Risk Factors Comparison 2024-02-27 to 2023-03-09 Form: 10-K

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The following are certain risk factors that affect our business, financial condition, results of operations and cash flows. Many of these risks are beyond our control. These risk factors should be considered in connection with evaluating the forward- looking statements contained in this Annual Report. The risks and uncertainties described below are not the only ones that we face. If any of the events described below were to actually occur, our business, financial condition, results of operations and cash flows could be adversely affected and our results could differ materially from expected and historical results, any of which may also adversely affect the holders of our stock. Risks Related to Our Operations and Industry: The volatility of oil and natural gas prices may adversely affect the demand for our systems, products and services, and negatively impact our results of operations. The demand for our products and services is primarily determined by current and anticipated oil and natural gas prices and the related levels of capital spending and drilling activity in the areas in which we have operations. Among other factors, increased production from major oil producing nations and decreasing availability of crude oil storage and geopolitical issues can contribute to volatility or weakness in oil prices or natural gas prices (or the perception that oil prices or natural gas prices will decrease or remain stagnant) and affect the spending patterns of our customers resulting in the drilling of fewer new wells. As a result, demand for proppants or chemicals may decrease, which could, in turn, lead to lower demand for our products and services and may cause lower prices and lower utilization of our assets. We have, and may in the future, experienced significant fluctuations in operating results as a result of the reactions of our customers to changes in oil and natural gas prices. We face significant competition ~~that~~ **, as well as the propsect of further consolidation in the industry and amongst current and potential customers, either of which** may impede our ability to gain market share or cause us to lose market share, or that could make adoption of new product offerings or services difficult. The market for supply chain management and well site logistic services is becoming increasingly competitive. We face competition from proppant producers, pressure pumping companies and proppant transporters who also offer solutions for unloading, storing and delivering proppant at well sites and also from competitors who, like us, are focused on developing more efficient last mile logistics management solutions. Some of these solutions utilize containers for on- site proppant storage and handling delivery, while others use silo- based storage as we do. Some of our competitors have greater financial and other resources than we do and may develop technology superior to ours or more cost- effective than ours. Competition in our industry and for our products is thus based on price, consistency and quality of products, distribution capability, customer service, reliability, breadth of product offering and technical support. If our competitors are able to respond to industry conditions or trends more rapidly or effectively or resort to price competition, or if we are unable to gain market acceptance of new product offerings, we may be unable to gain or maintain our market share or may lose market share or operating profit, which could have an adverse effect on our business, results of operations and financial condition. **Additionally, the market in which we operate is experiencing increased vertical and horizontal integration both amongst peers as well as customers and suppliers. Consolidation amongst current or potential customers could affect demand for our products and services if those customers utilize competing solutions and services or gain their own capabilities through the consolidation itself. It is not certain that we will be able to maintain the same relationships or ability to offer our products and services in the wake of consolidation, which could have an adverse effect on our business, results of operations or financial condition.** Continuing or worsening inflationary issues and associated changes in monetary policy may result in increases to the cost of our goods, services and personnel, which in turn could cause our capital expenditures and operating costs to rise. Inflationary pressures have resulted in and may result in additional increases to the costs of our goods, services and personnel, which would in turn cause our capital expenditures and operating costs to rise. ~~Sustained~~ **Due to the high** levels of ~~high~~ inflation **in** ~~have likewise caused~~ the U. S. **, the** Federal Reserve and other central banks ~~to increase~~ **increased** interest rates multiple times in 2022 and **2023, and although** the ~~U. S.~~ Federal Reserve has indicated ~~its intention~~ **that such increases have ceased going into 2024, uncertainty remains as** to ~~continue to raise benchmark interest~~ **when or if such elevated** rates **may be decreased** ~~into 2023 in an effort to curb inflationary pressure on the costs of goods and services across the U~~ . ~~S.~~ **To the extent rates remain high** , ~~which~~ **this** could have the effects of raising the cost of capital and depressing economic growth, either of which – or the combination thereof – could hurt the financial and operating results of our business. To the extent elevated inflation remains, we may experience further cost increases for our operations, including services, labor costs and equipment if our drilling activity increases. Furthermore, higher crude oil and natural gas prices may cause the costs of materials and services to continue to rise. We cannot predict any future trends in the rate of inflation, and a significant increase in inflation, to the extent we are unable to recover higher costs through higher crude oil and natural gas prices and revenues, would negatively impact our business, financial condition and results of operations. Changes in the transportation industry, including the availability or reliability of transportation to supply our products and services, fluctuations in transportation costs, or changes in the way in which proppant or chemicals are transported to the well site, could impair the ability of our customers to take delivery of proppant or chemicals or make our products and services less attractive and thereby adversely impact our business. The transportation industry is subject to possible legislative and regulatory changes that may affect the economics of the industry by requiring changes in operating practices or by changing the demand for common or contract carrier services or the cost of providing truckload services, whether due in part to insufficient availability of workers to provide adequate levels of staffing, insufficient replacement vehicles, parts or other commodities from our third- party vendors in the supply chain, or otherwise. Disruption of transportation services due to factors outside of our control, including shortages of rail cars or trucks, insufficient available workforce or supply chain- provided commodities, increased costs associated with transportation services, extreme weather- related events, accidents, strikes, lockouts, increased regulation, more stringent railcar or safety regulatory initiatives, or other events could temporarily impair the ability of our customers to take delivery of our systems and proppant or chemicals at the well site or affect the provision of last mile ~~services~~ **17services** . Accordingly, if there are disruptions of the products or services utilized by our customers (whether these products or services are provided by us or a third party vendor), and they are unable to find alternative transportation providers, our business could be adversely affected. Additionally, alternative transportation methods for transporting and delivering proppant or chemicals to the well site could make our product offerings and services less attractive than those of our competitors and affect our results of operations. ~~13Our~~ -- **Our** business is subject to inherent risks some of which are beyond our control such as disasters and extreme or seasonal weather events. These risks may be self- insured or may not be fully covered under our insurance policies. Our assets and operations may be affected by natural or man- made disasters