditions of the Plan, the Terms and Conditions and this Restricted Stock Unit Grant Notice (this “*Grant Notice*”). Unless you otherwise timely notify the Company pursuant to the prior sentence, you hereby acknowledge that you have reviewed the Terms and Conditions, the Plan and this Grant Notice in their entirety and fully understand all provisions of the Terms and Conditions, the Plan and this Grant Notice. In exchange for this grant of RSUs, you agree to accept as binding, conclusive and final all decisions or interpretations of the Committee regarding any questions or determinations that arise under the Terms and Conditions, the Plan or this Grant Notice.

LIBERTY OILFIELD SERVICES INC.

By: _____

Name:

Title:

EXHIBIT A

TERMS AND CONDITIONS OF RESTRICTED STOCK UNITS

These Terms and Conditions of Restricted Stock Units (together with the Grant Notice to which these Terms and Conditions are attached, collectively, the “**Grant**”) is made as of the Date of Grant set forth in the Grant Notice. Capitalized terms used but not specifically defined herein shall have the meanings specified in the Plan or the Grant Notice.

1. **Award**. In consideration of the Participant’s past and/or continued employment with, or service to, the Company or its Affiliates and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, effective as of the Date of Grant set forth in the Grant Notice (the “**Date of Grant**”), the Company hereby grants to the Participant the number of RSUs set forth in the Grant Notice on the terms and conditions set forth herein and those in the Grant Notice and the Plan, which is incorporated herein by reference as a part of this Grant. In the event of any inconsistency between the Plan and this Grant, the terms of the Plan shall control. To the extent vested, each RSU represents the right to receive one share of Stock, subject to the terms and conditions set forth herein and those in the Grant Notice and the Plan. Unless and until the RSUs have become vested in the manner set forth in the Grant Notice, the Participant will have no right to receive any Stock or other payments in respect of the RSUs. Prior to settlement of this Award, the RSUs and this Award represent an unsecured obligation of the Company, payable only from the general assets of the Company.

2. **Vesting of RSUs**.

(a) Except as otherwise set forth in Section 2(b), the RSUs shall vest in accordance with the vesting schedule set forth in the Grant Notice. Unless and until the RSUs have vested in accordance with such vesting schedule, the Participant will have no right to receive any dividends or other distribution with respect to the RSUs. In the event of the termination of the Participant’s employment or other service relationship prior to the vesting of all of the RSUs (but after giving effect to any accelerated vesting pursuant to this Section 2), any unvested RSUs (and all rights arising from such RSUs and from being a holder thereof) will terminate automatically without any further action by the Company and will be forfeited without further notice and at no cost to the Company.

(b) Notwithstanding anything set forth herein, in the Grant Notice or the Plan to the contrary, the RSUs shall immediately become fully vested upon the termination of the Participant’s employment or other service relationship with the Company or an Affiliate due to the Participant’s “Disability” (as defined below) or death. For purposes of this Grant, “**Disability**” means disability” (or a term of like import) as defined under the Participant’s employment, consulting and/or severance agreement with the Company or an Affiliate or, in the absence of such an agreement or definition, shall mean the Participant’s inability to perform the Participant’s duties, after accounting for reasonable accommodation, due to a mental or physical impairment that continues (or can reasonably be expected to continue) for (i) 90 consecutive days or (ii) 180 days out of any 365-day period, which, in either case, shall only be deemed to occur following the written determination by the Company of any such occurrence of Disability.

3. **Dividend Equivalents.** In the event that the Company declares and pays a dividend in respect of its outstanding shares of Stock and, on the record date for such dividend, the Participant holds RSUs granted pursuant to this Grant that have not been settled, the Company shall record the amount of such dividend in a bookkeeping account and pay to the Participant an amount in cash equal to the cash dividends the Participant would have received if the Participant was the holder of record, as of such record date, of a number of shares of Stock equal to the number of RSUs held by the Participant that have not been settled as of such record date, such payment to be made on or within 60 days following the date on which such RSUs vest in accordance with Section 2. For purposes of clarity, if the RSUs (or any portion thereof) are forfeited by the Participant pursuant to the terms of this Grant, then the Participant shall also forfeit the Dividend Equivalents, if any, accrued with respect to such forfeited RSUs. No interest will accrue on the Dividend Equivalents between the declaration and payment of the applicable dividends and the settlement of the Dividend Equivalents.