and other external events such as extreme weather events associated with tornados, extreme periods of drought or otherwise that may disrupt our business, including manufacturing and field operations. Further, because our operations are located in different regions of the United States, there exists variability in seasonal weather events, which may include periods of heavy snow, ice or rain. These hazards can also cause personal injury and loss of life, severe damage to and destruction of property and equipment, pollution or environmental damage, and suspension or cancellation of operations by us or our customers, thereby reducing the demand for our systems and services and our ability to generate revenues. In addition, our operations are subject to, and exposed to, employee / employer liabilities and risks such as wrongful termination, discrimination, labor organizing, retaliation claims and general human resource related matters. We do not have insurance against all foreseeable risks and we may not be able to maintain adequate insurance in the future at rates we consider reasonable. The occurrence of a significant event or adverse claim in excess of the insurance coverage that we maintain or that is not covered by insurance could have a material adverse effect on our liquidity, results of operations and financial condition. Reliance upon a few large customers may adversely affect our revenue and operating results. We derive, and may continue to derive, a significant portion of our revenue from a relatively small number of customers and the operations of our customers have and may continue to experience delays or disruptions and temporary suspensions of operations. We typically do not enter into long- term contractual agreements with our customers and if we were to lose any material customer, we may not be able to redeploy our equipment at similar utilization or pricing levels or within a short period of time and such loss could have a material adverse effect on our business until the equipment is redeployed at similar utilization or pricing levels. Events outside of our control, including a pandemic or outbreak of an infectious disease, political unrest **, armed conflicts** and economic recessions occurring around the globe, could materially adversely affect our business, liquidity, results of operations and financial condition. We face risks that are outside of our control which could significantly disrupt the demand for oil and natural gas and our products and services, and adversely impact our operations and financial condition. These risks include, but are not limited to: ● (i) **epidemics or** ~~the ongoing COVID- 19 pandemic~~ **pandemics** ~~and~~ **, including** the ~~extent to which it has caused and~~ **effects of related public health concerns that** may ~~continue to~~ cause business disruptions, ~~disrupted~~ -- **disrupt** the oil and gas industry and global supply chains, negatively ~~impacted~~ -- **impact** the global economy, ~~reduced~~ - **reduce** global demand for oil and gas and ~~created~~ - **create** significant volatility and disruption of financial and commodity markets; and ● (ii) the occurrence or threat of terrorist attacks in the United States or other countries, anti- terrorist efforts and other armed conflicts involving the United States or other countries, including continued hostilities around the globe, ~~including~~ **such as the war between Ukraine and Russia, the conflict between Israel and Hamas, and the regional conflict** in the Middle East **.** ~~and the conflict in Ukraine~~ . The degree to which events outside of our control adversely impact our results will also depend on future developments, which are highly uncertain and cannot be predicted. These and other factors can, individually or collectively contribute to unprecedented negative global economic impacts, including a significant decrease in demand. ~~While~~ **18While** we expect these matters discussed above will continue to disrupt our operations in some way, the degree of the adverse financial impact cannot be reasonably estimated at this time. We may grow through acquisitions and our failure to properly plan and manage those acquisitions may adversely affect our performance. We have completed and may, in the future, pursue asset acquisitions or acquisitions of businesses. We must plan and manage any acquisitions and integrations effectively to achieve revenue growth and maintain profitability in our ~~14evolving~~ -- **evolving** market. If we fail to manage acquisitions and integrations effectively, our results of operations could be adversely affected. We engage in transactions with related parties and such transactions present possible conflicts of interest that could have an adverse effect on us. We have entered into transactions with related parties. The details of certain of these transactions are set forth in Note 13. “ Related Party Transactions ” under Part II, Item 8. “ Financial Statements and Supplementary Data. ” Related party transactions create the possibility of conflicts of interest with regard to our management or directors. Such a conflict could cause an individual in our management or on our board of directors to seek to advance his or her economic interests above ours. Further, the appearance of conflicts of interest created by related party transactions could impair the confidence of our investors. Our board of directors, or a committee thereof, regularly reviews these transactions. Notwithstanding this, it is possible that a conflict of interest could have a material adverse effect on our liquidity, results of operations and financial condition. Our failure to protect our proprietary information and intellectual property rights, or any successful intellectual property challenges or infringement proceedings against us, could result in a loss in our competitive advantage or market share. Because of the technical nature of our business, we rely on a combination of patent, copyright, trademark and trade secret laws, and restrictions on disclosure to protect our intellectual property. We also rely on third- party intellectual property licenses in connection with our business. We may not be able to successfully preserve these intellectual property rights in the future or they may be invalidated. Third parties may knowingly or unknowingly infringe our patents or other proprietary rights, third parties may challenge patents or proprietary rights held by us, and pending and future trademark and patent applications may not be approved. It is possible that our competitors or others could independently develop the same or similar technologies or otherwise obtain access to our unpatented technologies. Policing unauthorized use of intellectual property rights can be difficult and expensive, and adequate remedies may not be available. Alternatively, third parties may initiate litigation against us by asserting that the conduct of our business infringes, misappropriates or otherwise violates intellectual property rights and we may be required to obtain necessary licenses or substantially re- engineer our products in order to avoid infringement. Failure to protect, monitor and control the use of our existing intellectual property rights or any successful intellectual property challenges or infringement proceedings against us could materially and adversely affect our competitive advantage and result in us being enjoined from using or offering such products or technology and cause us to incur significant expenses. Technological advancements in well service products and technologies, including those that reduce the amount of proppant or chemicals required for hydraulic fracturing operations, could have a material adverse effect on our business, financial condition and results of operations. Our industry is characterized by rapid and significant technological advancements and introductions of new products and services using new technologies. As competitors and others use or develop new technologies, or technologies comparable to ours, in the future, we may lose market share or be placed at a competitive disadvantage. Further, we may face competitive pressure to implement or acquire certain new technologies at a substantial cost. Some of our competitors may have greater financial, technical and personnel resources than we do, which may allow them to gain technological advantages or implement new technologies more rapidly than us. Limits on our ability to effectively use, implement or adapt to new technologies may have a material adverse effect on our business, financial condition and results of operations. ~~We~~ **19We** are subject to cyber security risks **. A cyber incident** ~~and potential interruptions or failures in our information technology systems, the occurrence of which~~ could **occur and** result in information theft, data corruption, operational disruption and / or financial loss. ~~We~~ **The oil and natural gas industry has become increasingly dependent on digital technologies to conduct certain processing activities. For example, we** depend on digital ~~and information~~ technologies ~~and infrastructure~~ to ~~support our business, deliver our systems and~~ perform many of our services and to process and record financial and operating data **and to** ~~. Additionally, in the ordinary course of our business, we~~ collect and store sensitive data, including our proprietary business information and personally identifiable information of our employees. **At the same time, cyber incidents, including deliberate attacks, have increased. The U. S. government has issued public warnings that indicate that energy assets might be specific targets of cyber security threats.** Our technologies, systems and networks, and those of our ~~customers, 15vendors~~ -- **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** ~~This could result in significant losses~~ , **certain cyber incidents** ~~loss of customers and business opportunities~~ , ~~reputation damage~~ **such as surveillance** , **may remain undetected** ~~litigation, regulatory fines, penalties or~~ **for an extended period** ~~intervention, reimbursement or other compensatory costs, or otherwise adversely affect our business, financial condition or results of operations~~ . Our systems and ~~controls~~ **insurance coverage** for protecting against cyber security risks, **including cyberattacks** ~~and those used by our business partners~~ , may not be sufficient **and may not protect against or cover all of the losses (including potential reputational loss) we may experience as a result of the realization of such risks** . As cyber incidents continue to evolve, we **may** ~~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 ~~systems~~ **insurance coverage for cyberattacks** may ~~also~~ **not** be ~~susceptible~~ **sufficient** to **cover all the** ~~outages due to fire, floods, power loss~~ **losses we may experience as a** ~~, usage errors by employees, computer viruses or other breaches. Any material disruption in our information technology systems or systems that affect our business operations, delays or difficulties in implementing or integrating new systems or enhancing current systems, or any vulnerabilities rending data or systems unusable following any mandated remote work situations, could have an adverse effect on our business and results~~ **result** of ~~operations~~ **such cyberattacks** . We rely on a few key employees whose absence or loss could adversely affect our business. Many key responsibilities within our business have been assigned to a small number of employees. The loss of their services, whether permanently or temporarily could adversely affect our business. We do not have any written employment agreements with our executives at this time. Further, we do not maintain" key person" life insurance policies on any of our employees. As a result, we are not insured against any losses resulting from the death of our key employees. If we are unable to access the services of a sufficient number of skilled and qualified workers, or are required to significantly increase wages to attract or retain such workers, our capacity and profitability could be diminished and our growth potential could be impaired. The manufacture and delivery of our products and performance of our services requires skilled and qualified workers with specialized skills and experience who can perform physically demanding work. As a result of the volatility of the oilfield services industry and the demanding nature of the work, workers may choose to pursue employment in fields that offer a more desirable work environment at wage rates that are competitive. Increased competition for their services could result in a loss of available, skilled workers or at a price that is not as advantageous to our business, both of which could negatively affect our operating results. Though our historical turnover rates have been significantly lower than those of our competitors, if we are unable to retain or meet growing demand for skilled technical personnel, our operating results and our ability to execute our growth strategies may be adversely affected. We are subject to extensive government laws and regulations concerning our employees, and the cost of compliance with such laws and regulations could be material. Regulations related to wages and other compensation affect our business. Any appreciable increase in applicable employment laws and regulations, including the statutory minimum wage, exemption levels, or overtime regulations, could result in an increase in labor costs. Such cost increases, or the penalties for failing to comply with such statutory minimums, could adversely affect our business, financial condition, results of operations and cash available for distribution to our shareholders. Additionally, any changes in employment, benefit plan, tax or labor laws or regulations or new regulations proposed from time to time, could have a material adverse effect on our employment practices, our business, financial condition, results of operations and cash available for distribution to our shareholders. ~~Unsatisfactory~~ **20Unsatisfactory** safety performance may negatively affect our customer relationships and, to the extent we fail to retain existing customers or attract new customers, adversely impact our revenues. Our ability to retain existing customers and attract new business is dependent on many factors, including our ability to demonstrate that we can reliably and safely operate our business in a manner that is consistent with applicable laws, rules and permits, which legal requirements are subject to change. Multiple or particularly severe accidents and high employee turnover can contribute to a deterioration of our safety record. If one or more accidents were to occur in connection with the use of our systems or performance of our services, the affected customer may seek to terminate or ~~16cancel~~ -- **cancel** its use of our services which could cause us to lose substantial revenues. Furthermore, our ability to attract new customers may be impaired if they elect not to engage us because they view our safety record as unacceptable. Risks Related to Financial Condition: Our business depends on domestic capital spending by the oil and natural gas industry, and reductions in capital spending could have a material adverse effect on our liquidity, results of operations and financial condition. Our business is directly affected by capital spending to explore for, develop and produce oil and natural gas in the United States. The oil and natural gas industry is cyclical and historically has experienced periodic downturns in activity. If oil and natural gas prices decline below current levels for an extended period of time, certain of our customers may be unable to pay their vendors and service providers, including us, as a result of the decline in commodity prices. Reduced activity in our areas of operation as a result of decreased capital spending may also have a negative long- term impact on our business, even in an environment of stronger oil and natural gas prices. Any of these conditions or events could adversely affect our operating results. Industry conditions are influenced by numerous factors over which we have no control, including, but not limited to: ● expected economic returns to E & P companies of new well completions; ● global political and economic conditions and supply of and demand for oil and natural gas; ● the level of prices, and expectations about future prices, of oil and natural gas; ● the level of global oil and natural gas exploration and production, and inventories; ● the supply of and demand for hydraulic fracturing equipment and consumables in the United States, including the supply and demand for lower emissions hydraulic fracturing equipment; ● the supply of consumables used in hydraulic fracturing, including proppant and water; ● federal, state and local regulation of hydraulic fracturing and exploration and production activities; ● laws, regulations and taxes, including the policies of governments regarding the exploration for and production and development of their oil and