4. **Settlement of RSUs.** As soon as administratively practicable following the vesting of RSUs pursuant to Section 2, but in no event later than 30 days after such vesting date, the Company shall deliver to the Participant a number of shares of Stock equal to the number of RSUs subject to this Award. All shares of Stock issued hereunder shall be delivered either by delivering one or more certificates for such shares to the Participant or by entering such shares in book-entry form, as determined by the Committee in its sole discretion. The value of shares of Stock shall not bear any interest owing to the passage of time. Neither this Section 4 nor any action taken pursuant to or in accordance with this Grant shall be construed to create a trust or a funded or secured obligation of any kind.

5. **Tax Withholding.** To the extent that the receipt, vesting or settlement of this Award results in compensation income or wages to the Participant for federal, state, local and/or foreign tax purposes, the Participant shall make arrangements satisfactory to the Company for the satisfaction of obligations for the payment of withholding taxes and other tax obligations relating to this Award, which arrangements include the delivery of cash or cash equivalents, Stock (including previously owned Stock, net settlement, a broker-assisted sale, or other cashless withholding or reduction of the amount of shares otherwise issuable or delivered pursuant to this Award), other property, or any other legal consideration the Committee deems appropriate. If such tax obligations are satisfied through net settlement or the surrender of previously owned Stock, the maximum number of shares of Stock that may be so withheld (or surrendered) shall be the number of shares of Stock that have an aggregate Fair Market Value on the date of withholding or surrender equal to the aggregate amount of such tax liabilities determined based on the greatest withholding rates for federal, state, local and/or foreign tax purposes, including payroll taxes, that may be utilized without creating adverse accounting treatment for the Company with respect to this Award, as determined by the Committee. The Participant acknowledges that there may be adverse tax consequences upon the receipt, vesting or settlement of this Award or disposition of the underlying shares and that the Participant has been advised, and hereby is advised, to consult a tax advisor. The Participant represents that the Participant is in no manner relying on the Board, the Committee, the Company or an Affiliate or any of their respective managers, directors, officers, employees or authorized representatives (including,

without limitation, attorneys, accountants, consultants, bankers, lenders, prospective lenders and financial representatives) for tax advice or an assessment of such tax consequences.

6. **Non-Transferability.** During the lifetime of the Participant, the RSUs may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the shares of Stock underlying the RSUs have been issued, and all restrictions applicable to such shares have lapsed. Neither the RSUs nor any interest or right therein shall be liable for the debts, contracts or engagements of the Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means, whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

7. **Compliance with Applicable Law.** Notwithstanding any provision of this Grant to the contrary, the issuance of shares of Stock hereunder will be subject to compliance with all applicable requirements of applicable law with respect to such securities and with the requirements of any stock exchange or market system upon which the Stock may then be listed. No shares of Stock will be issued hereunder if such issuance would constitute a violation of any applicable law or regulation or the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, shares of Stock will not be issued hereunder unless (a) a registration statement under the Securities Act is in effect at the time of such issuance with respect to the shares to be issued or (b) in the opinion of legal counsel to the Company, the shares to be issued are permitted to be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary for the lawful issuance and sale of any shares of Stock hereunder will relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority has not been obtained. As a condition to any issuance of Stock hereunder, the Company may require the Participant to satisfy any requirements that may be necessary or appropriate to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect to such compliance as may be requested by the Company.

8. **Legends.** If a stock certificate is issued with respect to shares of Stock issued hereunder, such certificate shall bear such legend or legends as the Committee deems appropriate in order to reflect the restrictions set forth in this Grant and to ensure compliance with the terms and provisions of this Grant, the rules, regulations and other requirements of the SEC, any applicable laws or the requirements of any stock exchange on which the Stock is then listed. If the shares of Stock issued hereunder are held in book-entry form, then such entry will reflect that the shares are subject to the restrictions set forth in this Grant.

9. **Rights as a Stockholder.** The Participant shall have no rights as a stockholder of the Company with respect to any shares of Stock that may become deliverable hereunder unless

and until the Participant has become the holder of record of such shares of Stock, and no adjustments shall be made for dividends in cash or other property, distributions or other rights in respect of any such shares of Stock, except as otherwise specifically provided for in the Plan or this Grant.

10. **Execution of Receipts and Releases.** Any issuance or transfer of shares of Stock or other property to the Participant or the Participant's legal representative, heir, legatee or distributee, in accordance with this Grant shall be in full satisfaction of all claims of such person hereunder. As a condition precedent to such payment or issuance, the Company may require the Participant or the Participant's legal representative, heir, legatee or distributee to execute (and not revoke within any time provided to do so) a release and receipt therefor in such form as it shall determine appropriate; provided, however, that any review period under such release will not modify the date of settlement with respect to vested RSUs.

11. **No Right to Continued Employment, Service or Awards.** Nothing in the adoption of the Plan, nor the award of the RSUs thereunder pursuant to the Grant Notice and these Terms and Conditions, shall confer upon the Participant the right to continued employment by, or a continued service relationship with, the Company or any Affiliate, or any other entity, or affect in any way the right of the Company or any such Affiliate, or any other entity to terminate such employment or other service relationship at any time. The grant of the RSUs is a one-time benefit and does not create any contractual or other right to receive a grant of Awards or benefits in lieu of Awards in the future. Any future Awards will be granted at the sole discretion of the Company.

12. **Legal and Equitable Remedies.** The Participant acknowledges that a violation or attempted breach of any of the term and conditions set forth herein will cause such damage as will be irreparable, the exact amount of which would be difficult to ascertain and for which there will be no adequate remedy at law, and accordingly, the Company and its Affiliates shall be entitled as a matter of right to an injunction issued by any court of competent jurisdiction, restraining the Participant or the affiliates, partners or agents of the Participant from such breach or attempted violation of such terms and conditions, as well as to recover from the Participant any and all costs and expenses sustained or incurred by the Company or any Affiliate in obtaining such an injunction, including, without limitation, reasonable attorneys' fees. No bond or other security shall be required in connection with such injunction. Any exercise of rights pursuant to this Section 12 shall be cumulative and in addition to any other remedies to which a party may be entitled.

13. **Notices.** All notices and other communications under this Grant shall be in writing and shall be delivered to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

If to the Company, unless otherwise designated by the Company in a written notice to the Participant (or other holder):

Liberty Oilfield Services Inc.
Attn: Vice President and General Counsel

950 17th Street, Suite 2400
Denver, Colorado 80202

If to the Participant, at the Participant's last known address on filed with the Company.

Any notice that is delivered personally or by overnight courier or telecopier in the manner provided herein shall be deemed to have been duly given to the Participant when it is mailed by the Company or, if such notice is not mailed to the Participant, upon receipt by the Participant. Any notice that is addressed and mailed in the manner herein provided shall be conclusively presumed to have been given to the party to whom it is addressed at the close of business, local time of the recipient, on the fourth day after the day it is so placed in the mail.

14. **Consent to Electronic Delivery.** In lieu of receiving documents in paper format, the Participant agrees, to the fullest extent permitted by law, to accept electronic delivery of any documents that the Company may be required to deliver (including, but not limited to, prospectuses, prospectus supplements, grant or award notifications and agreements, account statements, annual and quarterly reports and all other forms of communications) in connection with this and any other Award made or offered by the Company. Electronic delivery may be via a Company electronic mail system or by reference to a location on a Company intranet to which the Participant has access.