natural gas reserves; ● the supply and demand dynamics for crude oil and natural gas, which may be impacted by actions of global hydrocarbon producers, including members of OPEC; ● global or national health concerns including health epidemics; ● political or civil unrest in the United States or elsewhere; ● advances in exploration, development and production technologies or in technologies affecting energy consumption; and ● the potential acceleration of development of alternative fuels or sources of energy. We may be adversely affected by uncertainty in the global financial markets or the deterioration of the financial condition, and resulting credit risk, of our customers. Our future results may be impacted by the uncertainty caused by an economic downturn, weak economic conditions and widespread financial distress, volatility or deterioration in the debt and equity capital markets, inflation, deflation or other adverse economic conditions that may negatively affect us or parties with whom we do business resulting in a reduction in our customers' spending and their non- payment or inability to perform obligations owed to us, such as the failure of customers to honor their commitments or the failure of major suppliers to complete orders. Additionally, during times when the natural gas or crude oil markets weaken, our customers are more likely to experience financial difficulties, including being unable to access debt or equity financing, which could result in a reduction in our customers' ~~spending~~ **21spending** for our systems and services. In addition, increased interest rates, whether resulting from inflationary concerns or otherwise, may prevent our customers from being able to obtain debt financing at favorable rates, or at all. Our credit procedures and policies may not be adequate to fully reduce customer credit risk. If we are unable to adequately assess the creditworthiness of existing or future customers or unanticipated deterioration in their creditworthiness, any resulting bankruptcy or increase in nonpayment or nonperformance by them and our inability to re- market or otherwise use our equipment could have a material adverse effect on our business, financial condition, prospects or results of operations. ~~17Our~~ -- **Our** Credit Agreement subjects us to various financial and other restrictive covenants. These restrictions may limit our operational or financial flexibility and could subject us to potential defaults under our Credit Agreement. Our Credit Agreement subjects us to significant financial and other restrictive covenants, including, but not limited to, restrictions on incurring additional debt and certain distributions, as well as a certain leverage ratio and minimum fixed charge coverage ratio we must maintain. Please see Part II, Item 7. ~~"~~ **“** Management ~~'~~ **’** s Discussion and Analysis of Financial Condition and Results of Operation — Debt Agreements. ~~"~~ **”** Our ability to comply with these financial condition tests can be affected by events beyond our control. If we are unable to remain in compliance with the financial covenants of our Credit Agreement, then amounts outstanding thereunder may be accelerated and become due immediately or we may be unable to access the funds available. Any such acceleration could have a material adverse effect on our financial condition and results of operations. Our ability to use our net operating loss (“ NOL ”) carryovers may be limited. As of December 31, ~~2022~~ **2023** , the Company had approximately $ ~~234~~ **226** . 0 million of **U. S.** federal NOL carryovers and $ ~~52~~ **49** . ~~2~~ **4** million of state NOL carryovers. $ ~~168~~ **169** . ~~2~~ **9** million of our **U. S.** federal NOL carryovers have no expiration date and the remaining **U. S.** federal ~~and~~ NOL carryovers expire in 2037. $ ~~28~~ **26** . 1 million of our state NOL carryovers will expire in varying amounts beginning in 2037. Utilization of our NOLs depends on many factors, including our future income, which cannot be assured. In addition, Section 382 of the Internal Revenue Code of 1986, as amended (the “ Code ”), generally imposes an annual limitation on the amount of NOLs that may be used to offset taxable income when a corporation has undergone an “ ownership change ” (as determined under Section 382 of the Code). In the event that an ownership change has occurred, or were to occur, with respect to us, utilization of our NOLs would be subject to an annual limitation under Section 382 of the Code. Any unused annual limitation may be carried over to later years. If we were to undergo an ownership change, some ~~or all~~ of our U. S. federal NOLs could expire before they can be used. In addition, future ownership changes or changes to the U. S. tax laws could limit our ability to utilize our NOLs. To the extent we are not able to offset our future income with our NOLs, this could adversely affect our operating results and cash flows ~~if we attain profitability~~ . Risks Related to Regulatory MattersLaws, regulations, executive orders and other regulatory initiatives relating to hydraulic fracturing could increase our and our customers' costs of doing business and result in restrictions, delays or cancellations that may serve to limit future oil and natural gas exploration and production activities and could have a material adverse effect on our business, results of operations and financial condition. Although we do not directly engage in hydraulic fracturing, our operational services support our E & P customers in such activities. The practice continues to be controversial, resulting in increased scrutiny and regulation of the hydraulic fracturing process, including by federal and state agencies and local municipalities. Additionally, with concerns about seismic activity being triggered by the injection of produced wastewaters into underground disposal wells, certain regulators are also considering or have adopted additional requirements related to seismic safety for hydraulic fracturing activities. Our customers' inability to locate or contractually acquire and sustain the receipt of sufficient amounts of water could also adversely impact their exploration and production operations and result in a corresponding reduction in demand for our services. See Part I, Item 1. " Business – Environmental and Occupational Health and Safety Regulations " for more discussion on these hydraulic fracturing, seismicity and water availability matters. The adoption of any federal, state or local laws or the implementation of regulations or issuance of executive orders regarding hydraulic fracturing, seismic activities, or leasing activities on federal properties, or the inability of our customers to maintain adequate water supplies could potentially cause a decrease in the completion of new oil and gas wells and an associated decrease in demand for our services and increased compliance costs and time, which could have a material adverse effect on our business, results of operations, and financial condition. ~~We~~ **22We** are subject to environmental and occupational health and safety laws and regulations that may expose us to significant costs and liabilities. Our operations and the operations of our customers are subject to stringent federal, tribal, state and local laws and regulations governing worker health and safety, protection of the environment, including natural resources, endangered ~~18or~~ **or** threatened species or their habitat and migratory birds, and the management, transportation and disposal of wastes and other materials. In addition, our business activities present risks of incurring significant environmental costs and liabilities, including costs and liabilities resulting from our management, transportation and disposal of regulated materials, such as oilfield and other wastes, because of air emissions and wastewater discharges related to our operations, and due to historical oilfield industry operations and waste disposal practices. Additionally, our operations are subject to legal requirements whose purpose is to protect the health and safety of our workers including, for example, standards relating to human exposure to crystalline silica as a result of hydraulic fracturing- related activities. Failure to comply with environmental and occupational safety laws and regulations may trigger a variety of administrative, civil and criminal enforcement measures, including the assessment of monetary penalties, the imposition of investigatory, remedial and curative requirements or the occurrence of restrictions, delays