15. **Agreement to Furnish Information.** The Participant agrees to furnish to the Company all information requested by the Company to enable it to comply with any reporting or other requirement imposed upon the Company by or under any applicable statute or regulation.

16. **Entire Agreement; Amendment.** This Grant constitutes the entire agreement of the parties with regard to the subject matter hereof, and contains all the covenants, promises, representations, warranties and agreements between the parties with respect to the RSUs granted hereby; provided, however, that the terms of this Grant shall not modify and shall be subject to the terms and conditions of any employment, consulting and/or severance agreement between the Company (or an Affiliate or other entity) and the Participant in effect as of the date a determination is to be made under this Grant. Without limiting the scope of the preceding sentence, except as provided therein, all prior understandings and agreements, if any, among the parties hereto relating to the subject matter hereof are hereby null and void and of no further force and effect. The Committee may, in its sole discretion, amend this Grant from time to time in any manner that is not inconsistent with the Plan; provided, however, that except as otherwise provided in the Plan or this Grant, any such amendment that materially reduces the rights of the Participant shall be effective only if it is in writing and signed by both the Participant and an authorized officer of the Company.

17. **Severability and Waiver.** If a court of competent jurisdiction determines that any provision of this Grant is invalid or unenforceable, then the invalidity or unenforceability of such provision shall not affect the validity or enforceability of any other provision of this Grant, and all other provisions shall remain in full force and effect. Waiver by any party of any breach of this Grant or failure to exercise any right hereunder shall not be deemed to be a waiver of any

other breach or right. The failure of any party to take action by reason of such breach or to exercise any such right shall not deprive the party of the right to take action at any time while or after such breach or condition giving rise to such rights continues.

18. **Clawback.** Notwithstanding any provision in the Grant Notice, these Terms and Conditions or the Plan to the contrary, to the extent required by (a) applicable law, including, without limitation, the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, any SEC rule or any applicable securities exchange listing standards and/or (b) any policy that may be adopted or amended by the Board from time to time, all shares of Stock issued hereunder shall be subject to forfeiture, repurchase, recoupment and/or cancellation to the extent necessary to comply with such law(s) and/or policy.

19. **Governing Law.** This GRANT shall be governed by and construed in accordance with the laws of the State of DELAWARE applicable to contracts made and to be performed therein, exclusive of the conflict of laws provisions of DELAWARE LAW.

20. **Successors and Assigns.** The Company may assign any of its rights under this Grant without the Participant's consent. This Grant will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein and in the Plan, this Grant will be binding upon the Participant and the Participant's beneficiaries, executors, administrators and the person(s) to whom the RSUs may be transferred by will or the laws of descent or distribution.

21. **Headings.** Headings are for convenience only and are not deemed to be part of this Grant.

22. **Section 409A.** Notwithstanding anything herein or in the Plan to the contrary, the RSUs granted pursuant to this Grant are intended to be exempt from the applicable requirements of the Nonqualified Deferred Compensation Rules and shall be limited, construed and interpreted in accordance with such intent. Nevertheless, to the extent that the Committee determines that the RSUs may not be exempt from the Nonqualified Deferred Compensation Rules, then, if the Participant is deemed to be a "specified employee" within the meaning of the Nonqualified Deferred Compensation Rules, as determined by the Committee, at a time when the Participant becomes eligible for settlement of the RSUs upon his "separation from service" within the meaning of the Nonqualified Deferred Compensation Rules, then to the extent necessary to prevent any accelerated or additional tax under the Nonqualified Deferred Compensation Rules, such settlement will be delayed until the earlier of: (a) the date that is six months following the Participant's separation from service and (b) the Participant's death. Notwithstanding the foregoing, the Company and its Affiliates make no representations that the RSUs provided under this Grant are exempt from or compliant with the Nonqualified Deferred Compensation Rules and in no event shall the Company or any Affiliate be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with the Nonqualified Deferred Compensation Rules.

Subsidiaries of Liberty Oilfield Services Inc.