or cancellations in the permitting, development or expansion of projects and the issuance of orders enjoining future operations in affected areas. See Part I, Item 1. " Business – Environmental and Occupational Health and Safety Regulations " for more discussion on these matters. Our costs to comply with existing or any new environmental or occupational health and safety laws, regulations and executive actions could impact us and our customers, increase the costs associated with our business or reduce demand for our services, any of which could have a material adverse effect on our business, results of operations and financial condition. Our and our customers' operations are subject to a number of risks arising out of the threat of climate change, energy conservation measures or initiatives that stimulate demand for alternative forms of energy that could result in increased operating and capital costs for our customers and reduced demand for the products and services we provide. The threat of climate change continues to attract considerable attention in the United States and foreign countries. As a result, numerous proposals have been made and are likely to continue to be made at the international, national, regional and state levels of government related to the production and processing of fossil fuels and to monitor and limit emissions of GHGs as well as to eliminate such future emissions. For example, the Inflation Reduction Act, signed into law in August 2022, appropriates significant federal funding for renewable energy initiatives and incentives, and imposes the first- ever federal fee on excess methane emissions from certain oil and gas facilities. These and other actions could accelerate the transition away from fossil fuels and reduce demand for hydrocarbons, therefore reducing demand for our products and services. Moreover, climate change- related regulatory initiatives to reduce carbon- based emissions may result in fuel conservation measures, alternative fuel requirements and increasing consumer demand for alternatives to oil and natural gas, which could reduce demand for the oil and natural gas our customers produce and reduce the demand for our products and services. The SEC has additionally proposed a new rule that would require certain climate- related disclosures from registrants, which is expected to be finalized in ~~2023~~ **2024 . Certain states have also enacted or are otherwise considering climate- related disclosure requirements** . To the extent that provisions of this rule are finalized, we could face increased costs associated with making the disclosures, and we cannot predict how any information disclosed may be considered by investors or financial institutions, which could impact costs of, or restrictions on, our or our customers' access to capital. See Part I, Item 1. " Business – Environmental and Occupational Health and Safety Regulations " for more discussion on the threat of climate and restriction of GHG emissions. The adoption and implementation of any international, federal, regional or state legislation, executive actions, regulations or other regulatory initiatives that impose more stringent standards that restrict the areas in which this sector may produce oil and natural gas or generate GHG emissions could result in increased compliance costs or costs of consuming fossil fuels, which could reduce demand for our products and services and could have a material adverse effect on our business, financial condition, results of operations and cash flows and revenues. ~~Increasing~~ **23Increasing** attention to environmental, social and governance (" ESG ") matters may impact our business. Increasing attention to climate change, increasing societal expectations on companies to address climate change, and potential consumer use of substitutes to fossil- fuel energy commodities may result in increased costs, reduced demand for our customers' hydrocarbon products and our products and services, reduced profits, increased governmental investigations and private litigation against us, and negative impacts on our stock price and access to capital markets. Increasing attention to climate change and environmental conservation, for example, may result in demand shifts for our customers' hydrocarbon products and additional governmental investigations and private litigation against those customers. To the extent that societal pressures or political or other factors are involved, it is possible that such liability ~~19could~~ -- **could** be imposed without regard to our causation of or contribution to the asserted damage, or to other mitigating factors. As part of our ongoing effort to enhance our ESG practices, management regularly reports to our Board of Directors regarding our ESG policies. The goal is to integrate actions taken currently by us regarding ESG issues, to assure corporate governance for a complex assessment of the environmental impact of our products and activities, and to set a framework for the identification of sustainable development risks. While we may elect to seek out various voluntary ESG targets now or in the future, such targets are aspirational. We may not be able to meet such targets in the manner or on such a timeline as initially contemplated, including as a result of unforeseen costs or technical difficulties associated with achieving such results. To the extent we elected to pursue such targets and were able to achieve the desired target levels, such achievement may have been accomplished as a result of entering into various contractual arrangements, including the purchase of various credits or offsets that may be deemed to mitigate our ESG impact instead of actual changes in our ESG performance. Notwithstanding our election to pursue aspirational targets now or in the future, we may receive pressure from investors, lenders or other groups to adopt more aggressive climate or other ESG- related goals, but we cannot guarantee that we will be able to implement such goals because of potential costs or technical or operational obstacles. In addition, organizations that provide information to investors on corporate governance and related matters have developed ratings processes for evaluating companies on their approach to ESG matters. Such ratings are used by some investors to inform their investment and voting decisions. Unfavorable ESG ratings may lead to increased negative investor sentiment toward us or our customers and to the diversion of investment to other industries which could have a negative impact on our stock price and / or our access to and costs of capital. Also, institutional lenders may decide not to provide funding for fossil fuel energy companies or the corresponding infrastructure projects based on climate change related concerns, which could affect our or our customers' access to capital for potential growth projects, which can adversely affect our business. Further, while we may participate in various voluntary frameworks and certification programs to improve the ESG profile of our operations and products, we cannot guarantee that such participation or certification will have the intended results on our or our products' ESG profile. Such ESG matters may also impact our customers, which may adversely impact our business, financial condition or results of operations. Anti- indemnity provisions enacted by many states may restrict or prohibit a party' s indemnification of us. We typically enter into agreements with our customers governing the use and operation of our systems and services, which usually include certain indemnification provisions for losses resulting from operations. Such agreements may require each party to indemnify the other against certain claims regardless of the negligence or other fault of the indemnified party; however, many states place limitations on contractual indemnity agreements, particularly agreements that indemnify a party against the consequences of its own negligence. Furthermore, certain states, including Louisiana, New Mexico, Texas and Wyoming have enacted statutes generally referred to as" oilfield anti- indemnity acts" expressly prohibiting certain indemnity agreements contained in or related to oilfield services agreements. Such anti- indemnity acts may restrict or void a party' s indemnification of us, which could have a material adverse effect on our business, financial condition, prospects and results of operations. **Changes to applicable tax laws and regulations or exposure to additional income tax liabilities could affect our business and future profitability. We are subject to various complex and evolving U. S. federal, state and local taxes. U. S. federal, state and local tax laws, policies, statutes, rules, regulations or ordinances could be interpreted, changed, modified or applied adversely to 24us, in each case, possibly with retroactive effect. Any significant variance in our interpretation of current tax laws or a successful challenge of one or more of our tax positions by the Internal Revenue Service or other tax authorities could increase our future tax liabilities and have an adverse effect on our business and future profitability.** Risks Related to Our Class A Common StockSolaris Inc. is a holding company. Solaris Inc.' s sole material asset is its equity interest in Solaris LLC and Solaris Inc. is accordingly dependent upon distributions from Solaris LLC to pay taxes, make payments under the Tax Receivable Agreement and cover its corporate and other overhead expenses. Solaris Inc. is a holding company and has no material assets other than its equity interest in Solaris LLC. Solaris Inc. has no independent means of generating revenue. To the extent that Solaris Inc. needs funds, including to make payments under the Tax Receivable Agreement, and Solaris LLC or its subsidiaries are restricted from making such distributions or payments under applicable law or regulation or under the terms of the Credit Agreement or any future financing arrangements, or are otherwise unable to provide such funds, Solaris Inc.' s liquidity and financial condition could be materially adversely affected. ~~20Our~~ -- **Our** stock price could be volatile, and you may not be able to resell shares of your Class A common stock at or above the price you paid. The stock markets in general have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our Class A common stock. In addition, the market price of our Class A common stock may fluctuate significantly in response to a number of factors outside of our control, including public reaction to our releases and filings, actions by our competitors and actions by our stockholders. Additionally, if our results fail to meet analyst expectations or if analysts cease coverage of our Company, fail to publish reports on us regularly, or downgrade our Class A common stock, our stock price or trading volume could decline. Volatility in the market price of our Class A common stock may prevent you from being able to sell your Class A common stock at or above the price at which you purchased the stock. As a result, you may suffer a loss on your investment. Securities class action litigation has often been instituted against companies following periods of volatility in the overall market and in the market price of a company' s securities. Such litigation, if instituted against us, could result in substantial costs, divert our management' s attention and resources and harm our business, operating results and financial condition. Future sales of our Class A common stock in the public market, or the perception that such sales may occur, could reduce our stock price, and any additional capital raised by us through the sale of equity or convertible securities may dilute your ownership in us. We may sell additional shares of our Class A common stock in subsequent offerings. In addition, subject to certain limitations and exceptions, the ~~Original Investors~~ **holders of interest in Solaris LLC** may redeem their **non- controlling interest related to the portion of the units in Solaris LLC ("** Solaris LLC Units **")** (together with a corresponding number of shares of Class B common stock) for shares of Class A common stock (on a one- for- one basis, subject to conversion rate adjustments for stock splits, stock dividends and reclassification and other similar transactions) and then sell those shares of Class A common stock. Sales of substantial amounts of our Class A common stock (including shares issued in connection with an acquisition), or the perception that such sales could occur, may adversely affect prevailing market prices of our Class A common stock. Holders of our Class A common stock may not receive dividends on our Class A common stock. We declared our first dividend to Class A stockholders in the fourth quarter of 2018 and have continued to declare dividends on a quarterly basis. See Part II, Item 5. " Market for Registrant' s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities " of this Annual Report. We are not required to declare future dividends and holders of our Class A common stock are entitled to receive only such dividends as our board of directors may declare. Any determination to pay dividends and other distributions in cash, stock or property by us in the future will be dependent on then- existing conditions, including business conditions, our financial condition, results of ~~operations~~ **25operations** , liquidity, capital requirements, contractual restrictions including restrictive covenants contained in debt agreements and other factors. Our principal stockholders collectively hold a significant amount of the voting power of our common stock. Holders of Class A common stock and Class B common stock vote together as a single class on all matters presented to our stockholders for their vote or approval, except as otherwise required by applicable law or our certificate of incorporation **. Our** ~~, and the members of Solaris LLC immediately prior to~~ **two largest beneficial owners** ~~the IPO (collectively~~ , ~~the " Original Investors ")~~ **Yorktown Energy Partners X, L. P. and William A. Zartler** own a substantial majority of our Class B common stock, which represents approximately ~~30~~ **32** % of our combined economic interest and voting power. Although ~~the Original~~ **our largest** ~~Investors~~ **investors** are entitled to act separately in their own respective interests with respect to their ownership in us, if ~~the~~ **they** ~~Original Investors~~ choose to act in concert, they will together have the ability to strongly influence the election of the members of our board of directors, and thereby our management and affairs. In addition, they will be able to strongly influence the outcome of all matters requiring stockholder approval, including mergers and other material transactions. The existence of significant stockholders may also have the effect of deterring hostile takeovers, delaying or preventing changes in control or changes in management, or limiting the ability of our other stockholders to approve transactions that they may deem to be in the best interests of our company. Moreover, this concentration of stock ownership may also adversely affect the trading price of our Class A common stock to the extent investors perceive a disadvantage in owning stock of a company with a ~~controlling~~ **large** stockholder. ~~21Certain~~ -- **Certain** Designated Parties are not limited in their ability to compete with us, and the corporate opportunity provisions in our amended and restated certificate of incorporation could enable such Designated Parties and their respective affiliates to benefit from corporate opportunities that might otherwise be available to us. Our governing documents provide that Yorktown, Wells Fargo Central Pacific Holdings, Inc. and our directors who are not also our officers, including William A. Zartler, our Chief Executive Officer and the Chairman of our board of directors, and their respective portfolio investments and affiliates (collectively, the" Designated Parties") are not restricted from owning assets or engaging in businesses that compete directly or indirectly with us. In particular, subject to the limitations of applicable law, our amended and restated certificate of incorporation, among other things: ● permits such Designated Parties to conduct business that competes with us and to make investments in any kind of property in which we may make investments; and ● provides that if such Designated Parties, or any employee, partner, member, manager, officer or director of such Designated Parties who is also one of our directors, becomes aware of a potential business opportunity, transaction or other matter, they will have no duty to communicate or offer that opportunity to us. The Designated Parties may become aware, from time to time, of certain business opportunities (such as acquisition opportunities) and may direct such opportunities to other businesses in which they have invested, in which case we may not become aware of or otherwise have the ability to pursue such opportunity. Furthermore, such businesses may choose to compete with us for these