Entity	State of Formation
Liberty Oilfield Services New HoldCo LLC	Delaware
Liberty Oilfield Services LLC	Delaware
LOS Solar Acquisition LLC	Delaware
Freedom Proppant LLC	Delaware
LOS Kermit LLC	Delaware
LOS Canada Holdings Inc.	British Columbia
LOS Canada Operations ULC	British Columbia

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-222616 and 333-225948 on Form S-8, and Registration Statement No. 333-232580 on Form S-3ASR of our reports dated February 24, 2021, relating to the financial statements of Liberty Oilfield Services Inc. and its subsidiaries and the effectiveness of Liberty Oilfield Services Inc. and its subsidiaries' internal control over financial reporting appearing in this Annual Report on Form 10-K for the year ended December 31, 2020.

/s/ Deloitte & Touche LLP

Denver, Colorado
February 24, 2021

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Christopher A. Wright, certify that:

1. I have reviewed this Annual Report on Form 10-K of Liberty Oilfield Services Inc.;
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 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; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter 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 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 24, 2021

By: /s/ Christopher A. Wright
Christopher A. Wright
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Michael Stock, certify that:

1. I have reviewed this Annual Report on Form 10-K of Liberty Oilfield Services Inc.;

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 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; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter 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 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 24, 2021

By: /s/ Michael Stock
Michael Stock
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER UNDER
18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

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), the undersigned officer of Liberty Oilfield Services Inc. (the “*Company*”), does hereby certify, to such officer’s knowledge, that:

The Annual Report on Form 10-K for the year ended December 31, 2020 (“*Form 10-K*”) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company, as of, and for, the periods presented in the Form 10-K.

Date: February 24, 2021

By: /s/ Christopher A. Wright
Christopher A. Wright
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER UNDER
18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

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), the undersigned officer of Liberty Oilfield Services Inc. (the “*Company*”), does hereby certify, to such officer’s knowledge, that:

The Annual Report on Form 10-K for the year ended December 31, 2020 (“*Form 10-K*”) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company, as of, and for, the periods presented in the Form 10-K.

Date: February 24, 2021

By: /s/ Michael Stock
Michael Stock
Chief Financial Officer
(Principal Financial Officer)

Mine Safety Disclosure

The following disclosure is provided pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which requires certain disclosures by companies required to file periodic reports under the Securities Exchange Act of 1934, as amended, that operate mines regulated under the Federal Mine Safety and Health Act of 1977.

The table that follows reflects citations, orders, violations and proposed assessments issued by the Mine Safety and Health Administration (the “MSHA”) to indirect subsidiaries of Schlumberger. The disclosure is with respect to the full year ended December 31, 2020. Due to timing and other factors, the data may not agree with the mine data retrieval system maintained by the MSHA at www.MSHA.gov.

Full Year 2020
(whole dollars)

Mine or Operating Name/MSHA Identification Number	Section 104 S&S Citations	Section 104(b) Orders	Section 104(d) Citations and Orders	Section 110(b)(2) Violations	Section 107(a) Orders	Total Dollar Value of MSHA Assessments Proposed (1)	Mining Related Fatalities	Received Notice of Pattern of Violations Under Section 104(e) (yes/no)	Received Notice of Potential Have Pattern Under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period	Legal Actions Initiated During Period	Legal Actions Resolved During Period
Monahans Mine/4105336	1	—	—	—	—	\$ 5,462	—	N	N	—	—	—
Kermit Mine/4105321	4	—	—	—	—	\$ 9,131	—	N	N	—	—	—

(1) Amounts included are the total dollar value of proposed assessments received from MSHA on or before December 31, 2020, regardless of whether the assessment has been challenged or appealed, for citations and orders occurring during the full year 2020. Citations and orders can be contested and appealed, and as part of that process, are sometimes reduced in severity and amount, and sometimes dismissed. The number of citations, orders, and proposed assessments vary by inspector and vary depending on the size and type of the operation.