opportunities, possibly causing these opportunities to not be available to us or causing them to be more expensive for us to pursue. In addition, the Designated Parties may dispose of oil and natural gas service assets in the future, without any obligation to offer us the opportunity to purchase any of those assets. As a result, our renouncing our interest and expectancy in any business opportunity that may be from time to time presented to the Designated Parties could adversely impact our business or prospects if attractive business opportunities are procured by such parties for their own benefit rather than for ours or become more expensive for us to pursue. Certain of our directors, including our Chairman and Chief Executive Officer, have significant duties with, and spend significant time serving, entities that may or may not compete with us and, accordingly, may have conflicts of interest in allocating time or pursuing business opportunities. Certain of our executive officers and directors, who are responsible for managing the direction of our operations, hold positions of responsibility with other entities (including affiliated entities) that are in the oil and natural gas industry. These executive officers and directors may have conflicts of interest in allocating their time between these entities or whether to present potential business opportunities to other entities prior to presenting them to us, which could ~~cause~~ **26cause** additional conflicts of interest. They may also decide that certain opportunities are more appropriate for other entities with which they are affiliated, and as a result, they may elect not to present those opportunities to us. These conflicts may not be resolved in our favor. For additional discussion of our **executive officers and** directors' business affiliations and the potential conflicts of interest of which our stockholders should be aware, see Note 13. " Related Party Transactions " under Part II, Item 8. " Financial Statements and Supplementary Data. " Our amended and restated certificate of incorporation and amended and restated bylaws, as well as Delaware law, contain provisions that could discourage acquisition bids or merger proposals, which may adversely affect the market price of our Class A common stock and could deprive our investors of the opportunity to receive a premium for their shares. Our amended and restated certificate of incorporation authorizes us to issue, without the approval of our stockholders, one or more classes or series of preferred stock having such designations, preferences, limitations and relative rights, including preferences over our Class A common stock respecting dividends, voting rights, rights and terms of redemption, redemption price or prices and liquidation preferences of such series and distributions, as our board of directors may determine. The terms of one or more classes or series of preferred stock could adversely impact the voting power or value of our

Class A common stock. Similarly, the repurchase or redemption rights or liquidation preferences we might assign to holders of preferred stock could affect the residual value of the Class A common stock. ~~22If~~ **If** our board of directors elects to issue preferred stock, it could be more difficult for a third party to acquire us. In addition, some provisions of our amended and restated certificate of incorporation and amended and restated bylaws could make it more difficult for a third party to acquire control of us, even if the change of control would be beneficial to our stockholders. These provisions include, among other things: a staggered, or classified, board of directors; permitting the majority of directors then in office, even if less than a majority, the right to fill vacancies; restricting the ability of stockholders to act by written consent or call special meetings of stockholders; supermajority requirements (75 %) to remove directors from office; prohibitions on cumulative voting of directors; advance notice requirements for stockholders proposals; and express power to our board of directors to adopt, or alter or repeal our bylaws. In addition, certain change of control events have the effect of accelerating the payments due under the Tax Receivable Agreement, which could be substantial and accordingly serve as a disincentive to a potential acquirer of our company. Please see ~~"~~ **“** — In certain cases, payments under the Tax Receivable Agreement may be accelerated and / or significantly exceed the actual benefits, if any, Solaris Inc. realizes in respect of the tax attributes subject to the Tax Receivable Agreement. ~~"~~ **”** Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents. Our amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will, to the fullest extent permitted by applicable law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees or agents to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, our amended and restated certificate of incorporation or our bylaws, or (iv) any action asserting a claim against us that is governed by the internal affairs doctrine, in each such case subject to such Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein. Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations promulgated thereunder. As a result, the exclusive forum provision will not apply to actions arising under the Exchange Act or the rules and regulations promulgated thereunder. However, Section 22 of the Securities Act provides for concurrent federal and state court jurisdiction over actions under the Securities Act and the rules and regulations promulgated thereunder, subject to a limited exception for certain “ covered class actions ” as defined in Section 16 of the Securities Act and interpreted by the courts. Accordingly, we believe that the exclusive forum provision would apply to actions arising under the Securities Act or the rules and regulations promulgated thereunder, except to the extent a particular action fell within the exception for covered class actions or the exception in the certificate of incorporation ~~described~~ **27described** above otherwise applied to such action, which could occur if the action also involved claims under the Exchange Act. Stockholders will not be deemed, by operation of Article 14 of the certificate of incorporation alone, to have waived claims arising under the federal securities laws and the rules and regulations promulgated thereunder. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of, and consented to, the provisions of our amended and restated certificate of incorporation. This choice of forum provision may limit a stockholder' s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, employees or agents, which may discourage such lawsuits against us and such persons. Alternatively, if a court were to find these provisions of our amended and restated certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations. Solaris Inc. will be required to make payments under the Tax Receivable Agreement for certain tax benefits that it may claim, and the amounts of such payments could be significant. In connection with the closing of the IPO, Solaris Inc. entered into the Tax Receivable Agreement with **members of Solaris LLC (each such person and any permitted transferee, a “ TRA Holder, ” and together,** the **“** TRA Holders **”** ~~(as defined herein~~). For additional information, see “ Payables Related to the Tax Receivable Agreement ” in Note 10. “ Income Taxes ” and Note ~~-~~13 **.** “ Related Party Transactions ” under Part II, Item 8. “ Financial Statements and ~~23Supplementary~~ -- **Supplementary** Data. ” The term of the Tax Receivable Agreement will continue until all tax benefits that are subject to the Tax Receivable Agreement have been utilized or expired, unless Solaris Inc. exercises its right to terminate the Tax Receivable Agreement (or the Tax Receivable Agreement is terminated due to other circumstances, including Solaris Inc.' s breach of a material obligation thereunder or certain mergers, asset sales or other forms of business combinations or other changes of control), and Solaris Inc. makes the termination payment specified in the Tax Receivable Agreement. Estimating the amount and timing of payments that may become due under the Tax Receivable Agreement is by its nature imprecise. For purposes of the Tax Receivable Agreement, cash savings in tax generally are calculated by comparing Solaris Inc.' s actual tax liability (determined by using the actual applicable United States federal income tax rate and an assumed combined state and local income and franchise tax rate) to the amount Solaris Inc. would have been required to pay had it not been able to utilize any of the tax benefits subject to the Tax Receivable Agreement. The actual increase in tax basis, as well as the amount and timing of any payments under the Tax Receivable Agreement, will vary depending upon a number of factors, including the timing of any redemption of Solaris LLC Units, the price of Solaris Inc.' s Class A common stock at the time of each redemption, the extent to which such redemptions are taxable transactions, the amount and timing of the taxable income Solaris Inc. generates in the future, the United States federal income tax rates then applicable, and the portion of Solaris Inc.' s payments under the Tax Receivable Agreement that constitute imputed interest or give rise to depreciable or amortizable tax basis. The payment obligations under the Tax Receivable Agreement are Solaris Inc. ~~'~~ **’** s obligations and not obligations of Solaris LLC, and Solaris Inc. expects that the payments it will be required to make under the Tax Receivable Agreement will be substantial. The payments under the Tax Receivable Agreement are not conditioned upon a holder of rights under the Tax Receivable Agreement having a continued ownership interest in Solaris Inc. or Solaris LLC. Solaris LLC may make tax distributions to Solaris Inc. in order for Solaris Inc. to satisfy its obligations under the Tax Receivable Agreement and will be required to distribute cash pro rata to each of the other members of Solaris LLC, in accordance with the number of Solaris LLC Units owned by each member at that time. For additional information regarding the Tax Receivable Agreement, see Note 10. " Income Taxes " under Part II, Item 8. " Financial Statements and Supplementary Data. " In certain cases, payments under the Tax Receivable Agreement may be accelerated and / or significantly exceed the actual benefits, if any, Solaris Inc. realizes in respect of the tax attributes subject to the Tax Receivable Agreement. If we experience a change of control (as defined in the Tax Receivable Agreement), which includes certain mergers, asset sales and other forms of business combinations, or the Tax Receivable Agreement terminates early, we would be required to make a substantial, immediate lump- sum payment. This payment would equal the present value of ~~hypothetical~~ **28hypothetical** future payments that could be required to be paid under the Tax Receivable Agreement (determined by applying a discount rate ~~of one year London Interbank Offered~~ **equal to the 12- month term Secured Overnight Financing** Rate (" ~~LIBOR~~ **SOFR** ") **published by CME Group Benchmark Administration Limited** plus ~~100~~ **71. 513** basis points). The calculation of hypothetical future payments will be based upon certain assumptions and deemed events set forth in the Tax Receivable Agreement, including that (i) Solaris Inc. has sufficient taxable income to fully utilize the tax benefits covered by the Tax Receivable Agreement (including having sufficient taxable income to currently utilize any accumulated NOL carryforwards) and (ii) any Solaris LLC Units (other than those held by Solaris Inc.) outstanding on the termination date are deemed to be redeemed on the termination date. Any early termination payment may be made significantly in advance of, and may materially exceed, the actual realization, if any, of the future tax benefits to which the termination payment relates. If we experience a change of control, such potential termination payment could have a substantial negative impact on Solaris Inc.' s liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales or other forms of business combinations or changes of control. For example, if the Tax Receivable Agreement were terminated immediately after the filing of this Annual Report the estimated termination payments would, in the aggregate, be approximately $ ~~74~~ **69** . ~~6~~ **9** million (calculated using a discount rate equal to ~~one year LIBOR~~ **the 12- month term SOFR published by CME Group Benchmark Limited** plus ~~100~~ **71. 513** basis points, applied against an undiscounted liability of $ ~~94~~ **88** . ~~8~~ **6** million, based upon the last reported closing sale price of our Class A common stock on December 31, ~~2022~~ **2023**). The foregoing number is merely an estimate and the actual payment could differ materially. There can be no assurance that we will be able to finance our obligations under the Tax Receivable Agreement. Please read Note 10. " Income Taxes " under Part II, Item 8. " Financial Statements and Supplementary Data " for additional information. ~~24Additionally~~ -- **Additionally** , holders of our Class A common stock could receive substantially less consideration in connection with a change of control transaction than they would receive in the absence of such obligation. Further, Solaris Inc.' s payment obligations under the Tax Receivable Agreement will not be conditioned upon the TRA Holders having a continued interest in Solaris Inc. or Solaris LLC. Accordingly, the TRA Holders' interests may conflict with those of the holders of our Class A common stock. Finally, payments under the Tax Receivable Agreement will be based on the tax reporting positions that we will determine. The TRA Holders will not reimburse us for any payments previously made under the Tax Receivable Agreement if any tax benefits that have given rise to payments under the Tax Receivable Agreement are subsequently disallowed. As a result, in such circumstances, we could make payments that are greater than our actual cash tax savings, if any, and may not be able to recoup those payments, which could adversely affect our liquidity. The requirements of being a public company, including compliance with the reporting requirements of the Exchange Act, and the requirements of the Sarbanes- Oxley Act, may strain our resources, increase our costs and distract management, and we may be unable to comply with these requirements in a timely or cost- effective manner. As a public company, we need to comply with laws, regulations and requirements, certain corporate governance provisions of the Sarbanes- Oxley Act of ~~2022~~ - **2002** (the " Sarbanes- Oxley Act ") and related regulations of the SEC and the requirements of the New York Stock Exchange (the " NYSE "). Complying with these statutes, regulations and requirements occupies a significant amount of time of our board of directors and management and significantly increases our costs and expenses. Under Section 404 (a) of the Sarbanes- Oxley Act, our management is required to assess and report annually on the effectiveness of our internal control over financial reporting and identify any material weaknesses in our internal control over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting- related costs and significant management oversight. In compliance with the Sarbanes- Oxley Act, we are required to have our independent registered public accounting firm attest to the effectiveness of our internal controls. Our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed, operated or reviewed. Compliance with these requirements may strain our resources, increase our costs and distract management, and we may be unable to comply with these requirements in a timely or cost- effective manner. **29** ~~Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Weaknesses in our disclosure controls and internal control over financial reporting may also be discovered in the future. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our results of operations or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting. If material weaknesses are discovered in the future, the Company' s financial statements could contain additional errors which, in turn, could lead to errors in our financial reports and / or delays in our financial reporting, which could require us to further restate our operating results. Ineffective disclosure controls and procedures~~

~~and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our Class A Common Stock. In addition, being a public company subject to these rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as executive officers. Additionally, as a public company, we are required to: (i) comply with any new requirements if adopted by the Public Company Accounting Oversight Board (United States) requiring mandatory audit firm rotation or a supplement to the auditor' s report in which the auditor would be required to provide additional information about the audit and the 25~~